

SAFRAN, CREATING VALUE, DEVELOPING TALENTS



Human logo formed
by 3,000 engineers and managers
at Safran Discovery Day
on June 6, 2012 in Paris, France.

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Safran employs 62,500 people worldwide. It is a leading international high-technology group with three core businesses: Aerospace (Propulsion and Equipment), Defence and Security. It is a leading player on markets in which the technological and financial barriers to entry are high, with robust and profitable service activities and long-lasting partnerships and customer relations built on trust.

Revenue	R&D spending	Headcount	Footprint
€13.6 billion	€1.6 billion	62,558	58 countries

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

Safran has a strong positioning in Aerospace. Its installed fleet, especially the CFM56, offers significant new vistas for value creation thanks to associated maintenance and overhaul activities. Its engines and equipment are present in most current and future aircraft programs, with the successful LEAP engine set to pick up where the CFM56 leaves off. The Group is organized so as to offer comprehensive offerings to aircraft manufacturers and airlines, including propulsion and landing systems. In Defence, the Group is renowned for its avionics and optronics expertise, which contributes significantly to the competence of armed forces around the world. In the Security segment, Safran's expertise lies in multi-biometric technology, secure documents such as passports and identity cards, and the detection of dangerous and illicit substances. The Group has boosted its position on this high-growth market through targeted acquisitions.

Safran enjoys particularly sound fundamentals with front-ranking technical and commercial positions, robust and profitable service activities, innovative research and development, a healthy financial situation and strong operating cash flow, which allow it to leverage opportunities for organic growth or acquisition-led development on all of its markets.

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



The French version of this Registration Document (*document de référence*) was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 28, 2013 pursuant to article 212-13 of the AMF's General Regulations. It may only be used in connection with a financial transaction if it is accompanied by a memorandum approved by the AMF. This document has been established by the issuer and is binding upon its signatories.

This Registration Document contains the annual financial report in accordance with Article 222-3 of the AMF's General Regulations. The cross-reference table referring to information required in an annual financial report is provided in section 9.4.3.

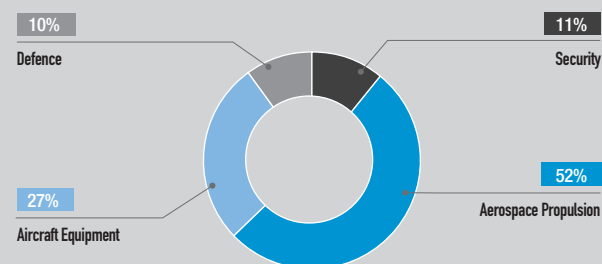
ADJUSTED KEY FIGURES (adjusted data)

REVENUE (ADJUSTED DATA)⁽¹⁾ (in € millions)



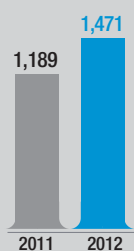
Adjusted revenue climbed 15.5%, driven primarily by the performance of the Aerospace (Propulsion and Equipment) and Security businesses which generated growth of 16.1% and 23.8%, respectively. In 2012, revenue was also boosted by the consolidation of new activities, particularly in the Security business.

BREAKDOWN OF REVENUE BY BUSINESS



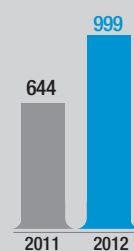
Safran is a leading international high-technology Group in Aerospace. These activities – Propulsion and Equipment – generate 79% of its revenue.

RECURRING OPERATING INCOME (ADJUSTED DATA)⁽¹⁾ (in € millions)



Adjusted recurring operating income represented 10.8% of adjusted revenue, up 23.7% year on year. This improvement was primarily driven by the Aerospace business, which benefited from solid growth in original equipment deliveries and strong momentum in the civil aftermarket.

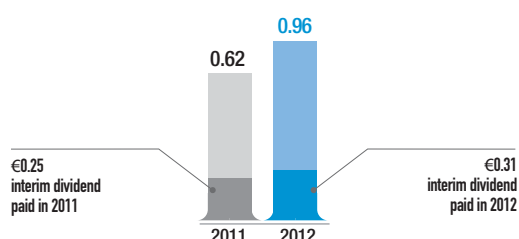
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (ADJUSTED DATA)⁽¹⁾ (in € millions)



Adjusted profit attributable to owners of the parent rose 55% in 2012, representing €2.41 per share, up from €1.59 in 2011.

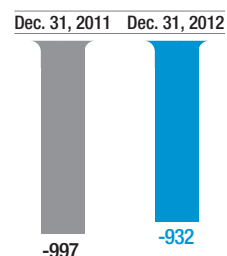
(1) The table reconciling the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.1.1.

DIVIDEND (in € per share)



At the Ordinary and Extraordinary Shareholders' Meeting of May 28, 2013, the Board of Directors will recommend a dividend of €0.96 per share, a 55% increase from the previous year. An interim dividend (€0.31 per share) was paid in December 2012 and the final dividend (€0.65 per share) will be paid in 2013.

NET DEBT (in € millions)

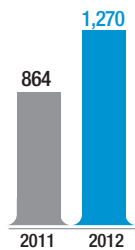


The Group was able to reduce its debt by increasing free cash flow throughout the financial year. Debt remains low despite strategic acquisitions in the Security and Defence segments for approximately €200 million, and dividend payments of €283 million (€154 million for the balance of the 2011 dividend and €129 million for the 2012 interim dividend).

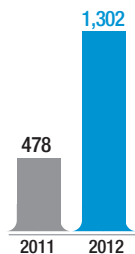
II REVENUE (CONSOLIDATED DATA)
(in € millions)



II RECURRING OPERATING INCOME (CONSOLIDATED DATA)
(in € millions)



II PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (CONSOLIDATED DATA)
(in € millions)

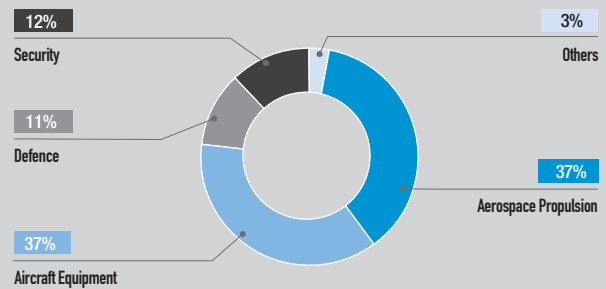


II HEADCOUNT AS OF DECEMBER 31, 2012

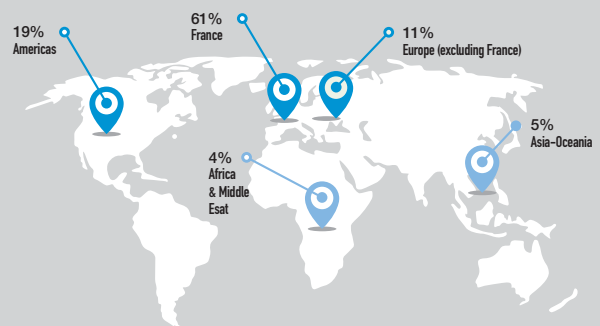


The Group's workforce grew by 2,800 (1,600 in France) compared to end-2011, in response to business growth. R&D resources are also being bolstered.

II BREAKDOWN OF HEADCOUNT BY BUSINESS



II BREAKDOWN OF HEADCOUNT BY GEOGRAPHIC AREA



The Group's expansion continued apace both in France and abroad. Outside France, the headcount comes to 24,600 across 57 countries.

KEY FIGURES BY BUSINESS (adjusted data)

	Revenue (in € millions)	Recurring operating income (in € millions)	Headcount
Aerospace Propulsion	7,005	1,099	23,271
Aircraft Equipment	3,691	287	22,874
Defence	1,315	81	7,182
Security	1,546	145	7,727

CORPORATE GOVERNANCE

At the Company's Annual General Meeting of April 21, 2011, a new corporate governance structure was adopted, replacing the Executive Board and Supervisory Board with a Board of Directors.

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

Since April 21, 2011, the Board of Directors of Safran has consisted of fifteen members, including four State representatives and two employee-shareholder representatives.

Board membership is as follows:

- Jean-Paul Herteman, Chairman and Chief Executive Officer;
- Francis Mer, Vice-Chairman of the Board of Directors;
- Marc Aubry, Director representing employee shareholders;
- Giovanni Bisignani, Director (independent);
- Christophe Burg, Director representing the French State;
- Jean-Lou Chameau, Director (independent);
- Odile Desforges, Director (independent);
- Jean-Marc Forneri, Director (independent);
- Christian Halary, Director representing employee shareholders;
- Xavier Lagarde, Director;
- Michel Lucas, Director;
- Elisabeth Lulin, Director (independent);
- Astrid Milsan, Director representing the French State;
- Laure Reinhart, Director representing the French State;
- Michèle Rousseau, Director representing the French State.

BOARD ADVISOR

- Caroline Grégoire-Sainte Marie.

BOARD COMMITTEES

In its meeting of April 21, 2011, the Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee;
- a Strategy and Major Projects Committee.

Within their respective areas of expertise, each committee issues proposals, recommendations and opinions.

THE AUDIT AND RISK COMMITTEE

Four members – Chairman: Jean-Marc Forneri

The Audit and Risk Committee is responsible for examining the financial statements and addressing issues relating to the preparation and auditing of accounting and financial information. It also verifies the Company's external audit.

THE APPOINTMENTS AND COMPENSATION COMMITTEE

Five members – Chairman: Michel Lucas

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

THE STRATEGY AND MAJOR PROJECTS COMMITTEE

Seven members – Chairman: Francis Mer

The Strategy and Major Projects Committee expresses its opinion on the Group's major strategic orientations, development policy and major industrial product development projects or programs as presented to the Board of Directors by Executive Management.

It also examines proposals for strategic agreements and partnerships, acquisitions and all other transactions that impact Group structure.

EXECUTIVE MANAGEMENT

On April 21, 2011, the Board of Directors opted to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and appointed Jean-Paul Herteman to take on these functions and the title of Chairman and Chief Executive Officer. At the same meeting, the Board of Directors appointed Francis Mer as Vice-Chairman of the Board of Directors.

Finally, the Board of Directors appointed as non-Director Deputy Chief Executive Officers:

- Dominique-Jean Chertier;
- Ross McInnes;
- Marc Ventre.

01

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2012 revenue (adjusted data)
€13,560 million

Recurring operating income,
2012 (adjusted data)
€1,471 million

2012 profit (attributable
to owners of the parent,
adjusted data)
€999 million
(€2.41 per share)

Total R&D expenditure
(including the portion funded
by customers)
€1.6 billion

Industrial investments
€419 million

Headcount as of
December 31, 2012
62,558 employees

THE GROUP'S POSITIONING

Safran is a leading international high-technology group with three core businesses: Aerospace (Propulsion and Equipment), Defence and Security. It is a prime player on all of its markets.

AEROSPACE

Through its rocket and aircraft propulsion systems, Safran covers the entire life cycle of systems for the propulsion of planes, helicopters, missiles and launch vehicles, in the civil, military and space markets, from design through to production, marketing, maintenance and repair.

Through its aircraft equipment systems, Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters.

Group companies provide both original equipment and services to leading global aircraft programs.

DEFENCE

Safran holds a front-line international position in optronics, avionics, electronics and critical software for civil and defence markets.

SECURITY

Safran's Security business offers solutions for enhancing the safety and security of transport systems, critical infrastructures and individuals. It operates in the areas of biometric systems, secure documents (passports, ID cards), and systems for detecting explosives and illicit substances.

RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. R&D is therefore essential to Group strategy. The total R&D effort, close to 70% of which is self-financed, amounted to €1.6 billion in 2012, representing almost 12% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

SAFRAN+

The Safran+ program targets continuous performance enhancements. It stimulates initiative and innovation through intra-group synergies, the ultimate aim being ever-higher customer satisfaction.

1.1 OVERVIEW

1.1.1 HISTORY

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

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

KEY DATES IN THE GROUP'S HISTORY

Safran Group was created on May 11, 2005 from the merger of Snecma and Sagem, and is the world's oldest aircraft engine manufacturer. Comprising a number of companies with prestigious brand names, it has been at the forefront of aeronautics and defence for more than a century and is now also a leading name in security.

- 1905** Louis and Laurent Seguin found the Société des Moteurs Gnome in the Paris suburb of Gennevilliers. In just a few short years, their Gnome rotary engines become the standard for planes around the world.
- 1912** Louis Verdet creates Le Rhône, which becomes Gnome's main competitor within two years. Gnome quickly takes over its competitor, creating the Société des Moteurs Gnome & Rhône. After the First World War, Gnome & Rhône becomes one of the world's leading manufacturers of aircraft engines.
- 1924** Marcel Môme creates Société d'Applications Générale d'Électricité et de Mécanique (Sagem), whose main business is to supply power to telephone exchanges. A few years later, Sagem diversifies its business to include the manufacture of cameras, projectors and artillery equipment. It also sets up the first ever analogue telephone network. Sagem creates Société d'Application Téléphonique, which in 1960 becomes the Société Anonyme de Télécommunications (SAT). This company goes on to design the world's first infrared guidance system for air-to-air missiles.

- 1945** After the Second World War, Gnome & Rhône is nationalized and renamed Snecma. It groups together the majority of French aircraft engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).
- 1968** Hispano-Suiza, specializing in power transmission for the engines of civil and military aircraft and helicopters, joins Snecma. A few years later, it teams up with Messier to create Messier-Hispano-Bugatti (MHB) and consolidate all landing system products. Messier-Bugatti-Dowty is today the world's leading player on this market⁽¹⁾.
- 1974** Snecma becomes a civil aircraft engine manufacturer through a cooperation agreement with General Electric Aircraft Engines for the manufacture of the CFM56 ("CF" for General Electric's commercial engine line and "M56" for Snecma's 56th project). This engine currently represents the world's largest civil aircraft engine fleet⁽²⁾: an aircraft powered by the CFM56 takes off every 2 seconds⁽³⁾.
- 1993** Sagem purchases Morpho, a specialist in fingerprint-based biometric recognition systems. Today, the business is the world leader in this sector.
- 1997** Snecma takes full control of Société Européenne de Propulsion (SEP) and enters the space propulsion market (Ariane launcher).
- 2000** Aircraft wiring specialist Labinal joins Snecma. Labinal is currently a leading world player in this market. Helicopter engine manufacturer Turbomeca joins Snecma to continue a technology success story that started in 1938 with company founder Joseph Szydlowski. Today, Turbomeca is the world's premier manufacturer of turbine engines for helicopters⁽⁴⁾.
- 2002** Hurel-Dubois merges with the aircraft engine nacelle business of Hispano-Suiza to become Hurel-Hispano. Three years later the company is renamed Aircelle. It is currently one of the key players on the aircraft engine nacelle market.
- 2005** Safran is formed from the merger of Snecma and Sagem. Safran strengthens its positions in the security business with the acquisition of smartcard specialist Orga Kartensysteme GmbH.
- 2008** Safran extends its partnership with GE in the fields of aerospace propulsion and nacelles through to 2040. The Security business acquires Sdu-I in Holland, renamed Morpho BV.

(1) Source: Messier-Bugatti-Dowty.

(2) Source: Ascend, www.ascendworldwide.com.

(3) Source: Safran.

(4) Source: Turbomeca.

2009 Safran acquires 81% of GE's Homeland Protection business, as well as Motorola's biometrics business (under the Printak brand). Then in 2012, Safran acquires the remaining 19% of GE Homeland Protection, renamed Morpho Detection Inc.

2010 Labinal completes its acquisition of Harvard Custom Manufacturing – renamed Labinal Salisbury – an American company based in Salisbury (Maryland).

2011 Safran acquires L-1 Identity Solutions, a leading American identity management provider, to become a front-line world player in identity solutions and electronic documents. It also acquires SME (formerly SNPE Matériaux Énergétiques). The following year, Safran merges SME and Snecma Propulsion Solide to form Herakles, world number two in solid propellants for rockets⁽¹⁾.

2012 Safran enters into an agreement to acquire the electrical systems business of Goodrich (Goodrich Electrical Power Systems – GEPS), to form a leading world player in aircraft electrical systems.

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

1.1.2 ORGANIZATION AND POSITION OF THE ISSUER IN THE GROUP

ORGANIZATION

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

The organizational structure is based on:

- a parent company, Safran, the Issuer, responsible for the Group's strategy, organization and development. Safran has adopted a governance structure with a Board of Directors;
- companies handling specific business lines, under strategies determined by the parent company's Board of Directors. The parent company's senior management ensures that the strategies defined for each business are implemented at an operational level.

First-tier entities are responsible for overseeing the second-tier entities with which they have operational ties.

ROLE OF THE ISSUER WITHIN THE GROUP

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

- it holds and manages shares in the main Group subsidiaries;
- it steers and develops the Group, determining Group strategy, R&T, sales policy, legal and financial policy, human resources policy, communications, oversight of operations;
- it provides support for Group companies, on legal, taxation and financial matters (such as finance, cash pooling, tax consolidation, etc.), along with services, through Shared Services Centres covering payroll management and administration, recruitment, non-production purchasing, IT, and some accounting functions.

The list of consolidated companies is presented in section 3.1, Note 33.

FINANCIAL FLOWS BETWEEN THE ISSUER AND GROUP COMPANIES

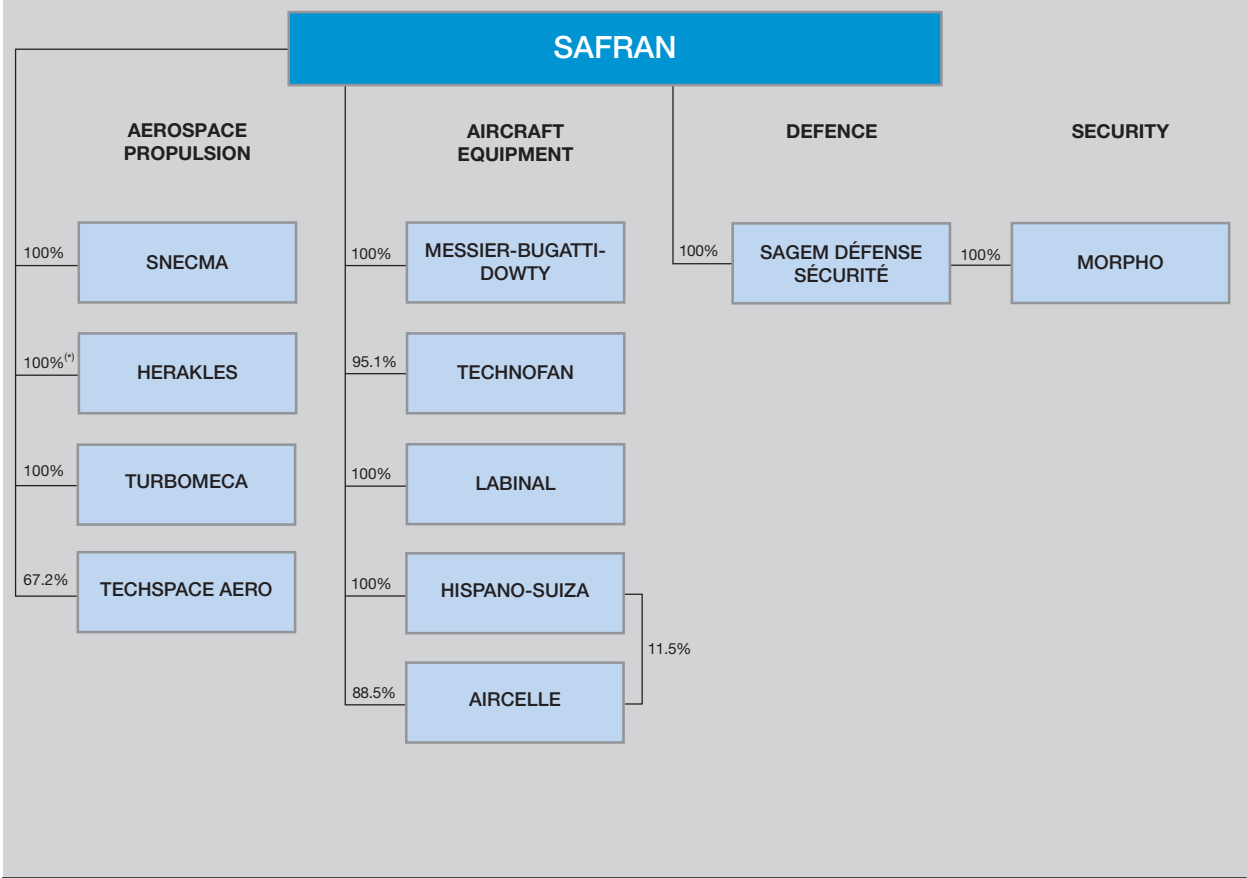
Safran receives dividends paid by its subsidiaries, compliant with applicable regulations.

It receives payment for services provided to Group companies, and invoices the price of services provided through the Shared Services Centres.

(1) Source: Herakles.

1.1.3 SIMPLIFIED ORGANIZATIONAL CHART

Safran, the Issuer, is the parent company of the Safran Group. The simplified organizational chart as of December 31, 2012 is as follows:



(*) Less one share held by the French state.

The list of consolidated companies is presented in section 3.1, Note 33.

1.1.4 MAIN GROUP COMPANIES, BY BUSINESS SECTOR

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

AEROSPACE PROPULSION

Safran's Aerospace Propulsion business covers all activities (design, production, marketing, testing, maintenance and repair) relating to propulsion systems for planes, helicopters, missiles and launch vehicles, in the civil, military and space markets.

SNECMA

Jet engines for civil and military aircraft, support, maintenance, repair and related services. Liquid-propellant propulsion systems for launch vehicles, satellites and space vehicles.

TURBOMECA

Turbine engines for civil, parapublic and military helicopters. Turbojet engines for training aircraft, missiles and drones. Maintenance, repair, support and related services.

HERAKLES

Solid propellant rocket engines for space launch vehicles and missiles. Energy raw materials, pyrotechnic equipment, thermostructural and organic composite materials for defence, aerospace, automotive safety and industrial applications.

TECHSPACE AERO

Low-pressure compressors for aircraft engines. Equipment for aerospace applications. Equipment and test cells for aerospace engines.

AIRCRAFT EQUIPMENT

Safran's Aircraft Equipment business covers equipment, systems and services for civil and military aircraft and helicopters.

MESSIER-BUGATTI-DOWTY

Aircraft landing gear and braking systems. Operations cover full product life cycles: from design and manufacture through to maintenance and repair.

AIRCELLE

Complete nacelle systems for aircraft engines, support and related services, composite materials for aerostructures.

HISPANO-SUIZA

Engine power transmissions for civil and military aircraft and helicopters. Electronic power controllers and electrical systems.

LABINAL

Electrical wiring for civil and military aircraft. Comprehensive engineering services for the aerospace, defence, automobile and rail industries.

DEFENCE

SAGEM⁽¹⁾

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

SECURITY

MORPHO

Multi-biometric identification solutions (fingerprint, iris and face recognition), and identity management solutions. Smartcards, identity document and secure transaction systems. Equipment for detecting explosives and illicit substances.

(1) Sagem is the trading name of Sagem Défense Sécurité.

1.2 GROUP STRATEGY

Safran holds leading international positions in the Aerospace, Defence and Security markets. It enjoys strong customer recognition for excellence in all its businesses.

Safran is a leading manufacturer of aircraft engines, helicopter turbine engines and space engines. It is also a front-line player in landing gear, nacelles, electrical equipment and wiring systems, for aircraft manufacturers and airline companies. Safran provides its customers and operators with an extensive services offering across its whole business spectrum.

On the security market, Safran harnesses unique experience to meet growing demand for multi-biometric identification systems, secure document systems (passports, identity cards, etc.), and tomographic systems for the detection of explosives and illicit substances.

The Defence market remains a promising, albeit smaller, area owing to Safran's strong innovative capacities in advanced technologies, which underlie its leadership in optronics, navigation and avionics.

Safran's development is guided by four key principles:

- technological innovation, driving long-term growth;
- world number-one ranking in an increasing number of businesses;
- strong positions on high-growth markets;
- consistently sound financial position.

To back its strategy, Safran continues to forge alliances and long-term partnerships, as with GE, on engines for short- to medium-haul aircraft (partnership dating back to 1974, then renewed in 2008 through to 2040), and more recently with Honeywell, on an ecology-friendly Electric Green Taxiing System (EGTS) that does not require the use of the aircraft's engines. Safran also proceeds with targeted external growth operations, chiefly to round out its coverage of key technologies and to access new markets. These levers strengthen and accelerate Safran's organic growth.

Safran is also pushing ahead with its competitive performance improvement plan, through constant improvement to its industrial facilities and the increasing dollarization of its purchasing operations, which affords protection against exchange rate fluctuations.

Safran takes up positions on long-term markets on which sustained demand ensures growth and profitability. Growth opportunities are found not only in the strong development potential of emerging countries (such as China), but also in mature US and European markets, where aircraft fleets are under renewal. Safran expects the worldwide fleet to double in size over the next 20 years. This is the multipolar and global aerospace market on which Safran asserts its sustainable growth and profitability strategy.

Safran's financial fundamentals are very sound. Robust operating cash flow underpins a strong long-term position at the technological frontline, and sustained R&D investments, thus driving short- and medium-term growth.

Safran implements its development strategy in accordance with unwavering ethical principles, on job satisfaction, environmental protection, and the absolute need for infallible safety and security conditions. These principles are outlined in a charter that sets out Safran's values and ethical standards (see section 5.2.1).

1.3 GROUP BUSINESSES

Safran operates in the high-tech Aerospace (Propulsion and Equipment), Defence and Security markets. In certain cases, it forges alliances and partnerships when participating in major programs in these markets, due to the technological challenges, cost, development time and risks involved.

By joining forces, each party brings the best of its know-how to the project in hand and shares risks thanks to a diversified product portfolio.

1.3.1 AEROSPACE PROPULSION

The Aerospace Propulsion business operates in three fields:

AIRCRAFT AND LIQUID-PROPELLANT ENGINES

Civil aircraft engines	Business jets
	Regional jets
	Short- to medium-haul aircraft
	Long-haul aircraft
Military aircraft engines	Fighters
	Training and support aircraft
	Patrol, tanker and transport aircraft
Liquid- and plasma-propellant engines	Launch vehicles and satellites

HELICOPTER ENGINES

Turbine engines for helicopters	Light helicopters
	Medium-weight helicopters
	Heavyweight helicopters

SOLID-PROPELLANT ENGINES

Civil space industry	Launch vehicles
Military industry	Ballistic missiles
	Tactical missiles and targets

1.3.1.1 AIRCRAFT AND LIQUID-PROPELLANT ENGINES

CIVIL AIRCRAFT ENGINES

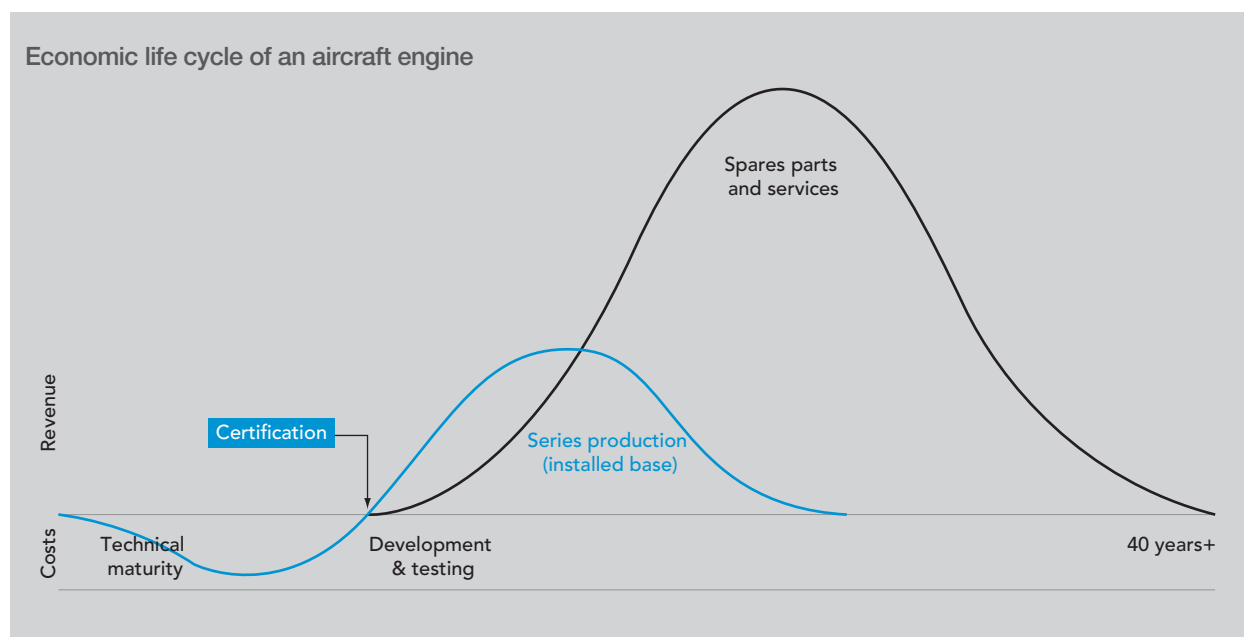
Key characteristics of the business sector

The civil aviation sector comprises four main segments:

- business jets powered with engines delivering between 5,000 and 18,000 pounds of thrust;
- regional jets (30 to 100 seats) powered by engines delivering between 8,000 and 18,000 pounds of thrust;
- short- to medium-haul aircraft with 100 to 200 seats, powered by engines delivering between 18,000 and 50,000 pounds of thrust;
- high capacity long-haul aircraft with a twin-aisle fuselage, powered by engines delivering over 50,000 pounds of thrust (currently up to 115,000 pounds).

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

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



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

There are four major engine manufacturers in the sector that can act as prime contractors: GE (US), Rolls-Royce (UK), Pratt & Whitney (US) and Safran (France). Honeywell (US) only acts as prime contractor on business jet engines.

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

■ Alliances and partnerships

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

Partnerships may take the form of joint ventures, as with GE (on the CFM56/LEAP program), Rolls-Royce and NPO Saturn.

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

Group products and programs

Safran's operations in the civil aircraft engines segment mainly involve Snecma, Turbomeca and Techspace Aero.

■ Low-thrust engines for civil aircraft

This engine family powers regional transport jets and business jets. Safran is the prime contractor for the SaM146 program, in partnership with the Russian engine manufacturer, NPO Saturn. The SaM146 was selected as the sole engine for the Superjet 100, the 70- to 95-seater aircraft made by Russian manufacturer Sukhoi.

Safran also invests in engines for business jets through its Silvercrest program, in the category of engines delivering 10,000 pounds of thrust. This engine has already been selected by two aircraft manufacturers, including Cessna, in May 2012, for its new Citation Longitude business jet.

The Group also operates in this engine range through participation in the following GE programs:

- CF34 10 (Embraer 190 and COMAC ARJ 21 regional jets);
- Passport (Bombardier Global 7000/8000 business jets).

Safran also makes a piston aircraft engine, the SR305-230E, from SMA (Société de Motorisations Aéronautiques). SMA was founded in 1997 to develop a diesel engine for light aviation, and joined the Safran Group in 2005. The SMA SR305-203E engine will power the latest arrival in the Cessna 182 Skylane line: the four-seater, single-engine, high-wing Turbo Skylane NXT, scheduled for release in 2013.

■ Medium-thrust engines for civil aircraft

The CFM56 engine program generates the largest share of Safran's Aerospace Propulsion revenue (approximately 40%). This engine is developed under equitable joint cooperation agreements by CFM International, a 50-50 joint venture between Safran and GE.

The majority of short- to medium-haul aircraft with more than 100 seats delivered over the last 15 years are powered by CFM56 engines. These engines power nearly 56%⁽¹⁾ of the Airbus A320ceo (current engine option) range. Competition to power the Airbus range comes from the IAE consortium's V2500 engine and Pratt & Whitney's PW6000, which currently powers only a small number of A318s. Following the purchase of Rolls-Royce's share by Pratt & Whitney in June 2012, the IAE consortium now comprises three engine manufacturers (Pratt & Whitney, MTU Aero Engines and Japanese Aero Engines Corp.).

(1) Source: Safran.

The new generation of the Boeing B737NG, like the previous version (Classic), is powered solely by CFM56 engines.

Overall, the CFM56 engine represents 80%⁽¹⁾ of the short- to medium-haul aircraft market.

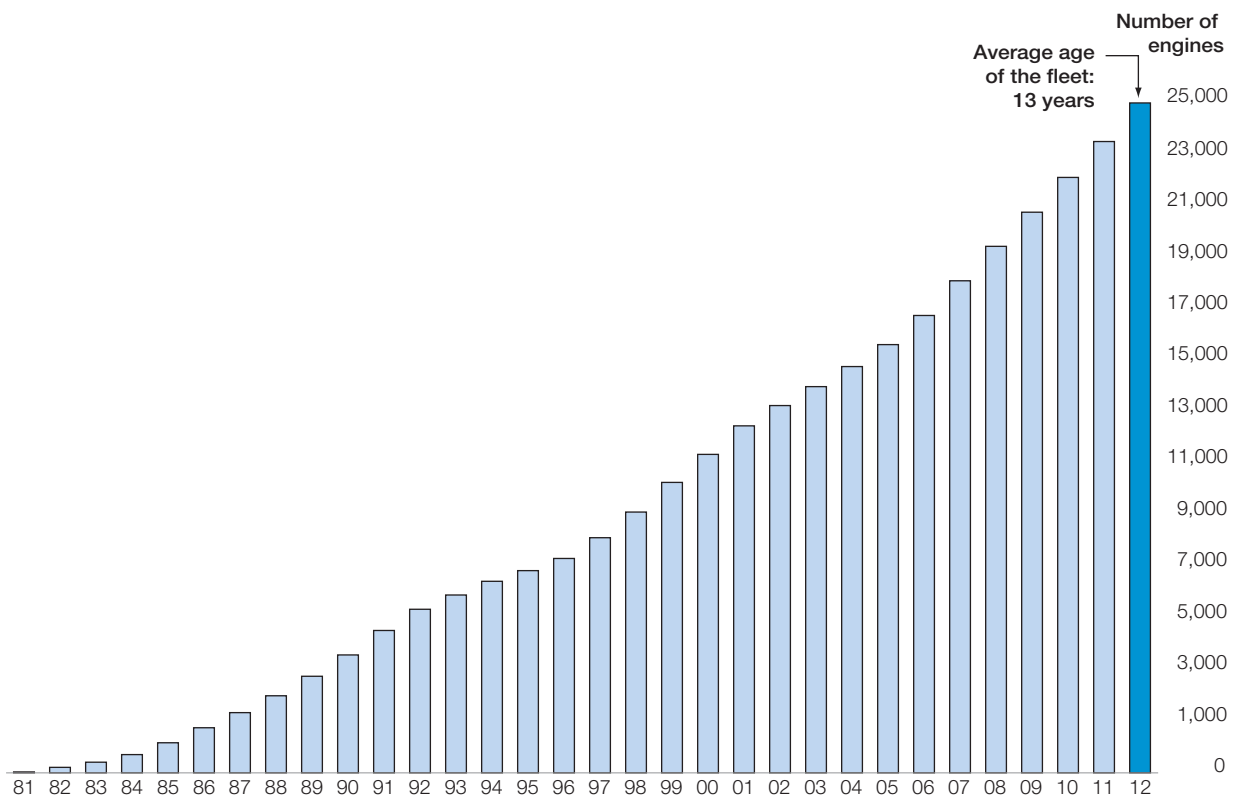
The success of this program with airlines has led to a steady rise in the fleet of CFM56 engines delivered over the past 30 years. This engine currently represents the world's largest engine fleet, totaling more than 24,000 units (only around 800 of which have been withdrawn from service).

CFM International is also developing a new generation of engine called LEAP, which should achieve a 16% reduction in fuel consumption in comparison with current CFM56 versions. The

first tests on the new unit will begin in 2013, with commissioning scheduled for 2016. The engine has so far been selected:

- in an initial version, LEAP-1C, as the only Western source for the propulsion system (engine plus nacelle) on COMAC's C919 Chinese aircraft, in late 2009;
- in a second version, LEAP-1A, as one of the two new engine options for the new Airbus A320neo (new engine option), which was officially launched by the European aircraft maker in late 2010. (The other engine is the PurePower PW1000G, developed by Pratt & Whitney);
- in a third version, LEAP-1B, as the exclusive source for the propulsion system on the new Boeing 737 MAX, officially launched by the US aircraft manufacturer in summer 2011.

II TOTAL DELIVERIES OF CFM56 ENGINES



High-thrust engines for civil aircraft

The Group operates in this engine range as a risk and revenue sharing partner of GE. Participation rates vary between 8% and 24% across several major engine programs in series production, including the CF6 powering the A330 (19.4%) and the 747 (10%), the GE90 powering the 777 (23.5%), the GP7200 powering the A380 (17.5%, including 7.5% with Pratt & Whitney), and the GenX (8%) powering the Boeing 787 Dreamliner long-haul aircraft and the Boeing 747-8.

Spare parts and services for civil aircraft engines

After-sales operations primarily involve the sale of spare parts and the provision of maintenance, servicing and repair services. They

hold very high sales and profitability potential for the Group, owing to the size and lifespan of the aircraft fleets concerned.

For the fleet of CFM56 engines, after-sales operations chiefly involve sales of new spare parts and provision of engine maintenance services. For several years the Group has been developing long-term service contracts with airlines and major maintenance workshops, to assert its position on this highly competitive market. All CFM56 engines are removed for inspection and servicing in a maintenance workshop from three to five times during an average service life. As well as offering real-time response to demand for new spare parts, CFM Materials (a business run jointly by GE and Snecma) also provides reconditioned CFM56 parts. CFM holds near-exclusive coverage of the market for CFM56 spare parts, which are critical to engine dependability. The growing number of

(1) Source: Safran.

PRESENTATION OF THE GROUP

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CFM56 engines in service will generate a growing volume of highly profitable business in the future.

For new-generation LEAP engines, scheduled to come into service from 2016, all OEM purchase intention and firm order agreements (except for sales for aircraft rental companies), have been signed almost simultaneously with spare parts provision and/or service contracts running for seven to ten years. As this type of offering becomes increasingly systematic, it ensures long-term service revenue covering the supply of spare parts from the initial OEM sale.

On all other civil aircraft engine programs, including those for high-thrust engines, in which Safran holds a minority stake alongside GE, the Group benefits from revenues from spare parts and maintenance contract sales proportional to its stake in the program.

MILITARY AIRCRAFT ENGINES

Key characteristics of the business sector

The military aviation sector comprises three main segments:

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

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

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

As in the civil aviation sector, military engine programs generally involve two types of activity, namely original equipment and after-sales service, the latter comprising the sale of spare parts, maintenance and repair activities, as well as other customer services.

Alliances and partnerships between engine manufacturers have been forged to bring together the best technological and commercial assets, pool risks, and meet the needs of pan-European programs (such as EuroProp International, regarding the TP400 engine fitted to the Airbus A400M).

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

The key Western players in the fighter jet engine sector are North American and British, namely Pratt & Whitney, GE and Rolls-Royce.

The main European players are: Safran, whose M53 engine powers the Mirage 2000 and whose M88 engine equips the Rafale; Rolls-Royce, whose RB199 engine powers the Tornado and whose Pegasus engine powers the Harrier; and the European Eurojet consortium comprising Rolls-Royce (UK), MTU Aero Engines (Germany), Avio (Italy) and ITP (Spain), which are developing the EJ200 engine for the Eurofighter Typhoon.

The choice of engines in the training aircraft sector consists mainly of those made by Safran (the Larzac, which powers the Alphajet, and the Adour in partnership with Rolls-Royce, which powers BAe Systems' Hawk aircraft), Pratt & Whitney (PW500 and PW300) and Honeywell (TFE731 and F124 engine families).

In the engine segment for military transport and patrol aircraft, the fleet is primarily made up of the T56 and AE2100 turboprops

developed by Rolls-Royce North America (formerly Allison) and the Tyne engines developed by Snecma under Rolls-Royce license.

In the future, a major role will be played by the TP400 program (10,000 horse power turboprop - the most powerful in the Western world), which powers the European military transport aircraft the Airbus A400M, which is currently under development. Snecma holds a 32.2% stake in this program as a member of the Europrop International (EPI) consortium, comprising Snecma, Rolls-Royce, MTU Aero Engines and ITP.

Group products and programs

Safran's operations in the military aircraft engines segment mainly involve Snecma, Turbomeca and Techspace Aero.

■ Fighter engines

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

- the Atar engine (4.5 to 7.1 metric tons of thrust), which powers the Super-Étendard Marine jets and the Mirage III, IV, V, F1 and 50 family. Series production of this engine has now ceased and approximately 850 engines remain with 11 customers;
- the M53 engine (9.5 metric tons of thrust), which powers the Mirage 2000. There are 606 of these engines in service with nine clients;
- the M88 engine (7.5 metric tons of thrust), which powers the Rafale, with 302 engines in service.

■ Training and support aircraft engines

Activity in this segment is based on the following programs:

- the Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's Alpha Jet training aircraft and for which series production has ceased. The Larzac engine also powers the Russian MiG-AT and Indian HJT36 prototype training aircraft. Approximately 750 engines are in service with 14 customers;
- the Adour engine, which delivers thrust of 3.7 metric tons (with afterburner) or 2.9 metric tons (without afterburner), is developed and produced by RRTM (Rolls-Royce Turbomeca Ltd.), a partnership between Turbomeca and Rolls-Royce. The Adour engine powers support and attack aircraft such as the Jaguar aircraft produced by Dassault Aviation and BAe Systems, and the following training aircraft: the Hawk produced by BAe Systems and the Goshawk T-45A produced by Boeing. More than 1,100 engines are in service in 18 countries.

■ Patrol, tanker and transport aircraft engines

Activity in this segment is based on the following programs:

- the CFM56 engine powering military versions of the Boeing 707 (CFM56-2), for the KC135 tanker aircraft and Boeing 737 (CFM56-7), for the US Navy C-40 transport aircraft, the future maritime patrol aircraft, the MMA (Multimission Maritime Aircraft), the AEW&C aircraft (Airborne Early Warning & Control) and the Wedgetail detection and command aircraft;

- the Tyne turboprop engine, delivering 4,550 kW of thrust, developed by Rolls-Royce and manufactured under license by Snecma (57%) and MTU Aero Engines (20%). This engine powers C-160 Transall transport aircraft and Breguet Atlantic and Atlantique 2 maritime patrol aircraft. Series production of this program has ceased but it continues to generate revenues through spare parts and repairs;
- the TP400-D6 engine will power the Airbus A400M European transport aircraft.

■ Spare parts and services for military aircraft

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

Because of the extreme operating conditions involved, military aircraft engines are usually serviced before they reach 1,000 hours in flight. One of Safran's constant development objectives is to lengthen the interval between servicing visits. The Group recently developed a new version of the engine that powers the Rafale; the M88 Pack CGP introduces technical improvements that help maintain the aircraft in optimal operating conditions. To reduce total cost of ownership, hot parts and rotating parts have a longer service life, which makes for a longer servicing interval. Most governments currently delegate the management of their spare parts to Safran.

LIQUID- AND PLASMA-PROPELLANT ENGINES

Key characteristics of the business sector

This business sector comprises launch vehicle propulsion systems and satellite engines.

Two types of technology are involved: liquid-propellant rocket engines and electric thrusters (known as plasma thrusters).

European civil space activities are assigned among manufacturers in each country to ensure a fair return on investment for all governments involved. The manufacturers then enter into agreements to reallocate these activities in accordance with their areas of expertise.

In Europe, the weak government market means that access to space systematically involves the operator Arianespace, the main player on the commercial market for the launch of geostationary telecommunication satellites. Safran is the main supplier of Ariane engines.

Group products and programs

Safran's operations in the liquid- and plasma-propellant engine segment mainly involve Snecma and Techspace Aero.

Safran's direct customers are EADS Astrium, which supplies series production units to Arianespace, and the European Space Agency (ESA) for development activities:

- **series production**, with manufacture of the Vulcain 2 cryogenic engine delivering 135 metric tons of thrust to power the main stage of the ES and ECA versions of Ariane 5, and manufacture of the HM7 cryogenic engine delivering 7 metric

tons of thrust to power the upper stage of the Ariane 5 ECA rocket;

- **development activities**, with the new Vinci restartable cryogenic engine, delivering 18 metric tons of thrust, selected for the upper stage of the improved Ariane 5, (Ariane 5 ME, Midlife Evolution), the first launch of which is scheduled for 2017/2018, followed by the new-generation Ariane 6 launch vehicle, for 2021/2022.

In the satellite sector, Safran offers an electric propulsion solution. SPT100 plasma thrusters are in service in geostationary satellites and the PPS1350 thruster powers ESA's SMART-1 lunar exploration probe.

1.3.1.2 HELICOPTER TURBINE ENGINES

Key characteristics of the business sector

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

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

Overall, the Group serves:

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

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

The helicopter engine market, like the civil aviation market, comprises two activities:

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

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

The airframe/engine pairing is often unique and at the origin of a new model. However, the current trend is towards multiple engine sizes in line with developments in airframes. This trend can also be seen where a helicopter is adapted for a specific purpose, thereby reintroducing competition into a given program.

There are fewer partnerships between engine manufacturers than in the civil aviation engine sector.

The main partnerships are between Rolls-Royce and Turbomeca (RRTM), for the 2,500 shp⁽¹⁾ RTM322 engine, which powers the NH90 and EH101, and between Rolls-Royce,

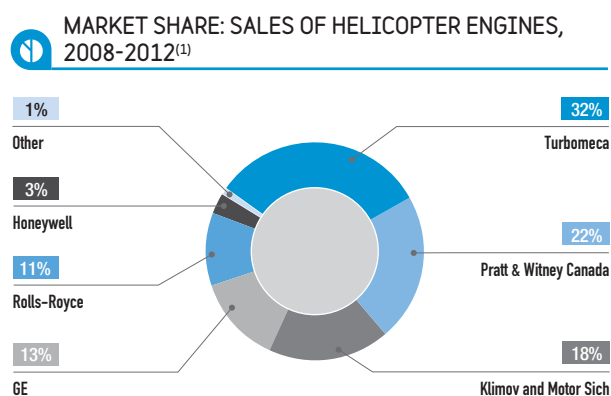
(1) shp: shaft horsepower.

PRESENTATION OF THE GROUP

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Turbomeca, MTU and ITP (MTRI) for the 1,450 shp MTR390-E engine, which powers the Tiger. The growth of the helicopter market in emerging markets has also led Safran to develop other types of partnerships with consortiums of helicopter manufacturers looking to enter the propulsion sector. This is the case with HAL (Hindustan Aeronautics Ltd.) in India and AVIC in China, which are both becoming major customers and partners.

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



Group products and programs

Most of Safran's helicopter engines are modular turbine units adaptable to civil and military helicopters. Modularity makes for more efficient maintenance programs. Safran engines are designed with a large additional power potential (up to 20%), which means they address a broad application spectrum.

Through Turbomeca, Safran is active in all of the helicopter engine categories described above.

■ Turbine engines for light helicopters

For single- and twin-engine light helicopters, Safran offers two types of engine: Arrius and Arriel.

These engines and their derivatives power many civil helicopters, from Eurocopter (EC120, EC135, Écureuil, EC145, Dauphin, etc.), Sikorsky (S76) and Kamov (Ka-226T), along with military helicopters from Eurocopter (Fennec, Panther), AgustaWestland (A109 Power) and AVIC in China (Z9 and Z11).

The Arriel 1E2 engine powers the 322 twin-engine UH-72 Lakota by Eurocopter, ordered by the US Army.

In 2012, Safran launched development of the 1,100 shp TM800 engine for powering the Eurocopter X4 twin-turbine helicopter, and other five-ton helicopters.

■ Turbine engines for medium-weight helicopters

For medium helicopters (five to seven metric tons), Turbomeca is present on the military market for combat helicopters, with the MTR390 (developed jointly with Rolls-Royce and MTU) that powers the Eurocopter Tiger, and the TM333 engine that powers HAL's Dhruv. A special development contract has been signed with Spain (taking on board ITP as an additional engine partner) for a more powerful version of the MTR390 for the Tiger. For civil and military

applications with this range of helicopters, Turbomeca develops the Ardiden.

The Ardiden program addresses the new generation of medium helicopters (five to seven metric tons). The Ardiden 1 version is in series production, as is the Indian version, Shakti, developed in partnership with HAL, which powers the new version of HAL's Dhruv helicopter. The latest version, Ardiden 3, is at the development stage. It addresses six- to eight-ton helicopters under development, and has already won orders from AVIC in China and Kamov in Russia.

■ Turbine engines for heavyweight helicopters

On the heavyweight helicopters market, Makila turbine engines are used on helicopters including the Eurocopter EC 225/725 and Super Puma.

The RTM322 turbine engine (50-50 cooperation with Rolls-Royce) powers NH Industries' NH90 helicopter and AgustaWestland's EH101 and Apache (UK-specific) helicopters. This engine, which is in competition with General Electric's T700 engine, has won twelve of the fourteen NH90 tenders⁽¹⁾.

Spare part and service activities

Following the example of its civil aviation activities, Safran has developed an international structure able to provide customers with turbo engine spare parts and services locally. Local coverage is provided through a worldwide network of repair centers (performing in-depth maintenance) and Safran/Turbomeca service centers.

1.3.1.3 SOLID-PROPELLANT ENGINES

Key characteristics of the business sector

This business sector comprises two main segments:

- the civil space industry, comprising launch vehicle propulsion to place satellites in orbit as well as satellite engines;
- the military industry, comprising propulsion for all types of ballistic and tactical missiles.

In the military sector, ballistic missiles are an essential component of national nuclear deterrent forces for countries possessing this capability. With the exception of the United Kingdom, production is entrusted to national manufacturers. In Europe, France is the only country to develop its own ballistic missiles.

Orders for tactical missiles are placed by governments. Certain major markets, including the US, Russia and China, remain totally or partially closed to European suppliers or are subject to "local preference" policies.

In both the civil and military segments, engine manufacturers work closely with the launch vehicle or missile prime contractor. Development and engineering programs tend to be long and financed by government budgets, such as the European Space Agency (ESA) for civil space activities in Europe or the national defence budget for strategic military operations. Missile development is also financed by customer governments.

Series production activities generally involve limited quantities and fixed costs are high.

(1) Source: Safran.

Group products and programs

Safran addresses the civil and military space segments through Herakles and its subsidiaries and holdings.

■ Civil space propulsion

This segment features the following activities:

- **series production**, with the manufacture of powder boosters, solid propellant engines delivering 650 metric tons of thrust for Ariane 5 boosters produced by Europropulsion, a 50-50 joint venture between Safran and Avio;
- **development activities**, with Safran participating in the European VEGA program, in which it is notably responsible for the nozzle on the P80 solid-propellant engine. Safran also designs and manufactures nozzles in advanced composite materials for US space engines.

■ Ballistic missile propulsion

Safran provides rocket engines for the missiles of France's ocean-going strategic nuclear force, in particular for the third-generation program (M51).

■ Tactical missile and target propulsion

Safran provides engines for MBDA very-short-range ground-to-air Mistral missiles, and Apache and Scalp long-range air-to-ground missiles, as well as their Storm Shadow derivatives. The Group provides engines for MBDA C22 targets, for US Air Force MQM 107 targets and for targets produced by the Italian company Galileo (formerly Meteor) for NATO forces in Europe. It also supplies components for the production of SM-3 interceptor missiles, developed by Raytheon for US missile defence programs.

A consolidated business

Following Safran's April 2011 purchase of SME and its subsidiaries (mainly 85% of Pyroalliance, 50% of Roxel [owner of Roxel France], and 40% of Regulus), the activities of SME and SPS were merged to form Herakles.

In order to effectively merge research teams with testing teams from a functional standpoint, industrial efficiencies were rolled out at the end of 2012. MBDA France acquired Roxel France's ramjet integration and testing activities⁽¹⁾. This transaction did not include ramjet solid propulsion boosters or thermo-structural materials activities, businesses which continue to be operated by Roxel.

Herakles, number one in Europe and number two worldwide⁽²⁾ in solid propulsion technologies and industrial operations, employs more than 3,000 people, including a research and development unit boasting over 600 engineers and researchers.

1.3.2 AIRCRAFT EQUIPMENT

Safran is one of the world's leading aircraft systems and equipment suppliers, specializing in mechanical, hydromechanical and electromechanical equipment.

Safran's Aircraft Equipment business operates in four sectors:

LANDING AND BRAKING SYSTEMS

Landing gear

Wheels and brakes

Landing and braking systems

Ventilation systems and filters

Support services for landing gear, wheels and brakes and related systems

ENGINE SYSTEMS AND EQUIPMENT

Nacelles and thrust reversers

Power transmission systems

ELECTRICAL SYSTEMS AND ENGINEERING

Wiring and electrical connection systems

Power electronics and electrical systems

Engineering

OTHER EQUIPMENT

Small electric motors

This business covers design, manufacture and sale of various products, plus maintenance, repair, related services and sale of spare parts.

The growth potential of Safran's Aircraft Equipment business is significant, with the Group enjoying leading positions in each of its sectors in recent and prospective major short-, medium- and long-haul commercial aircraft programs by Boeing (787, 737NG), Airbus (A380, A350, and A320 ceo and neo) and COMAC (C919).

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

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

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

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

(1) Aerobic engines particularly suited to power supersonic aircraft over long distances.

(2) Source: Safran.

1.3.2.1 LANDING AND BRAKING SYSTEMS

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

In May 2011, Safran merged its wheels & brakes, landing & braking systems, landing gear, and maintenance & repair businesses to form Messier-Bugatti-Dowty. The new organization is in response to market shifts toward more tightly integrated offerings addressing both aircraft manufacturers and airlines.

One important trend here concerns the development of systems for increasing the proportion of electric aircraft systems.

A good illustration of this comes with the joint venture formed by Safran and Honeywell, which will be developing and offering airline companies an Electric Green Taxiing System, which enables the aircraft to taxi without airport towing services and without using the aircraft engines. As well as saving fuel, this new system will also reduce noise and pollution during taxiing phases.

LANDING GEAR

Key characteristics of the business sector

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

Group products and programs

Safran's operations in the landing gear segment mainly involve Messier-Bugatti-Dowty, which holds a 50% market share⁽¹⁾.

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

Safran is number one worldwide for these structural units, having equipped a fleet of some 21,000 aircraft. The Group's customer base comprises around thirty aircraft manufacturers, including Airbus, Boeing, Bombardier and Dassault, plus 650 major military and civil operators. Among the main commercial aircraft programs is the entire Airbus range, including the A350, as well as Boeing's 787 Dreamliner, the first contract with this US manufacturer. The Group also has a strong presence in military applications, where

it equips the A400M, Rafale, Eurofighter Typhoon, F18, V22 and Eurocopter helicopters, as well as in the business jet and regional jet markets (ATR, SuperJet 100, Bombardier, Dassault-Falcon, Fokker, Piaggio, etc.).

WHEELS AND BRAKES

Key characteristics of the business sector

The present-day wheels and brakes market extends to some 21,000 commercial jets, and splits evenly into two segments: aircraft with steel brakes (first-generation brakes), and aircraft with carbon brakes, invented by Safran. The market for carbon brakes has developed rapidly since the 1980s, with the increase in air traffic and the gradual phase-out of steel brakes, replaced by carbon units. The wheels and brakes market is currently shared among four major global players: Safran, UTC Aerospace Systems, Honeywell and Meggitt.

Group products and programs

Safran's operations in the wheels and brakes segment mainly involve Messier-Bugatti-Dowty.

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

The Group's main customers for wheels and brakes are Airbus and Boeing, chiefly in civil applications, for the A320, A330/A340, 767 and 777. In the military sector, Safran equips the A400M, the Rafale, the KC135 refueler and the C17 transport aircraft. Recent contract wins for the A350, the A320neo range, the 737NG and the 787 have bolstered its position as leader in this sector.

With more than 5,500 aircraft fitted, Safran holds close to 50%⁽¹⁾ of the global market for wheels and carbon brakes for aircraft with over 100 seats. In 42% of cases, these fleets are less than five years old, which, given the activity's business model, offers the Group a strong and highly profitable future revenue outlook on a constant-fleet basis.

LANDING AND BRAKING SYSTEMS

Key characteristics of the business sector

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

Group products and programs

Safran's operations in the landing and braking system segment mainly involve Messier-Bugatti-Dowty, selected by Airbus for most of its programs, including the A350 and the A320 family, by Bombardier for its LearJet 85 business jet program, and by Embraer for its KC390 military program. Safran's market share

(1) Source: Safran.

on commercial aircraft of more than 100 seats is around 35%⁽¹⁾, across all systems.

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

VENTILATION SYSTEMS AND FILTERS

Through Technofan, which is listed on Euronext Paris (Segment C), Safran designs, manufactures and markets ventilation systems for aircraft cabins, and avionics and brake cooling systems for commercial and military aircraft and helicopters.

Through its subsidiary Sofrance, Safran manufactures and markets a wide range of filtration systems for fuel, lubrication, air and hydraulic applications.

SUPPORT SERVICES FOR LANDING GEAR, WHEELS AND BRAKES, AND RELATED SYSTEMS

Safran provides maintenance services for all Group products, as well as for competitor products, for all aircraft of 10 metric tons and above. Through its partnerships in Asia, the US and France, the Group offers solutions tailored to regional and business jets.

1.3.2.2 ENGINE SYSTEMS AND EQUIPMENT

NACELLES AND THRUST REVERSERS

Key characteristics of the business sector

The nacelle comprises the engine fairing, the air inlet, the nozzle and the thrust reverser, which, as its name indicates, reverses the engine's thrust to help brake the aircraft. The thrust reverser represents approximately half the value of the nacelle. The market is organized around these sub-units, which require both specific and varied technical expertise according to the size and complexity of the nacelles. Safran's main competitors are UTC Aerospace Systems and Spirit.

Group products and programs

Safran is present in the nacelle and thrust reversers sector through the activities of Aircelle.

Safran designs, manufactures and provides after-sales services for nacelles for business jets, regional jets and commercial aircraft with over 100 seats. The Group also provides aerostructures, particularly those manufactured with composite materials. It is a recognized expert in the manufacture of complete nacelle systems (A340-500/600 and A380), large-scale reversers (A330 and A320) and acoustic technologies, and has a strong presence in the market for regional and business jets (Embraer 135/145 and 170, Gulfstream V, Bombardier Global Express, Challenger 300 and Sukhoi Superjet 100). Safran is one of three global leaders in this

sector, with a market share of 25%⁽¹⁾. Safran has an alliance with GE, via its subsidiary Middle River Aircraft System (MRAS), along the same lines as the CFM engine program partnership. The purpose of this alliance, called Nexcelle, is to jointly develop nacelles for future medium-haul aircraft. This is likely to strengthen Safran's long-term position. COMAC has selected the Nexcelle joint venture's "integrated nacelle" for the CFM LEAP-1C integrated propulsion system. The contract comes with an industrial cooperation agreement between Nexcelle and the Chinese state-owned group AVIC. Nexcelle has also been selected by GE to supply the nacelle for its Passport engine, which powers the Bombardier Global 7000/8000 business jets. Aircelle also develops the A320neo nacelle for Airbus, in partnership with MRAS, in a version powered by the CFM LEAP-1A, and the Silvercrest engine nacelle.

POWER TRANSMISSION SYSTEMS

Key characteristics of the business sector

The power transmission market covers a range of applications, the main ones being accessory gearboxes (which deliver mechanical energy to engine accessories or aircraft systems), reduction drives (which transfer power to the propeller blades on turboprop aircraft), and main transmission gearboxes (which transfer power to the blades on helicopters). The main players on this market are the engine and helicopter manufacturers themselves, along with equipment suppliers such as the UTC group, Avio, KHI, Triumph and Northstar.

Group products and programs

Safran's operations in the power transmission sector involve Hispano-Suiza.

Safran designs, manufactures, markets and maintains a wide range of mechanical power transmission systems for civil and military aircraft engines. Its customers are mainly Safran Group companies. Its reputation for technical expertise in power transmission systems has enabled it to enter into agreements with Rolls-Royce and more recently Eurocopter, and has bolstered Safran's position among sector leaders.

1.3.2.3 ELECTRICAL SYSTEMS AND ENGINEERING

WIRING AND ELECTRICAL CONNECTION SYSTEMS

Key characteristics of the business sector

Wiring and electrical connection systems are mainly comprised of electrical harnesses as well as main and secondary transformer stations and other electrical cabinets.

Much of the aircraft wiring market is still in the hands of aircraft manufacturers' internal departments. The Group is the worldwide leading supplier on the open market for aircraft wiring. Its main rivals are Fokker/ELMO, LATElec and, in the US, Ducommun LaBarge.

(1) Source: Safran.

PRESENTATION OF THE GROUP

/ GROUP BUSINESSES /

Group products and programs

Safran's operations in the wiring and electrical connection system segment mainly involve Labinal.

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

The Safran-COMAC aircraft wiring joint venture became operational in June 2012. This new company, Shanghai SAIFEI Aviation EWIS Manufacturing Co, Ltd., is 51%-owned by COMAC and 49% by Labinal. It specializes in EWIS (electrical wiring interconnection systems) design, development, manufacture and customer support for the aviation market in the Asia-Pacific region. One of its projects involves implementation of the EWIS program for the COMAC C919.

POWER ELECTRONICS AND ELECTRICAL SYSTEMS

Key characteristics of the business sector

The power electronics market is recent, arising directly from developments in electrically powered aircraft functions (electric thrust reversers, electric brakes, electric load control, etc.). UTC Aerospace Systems (US) holds skills in this field.

The electrical systems market is longer-established, and mostly covers electricity generation and distribution functions. This market is currently commanded by major players such as UTC Aerospace Systems, Zodiac and GE, which cover all or some system components.

Group products and programs

Safran's operations in these segments involve Hispano-Suiza and (for electrical distribution systems) Labinal.

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

In November 2011, Embraer selected Safran to provide all emergency backup power and primary and secondary distribution systems on its KC390 military transport aircraft program.

In October 2012, Safran announced that it had entered into a definitive agreement to purchase Goodrich Electrical Power Systems (GEPS). Adding new capabilities in electrical technologies, this transaction will lead to the creation of a world leader in aerospace electrical power systems and mark a decisive breakthrough in Safran's “more electric aircraft” strategy. The acquisition will also allow Safran to continue to develop new leading-edge solutions for the electrification of aircraft equipment (including landing gear, nacelles and power transmission systems) and closer integration of electrical systems with aircraft engines.

ENGINEERING

Key characteristics of the business sector

Demand continues to run high on Safran's engineering market. With the many programs currently under development, aircraft manufacturers and equipment vendors are experiencing a shortage of specialist engineering skills.

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

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

Safran's main competitors are leading full-service engineering groups such as Alten and Altran as well as niche aviation suppliers, e.g., Assystem and Aeroconseil.

Group products and programs

Safran is present in the engineering market through Safran Engineering Services, a subsidiary of Group company Labinal. In Europe, North America and Asia, Safran Engineering Services is primarily active in the aviation market but also provides services to related markets such as automobile and rail. Its expertise, focused on four broad areas (electricity, aerostructures, mechanical systems and embedded systems), is used by various Group companies, chief among which ranks Labinal. However, it also provides services to major aviation customers (EADS, Boeing, Dassault and Embraer) as well as land transport companies (Bombardier Transport, Renault and Peugeot).

1.3.2.4 OTHER EQUIPMENT

SMALL ELECTRIC MOTORS

Through its subsidiary Globe Motors, Safran designs, manufactures and markets a wide range of precision electric motors and actuators for the automobile, aviation and defence industries.

1.3.3 DEFENCE

Safran holds a distinctive position in advanced avionics, optronics, electronics and critical software for the civil and defence markets. The Defence business can be broken down into three key sectors:

OPTRONICS

Soldier modernization
Optronics and sights
Drones
High-performance optics

AVIONICS

Navigation and sensors
Seekers and guidance systems
Flight control systems
Upgrading of military aircraft/civil avionics
Onboard information systems

ELECTRONICS AND CRITICAL SOFTWARE

Onboard electronic equipment
Onboard critical software

Safran is active in France and internationally in navigation assistance equipment, electronic, optical and optronic equipment. It develops, produces or purchases, and maintains computers and printed circuit boards used in all types of platforms for the civil and military aviation and defence sectors. Safran develops onboard electronics and critical software for the systems it manufactures.

Safran's main partners and customers in the Defence sector are governments (ministries or armed forces) and European groups such as Thales, EADS, Nexter, BAe Systems, MBDA, Finmeccanica, Saab AB, Alenia, Dassault, DCNS and CMI.

Other well-known integrators and equipment and system suppliers in the international aviation and defence sectors may also become partners or customers of the Group, primarily those located in the US, Israel, Brazil, Russia, India, China, South Korea, South Africa, Canada and Australia.

1.3.3.1 OPTRONICS

Key characteristics of the business sector

Safran's ability to innovate and its expertise have enabled it to become a reference in the high-tech industry of optronics. The optronics sector covers a wide range of equipment and systems, such as the soldier modernization system, night vision goggles, combat vehicle digitization (vectronics) and air-land battle space digitization, optronic pods for aircraft and weapon systems, drone

systems, periscopes for nuclear submarines, and REOSC high-performance optics. Safran also offers a full range of infrared and thermal equipment. Optronic applications cover the air-ground defence, naval-air defence, aviation and space sectors.

Following an agreement signed in December 2011, Thales and Safran formed a 50-50 optronics joint venture named Optrolead in July 2012. This company brings the two partners together to cooperate on technical, commercial and program issues, with each company keeping full control of its industrial assets. Programs address future defence optronics systems, which represent substantial modernization and upgrade potential. The combination of Safran and Thales' skills will offer greater benefits for customers and the two partner companies. The new systems under examination include the image chain on the forthcoming French-British MALE drone, various modular optronic systems on army vehicles, and optronics for future helicopters and aircraft upgrades.

This partnership also enables Thales and Safran to bolster the French infrared detector industry, through their joint subsidiary Sofradir. Price and performance are key factors in the competitive performance of optronic systems. Both partners had previously developed their own infrared detector technologies, which were transferred to Sofradir in December 2012.

Also in 2012, Safran acquired Optovac Mecânica e Optoeletrônica Ltda, a Brazilian company specializing in optronics and night vision. Two subsidiaries were formed, in India (Sagem Services India Private Limited) and Australia (Sagem Australasia), to provide industrial support for equipment such as inertial navigation systems, and technical assistance to local users. A local liaison office was opened in Algeria.

Group products and programs

Safran is active in the optronics industry through Sagem (the trade name of Sagem Défense Sécurité), the subsidiaries Vectronix in Switzerland and the US (portable optronics products), Optics 1 Inc. in the US (integrated optical systems and subsystems), and Optovac in Brazil, and through its stake in Optrolead and Sofradir (world number-one in infrared detection).

■ Soldier modernization

With FELIN (the French acronym for "infantryman with integrated equipment and links"), designed specifically for soldier modernization in the French armed forces, Safran is offering innovative solutions to meet the needs of various armed and security forces (army as well as police, civil security and firefighters) both in France and further afield. Providing the dismounted soldier with optimal ease of movement, this modular approach developed and marketed by Safran meets the objectives of soldier modernization programs (SMP). The soldier has enhanced protection against ballistic risks (shrapnel-proof vest, plates to protect against assault weapons, etc.), NBC risks (integrated ventilation system featuring two filtration systems) and climate risks (technical underwear adapted to a variety of climatic conditions).

■ Optronics and sights

Portable optronics

Safran is a trailblazer in, and the leading European producer of, portable optronics. It offers a full range of observation hardware and systems that can be used day and night in all conditions. Its thermal cameras and multi-purpose night-vision imagers, such as the JIM LR long-range multifunction imager ordered by the French army as well as other armed forces, have become a global market reference. These high-tech systems are widely used in the overseas operations conducted by French and other Allied armies.

Onboard systems

Safran provides protection for all types of land combat vehicles (tanks and lighter vehicles), in the form of observation and fire direction systems, under day or night conditions, including ambulant firing capability, sighting stabilization, self-protection, human-machine interfaces and navigation capabilities. Safran also offers similar solutions for ships, surface vessels and submarines.

In the field of gyrostabilized sights, Safran has participated in major combat helicopter programs: Tiger, NH90, Cougar and Panther. Infrared STRIX and OSIRIS sighting systems fitted to Tiger helicopters are able to meet the most demanding conditions of any combat platform in operation, providing for target observation, detection, reconnaissance, identification and localization, as well as pursuit and fire direction for onboard weapons. Safran is also involved in major French and export (Emirates, Saudi Arabia, etc.) land vehicle programs (Leclerc, BCI, BMP3).

Safran's experience in (conventional and nuclear) submarine masts and periscopes has been applied to several programs such as Scorpène, Agosta and Daphné. The new generation of combat nuclear submarines, the Barracuda class, which have pump-jet propulsion, will also be equipped with these technologies – notably incorporating the DAS surface detection system using non-penetrative optronic masts.

Safran's artillery systems boast state-of-the-art capabilities and are used by armed forces in more than 20 countries. The SIGMA 30 family of units for land navigation and artillery pointing make it possible to fire accurately at very short notice.

■ Drones

Safran has pushed back the barriers on drone systems through its expertise in critical function chains: navigation and flight control, image chain, and data transmission. Night and day, Safran's tactical-drone systems are used in daily operations, in close contact with threats.

■ High-performance optics

With its REOSC optic range, Sagem is a specialist in advanced opto-mechanic equipment for civilian and military applications. As a worldwide leader in high-performance spatial optics, Sagem is the sole company in Europe to master polishing and large-scale ceramic substrate treatment (SIC) to a degree of precision within

several nanometers. Its space optics are used onboard Helios I and II, Meteosat and the Spot satellites, plus numerous scientific satellites.

Customer support

Sagem's customer support includes high value-added services, including repairs, equipment delivery and technical support. All strive towards the same goal: ensuring that equipment is in full working order at all times.

1.3.3.2 AVIONICS

Key characteristics of the business sector

Safran's innovation and expertise make it a top-tier global player in the high-tech avionics industry. The avionics segment covers onboard electronics technologies in the following product lines: inertial navigation, flight control systems, guidance systems (seekers, Modular Air-to-Ground Weapons, munitions) and onboard information systems. The applications corresponding to this product offering are extensive and encompass all types of platform, such as combat vehicles and ships, guided weapon systems, plus commercial planes and helicopters. In addressing several different markets with common-core technology platforms, Safran enhances competitive performance and optimizes its customer portfolio. This approach reduces both costs and volatility.

Safran's main competitors in these businesses (France and international) include: Thales, BAe, Finmeccanica, Rockwell Collins, Northrop Grumman (formerly Litton), Eaton, Liebherr.

Group products and programs

Safran is present in the avionics sector through Sagem (the trade name of Sagem Défense Sécurité) and its US subsidiary Sagem Avionics Inc. (automatic pilot systems for aircraft, activators and onboard data acquisition and processing modules), and its holding in Astrac (fighter upgrades).

■ Navigation and sensors

As the European market leader in inertial navigation systems, Safran offers a wide range of inertial and hybrid systems for submarines, surface ships, land vehicles, airplanes, helicopters and aircraft. Recognized know-how in these technologies lies behind Safran's involvement in programs such as Rafale and A400M, and, more recently, in a Russian joint venture developing and supplying inertial systems for fighter planes and combat helicopters.

■ Seekers and guidance systems

Building on the Magic II program, Safran has combined expertise in optronics and inertial systems to provide seekers for Mistral and MICA IR missiles. At the heart of the missile's system, the seeker fitted to the MICA uses the most advanced technologies such as bispectral imaging and real-time processors. MICA IR missiles are carried by Rafale fighters and Mirage 2000-5 interceptor aircraft.

The AASM (French acronym meaning Modular Air-to-Ground Weapon) is a family of high-precision weapons for modern air forces. It is a conventional-use weapon that can be used in all conditions, day or night, and has substantial standoff capacity. The missile is in service on Rafale fighters belonging to the French air force and navy, and has proved highly successful in operation. It features several Safran specialties, such as inertial components comprising hemispheric resonating gyro, infrared technology and image processing.

■ Flight control systems

As a worldwide leader in helicopter flight control, Safran offers automatic systems designed to aid the pilot while maintaining a maximum level of security. Safran's expertise extends to components of navigation systems coupled with autopilots: position sensors, flight control actuators and onboard computers. Safran was selected along with partners Eurocopter and Thales on the development project for the X4 next-generation helicopter. Embraer commissioned Safran with development and supply of the horizontal stabilizer trim actuator (HSTA) on the KC390. AgustaWestland selected Sagem to handle the development of the secondary onboard computer for the AW169 flight control system.

■ Upgrading of military aircraft and civil avionics

Safran offers turnkey solutions that include training and maintenance. They are based on inertial navigation and fire direction systems, visible and infrared optronics, and high-performance digital processing both onboard (weapons systems) and on the ground (mission preparation). Safran is upgrading the Ukrainian Mi24 helicopters and working with Thales under the Astrac joint venture to retrofit Morocco's Mirage F1 fighters (new attack and navigation system, new weapons, etc.).

Safran is also a major player in upgrading avionics for civilian and parapublic helicopters and airplanes. Its offering runs from cockpit displays to complete aircraft modernization. For example, Safran was selected by the Brazilian army and Helibras to take charge of upgrading the EC725 helicopters.

■ Onboard information systems

Safran has also developed flight-data recording systems (Aircraft Condition Monitoring System – ACMS), which equip ATR, Embraer, Boeing and Airbus aircraft. It provided the information system of the A380 and of the A350, under Airbus prime contractorship. More than simply a data network, the system comprises a fully fledged intranet combining the properties of a router, server and communication interface.

Customer support

After-sales services account for a quarter of Safran's avionics revenue. The substantial installed base provides a solid footing for developing customer support, especially in repair work.

(1) Safran Power: division of Hispano-Suiza.

1.3.3.3 ELECTRONICS AND CRITICAL SOFTWARE

Safran is active in onboard electronics and critical software through Sagem's Safran Electronics division and its subsidiaries Safran Electronics Asia Pte Ltd (electronics maintenance center for the Asia Pacific region), Safran Electronics Canada Inc. (onboard electronics for business jets and regional aircraft), FADEC International LLC, a 50-50 US joint venture with BAE Systems, and more recently a German joint venture with MTU AeroEngine GmbH, Aerospace Embedded Solutions GmbH.

The Safran Electronics division provides Group companies with the electronic equipment and critical software required for their world-leading programs. It develops, produces or purchases, and provides maintenance for computers and printed circuit boards for numerous systems (FADEC engines, thrust reversers, nacelles, landing gear, braking systems, flight control systems, inertial navigation systems and sights) for aircraft and naval and terrestrial landing platforms. Safran Electronics also develops and certifies the critical onboard software for these systems.

ELECTRONIC EQUIPMENT

Safran Electronics specializes in electronic systems for harsh environments (temperature, vibration, etc.) and single and multiple onboard computers, either standalone or integrated in an IMA (Integrated Modular Avionics) system, for critical applications such as engine control, flight control, braking control and landing gear control. Its teams develop, produce or purchase, and provide maintenance for, computers and printed circuit boards. They also design and install electronic controls for Safran Power⁽¹⁾ power converters and electro-mechanical actuators. Safran Electronics also manufactures complex hybrid micro-electronic modules for aerospace applications. As such, it is conducting work on the electronic propellant flow-rate regulation demonstrator for the Vulcain X engine, and on control systems for plasma thrusters. Safran Electronics covers the whole of the supplier chain. It develops know-how and technological expertise in the production of electronic circuit boards, through a strong industrial excellence center based at its Fougères plant, plus a sound network of suppliers, partially located in both low-cost and dollar zones.

CRITICAL SOFTWARE

Safran Electronics develops the complex critical software used in Safran Group onboard systems. The software is critical in terms of dependability requirements in harsh environments, and it complies with extremely demanding certification standards. Safran Electronics teams handle software architecture, specifications, coding, verification, quality assurance, configuration management and certification.

Computer maintenance and repair

At its Massy and Singapore repair centers, Safran Electronics performs maintenance of its own onboard computers along with systems from other Safran Group and third-party manufacturers. It maintains and repairs computers and electronic boards for a significant number of airlines and airforces worldwide.

1.3.4 SECURITY

Security activities can be split into three key sectors:

IDENTIFICATION

Identification solutions	<ul style="list-style-type: none"> Large-scale identity systems Border control Criminal identification Biometric enrollment services Biometric equipment
Other activities	<ul style="list-style-type: none"> Lottery terminals Transport security

E-DOCUMENTS

- SIM cards**
- Bank cards**
- Secure identity documents**

DETECTION

- Detection by X-ray tomography of explosives and dangerous and illicit substances.**
- Spectrometry-based detection and analysis of traces of explosives and dangerous and illicit substances.**

Safran is a world front-runner in biometric identity and authentication solutions, and a leading player in border control for passengers and goods. Organic growth in Safran's security businesses is driven by the changing sources of threats, the emergence of new security and authentication needs in an increasingly connected world, and government modernization, especially in emerging countries. Growth also stems from constant progress in technologies, backed by a policy of industrial and academic partnerships, plus new acquisitions as relevant opportunities arise.

With the acquisition in 2012 of Cassis International, a Trusted Service Management (TSM) pioneer, Safran will be able to offer a comprehensive architecture for authentication and identification solutions in digital applications and e-services. These solutions and services address mobile network operators and banks pursuing rapid development of no-contact payment applications for phones and smartphones, and governments seeking to roll out administrative e-services for the public.

Through these companies, Safran has perfected cutting-edge technology in areas such as biometrics, onboard software (in particular smart card operating systems), secure terminals (biometric identification terminals, gaming terminals, speed control radars, etc.), secure printing techniques and cryptology, and detection (explosives and illegal substances). Such technology is necessary to access key target markets.

In the air and airport sectors the trend towards increased security continues and requires a considerable joint effort by numerous players, including airport and civil aviation authorities, airline companies, border police and customs authorities. Safran cooperates with all national and international organizations influencing the development of new technologies in the aviation sector. Safran is a world partner of professional organizations including Airport Council International (ACI), the International Air Transport Association (IATA), and the International Civil Aviation Organization (ICAO). It is actively involved in their working groups on issues regarding transport safety and passenger convenience. Safran R&D investments target the emergence of new-generation check-points implementing several of the technologies developed across all its businesses.

Safran is present in the security sector through Morpho, the world leader in biometric solutions. Morpho's main subsidiaries are:

- Morpho Detection, specializing in the detection of explosives and illicit substances;
- Morpho Cards, specializing in smart cards and related trusted service management;
- Morpho BV, one of Europe's leading players in the printing of secure documents such as passports;
- MorphoTrak, which supports Morpho's biometrics business development in the US, addressing local police services and government contracts in particular;
- MorphoTrust USA, founded to take in, under a proxy agreement with the US government, the US businesses of L-1 Identity Solutions regarding the issuance of identity documents in the US, biometric enrollment services for authorization control, and sensitive projects run by the US government.

1.3.4.1 IDENTIFICATION

Key characteristics of the business sector

Identification solutions comprise the Group's identity programs and products (including identification solutions, automatic systems for processing biometric data, etc.) and security equipment (biometric terminals, biometric enrollment kiosks, gaming terminals, transport safety equipment, etc.), which, by identifying and authenticating persons or objects, contribute to the protection of persons, goods or sites against all types of threats and danger.

By "identify" we mean being able to find reference to a particular individual from among a group of individuals who are, a priori, known. By "authenticate" we mean confirming, based on information provided by individuals (e.g. by pin code, biometric data, etc.) that individuals are who they say they are. Generally speaking, system security calls for combined use of both functions: identification is used when an entitlement is granted, to verify that the individual requesting the entitlement is not persona non grata and that he or she is not referenced in the system under another name; the authentication process then checks biometric information stored for the individual, to confirm his or her entitlement.

The market for automated fingerprint identification systems (AFIS) and multi-biometric platforms (fingerprint, face and iris recognition) addressing forensic applications is concentrated in the hands of a few players, primarily Safran, NEC (Japan) and 3M (US). Demand for biometric technologies is growing, with international development of applications for the delivery and verification (mainly at border controls) of passports and other biometric identification documents (ID card, health card, etc.), and with the development of applications for delivering unique identification to each individual, as with the Aadhaar (unique number) project run by the Indian government's Unique Identification Authority of India (UIDAI), which uses it for fingerprint and iris biometric identification.

Markets for varied applications in identification management and flow control are highly competitive, addressed by numerous industrial players (such as 3M, NEC and Crossmatch) and major integrators (including Accenture, Lockheed Martin, Siemens and IBM).

Contributing to these solutions are the identification division of Dutch subsidiary Morpho BV (specializing in the printing and personalization of secure documents), US subsidiaries MorphoTrak and MorphoTrust USA (identification products and solutions), and Morpho Cards (smart card specialists providing cards for identification applications).

With market share of 25% in 2010⁽¹⁾, Safran currently leads the world civil and military biometrics market (worth USD 4.5 billion in 2010), which covers biometric solutions for civil, criminal and military identification (including production of identity documents, biometric terminals and automatic biometric identification systems).

Group products and programs

■ Identification solutions

Safran already offers numerous biometric techniques to identify physical persons, including fingerprint recognition (and potentially vein pattern recognition), face, iris and tattoo recognition, and various combinations of these techniques.

The implementation of these techniques enables the following systems and solutions to function:

- major identification systems (censuses, listings, and issue of ID cards, voter cards, passports, e-health cards, driver's licenses, etc.);
- border control solutions, including e-passport data checks by fingerprint recognition (at Paris and Marseille Provence airports), iris recognition (UK), and facial recognition (Australia/New Zealand), and a common European system for Schengen visas and visas for asylum seekers;
- solutions to help solve crime, such as automatic fingerprint or face identification systems for police or legal authorities;
- enrollment services for control of authorizations to work at sensitive sites and on critical applications (e.g., US businesses under proxy).

The identification division also designs and deploys the biometric sensors and equipment used for protecting access to physical premises or information systems, along with biometric enrollment terminals and identity control terminals using one or more of the three major biometric detection technologies (fingerprint, facial and iris recognition).

■ Other businesses

Image-analysis expertise developed for biometrics is also applied to secure terminals for lotteries or bookmaking, or products, systems and services for transport safety. In road safety, for example, Safran products cover all safety rule control requirements (speed, signs, etc.), and include manual solutions and fully automated digital systems.

1.3.4.2 E-DOCUMENTS

Key characteristics of the business sector

Through Morpho and its subsidiaries, Safran is a major player in smartcard systems for identifying beneficiaries in a whole range of applications. Safran is present in all market segments, including mobile phones, bank cards, identity documents (such as ID cards, health cards, passports and driver's licenses), and secure access to business networks and the internet. Safran is the fourth-largest smartcard company worldwide⁽²⁾, after Gemalto, Oberthur Card Systems and Giesecke & Devrient.

(1) Source: Global Civil & Military Biometrics Market, Frost & Sullivan, December 2011.

(2) Source: ABIresearch 2012 survey, "Smart card and secure IC market data".

Group products and programs

■ SIM cards

On the SIM card market, Morpho supplies the world's biggest mobile phone operators via a logistics chain that delivered 650 million SIM cards worldwide in 2011.

Mobile telecommunications is a fast-moving field, addressed by four Safran R&D centers actively involved in high-potential projects including: Near-Field Communication (NFC), which enables users to identify themselves via their mobile phone, using it to pay for purchases, for example; machine-to-machine technology capable of tracking a fleet of GSM-equipped vehicles; digital identification, where a smart card becomes a means of internet user authentication, with reliability as high as for the mobile phone network.

■ Bank cards

Morpho supplies major banks in regions including Europe, Latin America and Asia. This sector is currently benefiting from two major trends: magnetic stripe cards are giving way worldwide to smart cards meeting the EMV (Europay MasterCard Visa) standard; and no-contact technologies are gaining ground. Both technologies heighten the security of transactions, reduce the incidence of fraud and improve customer convenience.

In 2012, with the acquisition of the European subsidiaries of the American Banknote group, specializing in the production and personalization of bank cards, Safran extended its European network of personalization centers.

■ Secure identity documents

Morpho's e-documents division contributes to Safran's leadership on the identity solutions market (in which it is global leader), for which it produces the following:

- ID cards, driver's licenses, health cards and voter cards;
- paper and electronic passports, visas, and corporate cards integrated in major systems.

■ Trusted service management

Trusted service management (TSM) solutions afford high-security remote personalization of smart cards for mobile phones and smartphones, enabling users to download bank applications that turn the phone into a recognized payment card.

1.3.4.3 DETECTION

Key characteristics of the business sector

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

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

Safran is an approved supplier to the US Transportation Security Administration (TSA) and many airports worldwide. It covers the detection market primarily through the US company Morpho Detection, in which Safran acquired a 81% stake from GE in 2009. In late 2012, Safran took up its option to acquire the remaining 19% of Morpho Detection held by GE, and now owns 100% of this company.

Safran's main competitors in tomography detection are the US companies L3 Communication and SAIC/Reveal, and the Chinese company Nuctec. In trace analysis, Safran has one of the market's most comprehensive and efficient offerings, its main competitor being the UK company Smiths.

Group products and programs

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

This technology is used in automatic detection systems such as large-diameter luggage tunnels at airports, that check up to 1,000 items per hour. The latest additions to the range, the CTX 5800 and 9800, meet the new European Standard 3. Safran also provides unique automatic detection solutions combining tomography and X-ray diffraction, allowing better detection capacity and considerably reducing the number of false alarms. Safran held a 23% share⁽¹⁾ of the market for hold-luggage control systems in 2011. Safran is currently developing new solutions for the detection and identification of liquid and gel explosives in cabin luggage. Initial field tests are scheduled for 2013.

(1) Source: IHS, *The World Market for Explosives, Weapons and Contraband Detection Equipment — 2012 Edition*.

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

This kind of equipment (fixed, mobile or even portable) uses ion mobility spectrometry, mass spectrometry or Raman spectrometry to detect and identify vapor traces of explosive or illicit substances. Safran's wide product range addresses a broad spectrum of users' needs and operational environments. The systems are used by all

types of security services worldwide (airport passenger control, civil security, prisons, police, customs, etc.), in border control applications (air freight, hold luggage, passengers, cabin luggage), and for protection of sensitive sites (ministries, nuclear power stations, etc.) and major events (sports tournaments, international conferences, etc.).

1.4 COMPETITIVE POSITION

Safran covers international high-technology markets in aviation, defence and security.

In all these fields, Safran faces fierce competition both from major international rivals and niche players on some markets.

The Group makes every effort to ensure compliance with applicable rules on competitive business practice in all the countries in which it operates.

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

1.5 RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. From aircraft engines and equipment to defence and security systems, the required technological expertise and reliability must be second to none, given the highly critical nature of the applications. In order to achieve this objective, Safran calls on the best knowledge available in mechanical engineering, aerodynamics, reactive flow technology, thermodynamics, metal and composite materials, fuel materials, electronic and electrical engineering, spectrometry, X-ray imaging, image processing and information processing. Research and technology (R&T) comprises all studies, research and technological demonstrations needed to develop expertise for a given product at the lowest possible risk and cost and within the shortest possible timeframe.

Further downstream, research and development (R&D) corresponds to product design, prototype manufacture, development tests and certification tests showing that the product meets customer specifications and applicable regulations. To bridge the gap between R&T and R&D, and accelerate the emergence of new operations involving innovative concepts, Safran set up an Innovation Department in 2011. This department covers everything from technological demonstrations through to market launch.

Research, Technology, Innovation and Development are fundamental to the implementation of the Group's strategy. The

expenditure involved, close to 70% of which is self-financed, totaled €1.6 billion in 2012, representing almost 12% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

Each Safran Group company is responsible for its own R&T, and this enables it to concentrate on its own objectives. In tandem, the Group is constantly working to develop technology synergies. The bulk of Safran R&T breaks down into seven broad fields, each covering a range of technological capacities consistent with Group endeavors. There are around fifty of these technological capacities, forming the elementary cells for cross-functional skills management, benchmarking, partnerships and mutualized projects operating across Safran Group companies. Each technological capacity is managed by a leader chosen from among the best experts in the Group.

Safran Group R&T is guided by major challenges, which account for the bulk of the budget. These challenges are directly related to the current positions of Safran in its markets and those targeted in the long-term.

In taking up these challenges, Safran harnesses substantial resources, to attract the best talent and open rewarding career opportunities. Over 70% of engineers and managers are recruited in scientific and technical branches.

1.5.1 MAJOR TECHNOLOGICAL FOCUSES

1.5.1.1 PROPULSION PERFORMANCE

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

Snecma's roadmap for the aircraft propulsion systems of the future incorporates two technology stages:

- the LEAP turbofan engine, with a very high bypass ratio. For those modules under Snecma's responsibility in CFM, this integrates advanced technologies such as a highly innovative lightweight fan made from composite materials and a high-efficiency low-pressure turbine. This engine will be available in 2016 and will bring about major improvements in current performance levels, particularly in terms of fuel consumption. It has already been selected for the A320neo as the sole western propulsion system source for the C919, and the sole source for the Boeing 737 MAX. R&T work is in progress on long-term continuous improvement in engine performance;
- the second phase is more ambitiously innovative, in line with Flightpath 2050, whose objectives require breakthroughs in engine architecture through developments such as the open rotor concept and faired architectures with very high bypass ratios, currently addressed by advanced research under national and European programs such as the seventh FPRTD⁽²⁾. Demonstrations will follow under the "Clean Sky" Joint Technology Initiative.

Helicopter turbine engines are subject to similar imperatives requiring reductions in fuel consumption and environmental impacts. Turbomeca has undertaken technology programs along similar lines to address future market needs. The first concrete example of this work came with a new 800 kW engine for Eurocopter's next-generation 4-ton helicopter program, launched in 2011. Turbomeca also works with customers to produce innovative new engine integration products, such as hybrid power architecture concepts in drive systems.

The need to lighten aircraft and helicopters and their equipment has led to increased use of composite materials. Safran engines and equipment (whether engines, nacelles, landing gear or brakes) are characterized by heavy mechanical loads and a more difficult environment than for other aircraft sections such as airframes. To develop its composite materials solutions, Safran set up the

Safran Composites Center, with resources and skills in organic matrix composites. Herakles, the Group's center of competence for these technologies, provides core expertise in thermostructural composites for aircraft engines, a major technological challenge addressed by substantial research efforts. This research, along with work on new metal alloys, and on high-performance coatings compliant with European regulations (REACH⁽³⁾), is coordinated by the Safran materials and processes department.

LAUNCH VEHICLES AND MISSILES

Research efforts into rocket propulsion, a cutting-edge industry where technological demands are extremely high, remains a Safran priority. Following the decisions of the November 2012 conference of ministers from European Space Agency (ESA) member states, technological work in this sector is focused on enhanced performance for the Ariane 5 launch vehicle (with an Ariane 5 ME version for 2017/2018) and preparation for a forthcoming Ariane 6 launch vehicle, under the space section of the French government's "Investment for the Future" project, with first flight planned for 2021/2022. The technological scope of these programs extends to Snecma liquid propulsion and to solid propulsion, now fully consolidated under Herakles.

Herakles develops new missile propulsion technologies, including thruster and nozzle body technologies, solid propellant technologies and innovative thruster architectures. Research focuses include thrust modulation for tactical missiles, gas valving for interceptors, and higher-thrust solid propellants with more eco-friendly compositions.

1.5.1.2 ELECTRIC AIRCRAFT SYSTEMS

The move continues towards increased use of electrical energy for aircraft systems and actuators. The movement, which started with the A380 and Boeing 787 programs, will be a defining characteristic of the next generation of short-to medium-haul aircraft. Safran must position its new equipment solutions firmly in this niche and prepare the technologies that will ensure its products are competitive in terms of performance, functions and cost.

Safran is involved in several technology programs alongside aircraft manufacturers in a European or French context. Within the Group, electric aircraft projects have been launched by the Innovation Department and by the SPEC⁽⁴⁾ Center of Excellence, focusing on power electronics. This work is carried out in close liaison with aircraft manufacturers: in 2012, for example, Airbus tested a Sagem-developed electromechanical flight control prototype on an

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

(2) FPRTD: Framework Program for Research & Technical Development.

(3) REACH: Registration, Evaluation and Authorization of Chemicals.

(4) SPEC: Safran Power Electronics Center.

A320. Work benefits from numerous academic alliances with around 15 CNRS laboratories, and from technology projects undertaken with partners at the cutting-edge of electrical engineering in their sector, such as Alstom, Schlumberger, Schneider and Valeo. Under a partnership with Honeywell, the Innovation Department is running the Electric Green Taxiing System project, for developing a new system that will reduce aircraft fuel consumption during taxiing. Instead of using the aircraft engines for ground maneuvers, electrical energy generated by an auxiliary power unit (APU) drives electric motors in the landing gear wheels.

From 2013, the acquisition of GEPS will further enhance Safran's capabilities in aircraft electrical systems.

1.5.1.3 AVIONICS

NAVIGATION

Air, land, sea, satellite and weapons navigation markets are constantly evolving and expanding: the integration of mobile units into cooperative groups, increasing autonomy requirements, and the required land-onboard continuum via secure links are only a few drivers of renewed demand and associated technologies. Safran's approach relies strongly on breakthrough HRG⁽¹⁾ technology, whose characteristics make it possible to design and produce world-leading navigation equipment and weapons at competitive costs.

ELECTRONIC SOLUTIONS AND CRITICAL SOFTWARE

Because onboard electronic systems for severe environments are key components of many Safran Group products, the Safran Electronics division runs ambitious projects on controller architectures featuring more efficient processors, and on component packaging capable of withstanding the hotter environments of future aircraft systems. On systems engineering, Safran is working on process harmonization: a modern software development workshop has been set up for group-wide rollout. Safran is one of Europe's foremost instigators of technological progress in these fields. For example, it was technical coordinator of the ARTEMIS joint undertaking's CESAR project, which came to a successful conclusion in 2012.

1.5.1.4 SERVICES

Innovation efforts are called for, consistent with the growing importance of services in the Group's business. Techniques used to diagnose and forecast the condition of airplane and helicopter equipment and systems bring value for Safran product

users, as regards both operational considerations (optimization of maintenance), and fleet management support (evaluation of residual value). To address this need, Safran is developing its Monitoring Services system for managing fleet equipment operating data. The new system will initially be rolled out for helicopters. Information extraction from massive amounts of data (big data) is a research focus that holds high potential for the development of new customer services.

1.5.1.5 DEFENCE

OPTRONICS

Optronics needs range from imagers operating in one or more wavelength bands through to full image processing systems handling monitoring, detection, identification, fire control and self-protection. Integrated digital battlefield solutions are developed using equipment and systems that couple infrared sensor and light intensification technologies with other functions such as geolocalization. In infrared sensors the Safran Group offers the technologies held by Sofradir, its joint venture with Thales. Both partners transferred their IR detector technologies to Sofradir in 2012, giving it one of the world's most extensive product ranges in this field.

1.5.1.6 SECURITY

Morpho's leadership position in biometric systems, associated terminals and identity document systems is maintained through significant R&T investment in improving biometric data identification and capture algorithms and in enhancing the performance of anti-fraud and information protection systems. This yields a capability to rapidly build, and then operate, large-scale biometric databases such as that covering the population of India, which has an enrollment rate topping a million individuals per day. The acquisition of GE's Homeland Protection division in 2009 provides Safran with new development openings in the detection of explosives and other illicit substances. The new acquisition, renamed Morpho Detection, has yielded several technological advances, an example being the detection of liquid explosives by X-ray diffraction. The combination of high-performance detection systems with biometrics and secure electronic identity documents gives rise to a new strategic focus covering identification and flow control for people and goods, a key growth segment in the coming years, especially in the field of air transport security.

(1) HRG: Hemispherical Resonator Gyros.

1.5.2 SCIENTIFIC AND TECHNICAL PARTNERSHIPS

In implementing its R&T strategy, Safran enjoys the support of its partners, which provide it with scientific and technological expertise. Safran thus meets the two prerequisites for success: it identifies known and latent market needs through customer contact, and it adopts an open approach to what is an increasingly complex and multidisciplinary scientific and technological environment.

In 2009, Safran created a scientific council, currently chaired by Professor Mathias Fink, which comprises seven leading international scientists bringing proven expertise in all the scientific disciplines underlying Group businesses. One of the council's main functions is to issue recommendations on the structure and quality of the Group's scientific partnerships.

For the first R&T levels, Safran has developed a network of scientific partners in France in the university and applied research sectors. ONERA⁽¹⁾ is a key partner in many fields, such as aerodynamics, energy and materials. In addition, Safran has long-term partnership agreements with 15 laboratories and institutes, and these act as powerful external research facilities covering several sectors. Most partnerships with these laboratories are covered by framework agreements between Safran and the French Center for Scientific Research (CNRS). In all, Safran supports the work of around 150 PhD students and brings its scientific partners considerable amounts of annual financial support. Safran is also stepping up its

cooperation with CEA, the French Atomic Energy Commission. In addition, Safran is a founder member of the French Foundation for Aerospace Research (FNRAE), a front-line contributor in three PIA⁽²⁾ technological research institute projects, and a major player in several competitiveness hubs, including System@tic, Aerospace Valley and ASTech.

Safran plays an active role in European Union bodies and programs. Since 2008, Safran has been closely involved in establishing the Clean Sky Joint Technology Initiative, bringing together the leading players in aviation R&D along with the European Commission in a demonstration program on airframes, engines and systems. Safran helped draw up the ACARE SRIA⁽³⁾ roadmap and the aviation section of the EU H2020 framework program.

Safran takes part in many international cooperative research initiatives, with university laboratories in Europe, the US, Russia and Singapore.

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

1.5.3 INNOVATION AND INTELLECTUAL PROPERTY

Innovation is at the heart of Safran's strategy. The competitiveness of its products is largely based on the successful integration of technological innovation or adjustments, providing the customer with industry-leading performances. Only a few examples are necessary to demonstrate Safran's ability to produce innovations which mark a break with existing technology, in sectors as varied as electric brakes, composite fan blades, hemispheric resonator gyros and detection of liquid explosives by X-ray diffraction. The creation of cross-disciplinary teams, capitalizing on the wide range of expertise available in the Group, offers both an efficient and high-performance organizational structure. This approach is typified by the high-potential projects run by the Innovation Department.

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

Intellectual property is of increasing importance amid globalized markets and ever-fiercer competition. It responds to operational imperatives, while strengthening and securing Safran's commercial positions. The creative and innovative ability of teams is demonstrated by the increasing number of patents filed: over 750 in 2012, which places the Safran Group among the front-runners in French patents⁽⁴⁾. Overall, the Group's portfolio comprises close to 24,000 rights around the world, bolstering its position as international leader in its areas of business.

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

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

DEPENDENCE

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

There are risks of production delays and cost penalties for Safran in the event of supplier or partner shortcomings, as set out in section 4.1.3 of this Registration Document (partner and supplier risks).

(1) ONERA: French National Aerospace Research Office.

(2) PIA: "Investment Program for the Future".

(3) SRIA: Strategic Research & Innovation Agenda.

(4) Ranked second by the French Industrial Property Institute (INPI) at March 27, 2012 (patents filed in 2011).

1.5.4 RESEARCH AND DEVELOPMENT EXPENDITURE

Including the portion funded by customers, the total expenditure on Research, Technology and Development (RTD) was approximately €1.6 billion in 2012, representing almost 12% of revenue. RTD operations in France totaled around €1.4 billion, more than 89% of overall RTD expenditure. Some 69% of RTD expenditure is self-funded, and can be broken down as follows:

- Aircraft programs (including Silvercrest, LEAP, Airbus A350, A400M and Boeing 787): 46%;
- Helicopter engines: 5%;
- Security and defence: 14%;
- R&T: 26%;
- Other: 9%.

<i>(in € millions)</i>	2011	2012
Not including non-current items⁽¹⁾		
Total R&D	(1,277)	(1,594)
External financing	469	491
Self-funded RTD	(808)	(1,103)
<i>% of revenue</i>	6.9%	8.1%
Research tax credit	121	124
Self-funded RTD after research tax credit	(687)	(979)
Capitalized expenditure	282	504
R&D amortization/impairment	(90)	(68)
Impact on operating income	(495)	(543)
<i>% of revenue</i>	4.2%	4.0%

(1) A provision of €23 million for loss of value on the GP7200 program was reversed in 2011, this being booked under "Other non-recurring operating income and expenses".

The significant increase in overall self-funded expenditure (€295 million, up by 37%) is chiefly explained by closer milestone intervals on the LEAP engine program, a second Silvercrest application, work on A350 equipment, and increasing R&T effort, partially offset by a reduction in expenditure on the A400M and the Boeing 787.

Amortization and impairment of R&D expenditure stood at €68 million in 2012, compared with €90 million in 2011. Depreciation was nil in 2012, compared with €32 million in 2011.

1.6 INDUSTRIAL INVESTMENTS

1.6.1 INDUSTRIAL POLICY

To offer its many customers tens of thousands of products of the highest technical caliber every year, Safran pursues a proactive industrial policy targeting industrial excellence and continuous innovation.

This policy is rolled out across all the Group's companies. The Group's Industrial Department oversees effective implementation of the policy through Group industrial committees and various working groups on industrial matters, and provides assistance to Group companies on running their international projects.

As a driving force behind competitive performance, innovation is central to Safran's industrial development endeavor, which explains the steady and tightly controlled input of new technologies and new methods for making new products that meet customers' expectations.

To shorten new product development cycles, Safran's industrial development teams work closely with design offices and apply Group methods and tools for project management and continuous improvement.

To keep in the closest possible touch with end customers, Safran has developed an international production system based on industrial hubs covering strategic regions. These centers bring together the resources of regional suppliers and local Safran teams responsible for the most delicate operations carried out in the Group's production facilities.

International development also provides opportunities for Safran's historic suppliers, who are eager to work with Safran in these growth markets. Safran has always given great importance to

its suppliers, as a source of innovation, flexibility and economic competitiveness. The SME Pact to which it is signatory covers support and development assistance to innovative SMEs.

Safran also gives special attention to the personal development of its employees. This takes the form of extensive training opportunities and ready transfer across sites and functions, enabling each individual to acquire new skills and develop their talent (see section 5.3).

1.6.2 MAIN INDUSTRIAL INVESTMENTS

Safran's industrial investments totaled €419 million in 2012, up by 19% on 2011. This increase is consistent with expected growth in the Group's business.

Geographical zone (in € millions)	2011	2012
France	235	255
Europe (excluding France)	18	62
North America	74	69
Asia	11	18
Rest of the world	14	15
TOTAL	352	419

France accounted for the bulk of Safran's industrial investments in 2012 (61%), as in previous years.

Two new production facilities were launched in France in 2012: Snecma's Commercy plant in the Meuse region, which will make composite parts (blower blades and casings) for the future LEAP, and Itteville in the Essonne region, Safran's development center for new composite materials. In 2012, work also began on the Safran Corporate University in Vilgénis.

Safran's other investments in France continue the policy of previous years, involving full renovation or modernization of industrial sites to accommodate production ramp up, and the introduction of new programs (Labinal at Villemur-sur-Tarn for wiring, Messier-Bugatti-Dowty at Bidos for titanium landing gear rods), and plant renewal and modernization at existing sites (machining systems at Messier-Bugatti-Dowty Molsheim, renovation of presses at Snecma Gennevilliers, test-cell modernization at Snecma Villaroche, etc.).

There was little change in the level of Safran's investments in North America in 2012. The main investments here were:

- the modernization and adaptation of the Messier-Bugatti-Dowty plant, which makes steel enclosures for landing gear in Canada;

- capacity increases to meet market demand, with new wiring production buildings for Labinal in the US and Mexico, and new carbon brake stoves for Messier-Bugatti-Dowty's Walton facility in the US.

The bulk of Safran's increased industrial investment in Europe (outside France) was for spare CFM56 engines at SES (Shannon Engine Support, a joint venture with GE). SES renewed part of its pool of spare engines on lease, to offer latest-generation units capable of supporting growth in fleet size among CFM customers.

Safran's investments in Asia include new industrial facilities in China (Aircelle in Xi'an, Labinal in Shanghai) to meet the needs of the C919 program. Safran also made investments in Malaysia, where construction work started on a new plant making carbon brakes.

1.7 REAL ESTATE AND PRODUCTION PLANTS

Safran's registered office is located in Paris, France.

The Group carries out its activities at research, production and maintenance centers based at 250 major industrial sites worldwide. The table below lists the Group's main sites in terms of either scale or geographic location.

Headcount was selected as a consistent common indicator of scale, given the production, research, development and technical support activities of the Group. Production capacity for the latter two activities is also based on the number of employees, since the concept of utilization rates is not deemed relevant.

Company	Site	Activity	Headcount as of Dec. 31, 2012	Occupancy
FRANCE				
Safran	Paris 15	Registered office and combined activities	940	O
Snecma	Évry/Corbeil	Machining and assembly of aviation parts, sales and marketing of military engines	2,874	O
Snecma	Gennevilliers	Forging, casting and machining of aircraft parts	1,446	O
Snecma	Vernon	Design and production of rocket engines	1,045	O
Snecma	Villaroche	Design, assembly and testing of jet engines, sales and marketing of commercial engines	3,954	O
Snecma	Montereau/Melun	Customer services	561	T
Snecma	Châtellerault	Maintenance of military engines, parts, devices and commercial engines	685	O
Snecma	Saint-Quentin-en-Yvelines	Commercial engine MRO (maintenance, repair and operations)	687	O
Snecma	Le Creusot	Machining of turbine disks	199	O
Société de Motorisation Aéronautique (SMA)	Bourges	Registered office, design, production and sale of light aviation aircraft engines	63	T
Herakles ⁽¹⁾	Le Haillan	Registered office, propellant-based propulsion for Ariane and missiles, thermostructural composites	1,299	O
Herakles ⁽¹⁾	Saint-Médard-en-Jalles	Production of solid propellants	734	O
Herakles ⁽¹⁾	Vert-le-Petit	Design, development and production of energetic materials	208	O
Herakles ⁽¹⁾	Toulouse	Production of raw materials for space chemistry	81	O
Turbomeca	Bordes	Registered office, design, manufacture and testing of gas turbines	2,565	O and FL
Turbomeca	Tarnos	Production of mechanical components and maintenance of helicopter engines	1,500	O
Turbomeca	Buchelay	Production of hydromechanical parts and subsystems for the aviation industry	330	O
Microturbo	Toulouse	Manufacture of low-power turbines	485	O
Aircelle	Le Havre/Gonfreville	Design and production of nacelles and thrust reversers	1,510	O
Hispano-Suiza	Colombes	Registered office and research and production center for power transmission systems	741	O
Labinal	Blagnac	Registered office, engineering	189	O
Labinal	Blagnac	Assembly, installation, maintenance	350	T

(O: Owner – T: Tenant – FL: Finance lease)

(1) On May 1, 2012, Safran finalized the merger of its two SME subsidiaries (SNPE Matériaux Énergétiques) and SPS (Snecma Propulsion Solide) to form Herakles, world number two in solid propulsion.

PRESENTATION OF THE GROUP

/ REAL ESTATE AND PRODUCTION PLANTS /

Company	Site	Activity	Headcount as of		
			Dec. 31, 2012	Occupancy	
Labinal	Villemur-sur-Tarn	Production of aircraft wiring	539	O	
Messier-Bugatti-Dowty	Molsheim	Production of wheels, brakes and hydraulic systems. Landing gear repair and maintenance	885	O	
Messier-Bugatti-Dowty	Vélizy-Villacoublay	Registered office, design and testing of brake systems and landing gear	1,113	O	
Messier-Bugatti-Dowty	Villeurbanne	Production, research and development of carbon brakes	192	O	
Messier-Bugatti-Dowty	Bidos/Oloron-Sainte-Marie	Production of landing gear	840	O	
Safran Engineering Services	Montigny-le-Bretonneux	Engineering	594	T	
Safran Engineering Services	Toulouse	Registered office, services	398	T	
Sagem	Paris 15	Registered office	386	O	
Sagem	Fougères	Electronic subcontracting	657	O	
Sagem	Argenteuil	R&D	590	O	
Sagem	Éragny	R&D	573	O	
Sagem	Massy	Manufacturing of optoelectronic and aviation systems. Electronic regulation and control systems	1,749	FL and T	
Sagem	Montluçon Domerat	Mechanical, optics and electronics manufacture and systems integration	1,180	O	
Sagem	Poitiers	Manufacture of optoelectronic equipment	480	O	
Sagem	Dijon	Manufacture of optical and optoelectronic equipment	270	O	
Sagem	Mantes-la-Jolie	Manufacture of aircraft equipment	272	O	
Morpho	Issy-les-Moulineaux	Registered office, administrative and commercial center	392	T	
Morpho	Osny	R&D	634	O	
EUROPE (EXCLUDING FRANCE)					
Aleat	Tirana	Albania	Manufacture and distribution of ID documents	271	T
Labinal GmbH	Hamburg	Germany	Engineering, assembly, installation and maintenance	308	T
Morpho Cards GmbH	Flintbek and Paderborn	Germany	Research, manufacture and sale of smart cards	553	T
Sagem Navigation GmbH	Murr	Germany	R&D, production	85	T
Techspace Aero	Herstal (Milmort)	Belgium	Registered office, aviation and aerospace production, test cell design and jet engine testing	1,250	O
Aircelle Ltd	Burnley	United Kingdom	Production of nacelles and thrust reversers	739	O
Messier-Dowty Ltd	Gloucester	United Kingdom	Research, testing, engineering and production of landing gear	886	O
Morpho B.V.	Haarlem	Netherlands	Production, customization and sale of cards, ID and security documents and related products	327	T
Hispano-Suiza Polska sp. zoo	Sedziszow Malopolski	Poland	Production of mechanical parts for Safran Group companies	478	O
Orga Zelenograd Smart Cards and Systems, z.a.o.	Moscow	Russia	Research, manufacture and sale of smart cards	103	O

Company	Site		Activity	Headcount as of Dec. 31, 2012	Occupancy
<i>(O: Owner – T: Tenant – FL: Finance lease)</i>					
Smartinvest o.o.o. and Smartec z.a.o.	Moscow	Russia	Holding company, research	117	T
Vectronix	Heerbrugg	Switzerland	Research and manufacture of optronics defence products	252	T
NORTH AMERICA					
Messier-Dowty, Inc.	Montreal	Canada	Production of landing gear	255	O
Messier-Dowty, Inc.	Toronto	Canada	Production and maintenance of landing gear	574	O
Safran Electronics Canada, Inc.	Peterborough	Canada	R&D, customer support and production of aircraft equipment	111	T
Turbomeca Canada, Inc.	Mirabel	Canada	Gas turbine and aircraft equipment MRO, and work on helicopters	55	O
Advanced Components International	Fort Myers	United States	Design and production of reservoirs for aerospace applications	30	O
Aerosource	Sommerset	United States	Repair and maintenance of aircraft parts	45	T
Cenco Inc.	Minneapolis	United States	Test cell engineering	60	T
Globe Motors, Inc.	Dothan	United States	Electric engines	188	O
Labinal Inc.	Denton	United States	Production of aircraft wiring	700	T
Labinal Inc.	Everett	United States	Engineering	172	T
Labinal Salisbury Inc.	Salisbury	United States	Production of aircraft wiring	882	O
Messier-Bugatti USA	Walton	United States	Production of carbon brakes, R&D	222	FL
Morpho Detection, Inc.	Newark/ Wilmington	United States	Research, manufacture and sale of systems and products for detecting dangerous and illicit substances	304	T
MorphoTrak	Anaheim/Tacoma	United States	Research, sale and technical support of identity products and services	271	T
MorphoTrust	Billerica	United States	Research, sale and technical support of identity products and services	1,236	T
Optics 1, Inc.	Manchester	United States	R&D and production of opto-mechanical and electro-optical systems	51	T
Sagem Avionics, Inc.	Grand Prairie	United States	Marketing and customer support for aircraft product lines	90	T
Turbomeca Manufacturing Inc.	Monroe	United States	Production of helicopter engine parts	125	O
Turbomeca USA Inc.	Grand Prairie	United States	Maintenance of delivered engines and delivery of spare parts	370	O
Vectronix, Inc.	Leesburg	United States	Marketing of observation and localization systems and equipment	65	T
Labinal de Mexico	Chihuahua	Mexico	Production of aircraft wiring, engineering	3,208	T
Messier-Dowty Mexico	Querétaro	Mexico	Production of landing gear	204	T
Messier Services Americas	Querétaro	Mexico	Landing gear MRO	189	T
Morpho	Mexico	Mexico	Sale of biometric devices	36	T
Snecma America Engine Services (SAMÉS)	Querétaro	Mexico	Commercial engine MRO (maintenance, repair and operations)	149	T
Snecma Mexico	Querétaro	Mexico	Production of commercial engine parts	239	T

(O: Owner – T: Tenant – FL: Finance lease)

PRESENTATION OF THE GROUP

/ REAL ESTATE AND PRODUCTION PLANTS /

Company	Site		Activity	Headcount as of Dec. 31, 2012	Occupancy
SOUTH AMERICA					
Morpho Cards do Brasil SA	Taubate/São Paulo	Brazil	Research, manufacture and sale of smart cards	635	T
Turbomeca do Brasil Industria e Comercio Ltda	Rio de Janeiro	Brazil	Design, manufacture, purchase-sale and maintenance of turbo engines	215	O
Morpho	Bogotá	Colombia	Local adaptation of government solution software and hardware	119	T
Morpho Valores Plasticar	Bogotá	Colombia	Manufacture and sale of smart cards	61	T
AFRICA AND THE MIDDLE EAST					
Morpho South Africa Pty Ltd	Rivonia (Johannesburg)	South Africa	Sale of biometric devices	38	T
Turbomeca Africa	Stanton	South Africa	Production and repair of helicopter engines	239	T
Morpho	Abu Dhabi	UAE	Sale of biometric devices	79	T
Aircelle Maroc	Casablanca	Morocco	Construction of composite parts for engines	512	T
Labinal Maroc	Temara/Ain Atiq	Morocco	Production of aircraft wiring	1,102	FL
Safran Engineering Services Morocco	Casablanca	Morocco	Automobile and aeronautical engineering	124	FL
Sagem Sécurité Maroc	Casablanca	Morocco	Software development	150	T
Snecma Morocco Engine Services	Casablanca	Morocco	Commercial engine MRO	179	T
ASIA AND OCEANIA					
Morpho Australasia Pty Ltd	Sydney	Australia	Sale and maintenance of Morpho products	54	T
Turbomeca Australasia	Sydney	Australia	Support and production of turbine engines	123	T
Messier-Dowty Suzhou Co, Ltd	Suzhou	China	Production of landing gear	368	O
Snecma Suzhou Co, Ltd	Suzhou	China	Manufacture and assembly of engine modules	300	O
Snecma Xinyi Airfoil Castings Co Ltd	Guiyang	China	Aircraft parts foundry	129	O
Smart Chip Ltd Syscom Corporation Ltd	Noida/New Delhi	India	Research, manufacture and sale of smart cards	901	O
Safran Engineering Services India	Bangalore	India	Automobile and aeronautical engineering	547	T
Messier Services Asia Pte Ltd	Singapore	Singapore	Landing gear repair	318	O
Cassis International Pte Ltd	Singapore	Singapore	Trusted service management ⁽¹⁾	26	T
Morpho Cards (Singapore) Pte, Ltd	Singapore	Singapore	Sale of smart cards	45	T

(O: Owner – T: Tenant – FL: Finance lease)

(1) Trusted services management enables mobile network operators and service providers to manage and implement authentication solutions on mobile devices, for secure applications such as banking services, transport and physical access to secure sites.

Environmental factors likely to influence the Group's use of its property, plant and equipment are presented in section 5.4.3. The Group has drafted Health, Safety and Environment (HSE) guidelines which enable it to assess the compliance of its property, plant and equipment and operations with HSE regulations. It also regularly conducts self-assessments and audits.

1.8 SAFRAN GROUP PURCHASING STRATEGY

Safran constantly strives to pursue a purchasing policy consistent with its objectives of excellence and competitive performance, and with its sustainable development policy. Supplier input accounts for the majority of its development and production costs. Suppliers' strategy, performance (cost, quality, delivery times), know-how, technological innovation and capacity to tackle sustainable development issues must match Safran's current and future needs. This is a determining factor in the Group's capacity to reach its goals.

Safran's purchasing policy seeks to concentrate business with suppliers that meet these demands, that comply with the specific rules applicable to the Aerospace, Defence and Security markets, and that are prepared to commit to long-term undertakings with Safran on a mutually profitable basis.

The policy has four main objectives:

- to build a supplier panel that:
 - enables Safran to meet its current needs and plan ahead as regards the international development of each Group company in targeted geographic areas, and to ensure secure sourcing for strategic purchases,
 - enables Safran to roll out its sustainable development policy upstream through the supply chain;
- to involve suppliers early on in the Group's development programs so that they can meet all customer demands, allowing them to propose innovations and harness the full

extent of their know-how on obtaining the best possible cost and performance for Safran Group products, and full compliance with health, safety and environmental requirements;

- to promote common procedures, management tools and metrics across all Safran Group companies to improve operating modes and performance with suppliers;
- to support key suppliers on measures to adapt their organizations and industrial configurations to Safran Group expectations and shifts in market demand.

The application of Safran's purchasing policy is fully consistent with its sustainable development policy.

Logistics chain players involved in the application of the purchasing policy comply with the Safran Group's ethics charter.

The rollout of the policy requires close cooperation among Group companies, a Safran purchasing network and culture, tight coordination among all Group players in contact with suppliers, and involvement of the purchasing team in all product life-cycle phases.

To help suppliers plan and finance their operations more efficiently, Safran Group companies have taken up GIFAS recommendations, which give suppliers more flexibility on delivery scheduling. Specifically, the firm order period has been extended to six months on a sliding basis. Safran has also improved its demand visibility by extending the flexibility period.

1.9 SAFRAN QUALITY PERFORMANCE AND POLICY

Safran pursues an ambitious quality policy backed by a strong continuous progress ethic, seeking to satisfy all its customers by offering them the best products and services available anywhere in the world.

Safran's quality policy operates synergetically across all Group companies; performance targets are identified and priority actions determined to achieve an optimally efficient response as regards quality and customer satisfaction. Group-wide methods and tools are used, derived from pooled experience and best practices across all Group companies.

The quality policy is rooted in Safran Group values and is rolled out consistent with the Safran+ plan.

Safran seeks to be recognized by all its customers as an exemplary supplier and partner. To achieve this goal, it implements a series of progress-oriented measures:

- continuous improvement in product and service quality, based on objective measurement and a shared vision of customer satisfaction;

- close attention to program management and design quality, as evidenced by group-wide rollout of a single program management standard targeting performance and risk control;
- structured, coordinated action with internal and supply-chain players, to ensure supplier delivery performance and support supplier development under conditions of strong growth in volumes;
- improved process robustness and optimized production flows, backed by tougher error-avoidance systems.

These measures yielded a rise in delivered product quality in 2012, meeting the target of a 20% increase in quality performance. Several major customers expressed their appreciation for the result obtained.

The aim for 2013 is to pursue the program and further improve results, with three key priorities:

- further improvements in customer satisfaction, in line with Safran's ambition to be its customers' top-ranking supplier and partner;
- improvements in supplier performance, a prerequisite for raising Safran's own performance level;

- tighter control over development quality (especially important given the extent and importance of developments under way) by taking account of lessons learned to ensure projects are fully mature on operational release.

1.10 SAFRAN+ PROGRESS INITIATIVE

The Safran+ continuous progress and modernization initiative was launched in 2009 with the aim of driving continuous performance improvements throughout the Group. In order to achieve this, Safran+ has defined key areas for progress, set targets and developed a specific approach.

Safran+ is a centralized initiative, featuring its own network, and deployed within all of the Group's entities. This structure allows for an array of improvement initiatives, either created by the Group and applicable to all of its companies, or created by the companies themselves for their own internal use.

Most of these initiatives involve ongoing improvement, but five ground-breaking projects have also been put forward by the Group. These involve:

- the upgrade of management processes (geared towards support functions);
- decreased working capital requirement;
- control over production purchases;
- the optimization of the upstream supply chain;
- increased effectiveness of development, research and engineering programs.

They are joined by two permanent, cross-Group initiatives:

- interactive innovation initiatives offering employees the possibility to improve the Company through their sector;
- the use of the Lean Sigma⁽¹⁾ approach to train Green and Black Belts, professional drivers of Group change, acting in a structured and standardized manner.

Most projects can be measured and target at least one of the following three objectives:

- higher operating profit;
- lower working capital requirements;
- lower EUR/USD exchange rate risk.

For each of these initiatives, the Group's strategy helps define an annual objective per company.

Work toward these objectives is monitored by means of two complementary approaches:

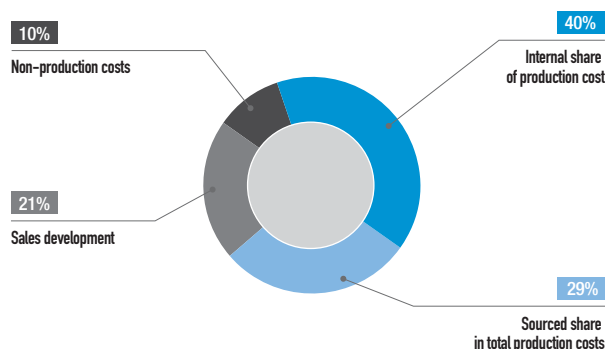
- upstream, managers assess the direct progress of actions using project-relevant operational indicators, from identification through to fulfillment;

- downstream, key management indicators are applied to compare expected against actual performance achieved by the company during the year (e.g., production cost indexes, lead part cycles, etc.).

The managers concerned report on progress to Safran executive management at two reviews carried out at two different sites per company.

2012 PROGRESS PLANS

The savings achieved in 2012 break down as follows:



We note the following progress plan highlights in 2012:

- a group-wide Purchasing Specification project was launched to pull on the purchasing performance lever and gear up power of the Safran Purchasing Shared Services Centres;
- Safran pushed ahead with its project on modernizing management, begun in 2009. All support functions are now pooled group-wide: non-production purchasing, payroll, recruitment, training, finance, communications, information systems, health-safety-environment. From 2013 they will gradually be transferred to a single building accommodating Safran's Shared Services Centres;
- Safran's Interactive Innovation scheme generated more than 34,000 applicable ideas from personnel;

(1) Lean Sigma: Continuous performance improvement and waste elimination process.

- an operational coordination program was begun to steer supplier performance. Rollout of cooperative actions with suppliers using the Lean Sigma method was stepped up;
- a global supply chain initiative gave rise to a joint approach on processes, with definition of supply chain functions to improve scheduling of operations both internally and at supplier sites;
- the purchasing function matured, promoting group-wide convergence of multiple processes and coordination of joint purchasing operations;
- a group-wide standard was drawn up under the R&D progress initiative, setting out basic principles for R&D performance as regards development excellence in leadtimes, quality and cost;
- lean Sigma practices were stepped up, with group-wide personnel education campaigns. In addition, more than 1,000 Green Belts⁽¹⁾ and Black Belts⁽¹⁾ were trained, and eleven new Master Black Belts⁽¹⁾ certified.

(1) Responsible for setting up Lean Sigma methods.



02

REVIEW OF OPERATIONS IN 2012 AND OUTLOOK FOR 2013

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BUSINESS HIGHLIGHTS IN 2012

AEROSPACE PROPULSION

- CFM56 engine deliveries increased 7.5% to 1,406 units in 2012 versus 1,308 in 2011;
- New orders and purchase commitments for 1,096 LEAP engines and 898 CFM56 engines in 2012;
- Almost 10,000 CFM56 and LEAP engines in the backlog (firm orders and commitments), representing around seven years of production;
- Silvercrest engine chosen by Cessna to power its new Citation Longitude business jet;
- 924 helicopter engines delivered, up from 922 in 2011;
- Creation of Herakles by the merger of Snecma Propulsion Solide (SPS) and SNPE Matériaux Énergétiques (SME), integrating the development and production of solid propulsion engines with the development and production of solid propellants.

AIRCRAFT EQUIPMENT

- Continued ramp-up of production under new programs, notably for the Boeing 787 and the Airbus A380 and A330;
- Final agreement signed for the acquisition of Goodrich Electrical Power Systems (GEPS), which will lead to the creation of a world leader in aerospace electrical power.

DEFENCE

- Ongoing deliveries to the French Armed Forces of Felin infantry combat protection systems, with ten regiments now fitted out;
- Creation of Optrolead, a 50-50 joint venture with Thales in the optronics field. Optrolead will market and sell future-generation optronics systems, chiefly for armed forces;
- Additional shares acquired in Sofradir, a leading player in infrared detection, within the scope of the partnership with Thales.

SECURITY

- Safran selected by the Chilean government to produce and manage ID documentation in the country;
- Acquisition of General Electric's residual 19% stake in Morpho Detection Inc. (MDI);
- Completion of several other selective acquisitions, including Cassis International, a leading trusted service management (TSM) specialist, and the European subsidiaries of the American Banknote group, specializing in the production and customization of bank cards.

2012 ADJUSTED KEY FIGURES

(in € millions)	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding co. and other		Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Revenue	6,110	7,005	3,097	3,691	1,264	1,315	1,249	1,546	16	3	11,736	13,560
Recurring operating income (loss)	909	1,099	202	287	58	81	139	145	(119)	(141)	1,189	1,471
Profit (loss) from operations	931	1,100	202	271	51	81	116	120	(140)	(151)	1,160	1,421
Free cash flow ⁽¹⁾	692	464	(19)	38	(80)	13	(61)	11	0	38	532	564
Acquisitions of property, plant and equipment	132	168	112	140	58	47	42	46	8	18	352	419
Self-funded R&D	420	649	159	213	118	117	111	124	N/A	N/A	808	1,103
Headcount ⁽²⁾	22,065	23,271	21,543	22,874	6,587	7,182	7,530	7,727	2,080	1,504	59,805	62,558

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

(2) Headcount at December 31.

2.1 COMMENTS ON THE GROUP'S PERFORMANCE IN 2012 BASED ON ADJUSTED DATA

2.1.1 RECONCILIATION OF CONSOLIDATED DATA WITH ADJUSTED DATA

FOREWORD

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

Readers are reminded that Safran:

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

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

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the

amortization charged against intangible assets relating to aircraft programs revalued at the time of the Sagem-Snecma merger. With effect from the 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 outstanding hedging instruments 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)	2012 consolidated data	Currency hedging		Business combinations		2012 adjusted data
		Remeasurement of revenue ⁽¹⁾	Deferred hedging gain (loss) ⁽²⁾	Amortization of intangible assets from Sagem-Snecma merger ⁽³⁾	PPA impacts – other business combinations ⁽⁴⁾	
Revenue	13,615	(55)	-	-	-	13,560
Other recurring operating income and expenses	(12,345)	-	3	156	97	(12,089)
Recurring operating income	1,270	(55)	3	156	97	1,471
Other non-recurring operating income and expenses	(56)	-	-	-	6	(50)
Profit from operations	1,214	(55)	3	156	103	1,421
Cost of debt	(54)	-	-	-	-	(54)
Foreign exchange gains	709	55	(742)	-	-	22
Other financial income and expense	(120)	-	-	-	-	(120)
Financial income (loss)	535	55	(742)	-	-	(152)
Share in profit from associates	19	-	-	-	-	19
Income tax expense	(442)	-	270	(54)	(37)	(263)
Profit from continuing operations	1,326	-	(469)	102	66	1,025
Profit from discontinued operations	-	-	-	-	-	-
Profit (loss) for the period attributable to non-controlling interests	(24)	-	1	(3)	-	(26)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	1,302	-	(468)	99	66	999

(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 €742 million excluding tax, and the impact of including hedges in the measurement of provisions for losses to completion (€3 million).

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

(4) Cancellation of depreciation/amortization/impairment of assets identified at the time of recent acquisitions.

Readers are reminded that only the consolidated financial statements set out in section 3.1 of this document are audited by the Group's Statutory Auditors. The consolidated financial statements include the revenue and operating profit indicators set out in the adjusted data in Note 4, "Segment information".

Adjusted financial data other than the data provided in Note 4, "Segment information" in section 3.1 are subject to the verification procedures applicable to all of the information provided in this report.

2.1.2 OVERVIEW OF THE GROUP'S PERFORMANCE IN 2012

ADJUSTED INCOME STATEMENT

<i>(in € millions)</i>	2011 Adjusted data	2012 Adjusted data
Revenue	11,736	13,560
Other income	216	209
Income from operations	11,952	13,769
Change in inventories of finished goods and work-in-progress	134	340
Capitalized production	371	642
Raw materials and consumables used	(6,836)	(8,226)
Personnel costs	(3,808)	(4,205)
Taxes	(235)	(270)
Depreciation, amortization, and increase in provisions, net of use	(342)	(574)
Asset impairment	(62)	(26)
Other recurring operating income and expenses	15	21
Recurring operating income	1,189	1,471
Other non-recurring operating income and expenses	(29)	(50)
Profit from operations	1,160	1,421
Cost of net debt	(42)	(54)
Foreign exchange gains (losses)	(46)	22
Other financial income and expense	(127)	(120)
Financial loss	(215)	(152)
Share in profit from associates	10	19
Profit before tax	955	1,288
Income tax expense	(289)	(263)
Profit from continuing operations	666	1,025
Profit from discontinued operations	3	-
PROFIT FOR THE PERIOD	669	1,025
Attributable to:		
• owners of the parent	644	999
• non-controlling interests	25	26
Earnings per share attributable to owners of the parent <i>(in €)</i>		
Basic earnings per share	1.59	2.41
Diluted earnings per share	1.58	2.40
Earnings per share from continuing operations attributable to owners of the parent <i>(in €)</i>		
Basic earnings per share	1.58	2.41
Diluted earnings per share	1.57	2.40
Earnings per share from discontinued operations attributable to owners of the parent <i>(in €)</i>		
Basic earnings per share	0.01	-
Diluted earnings per share	0.01	-

REVIEW OF OPERATIONS

ADJUSTED REVENUE

For full-year 2012, Safran's revenue was €13,560 million, a 15.5% year-on-year increase (8.6% organic growth), compared to €11,736 million in 2011.

Full-year 2012 revenue increased by €1,824 million on a reported basis, notably highlighting the performance in Aerospace and Security. On an organic basis, revenue increased by €1,009 million with higher Aerospace original equipment volumes, improving civil aftermarket trends, resilience in the Defence business (avionics) and momentum in Security (biometric identification, e-documents).

ADJUSTED RECURRING OPERATING INCOME

For full-year 2012, Safran's recurring operating income was €1,471 million, or 10.8% of revenue, up 23.7% compared to €1,189 million (10.1% of revenue) in full-year 2011. After taking into account the positive currency impact (€131 million) and the impact of acquisitions and newly consolidated activities (€23 million), the organic year-on-year improvement was €128 million, or 10.8%. This also includes a negative €29 million impact due to a higher rate (announced in August 2012) in social contributions payable on employee profit sharing.

The improvement was primarily driven by the Aerospace Propulsion and Aircraft Equipment activities, which saw solid OEM growth and positive trends in the civil aftermarket, as well as by a turnaround of avionics in Defence.

<i>(in € millions)</i>	2011	2012
Recurring operating income	1,189	1,471
% of revenue	10.1%	10.8%
Total non-recurring items	(29)	(50)
Capital gain on disposals	-	1
Impairment reversal (charge)	23	(1)
Other unusual and material non-operating items	(52)	(50)
PROFIT FROM OPERATIONS	1,160	1,421
% of revenue	9.9%	10.5%

ADJUSTED PROFIT FROM OPERATIONS

Adjusted profit from operations climbed 22.5% to €1,421 million versus €1,160 million in 2011. Non-recurring items represented an expense of €50 million during full-year 2012, of which €34 million of acquisition and integration costs mainly related to MorphoTrust, as well as a net expense of €16 million related to our customer Hawker Beechcraft, which had filed for Chapter 11 bankruptcy protection in May 2012.

ADJUSTED INCOME TAX EXPENSE

The adjusted income tax expense for the year fell from €289 million in 2011 to €263 million in 2012, largely due to the change in mix of tax rates applicable in countries where the Group does business. The Group's tax expense includes the favorable impact of the absorption by Safran of subsidiaries which had been involved in loss making activities divested several years ago.

ADJUSTED FINANCIAL INCOME (LOSS)

The Group reported an adjusted financial loss of €152 million in 2012, compared to loss of €215 million in 2011. The financial loss chiefly reflects the cost of net debt, which was up slightly year-on-year, to €54 million from €42 million in 2011. The financial loss also includes the cost of unwinding discounts on certain assets and liabilities (mainly provisions and repayable advances), as well as the impact of any changes in the discount rate used, particularly to calculate provisions. The cumulative impact of these non-cash items was an expense of €90 million in 2012 and an expense of €69 million in 2011. The interest cost on post-employment benefit obligations amounted to €21 million in 2012 versus €17 million in 2011.

ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Adjusted profit attributable to owners of the parent grew by 55% year-on-year. It was €999 million or €2.41 per share, compared to €644 million (€1.59 per share) in full-year 2011. In addition to the rise in recurring operating income, this improved performance includes:

- net financial expense of €152 million, including cost of debt of €54 million;
- tax expense of €263 million.

2.1.3 ADJUSTED KEY FIGURES BY BUSINESS

SUMMARY OF ADJUSTED KEY FIGURES BY BUSINESS

The backlog grew 13% to €48.5 billion in 2012 compared to €43.0 billion last year.

(in € millions)	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding co. and other		Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Backlog ⁽¹⁾	24,490	29,879	14,469	14,467	2,704	2,380	1,334	1,737	N/A	N/A	42,997	48,463
Orders recorded during the year ⁽²⁾	13,713	11,516	4,642	3,539	1,120	1,142	1,320	1,862	N/A	N/A	20,795	18,058
Revenue	6,110	7,005	3,097	3,691	1,264	1,315	1,249	1,546	16	3	11,736	13,560
Recurring operating income (loss)	909	1,099	202	287	58	81	139	145	(119)	(141)	1,189	1,471
Profit (loss) from operations	931	1,100	202	271	51	81	116	120	(140)	(151)	1,160	1,421
Free cash flow ⁽³⁾	692	464	(19)	38	(80)	13	(61)	11	0	38	532	564
Acquisitions of property, plant and equipment	132	168	112	140	58	47	42	46	8	18	352	419
Self-funded R&D	420	649	159	213	118	117	111	124	N/A	N/A	808	1,103
Headcount ⁽⁴⁾	22,065	23,271	21,543	22,874	6,587	7,182	7,530	7,727	2,080	1,504	59,805	62,558

(1) The backlog corresponds to orders recorded and not yet recognized in revenue.

(2) Orders recorded represent orders received during the year.

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

(4) Headcount at December 31.

2.1.3.1 AEROSPACE PROPULSION

ADJUSTED KEY FIGURES

	2011	2012	Year-on-year change
Quantities delivered			
CFM56 engines	1,308	1,406	7%
Helicopter turbine engines	922	924	-
(in € millions)			
Backlog	24,490	29,879	22%
Orders recorded during the year	13,713	11,516	-16%
Revenue	6,110	7,005	15%
Recurring operating income	909	1,099	21%
Profit from operations	931	1,100	18%
Free cash flow	692	464	-33%
Acquisitions of property, plant and equipment	132	168	27%
Research and development			
Self-funded R&D	(420)	(649)	55%
% of revenue	6.9%	9.3%	+2.4 pts
Research tax credit	47	47	-
Self-funded R&D after research tax credit	(373)	(602)	62%
Capitalized expenditure	161	342	112%
Amortization and impairment of R&D expenditure	(26)	(25)	-4%
Impact on profit from operations	(238)	(285)	20%
% of revenue	3.9%	4.1%	+0.2 pts
Headcount ⁽¹⁾	22,065	23,271	5%

(1) Headcount at December 31.

Aerospace Propulsion activities can be split into four key sectors that contribute to business line revenue as follows:

Sector	% of business line revenue	
	2011	2012
Civil aviation	60%	61%
Military aviation	11%	11%
Helicopter turbine engines	17%	16%
Ballistics and space	12%	12%

REVIEW OF AEROSPACE PROPULSION OPERATIONS IN 2012

Full-year 2012 revenue grew by 15% to €7,005 million, or 9.2% on an organic basis, compared to revenue of €6,110 million in the year-ago period. Revenue evolution resulted from a strong rise in civil OEM deliveries, with CFM56 reaching record production rates, and solid trends in the aftermarket for CFM56 engines and helicopter turbines. CFM56 engine deliveries amounted to 1,406 units, 98 units more than in 2011. Total CFM56 and LEAP orders and commitments now stand at 9,943 engines, about seven years of production at current rates. Excluding the contribution of newly acquired SNPE Matériaux Énergétiques (SME), space and missile propulsion revenue was flat in the year.

On a full-year 2012 basis, civil aftermarket revenue grew by 9.4% in USD terms, driven by first overhauls of recent CFM56 engines. Overall service revenue in Aerospace Propulsion grew by 9.9% in euro terms. The strength of the helicopter engines maintenance activity also contributed to service revenue growth. In contrast, that related to the military engines aftermarket reported lower revenue due to a high comparison base.

Full-year 2012 recurring operating income was €1,099 million (15.7% of revenue), up 21% compared to €909 million in the year-ago period (14.9% of revenue). This improvement resulted from healthy activity in the civil aftermarket and helicopter engines maintenance, as well as from increased volume on all military and commercial OEM engines. Profits were also driven by significant productivity gains from the transverse Safran+ cost reduction program. R&D expenses grew, primarily on LEAP and Silvercrest engines development. Currency hedging had a positive impact on profitability.

The 12-month contribution of SME was €273 million in revenue and €24 million (8.8% of sales) in recurring operating income.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Civil aviation

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

SaM146 (13,500 – 17,800 pounds of thrust)

The SaM146 engine, developed in partnership with Russian engine manufacturer NPO Saturn and with the participation of Italian engine manufacturer Avio, was certified by the European Aviation Safety Agency and by its Russian counterpart in 2010. The SaM146 engine has clocked up more than 30,000 flying hours. The SaM146

is used in the Sukhoi Superjet 100, which was itself certified by the Russian aviation authorities in January 2011, and by the European aviation authorities in February 2012. A total of eight Superjet 100 engines were delivered in 2012, bringing the total number of deliveries to 13 for four airline companies.

In May 2012, one of the Superjet 100 test aircrafts crashed during a demonstration flight in Indonesia. In December, the Indonesian National Transportation Safety Committee (KNKT) confirmed that the accident had been caused by a pilot error.

The backlog for Powerjet stood at 234 engines at the end of the year.

Silvercrest (9,500 – 12,000 pounds of thrust)

Chosen by two aircraft manufacturers, the Silvercrest engine incorporates leading-edge technology to offer unrivalled performance, with ambitious targets in terms of fuel consumption, reliability and respect for the environment.

Silvercrest will be used in Cessna's new Citation Longitude business jet, with a cruising speed of over 900km/h (490 knots) and an intercontinental flying range of 7,408km (4,000 nautical miles), the most of any Cessna aircraft.

The first engine was assembled in May 2012 and tests began in October. The engine should be brought into service in 2017.

SMA

In July 2012, US aircraft manufacturer Cessna chose turboprop SMA SR305-203E for the Turbo Skylane NXT, the latest aircraft in its Cessna 182 range. At the end of December, 142 orders had already been taken for this engine and the first ten production-standard engines had been delivered.

■ **CFM mid-thrust engines for civil aircraft (short-medium-haul aircraft)**

CFM56 – LEAP

Having been selected by Chinese aircraft manufacturer COMAC in 2009 as the sole Western source for its C919 and by Airbus in 2010 to upgrade its A320 fleet (A320neo), in 2011 LEAP was chosen by Boeing as the sole engine in its 737 re-engining program known as 737 MAX. The 737 MAX is expected to be in service by 2017, and the A320neo and C919 by 2016. This third success, opening up further market opportunities for Safran, once again vindicates the strategic and technological decisions resulting from its partnership with General Electric.

2012 also saw a string of major commercial successes. Orders continued to grow for LEAP engines, set to gradually replace CFM56 units. With new orders and purchase commitments for 1,096 engines in 2012, the backlog for LEAP stood at over 4,300 engines under the C919, A320neo and 737 MAX programs at year-end.

The LEAP-1C is the sole Western source for the propulsion system (engine plus nacelle) on COMAC's C919 Chinese aircraft. On the A320neo, the LEAP-1A model competes with the PurePower PW1000G engine made by US firm Pratt & Whitney. At December 31, 2012, LEAP-1A had a market share of just over 50% in aircraft for which engines had already been chosen. The LEAP-1B model was chosen as the sole engine for the Boeing 737 MAX.

Taking into account the 898 orders for CFM56 engines taken during the year, the overall backlog (CFM56 + LEAP) represents around 10,000 engines, or more than seven years' production. This success confirms CFM as leader in the market of 100+ seat aircraft, and guarantees the success of these programs over several decades.

A record 1,406 CFM56 engines were delivered by Safran during the year, up 7% on 2011 (1,308). More than 24,000 CFM56 engines have been delivered since the launch of the program. The in-service fleet of CFM56 engines passed the 600 million flying hours mark in 2012 and the engines are used by over 530 customers and operators.

CFM56 engines deliver industry-leading reliability and operational performance.

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

Production of high-thrust engines was up sharply in 2012, with 567 modules delivered compared to 514 in 2011.

GE90 family

Safran has an interest of around 24% in this General Electric program and enjoys a sole-source position on the B777, for which it delivered 187 modules in 2012. Production volumes remained upbeat, with Boeing announcing a further ramp-up in production of the 777, from seven aircraft per month in 2012 to 8.3 aircraft per month in first-quarter 2013.

GP7200 (engine for the A380)

Safran delivered 62 high- and low-pressure compressor modules in 2012. At the end of the year, the GP7200 was used by three airlines and has been selected for almost 56% of the A380 aircraft for which an engine has already been chosen.

GenX

The GenX engines manufactured for the Boeing 747-8 and Boeing 787, respectively GenX-2B and GenX-1B, were certified in 2011. The first 787 fitted with a GenX-1B engine entered into service in April 2012.

A total of 151 compressor modules were delivered in 2012.

CF6 – LM6000 family

A total of 167 modules were shipped in 2012.

■ Industrial operations

New production plants are currently being built in Commercy and Rochester (United States) for 3D woven composite fan blades, in a bid to adapt our industrial facilities to the increase in production and to the very latest technology.

The launch of the Safran Composites R&T center in Le Bouchet (France) signals further progress in the strategy to pool expertise for the benefit of all Group companies.

Lastly, in 2012 Nippon Carbon Company, Ltd., GE and Safran set up a joint venture to produce and sell silicon carbide continuous fiber (SiC), or Nicalon®, an important material for CFM's next-generation of high-performance LEAP engine components.

Military aviation

■ M88/Rafale

In 2012, 26 M88 engines were delivered for the Rafale. The in-service fleet clocked up more than 241,000 flying hours during the year. In the first half of 2012, the first "Pack CGP" (total cost of ownership) M88-4E engines were delivered to the French State. This engine model makes it possible to reduce maintenance costs as well as the frequency of inspections for major models, and increases the life of hot and rotating parts.

India has begun exclusive talks with Rafale EIG to purchase 126 aircraft.

■ TP400

The TP400-D6 engine development program entrusted to the EPI consortium (ITP group, MTU Aero Engines, Rolls-Royce and Safran) and chosen to power the European military transport aircraft Airbus A400M, continued to progress satisfactorily during the year. The European Aviation Safety Agency certified the engine in 2011.

The backlog at the end of 2012 stood at 736 engines for the 174 A400M ordered by Airbus Military.

Good progress was made in the A400M program, with 300 hours of functionality and reliability tests performed as a step towards obtaining civil and military certification of the aircraft during first-quarter 2013. The first delivery of the aircraft to the French Armed Forces is slated for the second quarter of 2013, with four deliveries to be made by the end of the year currently in the final assembly phase.

■ Adour

A total of 43 Adour engines were delivered in 2012. The backlog for Adour engines at the end of the year was 88 units, of which 44 were ordered by India for its Hawk fighter plane.

Helicopter turbine engines

The tentative rally in the global helicopter market observed in 2011 took hold in 2012, with an increase in the number of flying hours per engine and in the total volume of hours under Service-by-the-Hour (SBH) contracts. Net new orders totaled 774 units in 2012 and the backlog at the end of the year stood at 1,359 engines. Deliveries of new equipment rose to 924 production-standard helicopter engines versus 922 in 2011.

Bullish momentum in the offshore oil market was also confirmed in 2012, although austerity measures could act as a brake on military spending in the main developed markets.

Consolidation and internationalization trends continued among major helicopter operators in 2012, with several large-scale acquisitions. In Europe, Avincis was created out of the merger of Spanish firm Inaer and UK firm Bond, while in the US, Air Methods acquired the helicopter operator Sundance.

■ Light helicopters

This segment continued to grow on emerging markets:

- in China during the first half of the year, after local certification was obtained for the Arriel 2D engine, Safran and Avic stepped up their cooperation in the areas of new engine assembly, maintenance and repair. Safran continued to provide technical assistance and industrial support to engine manufacturer Dongan, with a view to delivering the first Ardiden 3c/WZ16 engines for the Z15 helicopter in 2014;
- at the Zhuhai trade show in China, an order was signed for a first series of 20 Arriel 2C engines for the Chinese coastguard. Deliveries began at the end of 2012;
- in Russia, a cooperation agreement was signed in June 2012 with Russian Helicopters for the maintenance of Safran engines used in the new Ka-226T light helicopters and medium twin Ka-62 models operated by the military and the government;
- in September 2012 in Russia, Russian Helicopters sold its first Ka-226T helicopters fitted with two Safran Arrius 2G1 engines to GazpromAvia. The contract covers a total of 18 aircraft.

In summer 2012, Safran enjoyed further success when its new turbo-shaft engine, the TM800, was selected by Eurocopter to power its next-generation X4 helicopter. This new engine benefits from technological advances resulting from Safran's R&T strategy, for example in significantly reducing specific consumption in comparison with the generation currently in service. This will help improve performance (range, payload) and reduce environmental footprint. The plan for the engine's development and certification are aligned with the entry into service of the initial version of the helicopter in 2017.

Lastly, the new Arriel 2 (2E) engine was certified in January 2013. This model will power Eurocopter's twin-engine EC145T2 helicopter, which is expected to come into service at the end of 2013. The certification comes after that of the Arriel 2D model in May 2011, used in Eurocopter's Écureuils helicopters EC130T2 and AS350B3e.

■ Heavy-lift helicopters

Following the launch of successors on two fiercely competitive segments (4- to 6-ton and 6- to 8-ton), attention is now focused on upgrading the 10-ton segment, with the X6 engine (successor to the Super Puma), the new improved Russian Mi-17 model, and the 10-ton Chinese helicopter.

■ Services

In 2012, Safran renewed its Global Support Package contract with the French Ministry of Defence and Civil Security for a period of ten years. Under the terms of this contract "MCO2", Safran undertakes to ensure availability of the 1,408 turbo-shaft engines. Also in 2012, Safran signed a Support-by-the-Hour contract with the German federal police and the Swedish air force.

Another agreement was also signed specifically for the maintenance of RTM322 engines used in NH90 military helicopters delivered to France, the Netherlands, Belgium and Portugal.

At the end of the year, CHC, the world's leading operator in the Oil & Gas segment, signed a Support-by-the-Hour contract for its entire fleet of Makila 2 engines used to power the EC225.

■ Industrial operations

In September 2012, Safran opened the extension of its Xerém plant in the State of Rio de Janeiro, Brazil. This facility houses the new assembly line and repairs for the Makila 2 engine and for the auxiliary power unit (APU) Saphir 20. These engines and units, designed for both civil and military EC225/725 helicopters, will be operated for the Brazilian market and in Latin America more generally.

■ Ballistics and space

Following Safran's April 2011 purchase of SME and its subsidiaries (mainly 85% of Pyroalliance, 50% of Roxel [owner of Roxel France], and 40% of Regulus), the activities of SME and SPS were merged to form Herakles.

Herakles, number one in Europe and number two worldwide⁽¹⁾ in solid propulsion technologies, employs more than 3,000 people, including a research and development unit boasting over 600 engineers and researchers.

To effectively merge research teams with testing teams from a functional standpoint, lean manufacturing procedures were rolled out at the end of 2012. MBDA France acquired Roxel France's ramjet⁽²⁾ integration and testing activities. This transaction did not include ramjet solid propulsion boosters or thermo-structural materials activities, businesses which continue to be operated by Roxel.

In the liquid propellant engine segment, six Vulcain engines and five HM7 engines were delivered in 2012.

Seven Ariane 5 satellites were successfully launched in 2012 (versus five in 2011). This marks the European launch vehicle's 53rd consecutive success and confirms the excellent reliability of Ariane.

Safran is also a major contributor to the European launch vehicle Vega. The first test launch in February 2012 from the Kourou Space Center in French Guiana was a big success.

In the industrial applications sector, an agreement was signed with automotive parts manufacturer Autoliv to supply propellants for airbags in cars over the period 2012-2017.

(1) Source: Safran.

(2) Air-breathing engines particularly suited to power supersonic aircraft over long distances.

2.1.3.2 AIRCRAFT EQUIPMENT

ADJUSTED KEY FIGURES

	2011	2012	Year-on-year change
Quantities delivered			
Power transmission systems	1,815	2,019	11%
A320 thrust reversers	489	489	-
A380 nacelles	104	108	4%
<i>(in € millions)</i>			
Backlog	14,469	14,467	-
Orders recorded during the year	4,642	3,539	-24%
Revenue	3,097	3,691	19%
Recurring operating income	202	287	42%
Profit from operations	202	271	34%
Free cash flow	(19)	38	N/A
Acquisitions of property, plant and equipment	112	140	25%
Research and development			
Self-funded R&D	(159)	(213)	40%
<i>% of revenue</i>	5.1%	5.8%	+0.9 pts
Research tax credit	29	29	-
Self-funded R&D after research tax credit	(130)	(184)	42%
<i>Capitalized expenditure</i>	81	126	66%
<i>Amortization and impairment of R&D expenditure</i>	(55)	(32)	-42%
Impact on profit from operations	(104)	(90)	-13%
<i>% of revenue</i>	3.4%	2.4%	-1.0 pts
Headcount ⁽¹⁾	21,543	22,874	6%

(1) Headcount at December 31.

Aircraft Equipment activities can be split into four key sectors that contribute to business line revenue as follows:

Sector	% of business line revenue	
	2011	2012
Landing and aircraft systems	47%	47%
Engine systems and equipment	27%	27%
Electrical systems and engineering	24%	24%
Other equipment	2%	2%

REVIEW OF AIRCRAFT EQUIPMENT OPERATIONS IN 2012

The Aircraft Equipment segment reported full-year 2012 revenue of €3,691 million, up 19% (12.5% on an organic basis) compared to the year-ago period.

Increases in OEM production rates (notably the Boeing 787 and Airbus A330 and A380 programs) and a recovery of the regional jets market drove revenue increases in all activities. The nacelle activity recorded a significant increase in small nacelles deliveries (up 24%), as well as higher deliveries of A380 nacelles and of A330 thrust reversers. The harnessing and landing gear activities saw a robust performance driven by a production ramp-up in all their product lines.

On a full-year basis, aftermarket service revenue grew by 9.9% in euro terms in 2012, driven by growth in carbon brakes where the Group continues to win market share.

Full-year 2012 recurring operating income was €287 million (7.8% of revenue), up 42% compared to €202 million in the year-ago period (6.5% of revenue). This significant improvement was driven by a favorable mix/volume impact and productivity gains on harnessing and landing systems with the ramp-up of OEM volumes. The increased activity in carbon brakes and auxiliary power transmission spares also contributed to this performance. Currency hedging had a positive impact on profitability.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Landing and aircraft systems

To meet the demand for more integrated equipment offerings from both aircraft manufacturers and airlines, Safran and Honeywell set up a joint venture in June 2012 to jointly develop and sell an innovative new electric Green Taxiing System for aircraft.

The aim is to fit both in-service and new aircraft with this system as from 2016.

Promotional campaigns continue to be rolled out for airline companies with positive feedback in terms of both OEM and retrofits.

■ Wheels and brakes

At December 31, 2012, more than 5,500 aircraft with seating capacity of 100 or more were equipped with Safran carbon brakes. This represents a market share of close to 50%⁽¹⁾, a rise on 2011.

Safran brakes had been selected for 891 Boeing 737NG aircraft (cumulative basis) at December 31, 2012 (700 at end-2011), including 391 aircraft in connection with retrofit projects. A total of 428 of these 891 aircraft are already in service. The remaining 463 are expected to come into service in the near future.

Ethiopian Airlines' first Boeing 787 came into service in September 2012, fitted with electric brakes and wheels manufactured by Messier-Bugatti-Dowty. Ethiopian Airlines is the launch customer for Messier-Bugatti-Dowty electric brakes and has already ordered ten Boeing 787s which will be equipped.

In September 2012, an agreement was signed with Eurocopter as a single-source supplier of wheels and brakes for its next-generation X4 helicopter. Safran will provide the four wheels and two electric brakes. The electric brakes will be designed so as to reduce weight

while retaining excellent friction properties and offering the simplified maintenance needed to meet Eurocopter's in-service performance objectives for this next-generation rotorcraft.

Also in September 2012, construction work began on a plant in Malaysia that will manufacture carbon brakes.

■ Landing gear

In all, 1,191 landing gear units were delivered by Safran in 2012, 100 more than in 2011.

In January 2012, Safran delivered the first production-standard main landing gear shipset for the Airbus A400M. Selected in 2004, Safran is responsible for the design, development, manufacture, integration and support of the A400M landing system.

The first main A350 landing gear for aircraft testing was also delivered.

Safran continued to upgrade its production facilities in the year, chiefly in Bidos (France), Montreal (Canada), and Gloucester (UK). These sites will be housing all production of parts for the 787 and A350.

Throughout 2012, Safran signed landing gear maintenance and repair contracts for the Airbus fleets operated by Aegean Airlines, Cyprus Airways, Maximus Air, EgyptAir, South African Airways Technical and Qatar Airways.

■ Ventilation systems

Through Technofan, Safran was selected by Embraer to supply the ventilation system on its new KC-390 military cargo plane, thereby confirming its growing foothold on the market for next-generation aircraft.

Engine systems and equipment

■ Nacelles and thrust reversers

A total of 108 A380 nacelles were delivered in 2012, compared to 104 in 2011.

Safran is responsible for the entire nacelle (including integration on the engine) for the A320neo powered by CFM's LEAP engines. In 2012, an important milestone was reached when production began on the first full-scale components. These components were produced with composite and metallic materials, applying the same manufacturing process that will be used in its series production of A320neo nacelles. The components were subsequently assembled at the company's Le Havre plant in France, enabling their integration to be assessed and the industrial processes and ergonomic aspects of the production line to be validated.

Another major advance was recorded in 2012 for the LEAP-1C nacelle to be used in China's future C919 aircraft, with the completion of the preliminary design review (PDR). Safran will supply the complete nacelle for the C919 through Nexcelle, a subsidiary jointly owned with Middle River Aircraft Systems (General Electric).

Safran is also involved in three nacelle development projects in the business aviation sector (Silvercrest, Learjet 85, and Passport) on behalf of GE for the Bombardier Global 7000/8000.

(1) Source: Safran.

Safran reported a 7% rise in aftermarket services, and signed a services contract with Rolls-Royce for nacelles used in the Trent 900 engines powering British Airways' A380 fleet. This marks a long-term global care package commitment by the two aerospace equipment manufacturers on a key component of the Airbus flagship jetliner. The contract, which was signed at the Farnborough airshow in July 2012, covers a period of 25 years beginning in 2013, during which Safran will provide complete support on the nacelles it supplies for the Rolls-Royce Trent 900s that power British Airways' fleet of A380s.

■ Power transmissions

In 2012, Safran made its 30,000th delivery of power transmission. Safran is a major player in airborne applications of electrical power and supplies an installed base of more than 24,000 CFM56 engines and over 5,000 engines in the Rolls-Royce Trent and BR700 families.

Besides these programs, Safran is also developing power transmission for the LEAP and Trent XWB engines used in the A350.

Electrical systems and engineering

■ Power electronics and transmission systems

Safran can call on its engineering and research teams to develop cutting-edge electrical solutions for all the energy needs of an aircraft. Compared to the current architecture combining electrical, hydraulic, pneumatic and mechanical networks, the "more electric" aircraft offers optimum performance, superior reliability, a lighter carbon footprint and significantly lower production and maintenance costs.

Brazilian aircraft manufacturer Embraer selected Safran for its upcoming KC-390 military transport aircraft, confirming Safran's leadership in the "more electric" aircraft market. Safran was first selected to work on this program in 2011, in order to supply the aircraft's power transmission system. Safran will supply the power transmission system (primary and secondary power distribution and emerging electrical power generation) as well as the complete power transmission system for the KC-390. In 2012, Embraer once again chose Safran to supply the horizontal stabilizer trim system (HSTS)⁽¹⁾ for this aircraft. The maiden flight of this military transport and tanker aircraft is slated for 2014.

Along the lines of its wish to continue developing in this segment, in October 2012 Safran announced that it had entered into a definitive agreement to purchase Goodrich Electrical Power Systems (GEPS). By adding new capabilities in electrical technologies, this transaction will lead to the creation of a world leader in aerospace electrical power systems, and mark a decisive breakthrough in Safran's "more electric" aircraft strategy. The acquisition will also allow Safran to continue to develop new leading-edge solutions for the electrification of aircraft equipment and closer integration of electrical systems with the aircraft engine.

■ Electrical wiring and engineering

In June 2012, Shanghai Saifei Aviation EWIS Manufacturing Co, Ltd, a joint venture between Safran and COMAC, began operations. Specializing in research and production of wiring for the aerospace market in the Asia-Pacific region, the venture will be responsible for running the EWIS program for COMAC's C919 aircraft.

The wiring contract with Lockheed Martin for the F16 was extended until the end of 2015.

Two major industrial operations were carried out in the year:

- in Mexico, a new plant opened in Chihuahua manufacturing wiring systems for civil and military aircraft and helicopters. The plant is designed to enable the Group's existing facilities to meet the ramp-up of production for the Boeing 787;
- in the US, production lines and offices of the North American division were transferred from Corinth to Denton (both in Texas).

In the engineering business, 2012 highlights include:

- Safran's first certification for Embraer in several technical areas;
- Safran's renewal as a preferred supplier for the Airbus in 2012 to 2016.

(1) The horizontal stabilizer trip system enables the pilot to control the horizontal stabilizer trim as efficiently as possible, to keep the aircraft's attitude stable, while also minimizing the aerodynamic control forces to fly the plane.

2.1.3.3 DEFENCE

ADJUSTED KEY FIGURES

	2011	2012	Year-on-year change
Quantities delivered			
Inertial units	369	454	23%
Felin systems	3,900	4,000	3%
<i>(in € millions)</i>			
Backlog	2,704	2,380	-12%
Orders recorded during the year	1,120	1,142	2%
Revenue	1,264	1,315	4%
Recurring operating income	58	81	40%
Profit from operations	51	81	60%
Free cash flow	(80)	13	N/A
Acquisitions of property, plant and equipment	58	47	-19%
Research and development			
Self-funded R&D	(118)	(117)	-1%
<i>% of revenue</i>	9.3%	8.9%	-0.4 pts
Research tax credit	32	36	12%
Self-funded R&D after research tax credit	(86)	(81)	-6%
<i>Capitalized expenditure</i>	24	22	-8%
<i>Amortization and impairment of R&D expenditure</i>	(7)	(8)	14%
Impact on profit from operations	(69)	(67)	-3%
<i>% of revenue</i>	5.5%	5.1%	-0.4 pts
Headcount ⁽¹⁾	6,587	7,182	9%

(1) Headcount at December 31.

Defence activities can be split into three key sectors that contribute to business line revenue as follows:

Sector	% of business line revenue	
	2011	2012
Optronics	55%	53%
Avionics	38%	38%
Electronics and critical software (Safran Electronics)	7%	9%

REVIEW OF DEFENCE OPERATIONS IN 2012

Full-year 2012 revenue was up 4.0% at €1,315 million, or up 1.0% on an organic basis, compared to the previous year. Avionics revenue grew on the back of higher deliveries of Mistral seeker kit modules and a solid inertial navigation activity. This trend was partially offset by softer revenue in optronics given the tough year-on-year comparison base for the long-range infrared goggles on export markets. Deliveries of portable optronic devices were down in the year, as a consequence notably of US military budget contraction. Safran Electronics benefited from the increasing deliveries of its digital engine control system (FADEC) for the CFM56 engines.

Full-year 2012 recurring operating income at €81 million (6.2% of revenue) was up 40% (up 27.6% organically) compared to €58 million (4.6% of revenue) in full-year 2011. The expected turnaround of profitability in avionics resulted from a combination of a favorable volume, price and mix effect, a significant reduction in SG&A, a drastic reduction in manufacturing costs and an improvement in production quality. Optronics continued to deliver solid profits, although lower than last year, thanks to robust deliveries of the Felin soldier integrated equipment.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Optronics

■ Modernizing infantry

In 2012, deliveries of the Felin infantry combat system to the French Army continued in line with contractual arrangements, with ten regiments equipped by the end of the year. The units outfitted with the system include mountain infantry battalions and a parachute regiment as well as infantry regiments. Felin continues to attract interest outside France and good feedback from its use in overseas operations in Afghanistan should further cement its reputation. The RIF NG next-generation soldier information network which offers an extended network range, was put through its paces in several tests carried out under real-life conditions.

■ Portable optronic equipment, sight equipment and drones

Portable optronic equipment

2012 was a successful year for portable optronics, confirming the front-ranking position of Safran technology despite a decline in the market driven by the withdrawal of armed forces from overseas military operations. Safran also landed the Long Range Thermal Imager contract with the UK Ministry of Defence. This brings the number of JIM-LR multifunction goggles in service and on order across the globe to 5,000, including 2,000 for the French armed forces.

2012 also witnessed success for Sterna, a compact precision target locating system for armed forces, featuring a North Seeker using hemispheric resonator gyro (HRG) technology. The first order was received from the US Army, which intends to swiftly put the equipment to use in operations.

Onboard optronic equipment

Business remained brisk in this segment with a high order intake.

In the shipbuilding market, the growing popularity of the EOMS NG⁽¹⁾ surveillance system and gun fire control device for surface vessels was confirmed with orders for French and Russian Landing Helicopter Docks (LHDs). These systems will also be used in upgrading the French Navy's six Floréal vessels.

Safran was chosen by the Ukrainian Navy to supply Vigy Observer watchtowers for its patrol vessels.

In the periscope business, Safran continued to develop optronic surveillance masts for Barracuda nuclear attack submarines.

In the airborne segment, Safran and Thales worked together within the scope of their Optrolead joint venture to prepare a bid for the program to modernize the Atlantique 2 maritime patrol craft.

For ground forces, Safran delivered further SAVAN 11 devices for bullet-proof vehicles for the Saudi Army and in conjunction with MBDA, began to develop firing stations for medium-range missiles.

Drones

Intensive use of the Sperwer drone in Afghanistan led to orders from SIMMAD⁽²⁾ for numerous spare parts within the scope of maintenance operations. In parallel, the French defence procurement agency (DGA) informed Safran of its order of five further drones to round out existing in-service capabilities.

Avionics

■ Navigation systems and sensors

2012 confirmed the operational success of the new Coriolis production plant in Montluçon, which now houses production of all gyrolasers and hemispherical resonators, a core component of Sagem's inertial units. It also integrates these units at the end of the process. Safran invests heavily in this extremely high-tech business.

Hemispherical resonator gyro (HRG) technology confirmed its competitive edge with the successful launch of BlueNaute at the Euronaval trade show. BlueNaute is a next-generation attitude and heading reference system for shipborne applications. Thanks to HRG's excellent reliability, BlueNaute signals a major improvement in maintainability and total cost of ownership compared with the previous generation of maritime navigation equipment.

Further afield, the RS Alliance joint venture created by Sagem, Rosoboronexport and ITT to serve the market for gyro-based inertial navigation for planes carrying weapons in Russia, landed its first major contract.

■ Seekers and guidance systems

In 2012, Safran continued to develop its range of AASM Modular Air-to-Ground Weapons, after the excellent performance of GPS/inertial guidance models with or without infrared imaging in operations (Operation Harmattan in Libya). Three qualification firing tests of the new laser-guided missile were successfully completed on the Rafale, confirming the superior performance expected by ground forces and paving the way for production-standard weapons deliveries.

■ Flight control systems

Several milestones were reached in 2012, testifying to Sagem's expertise in electric flight control systems:

- the first AP180 autopilot prototypes were delivered and first flights made on the AgustaWestland AW169 helicopter, while integration continued on the AW149 and AW189;
- the preliminary design review (PDR) of the horizontal stabilizer trim system which Sagem produced for Embraer's KC 390 program was completed;
- the preliminary design review of the electric thrust reverser actuation system was completed for the COMAC C919 (Sagem is responsible for the actuation system);

(1) EOMS NG: Electro-Optical Multifunction System.

(2) SIMMAD: French Ministry of Defence aircraft maintenance and procurement agency.

- technological research projects continued apace, focusing on flight control systems, onboard electronics and an optronics program for the future X4 Eurocopter.

■ Electronics and critical software

Two joint ventures of significant importance for the future of Safran Electronics were set up in 2012. Firstly, Fadec Alliance Inc, a joint venture set up by GE Aviation and Fadec International (itself a joint venture between Sagem and BAE) to supply next-generation Fadec 4 (Full Authority Digital Engine Control) devices to be fitted to the LEAP and Passport engines. Secondly, Munich-based

Aerospace Embedded Solutions GmbH, created by Sagem and the German engine manufacturer MTU and combining teams and resources to develop engine control devices.

Numerous in-progress projects have successfully completed important milestones:

- the first brake actuator controllers and extended landing gear for the Airbus 350 were delivered in the year;
- the first A400M engine control devices were supplied ready to be put in to service;
- the first prototype of Fadec 4 was delivered to GE for software integration.

2.1.3.4 SECURITY

ADJUSTED KEY FIGURES

	2011	2012	Year-on-year change
Quantities delivered			
Smart cards (millions of units)	638	630	-1%
Biometric terminals	221,000	230,000	4%
<i>(in € millions)</i>			
Backlog	1,334	1,737	30%
Orders recorded during the year	1,320	1,862	41%
Revenue	1,249	1,546	24%
Recurring operating income	139	145	4%
Profit from operations	116	120	3%
Free cash flow	(61)	11	N/A
Acquisitions of property, plant and equipment	42	46	10%
Research and development			
Self-funded R&D	(111)	(124)	12%
% of revenue	8.9%	8%	-0.9 pts
Research tax credit	13	12	-8%
Self-funded R&D after research tax credit	(98)	(112)	14%
Capitalized expenditure	16	14	-13%
Amortization and impairment of R&D expenditure	(2)	(3)	50%
Impact on profit from operations	(84)	(101)	20%
% of revenue	6.7%	6.5%	-0.2 pts
Headcount ⁽¹⁾	7,530	7,727	3%

(1) Headcount at December 31.

Security activities can be split into three key sectors that contribute to business line revenue as follows:

Sector	% of business line revenue	
	2011	2012
Identification	58%	63%
e-Documents	25%	22%
Detection	17%	15%

REVIEW OF SECURITY OPERATIONS

The Security activity reported full-year 2012 revenue of €1,546 million, up 24% compared to the year-ago period. On an organic basis, moderate growth of 4.6% reflects increasing momentum in biometric identification in some emerging countries and in e-Documents activities, partially offset by temporary adjustments of government budgets in other countries. The e-Documents activity continued to gain traction in the high-end banking market in Latin America as the technology migrates to EMV standard (Europay, Mastercard and Visa) with higher unit prices. MorphoTrust grew its contribution showing strong US Federal sales and higher-than-expected volumes in driving license programs and enrollment services. Detection had a flat performance reflecting renewed Transportation Security Administration (TSA) orders for large CTX devices across the United States being offset by lower Trace equipment deliveries.

Full-year 2012 recurring operating income increased by 4% at €145 million (9.4% of revenue) compared to €139 million in the year-ago period. The relatively slight incremental contribution was driven by the migration to high-end products in e-Documents and the increasingly positive contribution of MorphoTrust, fully achieving the synergies expected at the start of integration. This performance was partially offset in biometric identification (outside the former L-1 ID businesses) which suffered from an unfavorable contract mix. The detection business recorded solid profits, though somewhat below last year's level, notably due to higher R&D expenses in preparation of a major breakthrough in liquid explosives detection and the integrated access control checkpoint in airports.

The 12-month contribution of L-1 Identity Solutions (MorphoTrust and non-proxy businesses) was €335 million in revenue and €48 million in recurring earnings before interest, taxes, depreciation, and amortization (EBITDA). In USD terms, revenue was USD 431 million and recurring EBITDA USD 62 million (14% of sales).

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Identification systems

In 2012, Safran iris and fingerprint-based personal authentication technologies were each ranked number one by the US National Institute of Standards & Technology (NIST)⁽¹⁾. The fingerprint identification algorithms earned praise in particular for their high degree of accuracy and were ranked as the leading automated fingerprint identification technology.

■ Major identity management systems

Orders taken for identity management systems totaled over €1 billion in 2012, up 45% on 2011 based on a constant scope of business (i.e., excluding activities previously carried out by L-1-ID). In February, a major ten-year contract was signed with Chile's National Records Administration (*Servicio de Registro Civil e Identificación*) to produce e-ID cards and e-passports under the country's new

identification and ID and travel document issuance system. Safran will be responsible for end-to-end secure ID management and document production and will also supply enrollment stations for capturing biometric data (photos and fingerprints). For additional security, the ID cards and passport data pages will be manufactured in highly secure production sites using polycarbonate, the most resistant material on the market today.

In May 2012, Safran also landed the contract to supply e-passports in Panama, conferring additional credentials on the Group for future electronic ID bidding processes in Latin America.

In September, Safran was chosen to supply Kenya's Independent Electoral and Boundaries Commission with a comprehensive national electoral enrollment system for the March 2013 general elections. It was also asked to prepare electoral lists within the space of a few weeks. All electoral enrollment stations were delivered and came into service less than two months after the contract was signed.

In the US, Safran is the leading supplier of identity management solutions, with its system for issuing driving licenses currently used in 42 of 50 states. Several states (Louisiana, Mississippi, Ohio and Vermont) renewed their commitment to Safran in 2012 for the replacement and upgrade of their driving license issuance systems. In 2013, Safran and the state of Tennessee joined forces to create self-service kiosks for renewal of driving licenses. Safran also supplies all 50 US states with background vetting systems and other identification services through 1,200 local service centers, as well as biometric identification systems for the US Federal Bureau of Investigation (FBI), Department of Defense, and State Department.

The Netherlands opted for Safran's vehicle registration document production systems and ordered extensions for Dutch passports. Two major contracts were also signed in Finland to supply passports and driving licenses, along with a driving license agreement in Sweden.

In the United Arab Emirates, Group customer Emirates Identity Authority (EIDA) ordered 10 million additional ID cards. In March, Morpho landed the Egyptian contract for upgrading the country's ID card system. The contract was previously held by a competitor for 15 years.

On December 31, the Unique Identification Authority of India delivered over 240 million Indian residents their unique identification number from its Aadhaar biometric system which uses Morpho technology. The first biometric terminals manufactured by Safran in India were also sold under this project in 2012.

■ Border control

The European Commission awarded a consortium led by Morpho a contract to maintain the European Schengen Visa Information System (VIS).

The PARAFE (*Passage Automatisé Rapide Des Frontières Extérieures*) automatic border control e-gates, already in service at Orly and Roissy airports in Paris and which recorded their millionth passenger in July, have been installed at Marseille Provence airport.

(1) Source: NIST – Evaluation of Latent Fingerprint Technologies: Extended Feature Sets – Evaluation #2 – 2012.
NIST – IRES III – Performance of Iris Identification Algorithms – 2012.

■ Criminal identification

Several European countries ordered extensions or adaptations of their Automated Fingerprint Identification System (AFIS), which can link up with systems in other countries that are members of the Prüm treaty. This helps to reinforce cross-border cooperation in the fight against crime, illegal immigration and terrorism.

Around ten next-generation (creations or extensions of existing systems) Morpho Face Investigate™ systems (automated finger and palm identification solutions) were sold in all four corners of the globe, including to the police forces of Sweden and Peru.

AFIS devices were also ordered for the Orange County Sheriff's Department and for the Colorado Bureau of Investigation (CBI) in the US.

Lastly, the fingerprint identification module of the FBI's next-generation identification system (NGIS) was successfully delivered to the customer's satisfaction. A six-year maintenance contract was also signed.

■ Biometric enrollment services

In the US, the Transportation Security Administration (TSA) selected Safran as prime contractor for its Universal Enrollment Service (UES) aimed at individuals requiring security enrollment and registration (verification of biometric and background data for individuals seeking access to critical premises or segments of the transportation system).

■ Biometric equipment

The compact, high-speed fingerprint scanner, MorphoTop™, was certified by the FBI during the year. This certification covers both tenprint rolled or flat fingerprint capture for background checks, civil enrollment, criminal booking or personal identity verification purposes.

■ Other activities

In road safety, the first automatic average speed control devices were brought into operation in France at the end of the year.

Also at the end of the year, *La Française des Jeux* signed an amendment to its 2009 framework agreement under which 34,000 next-generation Smart terminals were ordered. These terminals will ultimately replace all existing gaming terminals.

e-Documents

The e-documents business neared double-digit growth in value terms in 2012, amid fierce international competition. Growth in the bank cards segment outperformed the market owing chiefly to the continued expansion of the card personalization center network.

The Group's strategy of rolling out this technology offering to all geographical regions helped it win a large number of new clients and bolster its positions with major multinational telecommunications groups and banks, especially in Latin America and Europe.

2012 also saw the launch of the SIM NFC (Near Field Communication) technology in Asia (South Korea) and in Europe, where Morpho began volume deliveries in the second half of the year.

Vigorous growth continued in the bank cards segment, powered by the migration from magnetic cards to smart cards compliant with EMV (Europay MasterCard Visa), particularly in Latin America and Eastern Europe, as well as by the migration to Contact and Contactless Dual Interface technology in Western Europe.

During the year, the e-documents business continued to enhance its offering and extend its geographic footprint, through two selective acquisitions. Cassis International (Singapore/Malaysia) was acquired in July and adds Trusted Services Management (TSM) technology to Safran's service offering as well as a bank card personalization center in Malaysia. ABN Europe (France and Czech Republic) was acquired in December, adding a card personalization center in France and a bank card production and personalization center in the Czech Republic.

Detection

In December, Safran acquired General Electric's residual 19% stake in Morpho Detection Inc. (MDI). This transaction results from the exercise of an option provided for in the 2009 agreements concerning Safran's purchase from General Electric of an 81% stake in MDI. The acquisition gave Morpho USA a 100% stake in Morpho Detection Inc. and was financed by Safran's available cash.

Other key events of 2012 are discussed below.

■ Tomography and diffraction-based detection systems

A non-exclusive framework agreement spanning several years was signed with the US Transportation Security Administration (TSA) for the purchase of explosives detection systems. Fixed-price orders under this agreement could represent USD 528 million over the next five years. Safran will supply its medium-throughput CTX 9800 devices and associated equipment and services. The first order received was for 37 systems, to be put into service in early 2013.

The Israel Airport Authority (IAA) chose Safran's "System of Systems" to meet the country's stringent detection requirements for checked baggage at Ben Gurion international airport in Tel Aviv. This system consists of an X-ray diffraction-based XRD 3500™ explosives detection system fully integrated with one or more CTX 9000 DSI™ computer tomography-based explosives detection systems. This "System of Systems" significantly reduces false alarms and the resultant costly and time-consuming manual inspections of bags.

■ Spectrometry-based trace detection equipment

Certification was obtained for explosives detection devices, whether mobile (Itemiser desktop, certified for air cargo screening in the UK)

or portable (Mobile Trace, certified for use in airports in France), used to control checked or cabin baggage and light airfreight (express international transport of packages for businesses).

2.2 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	2011	2012	Year-on-year change
Revenue	11,658	13,615	+16.8%
Other operating income and expenses	(10,794)	(12,345)	
Recurring operating income	864	1,270	+47.0%
Other non-recurring operating income and expenses	(29)	(56)	
Profit from operations	835	1,214	+45.4%
Financial income (loss)	(150)	535	
Share in profit from associates	10	19	
Income tax expense	(201)	(442)	
Profit from continuing operations	494	1,326	
Profit from discontinued operations	3	-	
Profit (loss) for the period attributable to non-controlling interests	(19)	(24)	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	478	1,302	

CONSOLIDATED REVENUE

Consolidated revenue climbed 16.8% year-on-year, to €13,615 million from €11,658 million in 2011.

The difference between adjusted revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures. Neutralizing the impact of foreign currency hedging added €55 million to consolidated revenue in 2012 while it decreased consolidated revenue by €78 million in 2011. This year-on-year change in the revenue impact of foreign currency hedging results from movements in average exchange rates with regard to the effective hedged rates for the period on the portion of foreign currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate in 2012 was 1.32, against an annual average rate of 1.29, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is higher than adjusted consolidated revenue. Year-on-year changes in revenue excluding the impact of adjusting items are analyzed below (see section 2.1.2).

RECURRING OPERATING INCOME

Recurring operating income rose 47% to €1,270 million in 2012 from €864 million in 2011. The difference between recurring operating income and adjusted recurring operating income, which came in at €1,471 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem-Snecma business combination (€156 million in 2012 versus €158 million in 2011) and in connection with other business combinations (€97 million in 2012 versus €71 million in 2011);
- a positive €52 million impact resulting from foreign currency transactions (negative impact of €96 million in 2011).

Changes in recurring operating income, excluding the impact of adjusting items, are analyzed below (see section 2.1.2).

PROFIT FROM OPERATIONS

Profit from operations came in at €1,214 million for the year, compared to €835 million in 2011. Profit from operations includes recurring operating income of €1,270 million in 2012 (€864 million in 2011) and a non-recurring loss of €56 million (€29 million in 2011).

Changes in profit from operations, excluding the impact of adjusting items, are analyzed below (see section 2.1.2).

FINANCIAL INCOME (LOSS)

The Group reported financial income of €535 million in 2012, compared to a financial loss of €150 million in 2011.

Two items account for the difference between consolidated and adjusted financial income (loss) for 2012:

- changes in the fair value of unwound foreign currency hedging instruments which had a positive impact of €742 million in 2012 compared to a negative impact of €11 million in 2011. This amount is recognized in full in financial income (loss) in the consolidated financial statements. However, the impact the changes in fair value of unwound foreign currency hedging instruments is neutralized in the adjusted financial statements;
- the net negative impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by

the Group totaling €55 million in 2012 (positive impact of €76 million in 2011). This impact is recognized in financial income (loss) in the consolidated financial statements, but within profit from operations (mostly in revenue) in the adjusted income statement.

INCOME TAX EXPENSE

Income tax expense in full-year 2012 came in at €442 million compared to €201 million in 2011. The increase in this caption chiefly results from the €1,073 million rise in profit before tax between 2011 and 2012. The rise in profit before tax results partly from changes in the Group's business (€379 million rise in profit from operations - see section 2.1.2) and partly from movements in foreign exchange gains and losses between 2011 and 2012, which represented a net gain of €709 million in 2012 versus €19 million 2011.

CONSOLIDATED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

This caption amounted to €1,302 million for 2012 and €478 million for 2011.

2.2.2 SIMPLIFIED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2012

The simplified consolidated balance sheet at December 31, 2012 presented below is taken directly from the consolidated financial statements included in section 3.1 of this document.

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Assets		
Goodwill	3,126	3,078
Property, plant and equipment and intangible assets	5,984	6,476
Other non-current assets	762	788
Derivatives (positive fair value)	279	647
Inventories and work-in-progress	3,799	4,131
Trade and other receivables	5,005	5,025
Other current assets	316	597
Cash and cash equivalents	1,431	2,193
TOTAL ASSETS	20,702	22,935
Equity and liabilities		
Share capital	5,122	6,228
Provisions	2,438	2,579
Borrowings subject to specific conditions	682	670
Interest-bearing financial liabilities	2,445	3,175
Derivatives (negative fair value)	658	225
Other non-current liabilities	917	1,135
Trade and other payables	8,348	8,767
Other current liabilities	92	156
TOTAL EQUITY AND LIABILITIES	20,702	22,935

2.2.3 CHANGE IN NET DEBT

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

<i>(in € millions)</i>	2011	2012
Cash flow from operations	1,200	1,702
Change in working capital	47	(85)
Acquisitions of property, plant and equipment	(352)	(419)
Acquisitions of intangible assets	(363)	(634)
Free cash flow	532	564
Dividends paid	(317)	(300)
Divestments/acquisitions of securities and other	(1,236)	(199)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,021)	65
Net debt at January 1	24	(997)
Net debt at December 31	(997)	(932)

Cash flow from operating activities is calculated by taking profit or loss before tax and adjusting for income and expenses with no cash impact, for example net charges to depreciation, amortization and provisions and changes in the fair value of hedging instruments not yet unwound at the end of the reporting period⁽¹⁾. The Group's ability to finance working capital requirements, acquisitions of property, plant and equipment and intangible assets and dividends out of operating activities rose by €502 million over the year, from €1,200 million in 2011 to €1,702 million in 2012.

Operations generated €564 million of free cash flow (38% of recurring operating income). The net debt position was €932 million at December 31, 2012 compared to €997 million at December 31, 2011.

Free cash flow generation of €564 million results from cash from operations of €1,702 million partially offset by an increase in working capital requirements of €85 million – very moderate considering the rise in production volumes – and R&D spend and industrial investments higher respectively by 37% and 19%. Good progress was made in containing working capital requirements in the second half of 2012, despite overdue payments from the French Ministry of Defence amounting to €164 million at the end of the year.

Major cash outflows in the year were a 2011 final dividend payment (€0.37 per share) as well as an interim 2012 dividend payment (€0.31 per share) for a total of €283 million, in addition to acquisitions (principally €90 million for the 19% stake in Morpho Detection Inc. which GE had retained in 2009, and €24 million for an additional 10% in Sofradir, the subsidiary specialized in infrared matrices, jointly owned with Thales). Net proceeds of the sale to employees of treasury shares upon implementation of the leveraged employee shareholding plan were €118 million in 2012.

The February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US Private Placement (USPP) market 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 €6 million on the Group's net debt at December 31, 2012.

As of December 31, 2012, Safran had cash and cash equivalents of €2.2 billion and €2.55 billion of secured and undrawn facilities available.

The gearing ratio was 15% at end-2012 versus 19.5% one year earlier.

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

2.3

COMMENTS ON THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements of Safran SA for the year ended December 31, 2012 were prepared using the same accounting principles as those used for the 2011 parent company financial statements.

Safran decided that the assets and liabilities of its subsidiary Sagem Télécommunications would be transferred to Safran SA with effect from August 28, 2012, based on their net carrying amount. This transaction generated a €2.4 million deficit which was recognized in goodwill and allocated to a property "off-the-books", i.e., without adjusting any carrying amounts in the accounts of Safran.

2

2.3.1 SAFRAN SA INCOME STATEMENT

<i>(in € millions)</i>	2011	2012
Revenue	243	314
Other operating income and expenses	(356)	(443)
Loss from operations	(113)	(129)
Financial income	393	732
Non-recurring items	69	(5)
Income tax benefit	4	167
PROFIT FOR THE PERIOD	353	765

Revenue came in at €314 million in 2012 versus €243 million in 2011, and chiefly includes billings of general assistance services provided by the parent company to its subsidiaries, as well as amounts billed in respect of rent, employees, IT services and miscellaneous services related to projects managed by the parent company on behalf of all of its subsidiaries. The €71 million increase in revenue in 2012 results primarily from the development of research projects and from the growth in volume of IT services carried out on behalf of subsidiaries and rebilled to those companies.

Other operating income and expenses represented a net expense of €443 million in 2012 and €356 million in 2011. The increase in other operating expenses in 2012 stems mainly from the rollout of Group-wide projects and from the rise in the number of Safran SA employees following the implementation and completion of projects to upgrade the Group's administrative and support functions.

Loss from operations totaled €129 million in 2012 and €113 million in 2011.

Safran SA reported financial income of €732 million in 2012 and €393 million in 2011. This figure mainly includes dividends received

from subsidiaries for €574 million (€385 million in 2011), interest income of €39 million (€5 million in 2011), foreign exchange gains amounting to €72 million (foreign exchange losses of €32 million in 2011), and net reversals from provisions for impairment of financial assets or exchange losses totaling €47 million (€35 million in 2011).

The Company reported a non-recurring loss of €5 million in 2012 and €69 million in 2011.

The income tax line represented a benefit of €191 million under the Group's tax consolidation regime (benefit of €85 million in 2011). This tax benefit chiefly results from the absorption by Safran of Sagem Télécommunications, which had been involved in loss making activities divested several years ago. This benefit also includes a net charge to the provision for the transfer of the tax saving relating to the French tax group from Safran SA to its loss-making subsidiaries, in an amount of €24 million (€81 million in 2011).

On account of the above, profit for the year came in at €765 million, compared to €353 million in 2011.

2.3.2 SAFRAN SA SIMPLIFIED BALANCE SHEET AT DECEMBER 31, 2012

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Assets		
Non-current assets	9,460	9,462
Cash and cash equivalents and marketable securities	1,198	1,861
Other current assets	1,768	2,144
TOTAL ASSETS	12,426	13,467
Equity and liabilities		
Share capital	5,266	5,758
Provisions	855	677
Borrowings	2,030	2,814
Other payables	4,275	4,218
TOTAL EQUITY AND LIABILITIES	12,426	13,467

The increase in share capital reflects a portion of the 2012 profit for €765 million, outstanding dividends paid in 2012 in respect of 2011 for €154 million, interim dividends for 2012 paid in December of that year for €129 million, and a net charge to tax-driven provisions amounting to €10 million.

The attendant increase in cash and cash equivalents and borrowings results from the February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement (USPP) market. The funds raised by the bond issue allowed Safran to diversify its sources of financing and extend the average maturity of its borrowings. They have also provided the Group with the means to pursue its development going forward.

2.3.3 INFORMATION CONCERNING SUPPLIER PAYMENT PERIODS

<i>(in € millions)</i>	Amounts due	Amounts not yet due		Total trade payables
		Amounts due in 0-30 days	Amounts due in 30-60 days	
December 31, 2012	7.9	4.5	67.4	79.8
December 31, 2011	5.3	12.5	55.5	73.3

2.4 OUTLOOK FOR 2013

Safran expects on a full-year basis:

- adjusted revenue to increase by around 5% (at an estimated average rate of USD 1.29 to the euro);
- adjusted recurring operating income to increase by almost 15% (at a hedged rate of USD 1.29 to the euro);
- free cash flow to represent about 40% of adjusted recurring operating income taking into account the expected increase in capital expenditure and R&D to cope with rising production rates and new business opportunities.

The full-year 2013 outlook is based on the following underlying assumptions:

- healthy increase in Aerospace OE deliveries;
- civil aftermarket increase of close to 10%;
- incremental R&D cash effort of around €200 million;

- increase in acquisitions of property, plant and equipment of around €200 million;
- continued margin improvement in Aircraft Equipment;
- stable profitability in Defence;
- profitable growth for the Security business;
- continued benefits from the ongoing Safran+ plan to enhance the cost structure and reduce overheads.

FACTORS WITH A POTENTIAL IMPACT ON RESULTS

Major risk factors that could have an adverse impact on the Group's business, financial position or results of operations are described in section 4.

2.5 SUBSEQUENT EVENTS

SALE OF 12.57% OF THE SHARE CAPITAL OF INGENICO

March 15, 2013 – 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 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 €286.8 million. The resulting profit after tax for Safran, calculated on the basis of a value per Ingenico share of €22.74 in Safran's consolidated financial statements for the year ended December 31, 2012, is approximately €130 million and will be recorded in Safran's 2013 half-year consolidated financial statements. Safran intends to remain a significant shareholder of Ingenico with a stake representing 10.2% of the share capital and approximately 17% of the voting rights.

FINALIZATION OF GOODRICH ELECTRICAL POWER SYSTEMS (GEPS) ACQUISITION

After completing all required approval procedures, Safran has finalized on March 26, 2013, the acquisition of Goodrich Electrical Power Systems (GEPS), a leading supplier of on-board aerospace electrical power systems. The cash consideration for the transaction amounts to approximately Euro 300 million.

GEPS brings new capabilities to Safran's product offering, including the critical electrical power generation know-how and experience which is the heart of electrical power systems. This transaction, by combining GEPS and Safran's complementary strengths, gives birth to a world leader in aerospace electrical power systems with a comprehensive product portfolio.

SALE OF 3.12% OF THE SHARE CAPITAL BY THE FRENCH STATE

On March 27, 2013, the French State finalized the sale of a 3.12% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. The French State's holding in Safran now stands at 27.08%.

The French State has indicated that, in accordance with article 11 of Law 86-912 of August 6, 1986, it will offer shares of the Company to Safran employees at a later date. The French State further indicated that the shares will be offered under preferential conditions.



03

FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union at the date the financial statements were approved by the Board of Directors.

SIMPLIFIED CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	2011	2012
Revenue	11,658	13,615
Recurring operating income	864	1,270
Profit from operations	835	1,214
Profit for the period attributable to owners of the parent	478	1,302

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

The parent company financial statements have been prepared in accordance with French generally accepted accounting principles pursuant to CRC Regulation 99-03 issued by the French Accounting Regulation Committee on April 29, 1999.

SIMPLIFIED PARENT COMPANY INCOME STATEMENT

<i>(in € millions)</i>	2011	2012
Revenue	243	314
Profit from ordinary activities before tax	280	603
Profit for the year	353	765

NOTE

In accordance with Article 28 of Regulation (EC) 809/2004, the following information is incorporated by reference in this Registration Document:

- the consolidated and parent company financial statements for the year ended December 31, 2010 and the corresponding audit reports as presented in sections 3.4.1 and 3.4.2 of the 2010 Registration Document filed with the AMF on March 31, 2011 under number D. 11-0202; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union;
- the consolidated and parent company financial statements for the year ended December 31, 2011 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2011 Registration Document filed with the AMF on April 13, 2012 under number D. 12-0340; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Those sections of the 2010 and 2011 registration documents that are not incorporated by reference in this document are either considered no longer pertinent for investors or are dealt with in another section of the 2012 Registration Document.

3.1 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	Note	2011	2012
Revenue	5	11,658	13,615
Other income	5	216	209
Income from operations		11,874	13,824
Change in inventories of finished goods and work-in-progress		125	340
Capitalized production		371	642
Raw materials and consumables used	5	(6,834)	(8,226)
Personnel costs	5	(3,808)	(4,205)
Taxes		(235)	(270)
Depreciation, amortization, and increase in provisions, net of use	5	(579)	(827)
Asset impairment	5	(65)	(29)
Other recurring operating income and expenses	5	15	21
Recurring operating income		864	1,270
Other non-recurring operating income and expenses	5	(29)	(56)
Profit from operations		835	1,214
Cost of net debt		(42)	(54)
Foreign exchange gains		19	709
Other financial income and expense		(127)	(120)
Financial income (loss)	6	(150)	535
Share in profit from associates	14	10	19
Profit before tax		695	1,768
Income tax expense	7	(201)	(442)
Profit from continuing operations		494	1,326
Profit from discontinued operations	8	3	-
PROFIT FOR THE PERIOD		497	1,326
Attributable to:			
owners of the parent		478	1,302
non-controlling interests		19	24
Earnings per share attributable to owners of the parent (in €)	9		
Basic earnings per share		1.18	3.14
Diluted earnings per share		1.18	3.13
Earnings per share from continuing operations attributable to owners of the parent (in €)	9		
Basic earnings per share		1.17	3.14
Diluted earnings per share		1.17	3.13
Earnings per share from discontinued operations attributable to owners of the parent (in €)	9		
Basic earnings per share		0.01	-
Diluted earnings per share		0.01	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	2011	2012
Profit for the period	497	1,326
Other comprehensive income		
Items to be recycled to profit	80	(29)
Available-for-sale financial assets	(6)	5
Translation adjustments and net investment hedges ⁽¹⁾	115	(44)
Income tax related to components of other comprehensive income to be recycled to profit	(29)	10
Items not recycled to profit	-	-
Other comprehensive income (expense) for the period	80	(29)
Total comprehensive income for the period	577	1,297
Attributable to:		
• owners of the parent	558	1,275
• non-controlling interests	19	22

(1) Including €5 million in translation gains relating to associates (€5 million in translation losses in 2011).

In 2012, translation adjustments include losses of €22 million arising on long-term financing for foreign subsidiaries (gains of €79 million in 2011). 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 €6 million in 2012 corresponding to exchange differences arising on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market classified as a hedge of the net investment in some of the Group's US operations.

CONSOLIDATED BALANCE SHEET

ASSETS

<i>(in € millions)</i>	Note	Dec. 31, 2011	Dec. 31, 2012
Goodwill	10	3,126	3,078
Intangible assets	11	3,498	3,872
Property, plant and equipment	12	2,486	2,604
Non-current financial assets	13	246	281
Investments in associates	14	253	281
Non-current derivatives	27	20	62
Deferred tax assets	7	251	193
Other non-current financial assets	16	12	33
Non-current assets		9,892	10,404
Current financial assets	13	101	176
Current derivatives	27	259	585
Inventories and work-in-progress	15	3,799	4,131
Trade and other receivables	16	5,005	5,025
Tax assets	7	215	421
Cash and cash equivalents	17	1,431	2,193
Current assets		10,810	12,531
Assets held for sale		-	-
TOTAL ASSETS		20,702	22,935

EQUITY AND LIABILITIES

<i>(in € millions)</i>	Note	Dec. 31, 2011	Dec. 31, 2012
Share capital	19-a	83	83
Consolidated retained earnings	19-c	4,387	4,653
Net unrealized gains on available-for-sale financial assets		20	25
Profit for the period		478	1,302
Equity attributable to owners of the parent		4,968	6,063
Non-controlling interests		154	165
Total equity		5,122	6,228
Provisions	20	1,374	1,515
Borrowings subject to specific conditions	22	682	670
Non-current interest-bearing financial liabilities	23	1,447	2,259
Non-current derivatives	27	5	12
Deferred tax liabilities	7	718	1,028
Other non-current financial liabilities	25	199	107
Non-current liabilities		4,425	5,591
Provisions	20	1,064	1,064
Interest-bearing current financial liabilities	23	998	916
Trade and other payables	24	8,348	8,767
Tax liabilities	7	92	156
Current derivatives	27	653	213
Current liabilities		11,155	11,116
Liabilities held for sale		-	-
TOTAL EQUITY AND LIABILITIES		20,702	22,935

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments and net investment hedges	Consolidated reserves and retained earnings	Profit for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At Dec. 31, 2010	83	3,360	(247)	26	47	1,047	207	7	4,530	175	4,705
Comprehensive income for the period	-	-	-	(6)	115	-	478	(29)	558	19	577
Acquisitions/disposals of treasury shares	-	-	135	-	-	29	-	-	164	-	164
Dividends	-	-	-	-	-	(202)	-	-	(202)	(13)	(215)
Interim dividend	-	-	-	-	-	(102)	-	-	(102)	-	(102)
Other movements	-	-	-	-	-	207	(207)	20	20	(27)	(7)
At Dec. 31, 2011	83	3,360	(112)	20	162	979	478	(2)	4,968	154	5,122
Comprehensive income for the period	-	-	-	5	(42)	-	1,302	10 ^(*)	1,275	22	1,297
Acquisitions/disposals of treasury shares	-	-	111	-	-	(13)	-	-	98	-	98
Dividends	-	-	-	-	-	(154)	-	-	(154)	(17)	(171)
Interim dividend ^(**)	-	-	-	-	-	(133)	-	-	(133)	-	(133)
Other movements	-	-	-	-	-	478	(478)	9 ^(*)	9	6	15
AT DEC. 31, 2012	83	3,360	(1)	25	120	1,157	1,302	17	6,063	165	6,228

(*) Other movements include €0.9 million in share grants (€5.6 million in 2011) and €0.6 million in relation to the leveraged fund plan (€8.2 million in 2011) (see Notes 5 and 19).

(**) A positive tax impact of €8 million on foreign exchange differences relating to net investments in foreign operations (negative tax impact of €29 million in 2011) and of €2 million on foreign exchange differences relating to the issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market.

(***) Including a €4 million expense related to the 3% dividend surtax introduced by the amending French Finance Law for 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	2011	2012
I. Cash flow from operating activities		
Profit attributable to owners of the parent	478	1,302
Depreciation, amortization, impairment and provisions ⁽¹⁾	695	933
Share in profit from associates (net of dividends received)	(10)	(19)
Change in fair value of derivatives	2	(779)
Capital gains on asset disposals	16	10
Profit (loss) before tax from discontinued operations	(4)	(1)
Profit attributable to non-controlling interests	19	24
Other	4	232
Cash flow from operations, before changes in working capital	1,200	1,702
Change in inventories and work-in-progress	(134)	(388)
Change in operating receivables and payables	216	228
Change in other receivables and payables	(35)	75
Intercompany change in working capital from discontinued operations	-	-
Change in working capital	47	(85)
	Total I⁽²⁾	1,247
		1,617
II. Cash flow used in investing activities		
Payments for the purchase of intangible assets, net of proceeds	(363)	(634)
Payments for the purchase of property, plant and equipment, net of proceeds	(352)	(419)
Proceeds (payments) arising from the sale (acquisition) of investments, net	(1,176)	(193)
Proceeds (payments) arising from the sale (acquisition) of financial assets, net	(6)	(86)
Cash flow from intercompany investing activities related to discontinued operations	-	-
	Total II	(1,897)
		(1,332)
III. Cash flow from financing activities		
Change in share capital ⁽³⁾	1	-
Acquisitions and disposals of treasury shares	180	118
Repayment of borrowings and long-term debt	(254)	(119)
Increase in borrowings	32	917
Change in repayable advances	(15)	(9)
Change in short-term borrowings	390	(124)
Dividends paid to owners of the parent	(304)	(283)
Dividends paid to non-controlling interests	(13)	(17)
Cash flow from intercompany financing activities related to discontinued operations	11	2
	Total III	28
		485
Cash flow used in operating activities related to discontinued operations	Total IV	(10)
		(1)
Cash flow used in investing activities related to discontinued operations	Total V	(2)
		-
Cash flow from financing activities related to discontinued operations	Total VI	-
		-
Effect of changes in foreign exchange rates	Total VII	3
		(7)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	I+II+III+IV +V+VI+VII	(631)
		762
Cash and cash equivalents at beginning of year	2,062	1,431
Cash and cash equivalents of discontinued operations and assets held for sale, at beginning of year	-	-
Cash and cash equivalents at end of year	1,431	2,193
Cash and cash equivalents of discontinued operations and assets held for sale, at end of year	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(631)	762
of which change in cash and cash equivalents from continuing operations	(631)	762
of which change in cash and cash equivalents from discontinued operations	-	-
of which change in cash and cash equivalents from assets held for sale	-	-

(1) In 2011, this caption includes €662 million in depreciation and amortization, €62 million in impairment, and €29 million in reversals of provisions.

In 2012, this caption includes €721 million in depreciation and amortization, €54 million in impairment, and €158 million in provisions.

(2) Including €198 million in taxes paid in 2012 (€148 million in 2011).

(3) Corresponding to capital increases subscribed by non-controlling interests.

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Safran SA (2, boulevard du Général Martial Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (joint-stock corporation) incorporated in France and permanently listed on Compartment A of the Euronext Paris Eurolist market.

The consolidated financial statements reflect the accounting position of Safran SA and the subsidiaries it controls, directly or indirectly and jointly or exclusively, as well as entities over which it exercises a significant influence (the “Group”).

The consolidated financial statements are drawn up in euros and all amounts are rounded to the nearest million unless otherwise stated.

The Board of Directors’ meeting of February 20, 2013 adopted and authorized the publication of the 2012 consolidated financial statements.

The consolidated financial statements will be final once they have been approved by the General Shareholders’ Meeting.

NOTE 1 Accounting policies

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

CHANGES IN ACCOUNTING POLICIES

■ New IFRS standards, amendments and interpretations effective as of January 1, 2012

- Amendments to IFRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets.

The disclosures required by the amended IFRS 7 for reporting periods beginning on or after January 1, 2012 are provided in Note 16, “Trade and other receivables”.

■ New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2012

- Amendment to IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income.

■ 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;
- IFRS 13, Fair Value Measurement;
- IAS 27 (revised 2011), Separate Financial Statements;
- IAS 28 (revised), Investments in Associates and Joint Ventures;
- 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;
- Amendments to IAS 12, Income Taxes – Deferred Tax: Recovery of Underlying Assets;
- Amendments to IAS 19, Employee Benefits – Defined Benefit Plans;
- Amendments to IAS 32, Financial Instruments: Presentation, and IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Improvements to IFRS published in May 2012;
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.

The 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 the amended IAS 19, Employee Benefits, which no longer allows use of the corridor method.

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 (see Note 28, "Interests in joint ventures"), the impact of applying this new standard on the consolidated financial statements should be limited.

Since the amended IAS 19, applicable to annual periods beginning on or after January 1, 2013, prohibits use of the corridor method for recognizing actuarial gains and losses through profit or loss (the current method applied by the Group), the standard will chiefly impact consolidated equity as of the date of first application. Under the amendment, all actuarial gains and losses are recognized directly in equity and not subsequently taken to profit or loss. The Group has estimated the impact of first-time application of the amended IAS 19 on the 2012 financial statements that will be presented for purposes of comparison with the year ended December 31, 2013. Cumulative actuarial gains and losses and past service costs not recognized pursuant to the corridor method represent €149 million before taking into account the related deferred tax effect (€109 million after deduction of deferred taxes). This amount will be recognized as a deduction from equity at January 1, 2012. Out of this amount, €129 million will be reported under actuarial gains and losses within other comprehensive income and the balance in consolidated retained earnings. The changes introduced by the amended IAS 19 to the measurement of recurring pension cost components (actuarial gains and losses no longer recognized against profit or loss and net interest cost calculated solely on the basis of the discount rate with no consideration of the expected return on plan assets) should not have a material impact on the consolidated income statement.

On its transition to IFRS at December 31, 2005, the Group applied a number of options available under IFRS 1 and specific to first-time adopters. These options are set out in the sections below.

A) BASIS OF MEASUREMENT USED TO PREPARE THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared on a historical cost basis except for certain assets and liabilities, as allowed by IFRS. The categories of assets and liabilities not measured at historical cost are disclosed in the sections below.

B) CONSOLIDATION

■ Basis of consolidation

Entities over which Safran directly or indirectly exercises permanent *de facto* or *de jure* control are fully consolidated.

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

Entities over which Safran exercises significant influence, without having exclusive or joint control, are accounted for under the equity

method. Significant influence is presumed to exist when the Group holds at least 20% of voting rights.

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

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

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

IAS 27 (revised 2008) states that any changes in the ownership interest that do not result in the loss or acquisition of control are to be recognized in equity attributable to owners of the parent. This will apply to acquisitions of additional shares in a subsidiary after control has been obtained in a previous acquisition or to sales of shares that do not result in a loss of control.

Sales of shares that result in a loss of control are to be recognized in profit or loss and the gain or loss on disposal is to be calculated on the entire ownership interest at the date of the transaction. Any residual interest is to be measured at fair value through profit or loss when control is relinquished.

■ Intragroup transactions

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

Transactions between fully and proportionately consolidated companies are eliminated to the extent of the percentage held in the jointly controlled company, regardless of whether or not they have an impact on consolidated profit. Such transactions are not eliminated when the jointly held company acts solely as an intermediary or renders balanced services for the benefit of, or as a direct extension of, the businesses of its various shareholders.

C) BUSINESS COMBINATIONS

The Group has applied IFRS 3 and IAS 27 (revised 2008) since January 1, 2010. As the application of these revised standards is prospective, business combinations carried out prior to January 1, 2010 continue to be accounted for under the previous IFRS 3 and IAS 27.

■ Business combinations carried out after January 1, 2010

Acquisition method

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

- identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value;

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

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

Goodwill

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

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

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

Goodwill may be adjusted within 12 months of the acquisition (measurement period) to take into account the definitive estimate of the fair value of the assets acquired and liabilities assumed. Beyond this period, adjustments are recorded in profit or loss.

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs), as described in Note 1.L. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 1.L. Impairment charged against goodwill is taken to profit or loss and may not be reversed.

Business combinations carried out prior to January 1, 2010

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

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

Options used on the first-time adoption of IFRS

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

D) DISCONTINUED OPERATIONS AND ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

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

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

E) TRANSLATION METHODS

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

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

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

The Group has set up a net investment hedge of some of its foreign operations, as described in Note 1.W.

Options used on the first-time adoption of IFRS

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

F) TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN CURRENCY DERIVATIVES

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

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

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

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency purchases. The Group's forex hedging policy along with the forward currency contracts and

options it uses are described in Note 27, "Management of market risks and derivatives".

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

G) REVENUE

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

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

■ Standard sales contracts

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

■ Service contracts (including research and development, installed base maintenance and support contracts)

Under service contracts, revenue may only be recognized if:

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

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

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

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

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

H) CURRENT AND DEFERRED TAX

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

Current tax expense is the amount of income tax payable for a period, calculated in accordance with the rules established by the relevant tax authorities on the basis of taxable profit for the period. Current tax expense also includes any penalties recognized in respect of tax adjustments recorded in the period. The tax expense is recognized in profit or loss unless it relates to items recognized directly in equity, in which case the tax expense is recognized directly in equity.

Deferred tax assets and liabilities are calculated for each entity on temporary differences arising between the carrying amount of assets and liabilities and their corresponding tax base. The tax base depends on the tax regulations prevailing in the countries where the Group manages its activities. Tax losses and tax credits that can be carried forward are also taken into account.

Deferred tax assets are recognized in the balance sheet if it is more likely than not that they will be recovered in subsequent years. The value of deferred tax assets is reviewed at the end of each reporting period.

Deferred tax assets and liabilities are not discounted.

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

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

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

I) EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing profit by the weighted average number of shares issued or to be issued at the end of the reporting period, including the impact of all potentially

dilutive ordinary shares and the dilutive impact of stock options but excluding treasury shares. The dilutive impact of stock options and free share grants is calculated using the treasury stock method taking into account the average share price for the period concerned.

J) INTANGIBLE ASSETS

Intangible assets are recognized on the balance sheet at fair value, historical cost or production cost, depending on the method of acquisition. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset are included in the cost of that asset. The initial amount recorded on the balance sheet is reduced by accumulated amortization and impairment losses, where appropriate.

■ Intangible assets acquired in a business combination

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

- intangible assets recognized at the time of the 2005 Sagem-Snecma merger and classified under "Aircraft programs" are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;
- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangibles assets acquired) are amortized over the estimated useful life of each identified intangible asset (3 to 16 years);
- other aircraft brand names with a finite life are amortized over 20 years.

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

■ Separately acquired intangible assets

Software is recognized at acquisition cost and amortized on a straight-line basis over its useful life (between 1 and 5 years).

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

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

■ Research and development costs

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

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

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

Capitalization ceases as soon as the product to which the development expenditures relate is brought into service.

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

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

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

K) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded in the balance sheet at historical purchase cost or production cost less accumulated depreciation and impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are included in the cost of that item of property, plant and equipment.

Replacement and major overhaul costs are identified as components of property, plant and equipment. Other repair and maintenance costs are expensed as incurred.

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the amortization of the borrowing in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

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

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

The main useful lives applied are as follows:

Buildings	15-40 years
Capitalized engines	
• Frames	20 years
• Major overhauls	based on flying hours
Technical facilities	5-40 years
Equipment, tooling and other	5-15 years

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

L) IMPAIRMENT OF NON-CURRENT ASSETS

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

- CGUs corresponding to programs, projects, or product families associated with specific assets: development expenditures, property, plant and equipment used in production;
- CGUs corresponding to the business segments monitored by Group management and relating chiefly to the Group's main subsidiaries.

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

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

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

(1) A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

- (i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group's operating cycles (aircraft and defence), where assets tend to have a long useful life and slow product development;
- (ii) goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years five to ten, discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years five to ten, taking into account a perpetual growth rate.

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

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

M) EQUITY INVESTMENTS, LOANS AND RECEIVABLES

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

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

An objective indication of impairment is a significant or prolonged reduction in the value of the asset:

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

N) INVENTORIES AND WORK-IN-PROGRESS

Inventories and work-in-progress are measured at the lower of cost determined using the weighted average cost formula, and net realizable value.

Cost is calculated based on normal production capacity and therefore excludes any idle capacity costs.

Net realizable value represents the estimated selling price less the costs required to complete the asset or make the sale.

Borrowing costs incurred during the production phase are included in the value of inventories when the eligibility conditions are met.

O) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include available funds (cash in hand, bank accounts, etc.), highly liquid short-term investments (less than 3 months) and term deposits with exit options exercisable at no penalty within less than 3 months that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

P) TREASURY SHARES

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

Q) SHARE-BASED PAYMENT

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

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

■ Free share plan

In accordance with IFRS 2, the expense representing the fair value of these plans is recognized on a straight-line basis through profit or loss over the vesting period of the rights under the plans. The vesting period runs from the grant date to the final vesting date and spans 2 or 4 years, depending on the country. The fair value of free share grants is determined by reference to the market value of the shares at the grant date, adjusted for future dividends and the cost of non-transferability, assessed using a forward purchase/sale approach.

■ Group leveraged savings plan

For its leveraged employee shareholding plan, the Group applies a calculation method which takes into account the cost of the 5-year lock-up period for shares granted to employees and the opportunity gain which allows employees to enjoy the same market conditions as those of the Group (i.e., more attractive conditions than those they could obtain as retail investors). The cost booked in respect of this plan represents the difference between the fair value of the shares subscribed and the subscription price, and is expensed in full within profit or loss at the end of the subscription period.

Options used on the first-time adoption of IFRS

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

R) PROVISIONS

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

■ Provisions for losses on completion and backlog losses

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

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

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

In the aviation industry, standard sales contracts may be onerous 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.

The cash flows used in this analysis are discounted to take into account their spread over time.

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

■ Provisions for financial guarantees on sales

As part of its civil engine sales campaigns, the Safran Group grants two types of guarantees to its customers:

- financial guarantees under which it provides a guarantee to the lending institutions that finance its customer;

- guarantees covering the value of assets, under which it grants the customer an option to return the aircraft at a given date for an agreed price.

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

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

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

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

■ Provisions for performance warranties

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

S) POST-EMPLOYMENT BENEFITS

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

For its basic plans and other defined contribution plans, the contribution paid in the period is recognized in expenses. No provision is recorded since the Group has no obligation beyond the contributions paid into the plan.

Provisions recognized for obligations under defined benefit plans are valued using the projected unit credit method. This determines, for each employee, the present value of the benefits to which the employee's current and past services will grant entitlement on retirement. The actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial (discount rate, salary increase rate, etc.) assumptions, and are performed at least annually.

When the assets belonging to a multi-employer defined benefit plan cannot be reliably allocated to each participating employer, the plan is accounted for as a defined contribution plan, in accordance with IAS 19.30.

When plans are funded, the plan assets are placed with entities that are responsible for paying the benefits in the countries concerned.

These assets are measured at fair value. Provisions are recorded to cover shortfalls in the fair value of plan assets compared with the present value of the Group's obligations, taking account of any cumulative actuarial gains and losses and any past service costs not yet recognized in profit or loss.

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

Where appropriate, the impact of changes in actuarial assumptions regarding post-employment benefits is recognized over the expected average remaining working lives of employees in accordance with the corridor method.

The service cost for the period, the amortization of actuarial gains and losses, and the impact of plan curtailments and settlements are recognized in "Profit from operations".

The interest cost and expected return on plan assets are included in "Financial income (loss)".

Options used on the first-time adoption of IFRS

All actuarial gains and losses arising on defined benefit plans previously unrecognized as of January 1, 2004 were recognized in equity as of this date.

T) BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

The Safran Group receives public financing in the form of repayable advances to develop aircraft and defence projects. These advances are repaid based on the revenue generated by future sales of engines or equipment.

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

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

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

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

U) BORROWINGS

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

V) COMMITMENTS TO PURCHASE NON-CONTROLLING INTERESTS

In accordance with IAS 32, commitments undertaken by the Group to purchase non-controlling (minority) interests in its subsidiaries as part of business combinations carried out prior to January 1, 2010 are recognized in financial liabilities for the present value of the purchase amount. The matching entry is a reduction in non-controlling interests. When the value of the commitment exceeds the amount of non-controlling interests, the Group recognizes the difference as goodwill, in the absence of any IFRS guidance. Similarly, any subsequent change in present value is recognized in financial liabilities and offset against goodwill, except for the impact of unwinding the discount, which is recognized in "Other financial income and expenses".

If the non-controlling interests have not been acquired by the time the commitment expires, the previously recognized entries are reversed. If the non-controlling interests have been purchased, the amount recognized in financial liabilities is closed out by the amount paid to purchase them.

W) DERIVATIVES AND HEDGE ACCOUNTING

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

Most derivatives are traded over-the-counter and no quoted prices are available. Consequently, they are measured using pricing models commonly used by market participants.

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

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

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

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

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

X) SALE OF RECEIVABLES

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

Y) STRUCTURE OF THE CONSOLIDATED BALANCE SHEET

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

Z) RECURRING OPERATING INCOME

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

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

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., negotiated sales agreements, changes in production processes, etc.);
- capital gains and losses on disposals of operations;
- other unusual and/or material items not directly related to the Group's ordinary operations.

NOTE 2 Main sources of estimates

The preparation of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) described above requires management to make 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 that continued to be defined by high volatility and a resulting lack of visibility at December 31, 2012, 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 (aircraft programs, development expenditures and property, plant and equipment used

in production) are tested for impairment as described in Note 1.L. The recoverable amount of 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 expenditures:** The conditions for capitalizing development expenditures are set out in Note 1.J. The Group must assess the technical and commercial feasibility of the projects and estimate the useful lives of the resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are 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. 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) 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.

D) 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 31, "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 Scope of consolidation

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. In accordance with the policies set out in Note 1.V), 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.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2011

■ Acquisition of L-1

On July 25, 2011, following approval from L-1's shareholders, the US antitrust authorities and the Committee on Foreign Investment in the United States (CFIUS), Safran finalized the acquisition of L-1 for a total cash amount of USD 1.09 billion. This company (since renamed MorphoTrust) is listed on the NYSE and is a leading identity management provider in the United States.

Prior to the transaction, L-1 sold its government consulting business to a third party in first-half 2011 for USD 0.3 billion. This business was therefore excluded from the transaction with Safran.

L-1's biometric and enterprise access solutions, secure credentialing solutions and enrollment services businesses were consolidated by Morpho (Security business line) with effect from the acquisition date.

A significant portion of these activities is managed within the framework of a proxy agreement entered into with the US Department of Defense in order to ensure appropriate protection for US security purposes.

The allocation of the definitive purchase price at December 31, 2012 is summarized below:

<i>(in USD millions)</i>	Provisional allocation	Definitive allocation
Acquisition price	1,094	1,094
Acquisition cost of shares	1,094	1,094
Fair value of net assets:		
Net assets at acquisition date	(42)	(105)
Fair value of technology	63	92
Fair value of customer relationships	255	309
Deferred tax assets recognized on tax losses	100	88
Deferred tax liabilities on remeasurements	(118)	(153)
Fair value of assets acquired and liabilities assumed	258	231
Goodwill	836	863

Finalization of the purchase price allocation led to a USD 27 million increase in the goodwill recognized at December 31, 2011.

SME and its subsidiaries were consolidated at the date control was acquired by the Group and their contribution to the Group's performance is set out below:

<i>(in € millions)</i>	2011		2012	
	First-half	Second-half	First-half	Second-half
Revenue	N/A	134	160	175
Recurring operating income ⁽¹⁾	N/A	4	13	12

(1) Excluding depreciation and amortization charged against property, plant and equipment and intangible assets identified in connection with the definitive allocation of the purchase price. This expense was €35 million in 2012 (including €32 million in respect of 2012 and a €3 million adjustment in respect of 2011) and €7 million in 2011.

■ Acquisition of SME

On April 5, 2011, Safran finalized the acquisition of SNPE Matériaux Énergétiques (SME) and its subsidiaries from SNPE group. SME designs, develops and produces propelling charges and energetic equipment for the defence and aeronautical, space and automotive industries.

Its subsidiaries and their activities are as follows:

- Structil: composite materials;
- Pyroalliance: pyrotechnic equipment;
- Roxel: tactical propulsion, 50%-owned joint venture and proportionately consolidated;
- Regulus: space propulsion, 40%-owned joint venture and proportionately consolidated.

Under the terms of the share transfer agreement, SNPE granted Safran a specific guarantee for a period of 30 to 40 years concerning environmental liabilities due to past operations at eight sites. This

guarantee 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 guarantee 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 eighteen 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 guarantees 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 guarantees.

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

The definitive allocation of the purchase price is summarized below:

<i>(in € millions)</i>	Provisional allocation	Definitive allocation
Initial acquisition price	348	348
Earnout	(7)	(5)
Acquisition cost of shares	341	343
Fair value of net assets:		
Net assets at acquisition date including gross cash and cash equivalents	119	120
Fair value of technologies	62	72
Fair value of backlog	5	27
Fair value of other intangible assets	2	2
Remeasurement of property, plant and equipment and investment property	9	20
Remeasurement of inventories	7	7
Deferred taxes on remeasurements	(29)	(44)
Remeasurements – non-controlling interests	(2)	(2)
Net liabilities relating to environmental risks	(23)	(23)
Fair value of assets acquired and liabilities assumed	150	179
Goodwill	191	164

The fair value of the assets acquired and liabilities assumed was adjusted in an amount of €29 million in the definitive purchase price allocation after finalization of the work valuing the technologies, backlog and investment property acquired.

After a €2 million adjustment to the acquisition cost of shares, the remaining goodwill stands at €164 million, €27 million lower than in the initial allocation.

SME and its subsidiaries were consolidated at the date control was acquired by the Group and their contribution to the Group's performance is set out below:

<i>(in € millions)</i>	2011		2012	
	First-half	Second-half	First-half	Second-half
Revenue	67	135	134	139
Recurring operating income ⁽¹⁾	6	12	14	10

(1) Excluding depreciation and amortization charged against property, plant and equipment and intangible assets identified in connection with the definitive allocation of the purchase price. This expense was €10 million in 2012, including €8 million in respect of 2012 and a €2 million adjustment in respect of 2011.

On May 1, 2012, Snecma Propulsion Solide (SPS) was merged into SME with retroactive effect from January 1, 2012. The new group is now known as Herakles.

This merger between wholly-owned subsidiaries had no impact on the Group's consolidated financial statements.

AGREEMENT FOR A FUTURE ACQUISITION

■ Agreement with Goodrich for the acquisition of Goodrich Electrical Power Systems (GEPS)

In October 2012, Safran announced that it had entered into a definitive agreement with Goodrich Corporation, a subsidiary

of United Technologies, to acquire Goodrich's electrical power systems activities (Goodrich Electric Power Systems – GEPS), a leading supplier of on-board aerospace electric power systems.

GEPS brings new capabilities to Safran's product offering, including the critical electrical power generation know-how and experience which is at the heart of electric power systems. The acquisition will allow Safran to continue to develop new leading-edge solutions for the electrification of aircraft equipment (including landing gear, nacelles and equipment linked to power transmissions) and achieve closer integration of electrical systems with aircraft engines.

The transaction represented a cash payment of around €310 million. The acquisition, which is awaiting regulatory clearance and must meet other conditions usually applicable in such circumstances, should be finalized in the first half of 2013.

NOTE 4 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 systems, ventilation systems and hydraulic filters. Aircraft Equipment also includes maintenance, repair and related services and the sale of spare parts.

■ Defence

Defence includes all businesses serving naval, land and aviation defence industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defence applications.

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, air surveillance systems), and defence equipment and systems.

■ Security

The Security businesses include a suite of solutions developed by the Group to increase the safety and security of travel, critical infrastructure, electronic transactions and individuals. These solutions meet emerging needs for the safety and security of people, companies, critical facilities and countries. The Security

businesses offer biometric technologies for fingerprint, iris and face recognition, identity management solutions, access management and transaction security (smart cards), as well as tomographic systems for the detection of dangerous or illicit substances in baggage.

■ Holding company and other

In "Holding company and other", the Group includes Safran SA's activities and holding companies in various countries as well as residual activities resulting from businesses sold by the Group and not included in any of the previous segments.

BUSINESS SEGMENT PERFORMANCE INDICATORS

The segment information presented in the following tables 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. Until the April 21, 2011 Shareholders' Meeting that approved the change in corporate governance, now comprising a structure solely based on a Board of Directors, the "Chief Operating Decision Maker" was the Executive Board. This change in corporate governance had no impact on the indicators shown or on their calculation method.

The assessment of each business segment's performance by Executive Management is based on adjusted contribution figures as explained in the Foreword in section 2.1 of the registration 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), except for the restatements made in respect of adjusted data (see Foreword in section 2.1 of the registration 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.

Working capital represents the gross balance of trade receivables, inventories and trade payables.

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

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

SEGMENT INFORMATION

AT DECEMBER 31, 2012

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	7,005	3,691	1,315	1,546	13,557	3	13,560	55	-	13,615
Recurring operating income (expense)⁽¹⁾	1,099	287	81	145	1,612	(141)	1,471	52	(253)	1,270
Other non-recurring operating income and expenses	1	(16)	-	(25)	(40)	(10)	(50)	-	(6)	(56)
Profit (loss) from operations	1,100	271	81	120	1,572	(151)	1,421	52	(259)	1,214
Free cash flow	464	38	13	11	526	38	564	-	-	564
Gross operating working capital	(480)	1,059	442	118	1,139	(12)	1,127	-	-	1,127
Segment assets	9,616	4,480	1,746	2,649	18,491	1,074	19,565	-	-	19,565
(1) of which depreciation, amortization and increase in provisions, net of use	(262)	(172)	(65)	(58)	(557)	(17)	(574)	-	(253)	(827)
of which impairment	(37)	2	5	4	(26)	-	(26)	(3)	-	(29)

AT DECEMBER 31, 2011

(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	6,110	3,097	1,264	1,249	11,720	16	11,736	(78)	-	11,658
Recurring operating income (expense)⁽¹⁾	909	202	58	139	1,308	(119)	1,189	(96)	(229)	864
Other non-recurring operating income and expenses	22	-	(7)	(23)	(8)	(21)	(29)	-	-	(29)
Profit (loss) from operations	931	202	51	116	1,300	(140)	1,160	(96)	(229)	835
Free cash flow	692	(19)	(80)	(61)	532	-	532	-	-	532
Gross operating working capital	(592)	1,037	404	265	1,114	(4)	1,110	-	-	1,110
Segment assets	9,054	4,243	1,632	2,640	17,569	737	18,306	-	-	18,306
(1) of which depreciation, amortization and increase in provisions, net of use	(130)	(129)	(32)	(34)	(325)	(17)	(342)	(18)	(219)	(579)
of which impairment	(16)	(37)	(1)	(3)	(57)	(5)	(62)	(2)	(1)	(65)

FINANCIAL STATEMENTS

/ CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012 /

REVENUE (ADJUSTED DATA)

<i>(in € millions)</i>	2011	2012
Aerospace Propulsion		
Original equipment and related products and services	2,834	3,340
Services	2,992	3,287
Sales of studies	221	296
Other	63	82
Sub-total	6,110	7,005
Aircraft Equipment		
Original equipment and related products and services	1,988	2,402
Services	959	1,054
Sales of studies	70	114
Other	80	121
Sub-total	3,097	3,691
Defence		
Sales of equipment	915	939
Services	227	257
Sales of studies	112	107
Other	10	12
Sub-total	1,264	1,315
Security		
Sales of equipment	947	1,212
Services	280	293
Sales of studies	8	13
Other	14	28
Sub-total	1,249	1,546
Holding company and other		
Sales of equipment	12	-
Other	4	3
Sub-total	16	3
TOTAL	11,736	13,560

INFORMATION BY GEOGRAPHIC AREA

AT DECEMBER 31, 2012

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

AT DECEMBER 31, 2011

<i>(in € millions)</i>	France	Europe (excl. France)	North America	Asia	Rest of the world	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	2,909	2,768	3,216	1,821	1,022	11,736	(78)	11,658
%	25%	24%	27%	15%	9%	100%	N/A	N/A
Non-current assets by location	5,866	1,137	2,127	65	168	N/A	N/A	9,363
%	62%	12%	23%	1%	2%	N/A	N/A	100%

No individual customer accounted for more than 10% of Group revenue in 2012 or 2011.

NOTE 5 Breakdown of the main components of profit from operations

REVENUE

<i>(in € millions)</i>	2011	2012
Original equipment and related products and services	4,864	5,774
Sales of defence and security equipment	1,801	2,146
Services	4,415	4,917
Sales of studies	407	532
Other	171	246
TOTAL	11,658	13,615

OTHER INCOME

Other income mainly comprises research tax credits and operating subsidies.

<i>(in € millions)</i>	2011	2012
Research tax credit ^(*)	121	124
Other operating subsidies	79	67
Other operating income	16	18
TOTAL	216	209

^(*) Of which €4 million in 2012 in connection with additional research tax credits in respect of 2011 (€7 million in 2011 in respect of 2010).

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

<i>(in € millions)</i>	2011	2012
Raw materials, supplies and other	(2,171)	(2,495)
Bought-in goods	(257)	(361)
Changes in inventories	9	48
Sub-contracting	(2,323)	(2,915)
Purchases not held in inventory	(318)	(391)
External service expenses	(1,774)	(2,112)
TOTAL	(6,834)	(8,226)

PERSONNEL COSTS

<i>(in € millions)</i>	2011	2012
Wages and salaries	(2,446)	(2,712)
Social security contributions	(1,052)	(1,105)
Share grants and leveraged savings plan	(14)	(2)
Statutory employee profit-sharing	(45)	(73)
Optional employee profit-sharing	(109)	(131)
Additional contributions	(24)	(31)
Profit-sharing bonus for employees	(19)	(8)
Corporate social contribution	(16)	(50)
Other employee costs	(83)	(93)
TOTAL	(3,808)	(4,205)

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 2011 (mainly SME and L-1, see Note 3).

In 2011, the Group launched a new leveraged employee shareholding plan entitling employees to purchase Safran shares with the offer of a capital guarantee and potential gains. The plan was first open to French employees and subsequently to employees in other countries. The share-based payment expense recognized in accordance with this plan (IFRS 2) amounted to €8.2 million in 2011 (leveraged plan in France) and €0.6 million in 2012 (leveraged plan outside France). Free shares vested by French employees under the April 2009 free share plan were delivered at the beginning of April 2011. The free shares awarded to employees outside France will be delivered in April 2013 (see Note 19.E and the statement of changes in shareholders' equity).

The increase in the profit-sharing expense reflects the rise in the Group's earnings and the new Group-wide profit-sharing agreement applicable as of the 2012 financial year.

The rise in additional contributions between 2011 and 2012 is primarily due to the introduction of an employee retirement savings plan (PERCO) in early 2012. This plan provides for additional contributions payable by the employer on voluntary payments made or for a portion of the profit share to be invested in the plan.

In 2012, the Group paid its employees an individual profit-sharing bonus of €205 versus €500 in 2011 (the per-share dividend paid by Safran was up on the previous two years). The expense recognized in 2012 is only representative of the benefit agreed and granted in respect of dividends paid in 2012 out of 2011 earnings, as approved by the Shareholders' Meeting on May 31, 2012.

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. The rise in the corporate social contribution had a negative impact of around €29 million on the 2012 consolidated financial statements.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

<i>(in € millions)</i>	2011	2012
Net depreciation and amortization expense		
• intangible assets	(341)	(381)
• property, plant and equipment	(321)	(340)
Total net depreciation and amortization expense^(*)	(662)	(721)
Net increase (decrease) in provisions	83	(106)
DEPRECIATION, AMORTIZATION, AND INCREASE IN PROVISIONS, NET OF USE	(579)	(827)

^(*) Of which depreciation and amortization of assets measured at fair value on the acquisition of the Snecma group, in the amounts of €156 million in 2012 and €158 million in 2011, and during recent acquisitions: €97 million in 2012 and €61 million in 2011.

ASSET IMPAIRMENT

<i>(in € millions)</i>	Impairment expense		Reversals	
	2011	2012	2011	2012
Property, plant and equipment and intangible assets	(61)	(16)	7	15
Financial assets	(2)	(6)	2	4
Inventories and work-in-progress	(309)	(319)	313	303
Receivables	(43)	(42)	28	32
TOTAL	(415)	(383)	350	354

OTHER RECURRING OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	2011	2012
Capital gains and losses on asset disposals	(16)	(14)
Royalties, patents and licenses	(16)	(12)
Losses on irrecoverable receivables	(5)	(10)
Other operating income and expenses ^(*)	52	57
TOTAL	15	21

^(*) Of which income relating to the review of the probability of repayment of borrowings subject to specific conditions (€29 million in 2012 and €44 million in 2011).

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	2011	2012
Impairment net of reversals on intangible assets	23	(7)
Capital gains on asset disposals	-	1
Other non-recurring items	(52)	(50)
TOTAL	(29)	(56)

In 2012, other non-recurring items correspond mainly to the net impairment loss taken against the Group's exposure after its customer Hawker Beechcraft filed for Chapter 11 bankruptcy protection (€16 million), and to transaction and integration costs relating to recent business combinations (€34 million).

An impairment loss of €7 million was recognized against intangible assets relating to a Security program (see Note 11).

In 2011, other non-recurring items included transaction and integration costs relating to business combinations completed in the period or in progress at that time (€37 million), as well as a net charge to the provision for outstanding claims and disputes not directly linked to recurring operating activities (€15 million).

An impairment loss taken against capitalized development expenditure regarding an Aerospace Propulsion program was written back for €23 million (see Note 11).

NOTE 6 Financial income (loss)

<i>(in € millions)</i>	2011	2012
Financial expense on interest-bearing financial liabilities	(71)	(97)
Financial income on cash and cash equivalents	29	43
Cost of net debt	(42)	(54)
Gain or loss on foreign currency hedging instruments	(11)	742
Foreign exchange gains and losses	45	(42)
Net foreign exchange gains (losses) on provisions	(15)	9
Foreign exchange gains	19	709
Gain or loss on interest rate and commodity hedging instruments	(9)	(1)
Impairment of available-for-sale financial assets	(9)	(3)
Dividends received	3	2
Other financial provisions	(7)	-
Interest component of IAS 19 expense	(17)	(21)
Impact of discounting	(69)	(90)
Other	(19)	(7)
Other financial income and expense	(127)	(120)
FINANCIAL INCOME (LOSS)	(150)	535
of which financial expense	(227)	(261)
of which financial income	77	796

NOTE 7 Income tax**INCOME TAX EXPENSE**

Income tax expense breaks down as follows:

<i>(in € millions)</i>	2011	2012
Current income tax expense	(159)	(105)
Deferred tax expense	(42)	(337)
TOTAL TAX EXPENSE	(201)	(442)

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

<i>(in € millions)</i>	2011	2012
Profit before tax	695	1,768
Standard tax rate applicable to the parent company	36.10%	36.10%
Tax expense at standard rate	(251)	(638)
Impact of permanent differences	(12)	128
Impact of research tax credit	44	44
Impact of reduced tax rates	25	36
Impact of unrecognized tax	(13)	(17)
Impact of other items	6	5
Current income tax expense recognized in profit or loss	(201)	(442)
EFFECTIVE TAX RATE	28.92%	25.00%

At the end of 2011, the fourth amending French Finance Law for 2011 established a one-off, temporary tax increase for the 2011 and 2012 financial years for French companies with revenue over

€250 million. The French Finance Law for 2013, which was adopted in late 2012, extended this contribution for the 2013 and 2014 financial years.

DEFERRED TAX ASSETS AND LIABILITIES

■ Deferred tax assets (liabilities) in the balance sheet

<i>(in € millions)</i>	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2011	251	718	(467)
Deferred taxes recognized in profit or loss	(29)	308	(337)
Deferred taxes recognized directly in equity	-	2	(2)
Reclassifications	-	(3)	3
Translation adjustments	(1)	(2)	1
Changes in scope of consolidation	(28)	5	(33)
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2012	193	1,028	(835)

■ Deferred tax asset bases

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(3,423)	(3,463)
Inventories	133	127
Current assets/liabilities	187	357
Financial assets/liabilities	476	(536)
Provisions	1,310	1,281
Tax adjustments	(538)	(376)
Losses carried forward and tax credits	576	611
TOTAL DEFERRED TAX ASSET BASES	(1,279)	(1,999)
Total gross deferred tax balance (a)	(405)	(760)
Total unrecognized deferred tax assets (b)	62	75
TOTAL NET DEFERRED TAXES RECOGNIZED (a) - (b)	(467)	(835)

CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities break down as follows:

<i>(in € millions)</i>	Assets	Liabilities	Net
Net tax assets at December 31, 2011	215	92	123
Movements during the period ^(*)	207	91	116
Changes in scope of consolidation	1	-	1
Translation adjustments	(3)	(3)	-
Other movements	1	(24)	25
NET TAX ASSETS AT DECEMBER 31, 2012	421	156	265

^(*) Of which a negative €105 million impact in the income statement.

NOTE 8 Discontinued operations

In 2011, "Profit (loss) from discontinued operations" represents an additional price consideration for the Communication sector businesses sold in 2008.

NOTE 9 Earnings per share

The Group's potentially dilutive ordinary shares correspond to the free share plan and leveraged savings plan (see Note 19.E).

Earnings per share break down as follows:

	Index	2011	2012
Numerator (in € millions)			
Profit for the period attributable to owners of the parent	(a)	478	1,302
Profit from continuing operations attributable to owners of the parent	(i)	475	1,302
Profit from discontinued operations attributable to owners of the parent	(j)	3	-
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	7,758,797	1,121,419
Number of shares excluding treasury shares	(d)=(b-c)	409,270,788	415,908,166
Weighted average number of shares (excluding treasury shares)	(d')	404,735,461	415,280,826
Potentially dilutive ordinary shares:			
Dilutive impact of share grants and leveraged savings plan	(e)	1,604,157	639,059
Weighted average number of shares after dilution	(f)=(d'+e)	406,339,618	415,919,885
Ratio: earnings per share (in €)			
Basic earnings per share	(g)=(a*1million)/(d')	1.18	3.14
Diluted earnings per share	(h)=(a*1million)/(f)	1.18	3.13
Ratio: earnings per share from continuing operations (in €)			
Basic earnings per share	(k)=(i*1million)/(d')	1.17	3.14
Diluted earnings per share	(l)=(i*1million)/(f)	1.17	3.13
Ratio: earnings per share from discontinued operations (in €)			
Basic earnings per share	(m)=(j*1million)/(d')	0.01	-
Diluted earnings per share	(n)=(j*1million)/(f)	0.01	-

NOTE 10 Goodwill

Goodwill breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2011 Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	Dec. 31, 2012 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	257	-	-	-	(27)	(2)	228
Other	1	-	-	-	-	-	1
Total Propulsion	959	-	-	-	(27)	(2)	930
Aircelle – Nacelles and aerostructures	213	-	-	-	-	-	213
Labinal – Electrical wiring	225	4	-	-	-	(1)	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
Total Aircraft Equipment	707	4	-	-	-	(1)	710
Sagem – Defence	102	18	-	-	-	(1)	119
Total Defence	102	18	-	-	-	(1)	119
Morpho – Identification	949	-	-	-	20	(14)	955
Morpho – Cards	52	8	-	-	(2)	-	58
Morpho – Detection	357	(45)	-	-	-	(6)	306
Total Security	1,358	(37)	-	-	18	(20)	1,319
TOTAL	3,126	(15)	-	-	(9)	(24)	3,078

MOVEMENTS IN THE PERIOD

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

- the definitive allocation of the purchase price for SME and its subsidiaries, which resulted in a €27 million decrease in goodwill for the “Herakles” CGU (see Note 3);
- the acquisition of Areva’s interest in Sofradir, which resulted in a €14 million increase in goodwill for the “Defence” CGU (see Note 3);
- the definitive allocation of the purchase price for L-1, which resulted in a €20 million (USD 27 million) increase in goodwill for the “Morpho - Identification” CGU (see Note 3);

- the acquisition of the residual 19% minority stake in Morpho Detection Inc., which resulted in a €45 million decrease in goodwill for the “Morpho - Detection” CGU (see Note 3).

ANNUAL IMPAIRMENT TESTS

As from 2011, the Group carries out annual impairment tests on goodwill during the first half of the year in order to bring this procedure in line with the internal medium- and long-term forecasting timetable.

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 1.29 for years 2013 to 2016 and 1.35 thereafter (2011: 1.33 for years 2012 to 2015 and 1.35 thereafter). These exchange rate assumptions were used for medium- and long-term 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, compared to a growth rate of 1.5% in 2011 for all CGUs except Aerospace Propulsion (2%).

- The benchmark post-tax discount rate used is 8% (unchanged from 2011) and is applied to post-tax cash flows. However, a post-tax discount rate of 9.5% is used for the CGUs in the Security business line (unchanged from 2011).

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 2011.

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 2012 as in 2011, 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:

(in € millions)	Dec. 31, 2011			Dec. 31, 2012		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs ⁽¹⁾	2,670	(1,273)	1,397	2,670	(1,448)	1,222
Development expenditures	1,540	(402)	1,138	2,053	(455)	1,598
Commercial concessions	191	(102)	89	221	(123)	98
Software	361	(313)	48	416	(343)	73
Brands	147	(9)	138	147	(11)	136
Commercial relationships	526	(112)	414	569	(174)	395
Technology	256	(42)	214	298	(72)	226
Backlog	33	(19)	14	54	(25)	29
Other	73	(27)	46	125	(30)	95
TOTAL	5,797	(2,299)	3,498	6,553	(2,681)	3,872

(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 six years.

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Movements in intangible assets break down as follows:

<i>(in € millions)</i>	Gross	Amortization/ impairment	Net
At December 31, 2011	5,797	(2,299)	3,498
Internally produced assets	569	-	569
Separate acquisitions	98	-	98
Disposals and retirements	(17)	4	(13)
Amortization	-	(381)	(381)
Impairment losses recognized in profit or loss	-	(5)	(5)
Adjustments to purchase price allocation	97	-	97
Reclassifications	2	1	3
Changes in scope of consolidation	20	(2)	18
Translation adjustments	(13)	1	(12)
AT DECEMBER 31, 2012	6,553	(2,681)	3,872

Research and development costs recognized in recurring operating income for the period totaled €667 million including amortization (€616 million in 2011).

Internally produced assets in the period (€569 million) include capitalized development expenditures amounting to €504 million (€282 million in 2011).

Amortization charged against development expenditures in the period totaled €62 million (€54 million in 2011).

Amortization was recognized in respect of revalued assets for €253 million (allocation of the cost of the Snecma group business combination for €156 million and other recent acquisitions for €97 million).

2012 IMPAIRMENT TESTS

The main assumptions used to determine the recoverable amount of intangible assets relating to programs, projects and product families are as follows:

- the average USD exchange rate adopted is 1.29 for years 2013 to 2016 and 1.35 thereafter (2011: 1.30 for years 2012 to 2015 and 1.35 thereafter). These exchange rate assumptions correspond to the assumptions updated during the second half of the year;

- the benchmark discount rate used is 8% (unchanged from 2011). Depending on the intangible asset concerned, the discount rate may be increased by a specific risk premium to take account of any technological or product/market risks. Discount rates therefore range from 8% to 11%, as in 2011.

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

2011 IMPAIRMENT TESTS

As a result of the impairment tests carried out in 2011, development expenditures relating to the TP400/A400M program were written down by a further €14 million, including €9 million against Aerospace Propulsion assets, €5 million against Aircraft Equipment assets, and €4 million against various Aircraft Equipment programs. These write-downs are included in recurring operating expenses for the period.

Impairment losses taken against the GP7200 program were reversed in the period for an amount of €23 million. This reversal is shown within non-recurring operating income (see Note 5).

NOTE 12 Property, plant and equipment

Property, plant and equipment break down as follows:

<i>(in € millions)</i>	Dec. 31, 2011			Dec. 31, 2012		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	228	-	228	233	-	233
Buildings	1,279	(663)	616	1,333	(697)	636
Technical facilities, equipment and tooling	4,108	(2,858)	1,250	4,241	(3,008)	1,233
Assets in progress, advances	220	(5)	215	321	(4)	317
Site development and preparation costs	46	(25)	21	50	(27)	23
Buildings on land owned by third parties	92	(42)	50	96	(50)	46
Computer hardware and other equipment	461	(355)	106	495	(379)	116
TOTAL	6,434	(3,948)	2,486	6,769	(4,165)	2,604

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

<i>(in € millions)</i>	Gross	Depreciation/ impairment	Net
At December 31, 2011	6,434	(3,948)	2,486
Internally produced assets	73	-	73
Additions	410	-	410
Disposals and retirements	(206)	161	(45)
Depreciation	-	(340)	(340)
Impairment losses recognized in profit or loss	-	(2)	(2)
Reclassifications	33	(37)	(4)
Adjustments to purchase price allocation	11	-	11
Changes in scope of consolidation	29	(7)	22
Translation adjustments	(15)	8	(7)
AT DECEMBER 31, 2012	6,769	(4,165)	2,604

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

<i>(in € millions)</i>	Dec. 31, 2011			Dec. 31, 2012		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	5	-	5	5	-	5
Buildings	156	(25)	131	156	(31)	125
Technical facilities, equipment and tooling	51	(33)	18	50	(34)	16
Computer hardware and other equipment	19	(18)	1	21	(19)	2
TOTAL	231	(76)	155	232	(84)	148

NOTE 13 Current and non-current financial assets

Financial assets include:

<i>(in € millions)</i>	Dec. 31, 2011			Dec. 31, 2012		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments ^(*)	316	(145)	171	359	(150)	209
Other financial assets	265	(89)	176	356	(108)	248
TOTAL	581	(234)	347	715	(258)	457

() Of which listed securities for €50 million at December 31, 2012 and 2011 (Embraer and Myriad).*

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

The 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.

A €3.4 million impairment loss against the Group's interest in the Myriad group was recognized in profit and loss for 2012.

An €8.7 million impairment loss against the Group's interest in Arianespace Participation was recognized in profit and loss for 2011.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Loans to non-consolidated companies	85	148
Loans to employees	26	28
Deposits and guarantees	12	9
Other ^(*)	53	63
TOTAL	176	248
Non-current	75	72
Current	101	176

() Of which a net receivable of €38 million at December 31, 2012 in respect of warranties received as part of the acquisition of SME (€35 million at December 31, 2011).*

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

The table below shows movements in other financial assets:

<i>(in € millions)</i>	
At December 31, 2011	176
Increase	99
Decrease	(13)
Impairment	(3)
Reclassifications	(12)
Changes in scope of consolidation	1
AT DECEMBER 31, 2012	248

NOTE 14 Investments in associates

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

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012			
	Net	% interest	Shareholders' equity	Share in profit from associates	Net
Ingenico ⁽¹⁾	244	22.80%	253	19	272
Other ⁽²⁾	9	N/A	9	-	9
TOTAL	253		262	19	281

(1) Due to the lack of published data for Ingenico at the date of publication of Safran's consolidated financial statements, the share of profit or loss for second-half 2012 was determined based on consensus forecasts provided by analysts. The stock market value totaled €514 million at December 31, 2012 (11,950,583 shares with a market value of €43.00) versus €328 million at December 31, 2011 (11,773,146 shares with a market value of €27.90).

(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:

<i>(in € millions)</i>	
At December 31, 2011	253
Share in profit from associates	19
Other movements (*)	9
AT DECEMBER 31, 2012	281

(*) Of which €9 million with respect to Ingenico (see consolidated statement of comprehensive income and Note 19.C).

NOTE 15 Inventories and work-in-progress

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

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
	Net	Net
Raw materials and supplies	604	597
Finished goods	1,477	1,656
Work-in-progress	1,680	1,834
Bought-in goods	38	44
TOTAL	3,799	4,131

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

<i>(in € millions)</i>	Gross	Impairment	Net
At December 31, 2011	4,332	(533)	3,799
Movements during the period	388	-	388
Net impairment expense	-	(23)	(23)
Reclassifications	(32)	4	(28)
Changes in scope of consolidation	1	(3)	(2)
Translation adjustments	(4)	1	(3)
AT DECEMBER 31, 2012	4,685	(554)	4,131

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NOTE 16 Trade and other receivables

<i>(in € millions)</i>	Dec. 31, 2011 Net	Movements during the period	Impairment/ Reversal	Changes in scope of consolidation	Reclassifications	Translation adjustments	Dec. 31, 2012 Net
Operating receivables	4,566	7	(15)	(6)	(3)	(3)	4,546
Debit balances on trade payables/ advance payments to suppliers	301	(22)	-	-	(2)	2	279
Trade receivables	4,225	28	(15)	20	(1)	(5)	4,252
Current operating accounts	30	(1)	-	(26)	-	-	3
Employee-related receivables	10	2	-	-	-	-	12
Other receivables	439	57	(1)	3	(17)	(2)	479
Prepaid expenses	53	19	-	(1)	(4)	-	67
VAT receivables	290	46	-	-	3	(1)	338
Other State receivables	15	(2)	-	-	-	-	13
Other receivables	81	(6)	(1)	4	(16) ^(*)	(1)	61
TOTAL	5,005	64	(16)	(3)	(20)	(5)	5,025

(*) Of which €16 million in net plan assets for defined benefit pension plans at December 31, 2011 (see Note 21), reclassified within other non-current financial assets at December 31, 2012.

In both 2012 and 2011, the Group sold trade receivables under three agreements requiring derecognition under IFRS. The terms and conditions of these agreements are presented in Note 23, "Interest-bearing financial liabilities".

Under the agreement with General Electric Capital Corp. regarding CFM Inc., the Group retains a continuing involvement in the form of

a guarantee deposit pledged to protect the purchaser against the risks associated with the receivables sold. The carrying amount of this guarantee deposit at December 31, 2012 was USD 5.8 million compared to USD 3.9 million at December 31, 2011 (amounts based on a 50% interest).

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

<i>(in € millions)</i>	Carrying amount at Dec. 31	Neither past due nor impaired	Past due but not impaired (in days)					Total past due but not impaired	Past due and impaired
			< 30	31-90	90-180	181-360	> 360		
At December 31, 2011									
Trade receivables	4,225	3,821	178	102	41	26	55	402	2
AT DECEMBER 31, 2012									
Trade receivables	4,252	3,791	218	105	47	37	50	457	4

NOTE 17 Cash and cash equivalents

Cash and cash equivalents break down as follows at December 31, 2012:

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Negotiable debt securities	5	3
Money-market funds	11	14
Short-term investments	1,009	1,350
Sight deposits	406	826
TOTAL	1,431	2,193

The table below presents changes in cash and cash equivalents:

(in € millions)

At December 31, 2011	1,431
Movements during the period	766
Changes in scope of consolidation	1
Translation adjustments	(7)
Other movements	2
AT DECEMBER 31, 2012	2,193

NOTE 18 Summary of financial assets

The table below presents the carrying amount of the Group's financial assets at December 31, 2011 and December 31, 2012:

	Carrying amount					Total = a+b+c+d
	At amortized cost		At fair value		Total	
	Loans and receivables (a)	Assets held to maturity (b)	Financial assets at fair value (through profit or loss) (c)	Financial assets available for sale (through equity) (d)		
At December 31, 2011 (in € millions)						
Non-current financial assets						
Non-consolidated investments				171	171	
Non-current derivatives			20		20	
Other non-current financial assets	75				75	
Sub-total non-current financial assets	75	-	20	171	266	
Current financial assets						
Other current financial assets	101				101	
Current derivatives			259		259	
Trade receivables	4,225				4,225	
Current operating accounts and other receivables	111				111	
Cash and cash equivalents	1,431				1,431	
Sub-total current financial assets	5,868	-	259	-	6,127	
TOTAL FINANCIAL ASSETS	5,943	-	279	171	6,393	

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

The Group did not reclassify any financial assets between the amortized cost and fair value categories in 2011 or 2012.

Safran uses the following hierarchy of inputs to determine the fair value of its financial assets.

FAIR VALUE OF FINANCIAL ASSETS

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

- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets.
- Level 3: unobservable inputs.

The Group's financial assets carried at fair value at December 31, 2011 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments ^(*)	50	-	-	50
Derivatives	-	279	-	279
TOTAL	50	279	-	329

(*) Excluding investments at cost.

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

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments ^(*)	50	-	-	50
Derivatives	-	647	-	647
TOTAL	50	647	-	697

(*) Excluding investments at cost.

In 2011 and 2012, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

NOTE 19 Consolidated shareholders' equity**A) SHARE CAPITAL**

At December 31, 2012, 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.

B) BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

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

DECEMBER 31, 2011

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights ^(*)
Private investors	216,692,488	51.96%	226,748,673	44.78%
French State	125,940,227	30.20%	150,752,222	29.77%
Current and former employee shareholders	66,638,073	15.98%	128,885,557	25.45%
Treasury shares	7,758,797	1.86%	-	-
TOTAL	417,029,585	100.00%	506,386,452	100.00%

(*) Exercisable voting rights.

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.

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

The 1,121,419 treasury shares have no voting rights.

■ Treasury shares

The number of treasury shares has declined since December 31, 2011 following:

- the delivery of six million shares sold in January 2012 to settle obligations to French employees under the Group's leveraged employee shareholding plan launched in November 2011 (see Note 19.D);
- the delivery of 371,997 shares in May 2012 to settle obligations to employees outside France under the Group's leveraged employee shareholding plan launched in March 2012 (see Note 19.D);
- the sale of 66,767 shares in connection with employee shareholding transactions;
- the sale of 198,614 shares under the liquidity agreement.

On April 21, 2011, 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 31, 2012.

Pursuant to these authorizations, in 2012 the Company purchased 4,620,989 shares for €127 million, and sold 4,819,603 shares for €131 million. These transactions were carried out under a liquidity agreement.

In January 2012, the Group signed a new liquidity agreement with Oddo (replacing Kepler Capital Markets), with the aim of enhancing the liquidity for the market in Safran shares. A total of €10 million was assigned to this agreement.

At December 31, 2012, 107,115 shares were held in connection with the Group's liquidity agreement.

C) CONSOLIDATED RETAINED EARNINGS

Movements in consolidated retained earnings are as follows:

(in € millions)

Consolidated retained earnings at December 31, 2011	4,387
Appropriation of 2011 profit to consolidated retained earnings	478
Dividend distribution	(154)
2012 interim dividend and 3% tax on dividends	(133)
Translation adjustment and net investment hedge	(42)
Taxes on translation adjustments and net investment hedges recognized in equity	10
Delivery and sale of treasury shares	118
Taxes on disposals of treasury shares recognized in equity	(20)
Other	9
CONSOLIDATED RETAINED EARNINGS AT DECEMBER 31, 2012	4,653

D) DIVIDEND DISTRIBUTION

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 payout of €154 million.

The Board of Directors' meeting of December 12, 2012 approved payment of an interim dividend of €0.31 per share in respect of 2012, representing a payout of €129 million which was reduced to €128.9 million after deducting the dividend related to treasury shares held at the ex-dividend date.

At the Shareholders' Meeting to be called on May 28, 2013 in order to approve the financial statements for the year ended December 31, 2012, the Board of Directors will recommend payment of a dividend of €0.96 per share in respect of 2012, representing a total payout of €400 million. Taking account of the interim dividend already paid, the amount still to be distributed totals €271 million.

The amending French Finance Law for 2012 introduced a 3% tax on payouts made, including dividends. At December 31, 2012, Safran is liable for this tax on the interim dividend it paid in December in an amount of €4 million. The expense relating to this tax was recognized in equity.

E) 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 shares in 2012 was €0.9 million (€5.6 million in 2011).

Fully vested shares granted to employees of French companies were delivered at the beginning of April 2011 (3,502,100 shares).

■ Leveraged Group savings plan

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

The plan was rolled out to Group employees working outside France in the first half of 2012.

Terms and conditions of the leveraged plan

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

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

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

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

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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.

	2011		2012	
	Value	%	Value	%
Details of the plan and amounts subscribed				
Reference share price (<i>in euros</i>)	21.65 ⁽¹⁾		26.77 ⁽²⁾	
Subscription price (<i>in euros</i>)	17.32		21.42	
Discount – face value		20%		20%
Total number of shares subscribed (<i>in millions of shares</i>)	6		0.4	
Total amount subscribed by employees (<i>in millions of euros</i>)	10.4		0.8	
Total amount subscribed (<i>in millions of euros</i>)	103.9		7.7	
Maturity of the plan (<i>in years</i>)	5		5	
Valuation assumptions				
Borrowing rate for market participants (bullet)		3.92%		3.36%
5-year risk-free interest rate		1.92%		1.36%
Annual dividend rate		2.02%		2.40%
Annual borrowing rate for shares (repo)		1.00%		1.00%
Retail/institutional volatility spread		5.00%		4.00%
Valuation of IFRS 2 expense (<i>in millions of euros</i>)				
Discount value (a)	26	20%	1.9	20%
Value of the lock-up period for the market participant (b)	18.1	13.93%	1.3	13.93%
Value of the opportunity gain (c)	0.3	0.29%	-	0.41%
Overall cost for the Group (a-b+c)	8.2	6.37%	0.6	6.48%

(1) The reference price is calculated based on Safran's average closing share price during the 20 trading days before the opening of the subscription period, i.e., November 11, 2011 to December 8, 2011.

(2) The reference price is calculated based on Safran's average closing share price during the 20 trading days before the opening of the subscription period, i.e., March 21, 2012 to April 19, 2012.

NOTE 20 Provisions

Provisions break down as follows:

<i>(in € millions)</i>	Dec. 31, 2011	Additions	Reversals			Changes in scope of consolidation		Dec. 31, 2012
			Utilizations	Reclassifications	Surplus	Other		
Performance warranties	570	247	(111)	-	(64)	1	(1)	642
Financial guarantees	51	18	(22)	-	(4)	-	(15)	28
Services to be rendered	424	473	(395)	-	(11)	-	(4)	487
Post-employment benefits	418	68	(56)	-	(1)	-	4	433
Sales agreements and long-term receivables	104	63	(18)	-	(20)	-	-	129
Losses on completion and backlog losses	524	211	(62)	(149)	(7)	-	1	518
Disputes and litigation	39	10	(6)	-	(7)	2	(3)	35
Other ^(*)	308	80	(54)	-	(25)	9	(11)	307
TOTAL	2,438	1,170	(724)	(149)	(139)	12	(29)	2,579
Non-current	1,374							1,515
Current	1,064							1,064

^(*) Of which a provision of €90 million (December 31, 2011: €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 3).

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 write-downs of inventories and work-in-progress.

NOTE 21 Post-employment benefits

The Group has various commitments in respect of defined benefit pension plans, retirement termination benefits and other commitments within and outside France. The accounting treatment applied to these commitments is detailed in Note 1.S.

The Group's financial position with respect to these commitments is as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2012	France	United Kingdom	Other European countries	North America	Asia
Gross obligations	908	1,146	576	424	97	48	1
Fair value of plan assets	358	407	3	325	47	32	-
Unrecognized past service cost and actuarial gains and losses	149	326	176	119	17	14	-
Provision recognized in the accounts	418	433	397	-	33	2	1
• Defined benefit retirement plans	36	34	9	-	25	-	-
• Retirement termination benefits	350	362	352	-	7	2	1
• Other employee benefits	32	37	36	-	1	-	-
Recognized net plan assets^(*)	(16)	(20)	-	(20)	-	-	-

(*) Recognized net plan assets in respect of defined benefit pension obligations were recorded in "Other receivables" at December 31, 2011 (see Note 16), and reclassified to "Other non-current financial assets" at December 31, 2012.

(in € millions)	Dec. 31, 2011	Dec. 31, 2012	Defined benefit retirement plans (see Note 21.A)	Retirement termination benefits (see Note 21.B)	Other employee benefits (see Note 21.C)
Gross obligations	908	1,146	596	513	37
Fair value of plan assets	358	407	407	-	-
Unrecognized past service cost and actuarial gains and losses	149	326	175	151	-
Provision recognized in the accounts	418	433	34	362	37
Recognized net plan assets^(*)	(16)	(20)	(20)	-	-

(*) Recognized net plan assets in respect of defined benefit pension obligations were recorded in "Other receivables" at December 31, 2011 (see Note 16), and reclassified to "Other non-current financial assets" at December 31, 2012.

The €238 million increase in the gross obligation chiefly reflects the fall in the discount rates (down 1.25 points for the eurozone and 0.5 points for the United Kingdom) used to measure the present value of pensions and other employee benefit obligations. Since

Safran applies the corridor method, the increase in the gross obligation has a limited impact on the provision recognized in the accounts at December 31, 2012, and most of the increase impacts the amount of unrecognized actuarial gains and losses.

The cost of the Group's pension obligations in 2011 and 2012 can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Pension expense		
Current service cost	(31)	(33)
Recognized actuarial gains and losses	(8)	(10)
Plan curtailments and modifications	1	-
Recognized past service cost	(15)	(3)
Total operating component of the pension expense	(53)	(46)
Interest cost	(38)	(41)
Expected return on plan assets	21	20
Total financing component of the pension expense	(17)	(21)
TOTAL PENSION EXPENSE	(70)	(67)

Main assumptions used to calculate commitments:

		Eurozone	United Kingdom
Discount rate	Dec. 31, 2011	4.50%	5.00%
	Dec. 31, 2012	3.25%	4.50%
Inflation rate	Dec. 31, 2011	2.00%	3.00%
	Dec. 31, 2012	2.00%	2.95%
Expected return on plan assets	Dec. 31, 2011	4.00%	6.13%
	Dec. 31, 2012	4.56%	5.72%
Rate of future salary increases	Dec. 31, 2011	1.50%-5.00%	3.75%
	Dec. 31, 2012	1.50%-5.00%	3.70%
Retirement age	Dec. 31, 2011	Managerial: 64/65 years Non-managerial: 62/65 years	65 years
	Dec. 31, 2012	Managerial: 64/65 years Non-managerial: 62/65 years	65 years

The rise in the statutory retirement age in France as a result of pension reforms was taken into account in measuring the retirement benefit obligation at December 31, 2011, although the impact was not material.

The discount rates are determined by reference to the yield on private investment-grade bonds (AA), using the Iboxx index.

A 1% increase or decrease in discount rates (assuming all other inputs remain unchanged) would have the following impacts on the value of the projected benefit obligation at December 31, 2012:

Sensitivity (basis points)	-1%	+1%
Change in gross benefit obligation at December 31, 2012 <i>(in € millions)</i>	+177	(164)

The impact of a 1% increase or decrease in the discount rates on consolidated profit for 2012 and on the provision at end-December 2012 would not have been material. The change in the value of the gross benefit obligation would have mainly affected unrecognized actuarial gains and losses.

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The allocation of plan assets and the expected return on these assets are shown below:

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2012	Expected return on plan assets in 2013	% allocation at Dec. 31, 2012	Expected return on plan assets in 2013
Shares	48.90%	7.58%	16.36%	6.81%
Bonds and debt instruments	33.73%	3.07%	63.69%	3.97%
Property	6.92%	6.69%	11.91%	5.25%
Cash and cash equivalents	1.34%	0.87%	1.86%	3.15%
Other	9.11%	5.50%	6.18%	3.88%

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2011	Expected return on plan assets in 2012	% allocation at Dec. 31, 2011	Expected return on plan assets in 2012
Shares	49.45%	7.52%	16.05%	6.78%
Bonds and debt instruments	35.09%	3.59%	62.83%	3.71%
Property	8.27%	6.73%	11.64%	5.76%
Cash and cash equivalents	1.62%	1.28%	1.82%	3.17%
Other	5.57%	5.75%	7.66%	4.50%

The expected long-term rates of return on plan assets are determined based on past performance and on the current and long-term outlook for these assets.

A 1% increase or decrease in the expected rate of return on plan assets (assuming all other inputs remain unchanged) would have the following impacts on consolidated profit for 2012:

Sensitivity (basis points)	-1%	+1%
Increase/(decrease) in expected return on plan assets (in € millions)	(3)	+4

A) DEFINED BENEFIT PENSION PLANS

■ Description of benefits

France

A supplementary defined benefit retirement plan was implemented by Snecma in 1985 and closed on June 30, 1995 using a step mechanism that allowed eligible employees present in the Company at that date to maintain all or part of their benefits.

The plan is funded by contributions paid to an insurance company which then manages payment of the pensions. At December 31, 2012, around 230 claimants were still in active service and the last retirement is planned for 2015.

Following the closure of this plan, managerial-grade staff (cadres) were moved to a new supplementary defined contribution retirement plan. Group companies affected by this change were Safran (for Snecma employees), Snecma, Herakles, Hispano-Suiza, Messier-Bugatti-Dowty, Aircelle and Turbomeca. This type of plan did not exist within the Sagem group.

Other countries

United Kingdom

There are three pension funds in place at Messier-Dowty/Messier Services Ltd, Aircelle Ltd and Safran UK. These pension funds have been contracted out, which means they replace the mandatory supplementary retirement plan. The plans are managed by trusts. Employees participate in the funding through salary-based contributions. With the exception of the Safran UK pension fund, the average breakdown of contributions between the employer and the employee is 92% and 8%, respectively. The Safran UK pension fund only covers pensions for retired employees of Cinch UK, which was sold in 2009.

Other European countries

The Group's main commitments in continental Europe are in Belgium and Switzerland.

In Belgium, Techspace Aero took out a policy with an insurer in April 1997 guaranteeing employees the payment of a lump-sum or pension on death or retirement. The amount paid is based on the employee category, age, term of service and final salary. This benefit is funded in full by employer contributions.

In Switzerland, Vectronix AG set up a mutualized retirement plan with Leica, its former shareholder. This defined benefit plan was intended for retired and active employees of Vectronix AG. On June 30, 2006, Vectronix AG terminated its contract with Leica with effect from December 31, 2006. Vectronix's active employees were subsequently removed from the Leica fund, whose future had become uncertain, and transferred to another insurer, Gemini, which granted Vectronix full independence in managing its plan. At the time of the switch, Vectronix AG purchased retirement annuities from the new insurer.

North America

The main commitments concern Canada. Two pension plans are in place within Messier-Dowty Inc. and Safran Electronics Canada (spin-off of Messier-Dowty Inc.): one plan for employees and a second plan for managerial-grade staff (*cadres*) and top management. These plans are financed by employer (88%) and employee (12%) contributions.

FIVE-YEAR SUMMARY OF OBLIGATIONS UNDER DEFINED BENEFIT PLANS

<i>(in € millions)</i>	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012
Gross obligations	280	374	442	486	596
Fair value of plan assets	195	269	335	358	407
Provision recognized in the accounts	73	47	35	36	34
Recognized net plan assets	-	-	(4)	(16)	(20)
Experience adjustments	65	(25)	(7)	13	(2)
<i>of which experience adjustments on the defined benefit obligation</i>	(9)	2	(3)	(5)	6
<i>of which experience adjustments on plan assets</i>	74	(27)	(4)	18	(8)
<i>as a % of obligations</i>	-3%	0%	-1%	-1%	1%
<i>as a % of plan assets</i>	38%	-10%	-1%	5%	-2%

■ Financial position

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012	o/w France	o/w other countries (excl. France)
Gross obligations	486	596	35	561
Fair value of plan assets	358	407	3	404
Provision recognized in the accounts	36	34	9	25
Recognized net plan assets	(16)	(20)	-	(20)
Unrecognized items	109	175	23	152
• <i>Actuarial gains and losses</i>	109	175	23	152
• <i>Past service cost</i>	-	-	-	-
• <i>Unrecognized net plan assets</i>	-	-	-	-

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All pension plans are partially or fully funded.

<i>(in € millions)</i>	Gross obligations	Fair value of plan assets	Unrecognized items	Provisions
	(a)	(b)	(c)	=(a)-(b)-(c)
POSITION AT JANUARY 1, 2012	486	358	108	20
A. Pension expense				
Current service cost	10			
Interest cost	24			
Expected return on plan assets		20		
Recognized actuarial gains and losses			(7)	
Plan curtailments and modifications				
Recognized past service cost				
Total pension expense	34	20	(7)	21
B. Employer expense				
Employer contributions		27		
Benefits paid	(16)	(16)		
Total employer expense	(16)	11	-	(27)
C. Other recognized items				
Unrecognized net plan assets				
Changes in scope of consolidation				
Other movements				
Translation adjustments	8	7	2	
Reclassification to assets held for sale				
Total other recognized items	8	7	2	(1)
Change in provision	26	38	(5)	(7)
D. Other unrecognized items				
Employee contributions	4	3		
Actuarial gains and losses for the period	80	8	72	
Past service cost for the period				
Total other unrecognized items	84	11	72	1
AMOUNTS RECOGNIZED AT DECEMBER 31, 2012	596	407	175	14
Provision recognized in the accounts				34
Recognized net plan assets				(20)

The actual return on plan assets (the sum of the expected return on plan assets and actuarial gains and losses for the period) under defined benefit pension plans was €28 million in 2012 and €4 million in 2011.

The Group expects to pay a total of €25 million into its defined benefit pension plans in 2013 (€27 million in 2012 and €25 million in 2011).

In France, the Social Security Financing Act for 2011 abolished the exemption of the portion of annuities not exceeding one-third of the annual social security ceiling from the 16% levy on annuities paid and settled as of January 1, 2001. Employers having opted in 2004 to pay the tax on annuities were entitled to opt for an alternative regime in 2011. In 2011, Safran therefore chose to be taxed on its contributions. This taxation was recognized in actuarial gains and losses at December 31, 2011.

B) RETIREMENT TERMINATION BENEFITS

■ Description of benefits

In France, this heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry. It also includes obligations regarding employees eligible for the Group's 2010 and 2012 agreements on the increase of retirement termination benefits.

In 2010, the Group signed a triennial agreement related to the employment of the over 50s, aimed notably at implementing measures to assist with the latter part of careers and at ensuring a smooth transition between working life and retirement. This agreement provides, inter alia, for an increase in contractual end-of-career bonuses subject to certain conditions.

Pending the implementation of the future provisions under the inter-generational agreement in France, at the end of 2012 the Group signed an amendment extending the agreement, except for the measure providing for an increase in end-of-career bonuses. The Group also signed a separate agreement renewing for a further three years the measure providing for an increase in retirement termination benefits initially set out in an agreement signed by the Group in 2010.

Outside France, this heading includes obligations under early retirement plans at Morpho Cards GmbH and Snecma Services Brussels, as well as employee benefit obligations in respect of Mexico, Poland and India.

■ Financial position

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012	France	Other countries (excl. France)
Gross obligations	390	513	505	8
Fair value of plan assets	-	-	-	-
Provision recognized in the accounts	350	362	352	10
Unrecognized items	40	151	153	(2)
• Actuarial gains and losses	3	81	81	
• Past service cost	37	70	72	(2)
• Unrecognized net plan assets				

<i>(in € millions)</i>	Gross obligations (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provisions =(a)-(b)-(c)
POSITION AT JANUARY 1, 2012	390	-	40	350
A. Pension expense				
Current service cost	20			
Interest cost	16			
Expected return on plan assets				
Recognized actuarial gains and losses				
Plan curtailments and modifications				
Recognized past service cost			(3)	
Total pension expense	36	-	(3)	39
B. Employer expense				
Employer contributions				
Benefits paid	(26)			
Total employer expense	(26)	-	-	(26)
C. Other recognized items				
Unrecognized net plan assets				
Changes in scope of consolidation	(1)			(1)
Other movements				
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	(1)	-	-	(1)
Change in provision	9	-	(3)	12
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period	78		78	
Past service cost for the period	36		36	
Total other unrecognized items	114	-	114	-
POSITION AT DECEMBER 31, 2012	513	-	151	362

C) OTHER EMPLOYEE BENEFITS

■ Description of benefits

- In France, this heading mainly comprises obligations in respect of long-service awards, loyalty premiums and executive bonuses granted at Sagem, Morpho and Sagem Industries.
- Outside France, benefits include jubilee awards under plans in the Netherlands, Poland and the US.

■ Financial position

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012	France	Other countries (excl. France)
Gross obligations	32	37	36	1
Fair value of plan assets	-	-	-	-
Provision recognized in the accounts	32	37	36	1
Unrecognized items	N/A	N/A	N/A	N/A

<i>(in € millions)</i>	Gross obligations (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provisions =(a)-(b)-(c)
POSITION AT JANUARY 1, 2012	32	-	-	32
A. Pension expense				
Current service cost	3			
Interest cost	1			
Expected return on plan assets				
Recognized actuarial gains and losses	3			
Plan curtailments and modifications				
Recognized past service cost				
Total pension expense	7	-	-	7
B. Employer expense				
Employer contributions				
Benefits paid	(3)			
Total employer expense	(3)	-	-	(3)
C. Other recognized items				
Unrecognized net plan assets				
Changes in scope of consolidation	1			
Other movements				
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	1	-	-	1
Change in provision	5	-	-	5
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period				
Past service cost for the period				
Total other unrecognized items				
POSITION AT DECEMBER 31, 2012	37	-	-	37

D) CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

The expense for 2012 in respect of defined contribution plans amounts to €313 million (€283 million in 2011).

The expense is broken down into contributions paid into standard retirement plans and contributions paid into Art. 83 supplementary retirement plans which have been set up within the Group's main French companies. The expense for the period also includes contributions paid into a multi-employer plan in the United Kingdom (€1.3 million). The Group does not expect the contributions to be paid into this multi-employer plan to increase in the medium-term due to the net shortfall of the plan.

E) INDIVIDUAL TRAINING ENTITLEMENT

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

This is taken into account in the French companies' collective bargaining on in-service training and skills development.

NOTE 22 Borrowings subject to specific conditions

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

Movements in this caption break down as follows:

(in € millions)

At December 31, 2011	682
New advances received	18
Advances repaid	(27)
Cost of borrowings	26
Adjustments to the probability of repayment of advances	(29)
AT DECEMBER 31, 2012	670

NOTE 23 Interest-bearing financial liabilities

BREAKDOWN OF INTEREST-BEARING FINANCIAL LIABILITIES

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Bond issue	763	759
Senior unsecured notes in USD	-	945
Finance lease liabilities	163	118
Other long-term borrowings	521	437
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	1,447	2,259
Finance lease liabilities	13	45
Other long-term borrowings	315	346
Accrued interest not yet due	4	14
Current interest-bearing financial liabilities, long-term at inception	332	405
Commercial paper	558	407
Short-term bank facilities and equivalent	108	104
Current interest-bearing financial liabilities, short-term at inception	666	511
Total current interest-bearing financial liabilities (less than 1 year)	998	916
TOTAL INTEREST-BEARING FINANCIAL LIABILITIES	2,445	3,175

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Movements in this caption break down as follows:

(in € millions)

Total at December 31, 2011	2,445
Increase in borrowings	917
Accrued interest	10
Decrease in borrowings	(119)
Change in short-term borrowings	(122)
Changes in scope of consolidation	15
Foreign exchange differences	6
Reclassifications and other	23
TOTAL AT DECEMBER 31, 2012	3,175

■ 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 in 2012), 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 2012 at 2.70% 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 2012 at 3.09% after taking account of interest rate derivatives.
- European Investment Bank (EIB) borrowings: €300 million (€317 million at December 31, 2011). The loan bears floating-rate interest indexed to 3-month Euribor plus 0.73% and is repayable in six equal monthly installments between December 17, 2013 and December 17, 2020.
- Employee savings financing under the Group employee savings plan: €430 million (€394 million at December 31, 2011).

The maximum maturity is five years and the amount falling due within one year is €275 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 3.56% for 2012 and 2.91% for 2011.

The interest rate used for 2013 is 1.62%. 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.

- Messier-Bugatti-Dowty USA Inc. real estate lease financing contract: USD 38 million, or €29 million (USD 38 million or €29.5 million at December 31, 2011), bearing fixed-rate interest of 5.2% and repayable in full in 2013.

This lease is guaranteed by the parent company, Messier-Bugatti-Dowty SA.

- Turbomeca real estate lease financing contract: €50 million (€55 million at December 31, 2011), 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: €47 million (€52 million at December 31, 2011), bearing floating-rate interest indexed to 3-month Euribor. The lease expires in January 2022.
- L-1 Identity Solutions convertible notes: The Group exercised its call option on these notes on May 15, 2012 for USD 91 million, thereby redeeming the full amount of principal and associated interest.

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

■ Main short-term borrowings

- Commercial paper: €407 million (€558 million at December 31, 2011).

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: €33 million (€37 million at December 31, 2011). Interest is indexed to Euribor.

Other short-term borrowings are not material taken individually.

■ Analysis by maturity

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Maturing in:		
1 year or less	998	916
More than 1 year and less than 5 years	1,203	1,139
Beyond 5 years	244	1,120
TOTAL	2,445	3,175

Analysis by currency:

<i>(in millions of currency units)</i>	Dec. 31, 2011		Dec. 31, 2012	
	Currency	EUR	Currency	EUR
EUR	2,264	2,264	2,119	2,119
USD	199	154	1,354	1,026
CAD	4	3	1	-
GBP	1	1	3	4
Other	N/A	23	N/A	26
TOTAL		2,445		3,175

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011		Dec. 31, 2012		Dec. 31, 2011		Dec. 31, 2012	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	998	1,873	884	4.08%	1,774	4.16%	114	3.67%	99	3.38%
Floating rate	1,447	1,302	563	2.42%	485	2.08%	884	1.81%	817	1.54%
TOTAL	2,445	3,175	1,447	3.44%	2,259	3.71%	998	2.02%	916	1.74%

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011		Dec. 31, 2012		Dec. 31, 2011		Dec. 31, 2012	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	998	1,045	884	3.14%	946	3.26%	114	3.67%	99	3.38%
Floating rate	1,447	2,130	563	2.42%	1,313	2.38%	884	1.81%	817	1.54%
TOTAL	2,445	3,175	1,447	2.86%	2,259	2.75%	998	2.02%	916	1.74%

The Group's net debt position is as follows:

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Cash and cash equivalents (A)	1,431	2,193
Interest-bearing financial liabilities (B)	2,445	3,175
Fair value of interest rate derivatives hedging borrowings (C)	17	50
TOTAL (A) - (B) + (C)	(997)	(932)

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 €6 million on the Group's net debt at December 31, 2012.

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

- CFM Inc.:
 - Confirmed 24-month facility for USD 200 million (automatically renewable for further 12-month periods at the end of the first 24 months) granted in October 2009 by General Electric Capital Corp., on which USD 105 million (USD 52.5 million at 50%) had been drawn at December 31, 2012, versus USD 70.6 million (USD 35.3 million at 50%) at December 31, 2011.
 - Confirmed 364-day facility for USD 1,500 million, renewed in December 2012 by a syndicate of 10 banks led by Royal Bank of Scotland (versus USD 950 million
- in 2011), on which USD 1,498 million (USD 749 million at 50%) had been drawn at December 31, 2012, versus USD 788 million (USD 394 million at 50%) at December 31, 2011.
- 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 48 million (USD 24 million at 50%) had been drawn at December 31, 2012, versus USD 39 million (USD 19.5 million at 50%) at December 31, 2011.

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Net debt	(997)	(932)
Total equity	5,122	6,228
GEARING RATIO	19.47%	14.96%

NOTE 24 Trade and other payables

<i>(in € millions)</i>	Dec. 31, 2011	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2012
Operating payables	7,539	229	22	(7)	4	7,787
Credit balances on trade receivables	1,062	120	-	-	-	1,182
Advance payments from customers	3,562	(54)	1	(1)	-	3,508
Trade payables	2,015	(14)	16	(5)	10	2,022
Current operating account	4	3	3	-	(7)	3
Employee-related liabilities	896	174	2	(1)	1	1,072
Other payables	809	151	2	(3)	21	980
State aid, accrued payables	16	3	-	-	-	19
State, other taxes and duties	171	7	-	-	2	180
Deferred income	479	140	-	(2)	-	617
Other	143	1	2	(1)	19	164
TOTAL	8,348	380	24	(10)	25	8,767

Trade payables carry no interest and fall due in less than one year.

Deferred income primarily concerns revenue recognized under the percentage-of-completion method or revenue deferred.

Trade and other payables fall due as shown below:

<i>(in € millions)</i>	< 12 months	> 12 months
Operating payables	7,567	220
Other payables	759	221
TOTAL	8,326	441

NOTE 25 Other current and non-current financial liabilities

<i>(in € millions)</i>	Dec. 31, 2011	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2012
Payables on purchases of property, plant and equipment and intangible assets	45	48	-	1	(1)	93
Payables on purchases of investments ^(*)	154	(96)	(45)	-	1	14
TOTAL	199	(48)	(45)	1	-	107
Non-current	199					107
Current	-					-

^(*) Including a €90 million purchase cost for the 19% interest in Morpho Detection and a €45 million decrease in goodwill subsequent to this acquisition (see Notes 3 and 10).

NOTE 26 Summary of financial liabilities

The fair value of financial liabilities is calculated based on the future cash flows associated with each borrowing, discounted at the market price at the end of the reporting period.

AT DECEMBER 31, 2011

<i>(in € millions)</i>	Carrying amount			Fair value
	Financial liabilities at amortized cost	Financial liabilities at fair value	Total	
Borrowings subject to specific conditions	682		682	682
Non-current interest-bearing financial liabilities	1,447		1,447	1,467
Current interest-bearing financial liabilities	998		998	998
Trade payables	2,015		2,015	2,015
Payables on purchases of investments ⁽¹⁾	19	135	154	154
Payables on purchases of property, plant and equipment and intangible assets	45		45	45
Current operating accounts	4		4	4
Non-current derivatives		5	5	5
Current derivatives		653	653	653
TOTAL FINANCIAL LIABILITIES	5,210	793	6,003	6,023

⁽¹⁾ Including €135 million relating to commitments to purchase non-controlling interests.

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AT DECEMBER 31, 2012

<i>(in € millions)</i>	Carrying amount			Fair value
	Financial liabilities at amortized cost	Financial liabilities at fair value	Total	
Borrowings subject to specific conditions	670		670	670
Non-current interest-bearing financial liabilities	2,259		2,259	2,371
Current interest-bearing financial liabilities	916		916	916
Trade payables	2,022		2,022	2,022
Payables on purchases of investments	14	-	14	14
Payables on purchases of property, plant and equipment and intangible assets	93		93	93
Current operating accounts	3		3	3
Non-current derivatives		12	12	12
Current derivatives		213	213	213
TOTAL FINANCIAL LIABILITIES	5,977	225	6,202	6,314

The Group uses the input hierarchy described in Note 18 to measure the fair value of its financial liabilities.

The Group's financial liabilities carried at fair value as of December 31, 2011 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivatives	-	658	-	658
Commitments to purchase non-controlling interests	-	-	135	135
TOTAL	-	658	135	793

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

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	225	-	225
TOTAL	-	225	-	225

In 2012 and 2011, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

NOTE 27 Management of market risks and derivatives

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

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

<i>(in € millions)</i>	Dec. 31, 2011		Dec. 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	22	(5)	62	(12)
Floating-for-fixed interest rate swaps	-	(5)	-	(12)
Fixed-for-floating interest rate swaps	22	-	62	-
Foreign currency risk management	257	(650)	585	(210)
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	91	(326)	311	(118)
Currency option contracts	166	(324)	274	(92)
Commodity risk management	-	(3)	-	(3)
Forward purchases of commodities	-	(3)	-	(3)
TOTAL	279	(658)	647	(225)

FOREIGN CURRENCY RISK MANAGEMENT

Most Aerospace Propulsion and Aircraft Equipment revenue is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 5 billion for 2012 (USD 4.28 billion in 2011).

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

■ Hedging policy

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

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

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

■ Management policy

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

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and options (EUR call/USD put).

Optimization measures are also used with a view to improving the minimum exchange rate parity, and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators, and purchases and sales of options (USD call/EUR put).

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Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

(in millions of currency units)	Dec. 31, 2011				Dec. 31, 2012			
	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	(235)				193			
Short USD position	(229)	13,374	5,872	7,502	157	13,323	5,764	7,559
Of which against EUR	(199)	12,500	5,188	7,312	157	12,979	5,560	7,419
Long USD position	14	(510)	(300)	(210)	28	(700)	(250)	(450)
Of which against EUR	13	(400)	(200)	(200)	28	(700)	(250)	(450)
Short CAD position against CHF	-	-	-	-	5	81	81	-
Short GBP position against EUR	1	11	11	-	-	-	-	-
Long GBP position against EUR	-	(4)	(4)	-	-	-	-	-
Long EUR position against CHF	(11)	(81)	(39)	(42)	(7)	(78)	(28)	(50)
Long PLN position against EUR	(3)	(218)	(78)	(140)	2	(225)	(85)	(140)
Long MXN position against USD	(7)	(3,650)	(1,180)	(2,470)	8	(4,135)	(1,395)	(2,740)
Currency option contracts	(158)				182			
USD put purchased	36	1,000	-	1,000	75	2,750	2,350	400
USD put sold	(1)	(100)	(100)	-	(19)	(1,200)	(1,200)	-
USD call sold	(226)	6,798	1,774	5,024	(60)	9,607	5,224	4,383
USD call purchased	8	(250)	(250)	-	5	(350)	(350)	-
Accumulators – sell USD ⁽²⁾	(28)	12,199	4,752	7,448	167	9,020	2,778	6,242
Accumulators – buy USD ⁽²⁾	63	(1,891)	(1,427)	(464)	13	(1,132)	(965)	(167)
Accumulators – sell GBP ⁽²⁾	1	380	91	289	3	219	219	-
Accumulators – sell CAD ⁽²⁾	(11)	845	306	539	(2)	341	-	341
TOTAL	(393)				375			

(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 €768 million increase in the fair value of foreign currency derivatives between December 31, 2011 and December 31, 2012 reflects an increase of €788 million in the fair value of currency hedging instruments not yet settled at December 31, 2012 and premiums received (negative impact of €20 million).

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 €788 million increase in the fair value of derivatives not yet settled at the end of the reporting period has been recognized in “Financial income (loss)”. Of this amount €742 million was recognized in “Gain or loss on foreign currency hedging instruments” for derivatives hedging revenue net of future purchases; €8 million was recognized in “Foreign exchange gains

and losses” for derivatives hedging balance sheet positions; and €38 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 2.1 of the registration 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 23).

■ Exposure and sensitivity to foreign currency risk

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

<i>(in USD millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Total assets excluding derivatives	1,161	1,298
Total liabilities excluding derivatives	(969)	(2,309)
Derivatives hedging balance sheet positions ^(*)	(146)	(170)
NET EXPOSURE AFTER THE IMPACT OF DERIVATIVES HEDGING BALANCE SHEET POSITIONS	46	(1,181)

(*) 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 417 million, compared to a total fair value of USD 418 million of EUR/USD currency derivatives at December 31, 2012 (compared to a negative fair value of USD 421 million and USD 427 million, respectively, at December 31, 2011).

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

Impact on balance sheet positions <i>(in € millions)</i>	Dec. 31, 2011		Dec. 31, 2012	
	USD		USD	
Closing rate	1.29		1.32	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.23	1.35	1.25	1.39
Impact recognized through profit or loss (before tax)	(870)	649	(615)	463
Impact recognized through equity (before tax)	-	-	(50)	45

INTEREST RATE RISK MANAGEMENT

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

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

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

■ Exposure to euro interest rate risk

The interest rate payable on the €750 million bond issue, which had been converted to a floating rate using floating-rate borrower/fixed-rate lender swaps, was converted back to a fixed rate in 2011. As a result, besides the floating-rate borrower/fixed-rate lender swaps for €750 million with a residual maturity of one to three years, the Group also held fixed-rate borrower/floating-rate lender swaps for the same maturity and amount. Interest rate swaps with a residual maturity of less than 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 as of January 1, 2013 the interest rate on a portion of the financing for the employee savings plan.

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(in € millions)	Dec. 31, 2011				Dec. 31, 2012			
	Fair value	Notional amount	Less than 1 year	1 to 5 years	Fair value	Notional amount	Less than 1 year	1 to 5 years
Euro Interest rate swaps								
Fixed-for-floating	22	750	250	500	22	500	-	500
Floating-for-fixed	(5)	750	250	500	(12)	575	-	575
TOTAL	17				10			

Exposure to euro interest rate risk before and after hedging:

Dec. 31, 2011 (in € millions)	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	34	840	839	551	873	1,391
Other financial assets	-	64	2	70	2	134
Cash and cash equivalents	10	1,074	-	-	10	1,074
Net exposure before hedging	24	(298)	837	481	861	183
Derivatives ^(*)	-	-	-	-	-	-
Net exposure after hedging	24	(298)	837	481	861	183

(*) Notional amount.

Dec. 31, 2012 (in € millions)	Current		Non-current		Total	
	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.

■ 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 December 31, 2012, 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.

<i>(in € millions)</i>	Dec. 31, 2011				Dec. 31, 2012				
	Fair value	Notional amount	Less than 1 year	1 to 5 years	Fair value	Notional amount	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
Floating-for-fixed – fair value hedge	-	-	-	-	-	-	-	-	-
TOTAL	-				40				

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:

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Change in fair value of hedging instrument	-	40
Change in fair value of hedged item	-	(40)
IMPACT OF FAIR VALUE INTEREST RATE HEDGES ON PROFIT	-	-

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2011 <i>(in USD millions)</i>	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	96	31	57	15	153	46
Other financial assets	6	29	1	5	7	34
Cash and cash equivalents	17	252	-	-	17	252
Net exposure before hedging	73	(250)	56	10	129	(240)
Derivatives ^(*)	-	-	-	-	-	-
Net exposure after hedging	73	(250)	56	10	129	(240)

^(*) Notional amount.

Dec. 31, 2012 <i>(in USD millions)</i>	Current		Non-current		Total	
	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.

■ Sensitivity to interest rate risk

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

Impact of changes in interest rates (in € millions)	Dec. 31, 2011	Dec. 31, 2012
Assumptions used	+1%	+1%
Impact on profit or loss (before tax)	-	1
Impact on equity (before tax)	-	-

MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2012 represented 2,783 tons of nickel (2,598 tons at December 31, 2011), including contracts for 755 tons maturing in less than one year (755 tons at end-2011) and 2,028 tons in one to five years (1,843 tons at end-2011).

The notional amount of platinum forward purchase contracts at December 31, 2012 represented 7,068 ounces (7,944 ounces at December 31, 2011), including contracts for 1,260 ounces maturing in less than one year (876 ounces at end-2011) and 5,808 ounces in one to five years (7,068 ounces at end-2011).

The notional amount of oil forward purchase contracts at December 31, 2012 represented 532,000 barrels (nil at December 31, 2011), including contracts for 33,000 barrels maturing in less than one year, 350,000 barrels in one to five years and 149,000 in more than five years.

These instruments had a negative fair value of €3 million at end-2012.

EQUITY RISK MANAGEMENT

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

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity at end-2012 and end-2011.

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

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

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

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

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

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

LIQUIDITY RISK MANAGEMENT

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

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

A number of financial covenants apply to the EIB borrowings set up in 2003, 2005 and 2010 (see Note 23).

The following 2 ratios apply:

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

Undrawn confirmed liquidity facilities at December 31, 2012 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively. These two facilities must comply with a net debt/EBITDA ratio of less than 2.5.

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

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

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

NOTE 28 Interests in joint ventures

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

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

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

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Current assets	553	522
Non-current assets	343	354
Current liabilities	543	459
Non-current liabilities	50	38
Operating income	432	545
Operating expenses	(376)	(459)
Financial loss	(3)	(2)
Income tax expense	(10)	(15)
Profit for the period	43	70
Cash flows from operating activities	57	42
Cash flows from (used in) investing activities	2	(32)
Cash flows used in financing activities	(31)	(37)

NOTE 29 Related parties

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

Transactions with equity-accounted companies were not material in 2012 or 2011, and they are not therefore included in the table below.

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Sales to related parties	3,276	3,577
Purchases from related parties	(242)	(199)

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Receivables from related parties	1,670	1,567
Payables to related parties	1,904	1,851

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Guarantees granted to related parties (off-balance sheet)(1)	721	954

(1) See Note 30.

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

MANAGEMENT COMPENSATION

In 2011 and up to the change in corporate governance on April 21, 2011, management executives comprised the members of Safran's Supervisory Board and Executive Board and Executive Management. After the change in governance, management

executives comprised members of the Board of Directors and Executive Management, as well as any persons with the power to take management decisions with regard to the Group's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Group.

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Short-term benefits ⁽¹⁾	10.7	11.1
Post-employment benefits ⁽²⁾	0.4	0.2
Other long-term benefits	-	-
Termination benefits	1.2	-
Share-based payment	-	-

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

(2) Estimate of cost of pension obligations in accordance with IAS 19.

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

The Group's total post-employment commitments in respect of management executives amounted to €2.9 million at December 31, 2012 and €2.1 million at December 31, 2011.

RELATIONS BETWEEN SAFRAN AND ITS SUBSIDIARIES

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

- cash is pooled at the level of the Safran Group. Cash pooling agreements therefore exist between Safran and each of the Group companies. These govern the terms and conditions of advances and investments;
- a foreign currency risk management policy is also implemented centrally by the head company for the entire Safran Group. This policy seeks to protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly USD) and optimize the quality of the hedges implemented via a portfolio of hedging instruments;

- a commodity risk management policy is defined centrally in the same manner as the policy for managing foreign currency risk. This policy is designed to reduce uncertainty factors regarding the volatility of commodity prices (mainly nickel and platinum) affecting the economic performance of operating subsidiaries;
- in France, Safran is liable for the entire income tax charge, additional income tax contributions and the annual minimum tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, pursuant to the provisions of article 223-A of the French Tax Code (*Code général des impôts*).

In accordance with the tax consolidation agreement in France, tax-consolidated subsidiaries bear their own tax charge as if they were not members of the tax group, and pay the corresponding amounts to Safran as their contribution to the Group tax payment;

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

NOTE 30 Off-balance sheet commitments**ENDORSEMENTS, GUARANTEES AND OTHER COMMITMENTS****■ Commitments in respect of ordinary activities**

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

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Employee-related commitments	84	73
Commitments given to customers (completion warranties, performance bonds)	312	318
Commitments given to third parties	1,173	1,415
Commitments given to customs authorities	84	77
Vendor warranties given ⁽¹⁾	21	21
Actuarial differences and unrecognized past service cost	149	326
Other commitments given	192	204
TOTAL	2,015	2,434

(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 29, "Related parties".

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

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Commitments received from banks on behalf of suppliers	10	11
Completion warranties	18	28
Endorsements and guarantees received	54	52
Vendor warranties received ⁽¹⁾	162	12
Other commitments received	5	5
TOTAL	249	108

(1) Vendor warranties received at December 31, 2012 do not include those received within the scope of the acquisition of SME, which are described in Note 3.

No commitments were given or received in respect of discontinued operations.

■ Other contractual obligations and commitments

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

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012	Period to maturity		
	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Long-term borrowings at inception	836	783	346	322	115
Finance lease commitments	176	163	45	58	60
Operating lease commitments	233	257	71	151	35
Bond issue	767	763	4	759	-
Senior unsecured notes in USD	-	955	10	-	945
TOTAL	2,012	2,921	476	1,290	1,155

Lease payments recognized in profit or loss for the period amounted to €125 million.

VENDOR WARRANTIES

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

In the context of the Group's recent acquisition of SME, the environmental guarantee given to Safran by SNPE (see Note 3) is called upon an ongoing basis in proportion to the costs effectively incurred to treat pollution resulting from past operations.

At December 31, 2012, no other such warranties had been called, and no provisions were therefore recognized in the Group's consolidated financial statements.

CAPITAL EXPENDITURE COMMITMENTS

At December 31, 2012, capital expenditure commitments totaled €248 million versus €162 million at December 31, 2011.

FINANCIAL GUARANTEES GRANTED ON THE SALE OF GROUP PRODUCTS

These guarantees generate risks which represented a total gross amount of USD 92 million at December 31, 2012 (USD 143 million at December 31, 2011). This amount does not, however, reflect the actual risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, consisting of the aircraft pledged. Accordingly, only the net risk as calculated using the valuation model is covered by a provision in the financial statements (see Note 20).

CONTINGENT LIABILITIES ARISING ON ORDINARY ACTIVITIES

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

In the absence of an agreement between the parties, certain of these claims may give rise to litigation, the most significant of which is indicated in Note 31.

NOTE 31 Disputes and litigation

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

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.
- In a decision dated May 26, 2011, the Paris Court of Appeals upheld the ruling of the Commercial Court and ordered Sagem Défense Sécurité to pay €10 million in damages to a supplier. As the Court of Appeals' decision was enforceable, Sagem Défense Sécurité paid these damages in full and adjusted the amount of its provisions accordingly. Sagem Défense Sécurité appealed this decision before the Court of Cassation.

In a decision dated September 18, 2012, the Court of Cassation partially overturned the Court of Appeals' decision, ordering the supplier to reimburse Sagem Défense Sécurité in an amount of €9 million. The supplier has appealed this decision to the Court of Appeals. Sagem Défense Sécurité is currently taking all necessary steps to protect its interests.

- 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. The proceedings are ongoing. A letter from the prefecture dated March 14, 2011 stated that an offense report would be drawn up for failure to comply with this 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.

Lyonnaise des Eaux, which holds the water management concession for the city of Bordeaux, as well as 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 November 2, 2011, which became null and void due to a failure to place in custody the amounts requested within the allotted timeframe, and in a subsequent 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 guarantees given by SNPE to Safran. Under these guarantees, Herakles is to carry out additional analyses and adopt a plan of action for perchlorate management (see Note 3), the content of which must be validated by the authorities. The implementation of the aforementioned plan should have a positive impact on these proceedings.

- At the end of 2002, a group of French manufacturers, including the former Snecma group, was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers and in which Snecma's participation was approximately 10%. An agreement was signed by the parties in June 2003, whereby the claimant withdrew from the proceedings. In November 2012, the claimant filed a new request for arbitration on similar grounds to those invoked in 2002 and for a revised amount of €226 million. The parties are strongly challenging this claim. At the date of this report, it is not possible to evaluate any potential financial risk. Consequently, Safran has not recognized a provision.
- 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 before the Paris Court of Appeals and the procedural timetable has not yet been set. 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. 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 has filed a statement of claim with the Administrative Court. No provision has yet been set aside in respect of this adjustment.
- A Group subsidiary in Brazil was served a tax deficiency notice for €56.2 million in connection with unpaid import levies and duties. In light of existing legislation and case law with regard to the customs clearance for aviation products, this tax adjustment was challenged, and in May 2012 a first ruling was handed down in favor of the subsidiary. This ruling should be confirmed in the next few months.

NOTE 32 Subsequent events

None.

NOTE 33 List of consolidated companies

	Country	2011		2012	
		Consolidation method	% interest	Consolidation method	% interest
Safran	France	Parent company			
Aerospace Propulsion					
Snecma	France	FC	100.00	FC	100.00
CFAN	United States	PC	50.00	PC	50.00
CFM International SA	France	PC	50.00	PC	50.00
CFM International Inc.	United States	PC	50.00	PC	50.00
CFM Materials LP	United States	PC	50.00	PC	50.00
Famat	France	PC	50.00	PC	50.00
Fan Blade Associates	United States	FC	100.00	FC	100.00
Shannon Engine Support Ltd	Ireland	PC	50.00	PC	50.00
Snecma America Engine Services	Mexico	FC	100.00	FC	100.00
Snecma Morocco Engine Services	Morocco	FC	51.00	FC	51.00
Snecma Participations SA	France	FC	100.00	FC	100.00
Snecma Participations Inc.	United States	FC	100.00	FC	100.00
Snecma Services Brussels	Belgium	FC	100.00	FC	100.00
Snecma Suzhou	China	FC	100.00	FC	100.00
Snecma Xinyi Airfoil Castings Co Ltd	China	FC	90.00	FC	90.00
Propulsion Technologies International	United States	PC	50.00	PC	50.00
Techspace Aero	Belgium	FC	67.19	FC	67.19
Cenco Inc.	United States	FC	67.19	FC	67.19
Techspace Aero Inc.	United States	FC	67.19	FC	67.19
Turbomeca SA	France	FC	100.00	FC	100.00
Microturbo SA	France	FC	100.00	FC	100.00
Turbomeca Africa Pty Ltd	South Africa	FC	51.00	FC	51.00
Turbomeca America Latina	Uruguay	FC	100.00	FC	100.00
Turbomeca Asia Pacific	Singapore	FC	100.00	FC	100.00
Turbomeca Australasia	Australia	FC	100.00	FC	100.00
Turbomeca Beijing Helicopter Engines Trading Cie Ltd	China	FC	100.00	FC	100.00
Turbomeca Canada	Canada	FC	100.00	FC	100.00
Turbomeca do Brasil	Brazil	FC	100.00	FC	100.00
Turbomeca Germany	Germany	FC	100.00	FC	100.00
Turbomeca Manufacturing Inc.	United States	FC	100.00	FC	100.00
Turbomeca Sud Americana	Uruguay	FC	100.00	FC	100.00
Turbomeca Tianjing Helicopter Engines Trading Cie Ltd	China	FC	100.00	FC	100.00
Turbomeca UK	United Kingdom	FC	100.00	FC	100.00
Turbomeca USA Inc.	United States	FC	100.00	FC	100.00

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

	Country	2011		2012	
		Consolidation method	% interest	Consolidation method	% interest
Herakles (formerly SME)	France	FC	100.00	FC	100.00
Snecma Propulsion Solide ⁽¹⁾	France	FC	100.00	-	-
Europropulsion SA	France	PC	50.00	PC	50.00
Pyroalliance	France	FC	85.00	FC	85.00
Regulus	France	PC	40.00	PC	40.00
Roxel France SA	France	PC	50.00	PC	50.00
Roxel Ltd	United Kingdom	PC	50.00	PC	50.00
Roxel SAS	France	PC	50.00	PC	50.00
Structil	France	FC	80.00	FC	80.00
Aircraft Equipment					
Aircelle	France	FC	100.00	FC	100.00
Aircelle Ltd	United Kingdom	FC	100.00	FC	100.00
Aircelle Maroc	Morocco	FC	100.00	FC	100.00
SLCA	France	FC	100.00	FC	100.00
Messier-Bugatti-Dowty	France	FC	100.00	FC	100.00
A-Pro Inc.	United States	PC	50.00	PC	50.00
Hydrep	France	PC	50.00	PC	50.00
Messier-Bugatti USA	United States	FC	100.00	FC	100.00
Messier-Bugatti-Dowty Malaysia ⁽²⁾	Malaysia	-	-	FC	100.00
Messier-Dowty Inc.	Canada	FC	100.00	FC	100.00
Messier-Dowty Ltd	United Kingdom	FC	100.00	FC	100.00
Messier Dowty Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Messier Services Americas	Mexico	FC	100.00	FC	100.00
Messier Services Asia Pte Ltd	Singapore	FC	60.00	FC	60.00
Messier Services Inc.	United States	FC	100.00	FC	100.00
Messier Services Ltd	United Kingdom	FC	100.00	FC	100.00
Messier Services Mexico	Mexico	FC	100.00	FC	100.00
Messier Services Pte Ltd	Singapore	FC	100.00	FC	100.00
Sofrance SA	France	FC	100.00	FC	100.00
Suzhou II	China	FC	100.00	FC	100.00
Technofan SA	France	FC	94.85	FC	95.15
Technofan Inc.	United States	FC	100.00	FC	100.00
Labinal	France	FC	100.00	FC	100.00
Labinal de Chihuahua, SA de CV	Mexico	FC	100.00	FC	100.00
Labinal GmbH	Germany	FC	100.00	FC	100.00
Labinal Inc.	United States	FC	100.00	FC	100.00
Labinal Maroc	Morocco	FC	74.92	FC	100.00
Labinal de Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Labinal Salisbury Inc.	United States	FC	100.00	FC	100.00
Matis Aerospace	Morocco	PC	50.00	PC	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00

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

(1) Merged into SME on January 1, 2012, since renamed Herakles.

(2) First-time consolidation in 2012.

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	Country	2011		2012	
		Consolidation method	% interest	Consolidation method	% interest
Hispano-Suiza SA	France	FC	100.00	FC	100.00
Hispano-Suiza Polska	Poland	FC	100.00	FC	100.00
Globe Motors Inc.	United States	FC	100.00	FC	100.00
Globe Motors de Mexico, SA de CV	Mexico	FC	100.00	FC	100.00
Globe Motors Portugal	Portugal	FC	100.00	FC	100.00
SEM MB SA	France	PC	50.00	PC	50.00
Defence					
Sagem Défense Sécurité	France	FC	100.00	FC	100.00
Optics1 Inc.	United States	FC	100.00	FC	100.00
Safran Electronics Asia Pte Ltd	Singapore	FC	51.00	FC	51.00
Safran Electronics Canada	Canada	FC	100.00	FC	100.00
Sagem Avionics Inc.	United States	FC	100.00	FC	100.00
Sagem Navigation GmbH	Germany	FC	100.00	FC	100.00
Sofradir	France	PC	40.00	PC	50.00
ULIS	France	PC	34.01	PC	42.51
Vectronix AG	Switzerland	FC	100.00	FC	100.00
Vectronix Inc.	United States	FC	100.00	FC	100.00
Security					
Morpho	France	FC	100.00	FC	100.00
Aleat	Albania	FC	75.00	FC	75.00
Bioscrypt Canada Inc.	Canada	FC	100.00	FC	100.00
Bioscrypt US Inc. ⁽¹⁾	United States	FC	100.00	-	-
ComnetiX, Inc.	Canada	FC	100.00	FC	100.00
EIMASS ⁽²⁾	United Arab Emirates	-	-	PC	40.00
Identix Incorporated	United States	FC	100.00	FC	100.00
Integrated Biometric Technology LLC	United States	FC	100.00	FC	100.00
Integrated Biometric Technology Services LLC	United States	FC	100.00	FC	100.00
L-1 Identity Solutions Inc.	United States	FC	100.00	FC	100.00
L-1 International Inc.	United States	FC	100.00	FC	100.00
L-1 Secure Credentialing, Inc.	United States	FC	100.00	FC	100.00
Morpho Australasia Pty Ltd	Australia	FC	100.00	FC	100.00
Morpho BV (formerly Sagem Identification BV)	Netherlands	FC	100.00	FC	100.00
Morpho Canada ⁽²⁾	Canada	-	-	FC	100.00
Morpho Maroc	Morocco	FC	100.00	FC	100.00
Morpho South Africa (Pty) Ltd	South Africa	FC	100.00	FC	100.00
MorphoTrak Inc.	United States	FC	100.00	FC	100.00
MorphoTrust Inc.	United States	FC	100.00	FC	100.00

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

(1) Merged into Morphotrak on January 1, 2012.

(2) First-time consolidation in 2012.

	Country	2011		2012	
		Consolidation method	% interest	Consolidation method	% interest
Morpho UK Ltd	United Kingdom	FC	100.00	FC	100.00
Morpho USA Inc.	United States	FC	100.00	FC	100.00
SecuriMetrics, Inc.	United States	FC	100.00	FC	100.00
Trans Digital Technologies LLC	United States	FC	100.00	FC	100.00
Morpho Cards GmbH (formerly Sagem Orga GmbH)	Germany	FC	100.00	FC	100.00
Cassis America Inc ⁽¹⁾	United States	-	-	FC	100.00
Cassis International Europe ⁽¹⁾	France	-	-	FC	100.00
Cassis International Korea Co. Ltd ⁽¹⁾	South Korea	-	-	FC	100.00
Cassis International Pte Ltd ⁽¹⁾	Singapore	-	-	FC	100.00
Cassis Services Sdn Bhd ⁽¹⁾	Malaysia	-	-	FC	100.00
Morpho Cards do Brasil (formerly Sagem Orga do Brasil)	Brazil	FC	100.00	FC	100.00
Morpho Cards Colombia SAS	Colombia	FC	100.00	FC	100.00
Morpho Cards Indonesia	Indonesia	FC	100.00	FC	100.00
Morpho Cards Pte Ltd (formerly Sagem Orga Pte Ltd)	Singapore	FC	100.00	FC	100.00
Morpho Cards de Peru SAC	Peru	FC	100.00	FC	100.00
Morpho Cards Portugal (formerly Orga Card Portugal)	Portugal	FC	100.00	FC	100.00
Morpho Cards Romania SRL (formerly Sagem Orga SRL)	Romania	FC	100.00	FC	100.00
Morpho Cards UK Ltd (formerly Sagem Orga UK Ltd)	United Kingdom	FC	100.00	FC	100.00
Morpho Cards USA, Inc. (formerly Sagem Orga USA, Inc.)	United States	FC	100.00	FC	100.00
Morpho South Africa Pty. Ltd (formerly Sagem Orga SA Pty Ltd)	South Africa	FC	100.00	FC	100.00
Orga Carte et Système	France	FC	100.00	FC	100.00
Orga Smart Chip Ltd	India	FC	100.00	FC	100.00
Orga Syscom Corporation Ltd	India	FC	100.00	FC	100.00
Orga Zelenograd Smart Cards and Systems	Russia	FC	100.00	FC	100.00
Sagem Orga FZ LLC	United Arab Emirates	FC	100.00	FC	100.00
Sagem Orga Mexico	Mexico	FC	100.00	FC	100.00
MorphoDetection Inc.	United States	FC	81.00	FC	100.00
Morpho Detection Hong Kong	China	FC	81.00	FC	100.00
Morpho Detection International Inc.	United States	FC	81.00	FC	100.00
Morpho Detection GmbH	Germany	FC	81.00	FC	100.00
Morpho Detection UK	United Kingdom	FC	81.00	FC	100.00
Quantum Magnetics Inc.	United States	FC	81.00	FC	100.00
Syagen Technology Inc.	United States	FC	81.00	FC	100.00
Ingenico	France	EQ	22.65	EQ	22.77
Holding company and other					
Etablissements Vallaroché SA	France	FC	100.00	FC	100.00
Labinal Investments Inc.	United States	FC	100.00	FC	100.00
Lexvall 2	France	FC	100.00	FC	100.00
Lexvall 13	France	FC	100.00	FC	100.00

FC: Full consolidation. PC: Proportionate consolidation. EQ: Equity method.
(1) First-time consolidation in 2012.

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	Country	2011		2012	
		Consolidation method	% interest	Consolidation method	% interest
Safran Employment Services Inc. ⁽¹⁾	United States	FC	100.00	-	-
Safran UK	United Kingdom	FC	100.00	FC	100.00
Safran USA Inc.	United States	FC	100.00	FC	100.00
Sagem Mobiles	France	FC	100.00	FC	100.00
Sagem Industries ⁽²⁾	France	FC	100.00	-	-
Sagem Télécommunications ⁽³⁾	France	FC	100.00	-	-
Soreval	Luxembourg	FC	100.00	FC	100.00

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

(1) Merged into Safran USA Inc. on January 1, 2012.

(2) Merged into Sagem Défense Sécurité on January 1, 2012.

(3) Full transfer of assets and liabilities to Safran SA on August 28, 2012.

3.2

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2012

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2012 on:

- the audit of the accompanying consolidated financial statements of Safran;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As indicated in the Note 2 to the consolidated financial statements, the preparation of the Group's consolidated financial statements requires the management of your company to define assumptions in order to make estimates that have an impact on the book values of the assets and liabilities and on the income and expenses recorded in the consolidated financial statements, as well as on the disclosures in the notes to the consolidated financial statements.

We consider that the matters that are the subject of significant estimates and for which our assessments require justification include:

- estimates relating to contracts and programs, especially with regards to fixed asset impairment tests and the valuation of certain provisions;
- allocation of the cost of business combinations.

FIXED ASSET IMPAIRMENT TESTS

At least once a year and at any time if there are indications of impairment, the Group performs impairment tests on goodwill. Also, at each annual close, the Group performs impairment tests on assets allocated to programs (aerospace programs, development costs and tangible assets used in production) when occurrence of events or circumstances indicating a risk of impairment. These tests are based on the discounting of future cash flows expected from cash generating units, projects or programs to which the dedicated assets are attached, according to the conditions described in Note 1.L to the consolidated financial statements. We reviewed the conditions of implementation of these impairment tests and verified the consistency of the assumptions adopted. We also verified that the Notes 10 and 11 to the consolidated financial statements give the appropriate disclosure.

PROVISIONS

Safran recognizes provisions for losses upon completion, losses in backlog, provisions for financial guarantees relating to sales and provisions for commercial guarantees, as described in Note 1.R to the consolidated financial statements. Our work consisted notably in assessing the assumptions, the contractual and forecast data, and the technical and statistical bases on which these estimates are based, reviewing Group's calculations by means of sampling, and examining the procedures for the management's approval of these estimates. On that basis, we assessed the reasonable nature of these estimates.

ALLOCATION OF THE COST OF BUSINESS COMBINATIONS

Within the context of business combinations, the identifiable assets acquired, liabilities and contingent liabilities assumed of the companies purchased are measured at their acquisition-date fair value according to the acquisition method disclosed in Note 1.C

to the consolidated financial statements. We verified that the fair value of the assets acquired and the liabilities assumed had been determined by independent experts using appropriate methods and assumptions, and that Notes 2.C and 3 to the consolidated financial statements provided the appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

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

Courbevoie and Paris-La Défense, March 27, 2013

The Statutory Auditors
French original signed by

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

3.3

PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2012

PARENT COMPANY INCOME STATEMENT

<i>(in € millions)</i>	Note	2011	2012
Revenue	14	242.7	313.8
Other operating income		6.8	28.6
Transfer of charges	15	11.4	6.4
Reversal of depreciation, amortization and provisions	9	23.3	1.7
Operating income		284.2	350.5
Purchases of commodities		(0.5)	(1.2)
Cost of goods sold		(205.2)	(288.9)
Taxes and duties other than income tax		(8.3)	(10.1)
Payroll costs		(163.5)	(156.5)
Charges to depreciation, amortization and provisions:			
Charges to depreciation and amortization	9	(11.8)	(15.6)
Charges to provisions for contingencies and losses		(6.4)	(5.8)
Other expenses		(1.6)	(1.7)
Operating expenses		(397.3)	(479.8)
Profit (loss) from operations		(113.1)	(129.3)
Dividends received from investments		384.8	574.1
Income from other marketable securities and long-term loans		47.1	76.5
Other interest and similar income		46.5	50.2
Reversal of provisions and transfer of charges		56.5	68.4
Foreign exchange gains		-	71.8
Net proceeds from sales of marketable securities		0.1	0.1
Financial income		535.0	841.1
Charges to provisions for financial items		(21.5)	(21.2)
Interest and similar expenses		(89.0)	(87.5)
Foreign exchange losses		(31.5)	-
Net losses on sales of marketable securities		-	-
Financial expenses		(142.0)	(108.7)
Net financial income	16	393.0	732.4
Profit from ordinary activities before tax		279.9	603.1
Non-recurring income from non-capital transactions		0.4	1.3
Non-recurring income from capital transactions		472.1	33.4
Reversal of provisions and transfer of charges		43.5	7.6
Non-recurring income		516.0	42.3
Non-recurring expenses on non-capital transactions		(0.7)	(1.6)
Non-recurring expenses on capital transactions		(426.5)	(26.2)
Charges to provisions for non-recurring items		(19.8)	(19.2)
Non-recurring expenses		(447.0)	(47.0)
Net non-recurring income (expense)	17	69.0	(4.7)
Statutory employee profit-sharing	19	-	-
Income tax benefit arising from tax consolidation	19	85.4	190.5
Provisions set aside to cover income taxes of loss-making subsidiaries	19	(81.4)	(24.0)
PROFIT FOR THE YEAR		352.9	764.9

PARENT COMPANY BALANCE SHEET AT DECEMBER 31, 2012

ASSETS

(in € millions)	Note	Dec. 31, 2011	Dec. 31, 2012		
			Gross	Deprec., amort. and provisions	Net
Non-current assets					
Intangible assets					
Purchased goodwill	2	3,268.2	3,270.6		3,270.6
Other intangible assets	2	12.3	77.8	37.1	40.7
Total intangible assets		3,280.5	3,348.4	37.1	3,311.3
Property, plant and equipment	2	29.5	112.0	65.2	46.8
Financial assets					
• Equity investments	2	4,851.5	6,070.9	456.8	5,614.1
• Other financial assets	2	1,298.2	567.0	77.2	489.8
Total financial assets	2	6,149.7	6,637.9	534.0	6,103.9
TOTAL NON-CURRENT ASSETS		9,459.7	10,098.3	636.3	9,462.0
Current assets					
• Payments on account		6.5	6.0		6.0
Accounts receivable					
• Trade receivables	3	67.0	92.4	0.1	92.3
• Other receivables	3	195.5	354.3	0.9	353.4
• Group current accounts	3	1,449.3	1,640.3		1,640.3
Marketable securities					
• Treasury shares	6	109.4	24.0	2.9	21.1
• Other securities	6	895.7	1,277.1		1,277.1
Cash at bank and in hand		193.4	562.5		562.5
Prepayments	5	6.9	7.6		7.6
TOTAL CURRENT ASSETS		2,923.7	3,964.2	3.9	3,960.3
Redemption premiums	7	0.1	0.1		0.1
Unrealized foreign exchange losses		43.0	44.9		44.9
TOTAL ASSETS		12,426.5	14,107.5	640.2	13,467.3

EQUITY AND LIABILITIES

<i>(in € millions)</i>	Note	Dec. 31, 2011	Dec. 31, 2012
Shareholders' equity	8		
Share capital (fully paid up)	8	83.4	83.4
Additional paid-in capital		3,288.6	3,288.6
Reserves:			
• Legal reserve		8.3	8.3
• Tax-driven reserves		302.0	302.0
• Other reserves		1,321.1	1,421.1
Retained earnings		6.5	3.0
Profit for the year		352.9	764.9
Interim dividends		(102.5)	(128.9)
Tax-driven provisions	9	5.7	15.1
TOTAL EQUITY		5,266.0	5,757.5
Provisions for contingencies and losses			
Provisions for contingencies	9	12.8	23.0
Provisions for losses	9 and 10	841.8	654.2
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES		854.6	677.2
Liabilities			
Bond issue	11	750.0	750.0
USD senior unsecured notes issue	12	-	909.5
Other loans and borrowings		1,279.5	1,154.0
Payments received on account		1.3	-
Group current accounts		3,562.4	3,460.4
Trade payables		73.3	79.8
Due to suppliers of non-current assets		9.9	43.2
Other liabilities		491.5	586.3
TOTAL LIABILITIES		6,167.9	6,983.2
Unrealized foreign exchange gains		138.0	49.3
TOTAL EQUITY AND LIABILITIES		12,426.5	13,467.3

PARENT COMPANY STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	2011	2012
I. Cash flows from operating activities		
Profit for the year	352.9	764.9
Elimination of non-cash items and income and expenses not relating to operations		
• Net charge to depreciation, amortization and provisions	44.5	8.5
• Capital gains/losses on asset disposals	(71.8)	0.2
• Surplus arising on the asset and liability transfer ("TUP")	(1.2)	
Net cash from operations before changes in working capital	324.4	773.6
Changes in working capital^(*)	(14.3)	(439.2)
Net cash from operating activities	310.1	334.4
II. Cash flows from investing activities		
Purchases of intangible assets and property, plant and equipment	(16.6)	(58.3)
Increase in financial assets	(419.7)	(923.4)
Loans granted	(973.9)	(113.9)
Loans repaid	206.1	922.3
Sales of intangible assets and property, plant and equipment	-	-
Sales of financial assets	122.8	-
Net cash used in investing activities	(1,081.3)	(173.3)
III. Cash flows from financing activities		
Dividends paid to shareholders	(203.2)	(153.9)
Interim dividends	(102.5)	(128.9)
Increase in borrowings	12.8	909.5
Decrease in borrowings	(59.0)	(20.4)
Change in share capital	-	-
Change in short-term borrowings	388.5	(105.1)
Net cash from financing activities	36.6	501.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(734.6)	662.3
Opening cash and cash equivalents	1,911.9	1,201.3
Treasury shares reclassified as marketable securities	24.0	
Increase (decrease) in cash and cash equivalents	(734.6)	662.3
Closing cash and cash equivalents^(**)	1,201.3	1,863.6

(*) In view of the nature of the Company's operations, this line includes changes in current accounts.

<i>(**) Closing cash and cash equivalents:</i>	2011	2012
Treasury shares	112.2	24.0
Other	895.7	1,277.1
Cash at bank and in hand	193.4	562.5
Short-term bank facilities and bank overdrafts	-	
Closing cash and cash equivalents	1,201.3	1,863.6
Closing cash and cash equivalents	1,201.3	1,863.6
Provisions for impairment of treasury shares	(2.8)	(2.9)
Net cash and cash equivalents recorded in the balance sheet	1,198.5	1,860.7

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FOREWORD

Safran decided that the assets and liabilities of its subsidiary Sagem Télécommunications would be transferred to Safran SA with effect from August 28, 2012, based on their net carrying amount. This transaction generated a €2.4 million deficit which was recognized in goodwill and allocated to a property without adjusting any carrying amounts in the accounts of Safran.

The total balance sheet of Sagem Télécommunications represented €21.4 million, and breaks down as assets (mainly equity investments) for a net value of €16.8 million; equity in an amount of €11.6 million; and liabilities owed to Safran for €4.9 million. Sagem Télécommunications reported revenue of €0.4 million in 2012.

NOTE 1 Accounting policies

A) ACCOUNTING RULES AND METHODS

The parent company financial statements for the year ended December 31, 2012 have been prepared in accordance with accounting rules and regulations applicable in France pursuant to CRC Regulation 99-03 issued by the French Accounting Regulation Committee on April 29, 1999 and subsequent opinions and recommendations issued by the French National Accounting Council (CNC) and the French accounting standard-setter (ANC).

B) INTANGIBLE ASSETS

All intangible assets are valued at purchase cost.

The “technical” merger deficit generated by the 2005 merger of Snecma into Sagem SA based on carrying amounts was recorded as an asset. Of the total, 83.39% – based on Sagem SA’s stake in Snecma following the tender offer but before the merger – corresponded to unrealized capital gains on the Snecma brand name and on the equity investments carried in Snecma’s balance sheet. The capital gains were determined using the same approach as that applied to measure the fair values of the identifiable assets and liabilities of the Snecma group companies at April 1, 2005 for recognition in Safran’s consolidated balance sheet. The merger deficit was therefore allocated to Snecma’s various assets as explained in Note 2.A, without adjusting their carrying amounts in the accounts of Safran. The merger deficit is not amortizable and is therefore tested annually for impairment. In the event that any of the underlying assets (equity investments, brands) are sold, the portion of the deficit allocated to the assets concerned without adjusting their carrying amount will be written off to the income statement.

Patents and licenses are amortized over the shorter of the period of legal protection and period of effective use.

Application software is amortized on a straight-line basis over a period of one to five years.

C) PROPERTY, PLANT AND EQUIPMENT

As required by the applicable accounting regulations, since January 1, 2005 property, plant and equipment have been depreciated over their useful lives.

Property, plant and equipment are recorded in the balance sheet at historical purchase cost less accumulated depreciation and impairment losses.

Assets purchased before December 31, 1976 which were included in the 1976 legal revaluation are stated at revalued cost.

Assets purchased after January 1, 1977 are valued at purchase cost, plus incidental acquisition expenses (necessary to bring the asset into a state of use) and any customs duties.

Assets purchased in a foreign currency are translated into euros at the exchange rate prevailing on the transaction date.

Assets produced by the Company are recorded at production cost.

In compliance with CRC Regulation 04-06, significant components of certain buildings whose useful lives differ from that of the asset as a whole are recognized and depreciated separately.

■ Depreciation and amortization

The main useful lives applied to property, plant and equipment are as follows:

• Buildings	15 to 40 years
• Building improvements; fixtures and fittings	10 years
• Office furniture	6 years and 8 months
• Office equipment	6 years and 8 months
• Vehicles	4 years
• Technical installations, equipment, industrial tools and other	3 to 10 years

Property, plant and equipment are depreciated on a straight-line or declining-balance basis.

Increases in standard depreciation rates permitted by the tax authorities to encourage investment are considered as “accelerated tax depreciation” and are recorded in tax-driven provisions in equity.

■ Impairment tests

If there is any evidence that an asset may be impaired at year-end, the Company performs an impairment test.

Impairment is recognized in the income statement when the recoverable amount of the asset falls below its net carrying amount. Recoverable amount is the higher of fair value and value in use.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell. Value in use is based on the present value of expected future cash flows, calculated using a benchmark discount rate which reflects the Group's weighted average cost of capital.

D) FINANCIAL ASSETS

■ Gross carrying amount

Financial assets are recorded at purchase price.

The 2007 French Finance Act introduced a new tax treatment of equity investment acquisition expenses, requiring their capitalization (inclusion in the cost price of securities) and amortization over a period of 5 years by way of accelerated tax depreciation.

Therefore, in accordance with the opinion issued by the CNC Urgent Issues Taskforce on June 15, 2007, the Company elected for a change in tax option from January 1, 2007, whereby the gross carrying amount of equity investments purchased after this date corresponds to the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of 5 years.

■ Methods used to calculate the fair value of financial assets

The fair value of equity investments as defined below is compared to their carrying amount, which is calculated as the gross value of the investments plus the technical merger deficit allocated to these investments without affecting their carrying amount (see Note 1.B), less the contingency provision covering the risk of Safran SA having to redistribute the tax savings arising due to the use of tax losses of subsidiaries in the tax consolidation group (see Note 1.M).

The fair value of equity investments is calculated:

- based on their average stock market price for the month preceding the year-end for listed investments;
- based on their share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes;
- based on the intrinsic value of equity, reflecting the present value of the expected future cash flows (enterprise value), less debt where appropriate.

Expected future cash flows are calculated based on the medium-term plans established for the next four years and on forecast cash flows for years five to ten. The enterprise value of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term operations for years five to ten, taking into account a perpetual growth rate.

These cash flows are discounted using the Group's benchmark discount rate, which reflects its weighted average cost of capital.

Annual impairment tests are performed during the first half of the year in order to bring this procedure into line with the Group's internal medium- and long-term forecasting timetable.

A write-down is recorded when the fair value falls below the carrying amount.

Provisions are recorded in respect of loans and other financial assets when their recovery is uncertain.

E) RECEIVABLES AND PAYABLES

Receivables and payables are recorded at nominal value. A provision for impairment in value is recognized for receivables where their recoverable amount is less than their carrying amount.

■ Foreign-currency denominated receivables and payables

Receivables and payables in foreign currencies are translated into euros at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded under unrealized foreign exchange gains and losses in the balance sheet.

A contingency provision is recorded for any net unrealized foreign exchange losses not offset by currency hedges.

F) INVESTMENT SECURITIES

Investment securities are recorded at purchase cost. A provision for impairment is recorded when the fair value of securities, determined based on their value in use and their probable trading value, is less than their purchase cost. The fair value of listed securities is determined based on their average stock market price for the month preceding the year-end.

■ Treasury shares

Treasury shares are recorded at purchase cost. Fair value is equal to the lower of purchase cost and the average stock market price for the month preceding the year-end. A provision for impairment is recorded when the purchase cost exceeds the average stock market price. However, the following specific accounting rules apply for stock option and free share plans or any other type of employee share ownership plan:

- when shares are earmarked for a specific stock option plan whose exercise is considered probable, an additional calculation is performed for each plan. A contingency provision is recorded when the option exercise price is less than the fair value;
- when shares are allocated to a specific free share plan, their carrying amount corresponds to either (i) the purchase price of the shares if they were allocated to the plan as from its inception, or (ii) the net carrying amount of the shares at the date they are reclassified if they were allocated to the plan subsequent to their acquisition. These shares are not measured at fair value due to the underlying commitment to grant them to employees, which is covered by a provision recorded under liabilities in the balance sheet.

G) CASH AT BANK AND IN HAND

Foreign-currency denominated liquid assets and current liabilities held at year-end are translated at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded in financial income and expenses.

H) TAX-DRIVEN PROVISIONS

Provisions for accelerated tax depreciation are recorded in relation to software applications and to equity investment acquisition expenses.

I) PROVISIONS FOR CONTINGENCIES AND LOSSES

Clearly identified contingencies and losses which are likely to materialize in the light of past or current events are covered by provisions, particularly retirement bonus obligations and top-hat retirement plans.

■ Employee benefit obligations

The Company has various obligations under defined benefit plans, the most important of which are described below.

The Company's obligations for end-of-career bonuses payable pursuant to the metallurgy industry collective bargaining agreement or company agreements are covered by provisions.

Depending on their age brackets, managerial-grade staff are also covered by a supplementary defined contribution plan as well as a defined benefit top-hat retirement plan. Benefit obligations under the latter plan, which was closed in 1995, are also covered by provisions.

These obligations are recognized and measured in accordance with CNC Recommendation 2003-R-01 regarding the recognition and measurement of employee benefit obligations. All obligations under defined benefit plans are measured by an independent actuary.

Where appropriate, the impact of changes in actuarial assumptions underlying the calculation of post-employment benefits (end-of-career bonuses and top-hat retirement plans) is spread over the expected average remaining working lives of employees in accordance with the corridor method. Any liabilities not covered by a provision (actuarial differences and unrecognized past service costs) are recorded in off-balance sheet commitments.

All components of the net periodic pension cost (service cost, amortization of actuarial gains and losses, impacts of plan amendments, interest cost, return on plan assets) are shown within payroll costs.

J) FINANCIAL INSTRUMENTS

■ Foreign currency hedges

Given the high number of foreign-currency denominated transactions carried out by certain subsidiaries, Safran SA manages foreign currency risk on behalf of these companies by hedging forecast commercial transactions using forwards and options.

The fair value of financial instruments set up by Safran to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran foreign exchange guarantee is recorded in the balance sheet.

The fair value of financial instruments used to hedge future transactions denominated in foreign currencies is not recorded in the balance sheet.

Premiums paid and received on options are initially recorded in the balance sheet and then released to profit or loss on maturity or expiration of the options.

Foreign currency gains and losses arising on these transactions along with hedging gains and losses transferred to subsidiaries are recorded as foreign exchange gains and losses.

■ Interest rate hedges

The Company may use interest rate swaps to hedge its exposure to changes in interest rates.

■ Commodity hedges

The Company enters into forward purchases of commodities to hedge its subsidiaries' exposure to fluctuations in the prices of certain listed commodities such as nickel, platinum and oil. All gains and losses arising on these hedging transactions are transferred to subsidiaries.

K) REVENUE

Revenue comprises sales of services and income from related activities.

Recurring IT services are billed on a monthly basis.

Research services are recognized on a percentage-of-completion basis.

L) NON-RECURRING ITEMS

The Company uses the definition of non-recurring items laid down in the French General Chart of Accounts. In particular, non-recurring items include capital gains and losses arising on the sale of non-current assets.

M) INCOME TAX AND TAX CONSOLIDATION

In 2005, the Company elected for the group tax consolidation regime set out in articles 223-A to 223-Q of the French Tax Code.

In fiscal 2012, the tax consolidation group included the following companies:

- Safran (head of the tax group)
- Aircelle
- Aircelle Europe Services
- Confidence
- Établissements Vallaroché
- Herakles
- Hispano-Suiza
- Javel
- Labinal
- Lexsa
- Lexvall 2
- Lexvall 13
- Lexvall 21
- Lexvall 22
- Lexvall 23
- Lexvall 24
- Lexvall 25
- Messier-Bugatti-Dowty
- Microturbo
- Morpho
- Positive
- Safran Consulting
- Safran Engineering Services
- Safran International Resources
- Safran Sixty
- Sagem Défense Sécurité
- Sagem Mobiles
- Société Lorraine de Constructions Aéronautiques
- Société de Motorisations Aéronautiques
- Snecma
- Snecma Participations
- Snecmasat
- Sofrance
- SSI
- Turbomeca
- Vallaroché Conseil

In accordance with the tax consolidation agreements entered into between Safran and its subsidiaries, each subsidiary in the tax group records in its accounts the amount of tax that it would have paid on a stand-alone basis. Any tax savings or additional liabilities arising as a result of tax consolidation are recorded by Safran in its capacity as head of the tax group.

Any tax savings arising on the use of tax losses of subsidiaries in the tax consolidation group are recorded in Safran's income statement and neutralized by way of a provision. This provision is released to profit or loss when prior year losses are used by the consolidated subsidiary or when they become time-barred and may no longer be used by the subsidiary concerned.

NOTE 2

Non-current assets, gross carrying amount, depreciation,
amortization and impairment

A) NON-CURRENT ASSETS

(in € millions)	Dec. 31, 2011	Sagem Télécommunications merger	Increase	Decrease	Dec. 31, 2012
Intangible assets					
Purchased goodwill/(merger deficit) ⁽¹⁾	3,268.2	2.4			3,270.6
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	42.6		35.8	0.6	77.8
TOTAL	3,310.8	2.4	35.8	0.6	3,348.4
Property, plant and equipment					
Land	4.9	1.7	1.3		7.9
Buildings	41.1	3.1	2.2	0.3	46.1
Technical installations, equipment and industrial tools	1.3		1.4		2.7
Other property, plant and equipment	34.7		9.1	0.4	43.4
Payments on account	3.1		12.0	3.2	11.9
TOTAL	85.1	4.8	26.0	3.9	112.0
Financial assets					
Equity investments ⁽²⁾⁽³⁾⁽⁴⁾	5,359.0	(211.5)	947.3	23.9	6,070.9
Loans to equity investments ⁽⁵⁾	1,291.3		93.4	922.3	462.4
Other long-term investments ⁽⁶⁾		71.3			71.3
Loans	2.8		15.3	0.1	18.0
Other financial assets	4.1	5.9	5.3		15.3
TOTAL	6,657.2	(134.3)	1,061.3	946.3	6,637.9

(1) The merger deficit was allocated "off-the-books" – i.e., without adjusting the carrying amounts of the related assets – to unrealized capital gains on the Snecma brand name in the amount of €56 million and on equity investments in the amount of €3,212 million (including Aircelle for €185 million, Messier Bugatti Dowty for €172 million, Sagem Défense Sécurité for €31 million, Labinal and Safran Engineering Services for €214 million, Snecma SA for €2,098 million, Techspace Aéro for €164 million, Herakles for €143 million, and Turbomeca and Microturbo for €205 million), and to a property in the amount of €2 million.

(2) Following the transfer of the assets and liabilities of Sagem Télécommunications to Safran, Sagem Télécommunications shares were canceled based on their gross value (€625 million) and replaced by the Company's assets and liabilities, mainly equity investments amounting to €413.5 million, including investments in Sagem Mobiles for €401.1 million.

(3) Increases in this item primarily reflect (i) the capital increase at Safran USA in an amount of €917 million, and at Safran China in an amount of €2 million, and (ii) a €24 million increase in SME shares following the exchange of Snecma Propulsion Solide shares in connection with the merger of these two companies to form Herakles.

Decreases relate to the aforementioned transaction concerning shares in Snecma Propulsion Solide for €24 million.

(4) The 1.12% stake in Embraer, considered of strategic interest and a long-term investment, is shown in equity investments for €38.4 million (gross and net).

(5) Increases in this item relate mainly to loans granted to L-1 Identity Solutions for €75 million and to Aircelle Maroc for €14 million.

Decreases correspond to repayments of loans, primarily by Morpho USA (€846 million), Morpho (€20 million), Messier Services Americas (€10 million), and Morpho GmbH (€10 million).

(6) Other long-term investments include bonds issued by a company currently in liquidation. These bonds have been written down in full, along with the related accrued interest (see Note 9).

B) DEPRECIATION, AMORTIZATION AND IMPAIRMENT

<i>(in € millions)</i>	Dec. 31, 2011	Sagem Télécommunications merger	Charges	Reversals	Dec. 31, 2012
Intangible assets:					
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	30.3		7.0	0.2	37.1
TOTAL	30.3		7.0	0.2	37.1
Property, plant and equipment:					
Land	0.1		0.2		0.3
Buildings	32.1	1.5	2.2	0.1	35.7
Technical installations, equipment and industrial tools	0.1		0.4		0.5
Other property, plant and equipment	23.3		5.8	0.4	28.7
TOTAL	55.6	1.5	8.6	0.5	65.2

See Note 9 for details of financial assets.

NOTE 3 Maturities of receivables and liabilities

<i>(in € millions)</i>	Gross carrying amount	Maturing in		
		1 year or less	between 1 and 5 years	beyond 5 years
Receivables				
Non-current assets				
Loans to equity investments	462.4	61.5	396.9	4.0
Loans	18.0		18.0	
Other non-current financial assets	15.3		15.3	
Sub-total	495.7	61.5	430.2	4.0
Current assets				
Payments on account	6.0	6.0		
Trade receivables	92.4	92.4		
Prepaid and recoverable taxes	270.2	258.1	12.1	
Other receivables	84.1	72.1	12.0	
Group current accounts	1,640.3	1,640.3		
Prepayments	7.6	7.6		
Sub-total	2,100.6	2,076.5	24.1	-
TOTAL - RECEIVABLES	2,596.3	2,138.0	454.3	4.0
Liabilities				
Bond issue	750.0		750.0	
USD senior unsecured notes issue	909.5			909.5
Other loans and borrowings	1,154.0	891.4	150.1	112.5
Group current accounts	3,460.4	3,460.4		
Trade payables	79.8 ^(*)	79.8		
Due to suppliers of non-current assets	43.2	22.1	21.1	
Other liabilities	586.3	384.1	88.2	113.0
TOTAL - LIABILITIES	6,983.2	4,837.8	1,009.4	1,135.0

(*) The balance of trade payables comprises 15% payable in 30 days and 85% payable in 60 days (contractual payment period).

NOTE 4 Accrued income

In accordance with the accruals principle, accrued income is recorded in the following asset headings:

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Trade receivables	12.8	9.7
Loans to equity investments	8.5	8.0
Group current accounts	0.1	0.1
TOTAL	21.4	17.8

NOTE 5 Prepayments and deferred income

Prepayments mainly comprise financial expenses, subscriptions to professional bodies, professional fees and equipment and software maintenance contracts.

The Company did not have any deferred income at end-2012 or end-2011.

NOTE 6 Marketable securities

TREASURY SHARES

(number of shares)

Opening treasury shares	6,930,515
Acquisition of shares from indirect subsidiary Lexvall 2	828,282
Acquisition of shares under the liquidity agreement	4,620,989
Sale of shares under the liquidity agreement	(4,819,603)
Delivery of shares under the French and international leveraged share plan	(6,371,997)
Other sales of treasury shares	(66,767)
Closing treasury shares	1,121,419
o/w recorded in "Marketable securities" (gross: €24.0 million; net: €21.1 million)	
• Shares earmarked for employees	1,014,304
• Shares held under a liquidity agreement	107,115
	1,121,419

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.

Free shares vested by employees of French companies were delivered on April 3, 2011 (3,502,100 shares).

The free shares will be delivered to employees of European subsidiaries on April 3, 2013.

■ Measurement of rights to free shares

Employee rights under the free share plan were measured based on the closing share price on the grant date, i.e., €7.54 per share.

	France	Other countries
Grant date	04/03/2009	04/03/2009
Vesting date	04/03/2011	04/03/2013
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
Market value of shares at the grant date		€7.54

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 and a total of 371,997 shares were subscribed.

■ Terms and conditions of the leveraged plan

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

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

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

This discount was rebilled to the French and foreign companies concerned. The amount rebilled in 2012 was €26.4 million and is shown in "Other operating income".

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

OTHER SECURITIES

Other securities include short-term (less than three months) money market investments and term deposits with liquid exit options exercisable at no cost within three months, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 7 Redemption premiums

This item comprises the redemption premiums on the Company's bonds, which are being amortized over the life of the bonds.

FINANCIAL STATEMENTS

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NOTE 8 Equity

Changes in equity were as follows in 2012:

<i>(in € millions)</i>	Opening balance	Appropriation of 2011 profit	Increase	Decrease	Closing balance
Share capital	83.4				83.4
Additional paid-in capital	3,288.6				3,288.6
Legal reserve	8.3				8.3
Tax-driven reserves	302.0				302.0
Other reserves ⁽¹⁾	1,321.1	100.0			1,421.1
Retained earnings	6.5	(3.5)			3.0
2011 profit	352.9	(352.9)			-
2012 profit	-		764.9		764.9
2011 interim dividends	(102.5)	102.5			-
2012 interim dividends	-			128.9 ⁽³⁾	(128.9)
Tax-driven provisions	5.8		9.5	0.2	15.1
TOTAL	5,266.1	(153.9)⁽²⁾	774.4	129.1	5,757.5

(1) Including €24.0 million in reserves hedging treasury shares held at December 31, 2012.

(2) 2011 dividends paid in 2012.

(3) An interim dividend of €0.31 per share was paid on December 20, 2012.

SHARE CAPITAL

At December 31, 2012, the Company's share capital comprised 417,029,585 ordinary shares with a par value of €0.20 each, listed on the Eurolist market (Compartment A) of NYSE Euronext Paris under ISIN code FR0000073272 (SAF).

SHARE OWNERSHIP AT DECEMBER 31, 2012

	Shares		Voting rights	
	Number	%	Number	%
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	100.0	494,568,195	100.0

NOTE 9 Provisions

<i>(in € millions)</i>	Dec. 31, 2011	Sagem Télécommunications merger	Charges	Reversals ⁽³⁾	Dec. 31, 2012
Tax-driven provisions:					
Accelerated tax depreciation	5.7		9.6	0.2	15.1
Sub-total	5.7		9.6	0.2	15.1
Contingency provisions:					
Foreign exchange losses	12.8		20.2	12.8	20.2
Litigation	-	1.5	1.2		2.7
Other	-	0.2		0.1	0.1
Sub-total	12.8	1.7	21.4	12.9	23.0
Loss provisions:					
Retirement benefits and similar obligations	14.6		3.6	1.5	16.7
Subsidiary tax losses carried forward	799.7	(218.5)	57.2	33.2	605.2
Other	27.5	1.2	10.6	7.0	32.3
Sub-total	841.8	(217.3)	71.4	41.7	654.2
Provisions for impairment:					
Of equity investments	507.5	4.1 ⁽¹⁾	0.8	55.6	456.8
Of financial assets	-	77.2 ⁽²⁾			77.2
Of other receivables	-	1.0			1.0
Of marketable securities	2.8		0.1		2.9
Sub-total	510.3	82.3	0.9	55.6	537.9
TOTAL	1,370.6	(133.3)	103.3	110.4	1,230.1
Breakdown in the income statement:					
• operating income and expenses			5.8	1.6	
• financial income and expenses			21.2	68.4	
• non-recurring income and expenses			19.1	7.2	
• income tax			57.2	33.2	

(1) Including a negative amount of €392.7 million resulting from the sale of Sagem Télécommunications shares, and a positive amount of €396.8 million resulting from the recognition of shares held by Sagem Télécommunications in assets (of which €391.1 million relating to Sagem Mobiles). In accordance with Opinion No. 2005-C issued by the CNC Urgent Issues Taskforce, the provisions set aside in respect of Sagem Télécommunications were canceled against the shares held, and not written back through the income statement.

(2) See Note 2.A

(3) Including €55.4 million in reversals of surplus provisions relating to equity investments.

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NOTE 10 Employee benefit obligations

The main assumptions used to calculate the Company's retirement benefit obligations were as follows:

	2011	2012
Discount rate	4.25%	3.25%
Inflation rate	2.00%	2.00%
Expected return on plan assets	4.00%	4.56%
Rate of future salary increases	1.50%-5.00%	1.50%-5.00%
Probable retirement age of managerial-grade staff	64/65 years	64/65 years
Probable retirement age of non managerial-grade staff	62/65 years	62/65 years
Mortality tables used	TV/TD 2004-2006	TV/TD 2006-2008

TOP-HAT RETIREMENT PLANS

<i>(in € millions)</i>	2011	2012
Present value of obligation	5.1	14.2
Fair value of plan assets	(0.5)	-
Funding shortfall	4.6	14.2
Actuarial gains and losses	(1.5)	(11.0)
Benefit obligations covered by a provision in the balance sheet	3.1	3.2
Contributions paid	(0.3)	(1.0)
Service cost	-	-
Other movements	(1.0)	-
Interest cost	0.2	0.2
Amortization of actuarial gains and losses	1.9	0.9
Expected return on plan assets	-	-
Provision charge/(reversal)	0.8	0.1

A supplementary defined benefit retirement plan was implemented by Snecma in 1985 and closed on June 30, 1995 using a step mechanism that allowed eligible employees present in the Company at that date to maintain all or part of their benefits.

The plan is funded by contributions paid to an insurance company which then manages payment of the pensions. At December 31, 2012, around 16 claimants were still in active service and the last retirement is planned for 2015.

Following the closure of this plan, managerial-grade staff (*cadres*) were moved to a new supplementary defined contribution retirement plan.

RETIREMENT BONUSES

<i>(in € millions)</i>	2011	2012
Vested rights	19.8	27.9
Unrecognized actuarial gains and losses and past service cost	(8.6)	(14.9)
Benefit obligations covered by a provision in the balance sheet	11.2	13.0
Service cost	2.2	1.4
Interest cost	0.7	0.8
Expense	2.9	2.2
Other movements	1.4	-
Benefits paid	(0.1)	(0.4)
Provision charge/(reversal)	4.2	1.8

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry. It also includes obligations regarding employees eligible for the Group's 2010 and 2012 agreements on the increase of retirement termination benefits.

In 2010, the Group signed a triennial agreement related to the employment of the over 50s, aimed notably at implementing measures to assist with the latter part of careers and at ensuring a smooth transition between working life and retirement. This

agreement provides, inter alia, for an increase in contractual end-of-career bonuses subject to certain conditions.

Pending the implementation of the future provisions under the inter-generational agreement in France, at the end of 2012 the Group signed an amendment extending the agreement, except for the measure providing for an increase in end-of-career bonuses. The Group also signed a separate agreement renewing for a further three years the measure providing for an increase in retirement termination benefits initially set out in an agreement signed by the Group in 2010.

NOTE 11 Bond issue

On November 26, 2009 Safran issued €750 million worth of five-year bonds to French and international investors. The bonds mature on November 26, 2014 and pay fixed-rate interest of 4% (3.09% after taking account of interest rate hedging instruments in 2012).

NOTE 12 USD senior unsecured notes issue

On February 9, 2012, Safran issued USD 1.2 billion of senior unsecured notes on the US private placement market (i.e., €909.5 million in 2012), which included:

- USD 155 million of notes due February 2019 at a 3.70% coupon (Tranche A);
- USD 540 million of notes due February 2022 at a 4.28% coupon (Tranche B);
- USD 505 million of notes due February 2024 at a 4.43% coupon (Tranche C).

A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.

The issue's initial fixed-rate interest came out at 2.70% in 2012 after taking account of interest rate derivatives.

The funds raised by the bond issue allowed Safran to diversify its sources of financing and extend the average maturity of its borrowings. They have also provided the Group with the means to pursue its development going forward.

NOTE 13 Accrued expenses

Accrued expenses are included in the following headings on the liabilities side of the balance sheet:

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Loans and borrowings	3.7	13.7
Trade payables	55.4	63.8
Taxes and payroll costs (other liabilities)	45.7	50.7
TOTAL	104.8	128.2

NOTE 14 Breakdown of revenue

<i>(in € millions)</i>	2011	2012
General assistance	99.4	121.7
Real estate income	2.8	2.5
Seconded employees	13.5	13.3
Group projects	71.3	115.0
IT services	47.8	54.2
Other	7.9	7.1
TOTAL	242.7	313.8

NOTE 15 Transfer of charges

Transfers of charges totaled €6.4 million in 2012 and mainly concerned expenses rebilled to Group subsidiaries.

NOTE 16 Financial income and expenses

Dividends received totaled €574.1 million in 2012 versus €384.8 million in 2011. A breakdown of dividends received is presented in the table of subsidiaries and associates.

Charges to provisions for financial items and impairment for the period (€21.2 million) relate mainly to the write-down taken against shares in Myriad (€0.8 million) and to the provision for foreign exchange losses (€20.2 million).

Reversals of provisions for financial items and impairment in the period (€68.4 million) relate chiefly to the reversal of the provision for foreign exchange losses (€12.7 million) and of impairment taken against Établissements Vallaroché (€45.5 million), Sagem Mobiles (€6.1 million), and Safran UK (€3.7 million).

For the purpose of providing a meaningful comparison, foreign exchange gains and losses are presented on a single line of the income statement for the same fiscal year.

Foreign exchange gains amounting to €71.8 million in 2012 mainly reflect:

- income of €54 million relating to the recapitalization of Morpho USA by Safran USA on December 21, 2012 (repayment of the loan granted to Morpho USA for USD 1,094 million and increase in the capital of Safran USA);
- foreign exchange gains of €14 million arising in 2012 on the translation into euros of USD 1,200 million resulting from the senior unsecured notes issue on the US private placement market.

NOTE 17 Non-recurring items

Net non-recurring expenses on non-capital transactions (€0.3 million) mainly result from tax charges.

Net non-recurring income on capital transactions (€7.2 million) reflects:

- €33.4 million in non-recurring income, including income resulting from the transfer to SME of SPS shares at their carrying amount in connection with the merger of these two companies to form Herakles (€23.9 million), and gains on the sale of treasury shares (€9.5 million);
- €26.2 million in expenses, reflecting mainly the carrying amount of the SPS shares transferred to SME (€23.9 million) and losses on the sale of treasury shares (€2.1 million).

Provision reversals for €7.2 million relate to tax audits (€6.9 million) and accelerated tax depreciation (€0.2 million), and resulted in transfers of charges for €0.4 million.

Charges to provisions totaling €19.1 million mainly concern accelerated tax depreciation (€9.6 million) and tax audits (€9.5 million).

NOTE 18 Related-party transactions

The following items concern fully consolidated companies as well as other entities in which Safran SA holds an equity investment:

<i>(in € millions)</i>	Related-party amounts
Equity investments	6,070.7
Loans to equity investments	462.4
Trade receivables	91.5
Other receivables	1,668.8
Other liabilities	3,712.3
Investment income	574.1
Other financial income	98.0
Financial expenses	14.1

NOTE 19 Income tax and statutory employee profit-sharing**INCOME TAX BENEFIT ARISING FROM TAX CONSOLIDATION****■ 2012 Group relief**

Income tax due to Safran by subsidiaries included in the tax consolidation group totaled €78.7 million after deducting tax credits (mainly research tax credits) and represented a tax benefit for Safran.

The tax consolidation group's overall income tax expense came to €24.3 million. After offsetting €140 million in tax credits, Safran recorded a net tax benefit of €115.7 million.

The total income tax benefit for Safran arising from group relief in 2012 therefore amounted to €194.4 million.

■ Other impacts

Safran also recorded a €3.9 million tax charge in respect of the additional contribution due on dividend payouts introduced by the Amended Finance Act for 2012 (calculated on the basis of the interim dividend paid in December 2012).

■ Provisions set aside to cover income taxes of loss-making subsidiaries

Charges to provisions set aside to cover the risk of Safran having to redistribute the tax savings arising due to the use of tax losses of subsidiaries in the tax consolidation group amounted to €52.6 million in 2012, while reversals totaled €16.1 million. Net reversals to provisions were also recognized in respect of the denaturalization of intragroup capital gains for €12.5 million.

No statutory employee profit-sharing expense was incurred either in 2012 or 2011.

INFORMATION REGARDING EXPENSES DISALLOWABLE FOR TAX PURPOSES

These expenses totaled €0.1 million and correspond to the portion of depreciation and lease payments on vehicles that are not deductible for tax purposes.

NOTE 20 Average headcount and management compensation**BREAKDOWN OF AVERAGE EMPLOYEE NUMBERS**

	2011	2012
Supervisors	1	1
Technicians	85	98
White-collar employees	124	147
Engineers and managerial-grade staff	685	839
TOTAL	895	1,085

The increase in the average number of employees results from the growth in business of the holding company over the period, due mainly to the creation of shared services within Safran.

MANAGEMENT COMPENSATION

In 2011 and up to the change in corporate governance on April 21, 2011, management executives comprised the members of Safran's Supervisory Board and Executive Board and Executive Management. After the change in governance, management executives comprised members of the Board of Directors and Executive Management, as well as any persons with the power to make management decisions with regard to the Company's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Company.

<i>(in € millions)</i>	2011	2012
Short-term benefits	10.7	11.1
Post-employment benefits	0.4	0.2
Other long-term benefits	-	-
Termination payments	1.2	-
Share-based payments	-	-

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

The Group's total post-employment commitments in respect of management executives amounted to €2.9 million at December 31, 2012 and €2.1 million at December 31, 2011.

NOTE 21 Individual training entitlement

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and with the industry-wide agreement of July 20, 2004, Safran grants its employees the right to individual training. Employees are entitled to at least 20 training hours per calendar year, which can be carried forward and accumulated up to a maximum total of 120 hours.

NOTE 22 Off-balance sheet commitments

COMMITMENTS GIVEN

<i>(in € millions)</i>	Dec. 31, 2011	Dec. 31, 2012
Commitments given to third parties	935.9	1,046.8
Customs bonds	74.5	69.4
Actuarial gains and losses on end-of-career bonus obligations	8.5	7.1
Other commitments	426.8	379.0
TOTAL⁽¹⁾	1,445.7	1,502.3
<i>(1) Of which related parties</i>	1,233.6	1,301.4

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

COMMITMENTS RECEIVED

Commitments received totaled €417.2 million at December 31, 2012 versus €458.2 million at end-2011 and primarily relate to commitments for the financing of civil programs as well as a commitment received from a Group subsidiary concerning portfolio securities.

■ Guarantees received from SNPE

Under the terms of the SME share transfer agreement between SNPE and Safran, SNPE granted Safran a specific guarantee for a period of 30-40 years concerning environmental liabilities due to past operations at 8 SME sites. This guarantee 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 guarantee sublimits in the amount of €91 million for cleanup during operations and in the amount of €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 5 years. These guarantees granted by SNPE to Safran are counter-guaranteed by the French State for €216 million.

The share transfer agreement also provides for other guarantees granted by SNPE which are capped at €25 million and have time limits of 3-10 years depending on their nature.

In 2011 and 2012, these guarantees were called in relation to the recent acquisition of SME.

FOREIGN CURRENCY INSTRUMENTS

Safran SA holds derivative financial instruments including forward contracts, swaps and options which are used for the purposes of all Group companies to hedge (i) highly probable future transactions, determined on the basis of the order backlog and budget forecasts, and (ii) the net balance sheet position of foreign-currency denominated trade receivables and payables of subsidiaries.

The portfolio of foreign currency instruments breaks down as follows:

(in millions of currency units)	Dec. 31, 2011				Dec. 31, 2012			
	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	(235)				193			
Short USD position	(229)	13,374	5,872	7,502	157	13,323	5,764	7,559
<i>Of which against EUR</i>	(199)	12,500	5,188	7,312	157	12,979	5,560	7,419
Long USD position	14	(510)	(300)	(210)	28	(700)	(250)	(450)
<i>Of which against EUR</i>	13	(400)	(200)	(200)	28	(700)	(250)	(450)
Short CAD position against CHF	-	-	-	-	5	81	81	-
Short GBP position against EUR	1	11	11	-	-	-	-	-
Long GBP position against EUR	-	(4)	(4)	-	-	-	-	-
Long EUR position against CHF	(11)	(81)	(39)	(42)	(7)	(78)	(28)	(50)
Long PLN position against EUR	(3)	(218)	(78)	(140)	2	(225)	(85)	(140)
Long MXN position against USD	(7)	(3,650)	(1,180)	(2,470)	8	(4,135)	(1,395)	(2,740)
Currency option contracts	(158)				182			
USD put purchased	36	1,000	-	1,000	75	2,750	2,350	400
USD put sold	(1)	(100)	(100)	-	(19)	(1,200)	(1,200)	-
USD call sold	(226)	6,798	1,774	5,024	(60)	9,607	5,224	4,383
USD call purchased	8	(250)	(250)	-	5	(350)	(350)	-
Accumulators – sell USD ⁽²⁾	(28)	12,199	4,752	7,448	167	9,020	2,778	6,242
Accumulators – buy USD ⁽²⁾	63	(1,891)	(1,427)	(464)	13	(1,132)	(965)	(167)
Accumulators – sell GBP ⁽²⁾	1	380	91	289	3	219	219	-
Accumulators – sell CAD ⁽²⁾	(11)	845	306	539	(2)	341	-	341
TOTAL	(393)				375			

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

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

As mentioned in Note 1, only premiums paid and received on options are recorded in Safran SA's balance sheet. The Company does not recognize the fair value of derivative instruments in its balance sheet, except for those set up to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran SA foreign exchange guarantee.

FINANCIAL INSTRUMENTS SPECIFIC TO FIXED INCOME MARKETS

■ 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 a total of €750 million with a residual maturity of one to three years, the Company also held fixed-rate borrower/floating-rate lender swaps for the same maturity and amount. Interest rate swaps with a residual maturity of less than one year expired in 2012. The notional amount of each leg of the swaps was €250 million.

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

■ Exposure to USD interest rate risk

The interest rate on Safran'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 December 31, 2012, 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.

MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2012 represented 2,783 metric tons of nickel, including contracts for 755 tons maturing in less than one year and 2,028 tons in one to five years.

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

The notional amount of oil forward purchase contracts at December 31, 2012 represented 532,000 barrels, including contracts for 33,000 barrels maturing in less than one year, 350,000 barrels in one to five years and 149,000 in more than five years.

These instruments had a negative fair value of €3 million at end-2012.

CREDIT LINES

Undrawn confirmed liquidity facilities at December 31, 2012 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively.

NOTE 23 Disputes and litigation

Except for the matters described below, Safran SA is not, or has not been, notably during the last 12 months, party to any governmental, legal or arbitration proceedings that are likely to have, or have had, in the recent past, a significant effect on its financial position or profitability. 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.

- 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 before the Paris Court of Appeals, along with the procedural timetable. 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. Based on an analysis of all aspects of this case known to date, the Group's exposure to this risk is not considered material.
- 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 has filed a statement of claim with the Administrative Court. No provision has yet been set aside in respect of this adjustment.

NOTE 24 Other information

In accordance with the disclosure requirement set out in Decree no. 208-1487 of December 30, 2008, fees billed by the Company's Statutory Auditors for their audit of the 2012 financial statements totaled €1,300,000, while fees billed for audit-related work came to €372,000.

NOTE 25 Subsequent events

None.

LIST OF SUBSIDIARIES AND ASSOCIATES

Disclosures provided in accordance with article R.123-197.2 of the French Commercial Code

(in € millions)⁽¹⁾

Company	Business line	Share capital	Equity other than share capital and profit	% voting rights	% share capital held
A. Detailed information on subsidiaries and associates whose gross carrying amount exceeds 1% of Safran's share capital (i.e., €0.8 million)					
1. Subsidiaries (more than 50%-owned)					
a) French companies					
• Aircele	Aircraft Equipment	56.7	81.2	88.5	88.5
• Établissements Vallaroche	Holding company	15.6	1.8	100.0	100.0
• Herakles	Propulsion	34.7	95.6	100.0	100.0
• Hispano-Suiza	Aircraft Equipment	36.8	42.6	100.0	100.0
• Labinal	Aircraft Equipment	19.3	15.7	100.0	100.0
• Lexsa	Holding company	13.5	(1.3)	100.0	100.0
• Messier Bugatti Dowty	Aircraft Equipment	83.7	432.6	100.0	100.0
• Sagem Mobiles	Communications	6.5	3.5	100.0	100.0
• Sagem Défense Sécurité	Defence Security	372.9	70.9	95.5	95.5
• Snecma	Propulsion	154.1	165.7	97.4	97.4
• SnecmaSat	Holding company	0.2	0.2	100.0	100.0
• Turbomeca	Propulsion	38.8	151.6	100.0	100.0
• Technofan	Aircraft Equipment	1.3	11.4	95.2	95.2
b) Foreign companies					
• Morpho USA	Security	⁽²⁾	1,485.5	97.6	97.6
• Safran Beijing Enterprise Management Co.	Holding company	2.5	0.1	100.0	100.0
• Safran Servicios de Suporte de Programas Aeronauticos	Aircraft Equipment	1.5		100.0	100.0
• Safran UK Ltd	Holding company	19.9	0.1	100.0	100.0
• Safran USA Inc.	Holding company	⁽²⁾	1,461.7	100.0	100.0
• Techspace Aéro	Propulsion	54.9	109.7	67.2	67.2
2. Associates (10%- to 50%-owned)					
a) French companies					
• Arianespace Participation ⁽³⁾	Holding company	3.9	8.8	10.6	10.6
• Corse Composites Aeronautiques ⁽³⁾	Aircraft Equipment	1.7	3.3	24.8	24.8
• Eurotradia International ⁽³⁾	Aircraft Equipment	3.0	30.0	11.2	11.2
• FCPR Aerofund II	Investment fund	75.0		16.6	16.6
• Mobiwire	Communications	1.9		10.6	10.6
• Régulus	Propulsion	0.6	9.8	40.0	40.0
B. Summary information concerning other subsidiaries and associates					
1. Subsidiaries (more than 50%-owned)					
(a) French companies					
(b) Foreign companies					
2. Associates (10%- to 50%-owned)					
(a) French companies					
(b) Foreign companies					

⁽¹⁾ For foreign companies, share capital, equity, revenue and profit amounts were translated into euros at the official exchange rate prevailing at December 31, 2012.⁽²⁾ Additional paid-in capital of US-based entities is shown under "Equity other than share capital and profit".⁽³⁾ Position at December 31, 2011.

Carrying amount of investments		Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2012 revenue	2012 profit (loss)	Dividends received by Safran in 2012	Receivables	Liabilities
gross	net							
924.2	924.2		524.1	891.8	(27.8)		247.8	21.8
62.8	62.8			0.0	0.0		0.0	8.1
353.5	353.5			443.3	26.5	23.4	4.5	163.4
163.8	163.8		42.1	261.5	12.4		5.2	57.2
185.6	185.6		368.0	297.7	(23.4)		36.1	1.3
11.3	11.3			0.1	(0.1)		0.4	12.2
560.5	560.5		3.7	1,246.3	17.2	45.6	261.1	16.4
401.1	16.2			0.0	6.2		0.0	27.4
595.0	595.0		7.0	1,255.0	53.5	35.6	151.2	101.6
199.4	199.4		47.9	5,293.7	286.9	371.1	44.6	2,514.6
9.3	0.2			0.0	0.0		0.0	0.2
539.0	539.0		4.7	1,126.1	68.1	41.8	10.0	79.2
33.7	33.7			71.2	3.7	19.6	0.1	7.8
315.5	315.5			0.0	(1.9)	24.8	46.3	0.1
2.5	2.5			11.8	0.3		0.7	0.5
1.5	1.5							
40.0	22.7			0.2	1.0		0.0	8.6
1,424.3	1,424.3		303.1	4.7	11.1		0.6	11.1
115.6	115.6			447.8	36.3	7.7	2.8	204.1
40.1	2.1			0.0	1.6			
1.0	1.0			33.6	0.4			
2.1	2.1			59.3	1.6	0.2		
15.0	15.0							
1.0	0.0							
20.6	20.6			37.8	3.4	0.6	0.2	0.0
0.5	0.5					3.6	0.0	41.6
1.4	0.7							
0.4	0.4					0.1		

3.4

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2012

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2012 on:

- the audit of the accompanying financial statements of Safran;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As indicated in Note 1.D to the financial statements, the book value of financial fixed assets is determined either:

- on basis on the average market price of the last month before the closing, for listed companies;
- depending on the proportionate share of net equity, adjusted where applicable for significant unrealized capital gains net of taxes;
- depending on the intrinsic value of equity, corresponding to the present value of expected future cash-flows (enterprise value), less, if any, debt.

Our work consisted in assessing the data and assumptions on which the estimates are based and in reviewing the calculations made by the company. As part of our assessment of the estimates used for the account closing, we have assured ourselves of the reasonableness of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information. In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, March 27, 2013

The Statutory Auditors

French original signed by

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon



04

RISK FACTORS

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IDENTIFIED RISK FACTORS

The following section presents the major risks identified as of the date the Registration Document was filed.

Other risks not yet identified, or not currently considered material for the Group, could have a negative impact on Safran's activities, financial position or results.

Risks relating to Group business sectors

- Changes in economic conditions
- Impact of the aviation cycle
- Uncertainty regarding returns on investments
- Changes in military orders
- Competition
- Program delays and development
- Political uncertainties
- Aircraft accidents
- Defective products (excluding aviation)

Technological risks

Partnership and supplier risks

Commodity risks

Acquisition and restructuring risks

Human resources risks

Market and derivative risks

Legal risks

Environmental risks

Data confidentiality risks

GENERAL RISK MANAGEMENT POLICY

Safran adopts a "Comprehensive Risk Management" approach which has been validated by the Group Risk Committee composed of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers. Its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;
- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk Department.

INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

4.1 IDENTIFIED RISK FACTORS

The following section presents the major risks identified as of the date the Registration Document was filed.

Other risks not yet identified, or not currently considered material for the Group, could have a negative impact on Safran's activities, financial position or results.

4.1.1 RISKS RELATING TO GROUP BUSINESS SECTORS

The risks relating to Group business sectors arise from a series of complex, interdependent factors which could impact Group results in the medium term.

CHANGES IN ECONOMIC CONDITIONS

The macroeconomic and aeronautical program assumptions determined by the Group take into consideration the economic conditions observed as of the date of the Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

The scenarios built on these assumptions are derived from action plans supervised by Executive Management, functional departments and the Group Risk Committee.

A difficult economic climate would have a negative impact on the level of Group business. Changes in global economic performance have a direct impact on passenger demand for air transport, which in turn determines market demand for commercial aircraft intended for passenger transport. Manufacturers may adjust their output rates in line with changes in demand for aircraft by airline companies, which would have a direct impact on the OEM business of aircraft equipment and engine suppliers such as Safran. The decrease in air traffic as a result of the decline in the economic environment could also impact the volume of Group services, including maintenance and repair activities and spare part sales.

Should the economic climate deteriorate, the assumptions and action plans would be adjusted accordingly in line with a defined process. In order to deal with this risk, specific steering committees have been set up covering customers, suppliers and the market. They meet regularly and constantly reassess the action plans in light of the prevailing economic climate.

IMPACT OF THE AVIATION CYCLE

Aircraft orders tend to be cyclical in nature and linked to passenger traffic, which is itself affected by changes in the economic climate, as well as the rate of ageing and renewal of aircraft fleets and the investment decisions and financial capacity of airline companies. Safran believes that these cycles could impact business levels and therefore its future revenue and results.

Exceptional events such as terrorism, pandemics, aviation disasters and adverse weather conditions could cause a sharp temporary drop in air traffic and hence impact the civil aircraft engine and equipment market.

In 2012, over 60% of adjusted consolidated revenue was generated by civil aviation activities. Safran has a large fleet of engines in service, including more than 24,000 CFM56 engines which have equipped most of the single-aisle aircraft with over 100 seats delivered to airline companies for more than 30 years. The increase in the age of the fleet enables the Group to generate service revenue amounting to 40.6% of Aerospace revenue.

The Safran+ plan and Group strategy (see sections 1.10 and 1.2, respectively) are used to diversify the portfolio of businesses with a view to limiting the impacts of risks related to the aviation cycle.

UNCERTAINTY REGARDING RETURNS ON INVESTMENTS

Safran's Aerospace businesses require considerable investment, in particular in research and development and contributions to aircraft manufacturers' costs. These investments only produce returns in the long term. The market and profitability assumptions determined by the Group may not prove accurate, and the products for which the investments are made may not enjoy sufficient commercial success to ensure a return on the initial investment. Capitalized R&D assets (excluding goodwill and programs) recognized in the balance sheet at December 31, 2012 total approximately €1.6 billion after amortization.

Investment decisions are coordinated at Group level, based on clear guidelines and numerous evaluation criteria. The Safran Innovation Department (see section 1.5) oversees the phase between technological demonstrations and marketing. The Group also leverages the scientific and technical expertise provided by its partners (see section 1.5.2) and enters into partnership arrangements to develop certain programs (see section 1.3.1). All of these actions help to mitigate the risks related to the Group's investments.

CHANGES IN MILITARY ORDERS

Government spending, especially on defence budgets, is determined according to the geopolitical environment and budgetary constraints. An adverse change in economic and political conditions could result in a change in priorities for government spending.

Military spending cuts and/or delays in certain programs could impact Safran's business.

In 2012, approximately 20% of adjusted consolidated revenue was derived from military activities, of which more than 50% is exported.

The diversity of Safran's customer base in the Defence business both in France and in emerging countries helps contain this risk.

COMPETITION

Safran faces intense competition in all markets where it operates, both from international players and specialized competitors in certain markets. This competitive pressure could impact the Group's positions in its business sectors. To manage this risk, Safran seeks to maintain and sharpen its technological edge at all times, thanks to sustained R&D spending with a particular focus on markets where the product development cycle is unusually long.

The Group continues to deploy its strategy (see section 1.2) with a view to diversifying the portfolio of businesses and R&D investments (see section 1.5) as well as developing partnership arrangements for certain programs (see section 1.3.1).

In December 2009, Safran became a partner of COMAC (Commercial Aircraft Corporation of China) for its C919 aircraft and particularly for the LEAP-1C engine and related nacelle. COMAC expects the C919 to be brought into service in 2016.

On December 1, 2010, Airbus selected the new-generation CFM engine, the LEAP-1A, as a new option for the A320neo. This partnership should begin production in 2016.

In June 2011, a memorandum of understanding was signed with Honeywell to create a joint venture delivering an innovative new electric green taxiing system for aircraft. The aim is to fit both in-service and new aircraft with this system as from 2016.

In August 2011, Boeing chose the LEAP-1B as the sole engine for its new 737 MAX aircraft and this partnership should begin production in 2017.

In October 2012, Safran announced that it had entered into a definitive agreement with Goodrich Corporation, a subsidiary of United Technologies, to acquire Goodrich's electrical power systems activities (Goodrich Electric Power Systems – GEPS), a leading supplier of on-board aerospace electric power systems.

PROGRAM DELAYS AND DEVELOPMENT

Aircraft manufacturers may encounter difficulties in meeting their program schedules. Delays in production schedules for new aircraft may lead to the postponement of Safran equipment deliveries and impact the Group's Aerospace revenue. In certain cases, this may cause Safran to incur penalties, notably where the Group accepts responsibility for the delays. Delays can also distort cash collection forecasts, therefore impacting cash flows and even profitability at Group level. In this event, the Group writes down the value of the assets corresponding to the delayed programs. Safran supplies Airbus with equipment for the A350, A380 and A400M aircraft, and it supplies Boeing with equipment for the B787.

Safran continued to deploy the PROMPT program (see section 1.9) designed to provide project teams with a framework as well as methods and applications for enhancing program management processes. PROMPT is based on five "golden rules": keeping the Program Management Plan (PMP) up to date, meeting expectations (of all stakeholders), planning and meeting technical objectives, steering performance and managing risks.

POLITICAL UNCERTAINTIES

Certain aerospace, defence and security contracts are closed to foreign competition or are awarded based on national security and independence considerations. These may limit access to certain markets. If these restrictions continue to prevail in the future, Safran may not be able to penetrate some of these markets, which would reduce the Group's revenue and profit growth potential.

The development of Safran's activities and sites worldwide sometimes exposes the Group to political risks specific to certain countries. These may impact its activities and results.

AIRCRAFT ACCIDENTS

Safran products are integrated in high-tech equipment with a high unit price, especially civil and military aircraft, satellites and helicopters. Safran may be held liable for the loss or accident of an aircraft, the death of passengers, or the loss of operating capability by an airline or helicopter operator.

In order to limit the impact of such risks, Safran focuses on factoring quality into all of its processes (see section 1.9) and on developing best project management practices. The Group has also taken out insurance policies to provide an appropriate level of cover (see section 4.3).

RISK FACTORS

/ IDENTIFIED RISK FACTORS /

DEFECTIVE PRODUCTS (EXCLUDING AVIATION)

The Group applies stringent quality and safety standards in the design and manufacture of its products and services. Nonetheless, certain products may not meet the expected level of performance or may prove defective.

This could generate additional costs (product recalls, upgrade campaigns or retrofits) resulting in lost revenue for Safran, or could adversely affect its commercial position.

In order to limit the impact of this risk, Safran has deployed a range of quality-centric initiatives (see section 1.9).

4.1.2 TECHNOLOGICAL RISKS

Aerospace, defence and security markets typically undergo far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their innovative and technological superiority. The Group is exposed to the risk of competitors developing products that offer a better technical performance, are more competitive or are marketed earlier than those developed by the Group. This could affect Safran's activities or financial position.

The actions taken by the Group to limit the impact of this risk are outlined in section 1.5, "Research and development". The Group also leverages the scientific and technical expertise provided by its partners (see section 1.5.2).

4.1.3 PARTNERSHIP AND SUPPLIER RISKS

Generally speaking, Safran works in cooperation with partners and suppliers in the majority of its businesses. Events likely to affect these partnerships could have an impact on Safran's business activities.

Supplier difficulties or defaults prompted by the global economic crisis could impact the worldwide supply chain, resulting in additional costs or production delays that would affect the Safran Group.

In order to contain such risks, Safran has designed a purchasing strategy (see section 1.8) and pooling facility in a common services center responsible for all purchasing processes (excluding production) in line with the Group's objectives of excellence, competitiveness and sustainable development.

Production will have to increase over the next few years based on the structure of the current backlog and Safran's ability to ramp up its future production will depend on both internal and external factors. Problems related to any one of these factors could trigger production delays or cost overruns for a given program.

A substantial proportion of Safran's revenue - particularly in the aviation sector - depends on certain key products developed and produced in cooperation with General Electric. Safran estimates that these programs (CFM and high thrust engines) account for between 25% and 30% of its consolidated revenue.

In July 2008, GE and Safran signed an agreement to extend their civil aerospace propulsion partnership until 2040. They also entered into an agreement for the development, production and support of engine nacelles for future short- and medium-haul aircraft.

Safran is also involved in a number of partnerships (Powerjet, 50/50 owned by Snecma and NPO Saturn [Russia]; Turbomeca and Rolls-Royce [UK], AVIC [China] and Honeywell [US]). If these programs were suspended or if Safran's partners ceased to fulfill their role in the development or marketing of the products in question, the Group's Aerospace business revenue could be affected.

The Group's other partnerships have no material impact.

4.1.4 COMMODITY RISKS

The Group is exposed to commodity risks, notably in respect of titanium, nickel alloys, composite fibers, ammonium perchlorate and oil. The Group manages commodity risks by negotiating medium-term procurement contracts with suppliers, building up its inventories or hedging exposure to changes in the price of certain listed commodities.

Hedges contracted by the Group are analyzed in section 4.1.7, "Commodity risk management".

4.1.5 ACQUISITION AND RESTRUCTURING RISKS

As part of its growth strategy, Safran may acquire, merge and/or set up companies. Although a stringent procedure exists for monitoring such transactions, they may have a negative impact on the Group's business, expected results or its image, should Safran fail to consolidate the operations and employees of the acquired entities, unlock the expected synergies and cost savings,

or maintain good commercial or labor relations within the acquired entities following changes in management or control.

The Morpho risk map is currently being reviewed following the acquisition of Morpho Trust in light of the specific regulatory constraints applicable to this entity.

4.1.6 HUMAN RESOURCES RISKS

The Group's different activities harness a wide range of employee expertise and skills across many different sectors. The Group may experience difficulties in finding the appropriate skills at the right time and in the right place that it needs to deploy its strategy and carry out its new programs effectively. In order to limit this risk, it continually strives to acquire, hold onto, redeploy and renew the skills that it will need in the future. Safran has developed partnerships

with top business and engineering schools and scientific universities to recruit employees for its core businesses and it has also worked on promoting the Safran employer brand. In addition, professional and geographical mobility programs, systems that detect high potential employees, training, monitoring and career development are all used to boost the Group's attractiveness as an employer. The Group's human resources policy is outlined in section 5.3.3.

4.1.7 MARKET AND DERIVATIVE RISKS

The main risks arising on the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

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

FOREIGN CURRENCY RISK MANAGEMENT

Most Aerospace Propulsion and Aircraft Equipment revenue is denominated in US dollars, which is practically the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 5 billion for 2012 (USD 4.28 billion in 2011).

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

Dollar-denominated assets and liabilities exposed to fluctuations in the EUR/USD exchange rate are disclosed in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

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.

HEDGING MANAGEMENT

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.

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.

This strategy chiefly involves the use of forward purchases, accumulators and sales of options.

HEDGING PORTFOLIO

The Group's hedging strategy is described in section 3.1 (Note 27, "Management of market risks and financial derivatives").

The Group has hedged its entire USD exposure for 2013 and 2014 at 1.29 and 1.28, respectively, and has also launched portfolio optimization measures for these years designed to improve the minimum exchange rate parity.

RISK FACTORS

/ IDENTIFIED RISK FACTORS /

The Group has continued its progressive hedging strategy for its 2015 exposure. At February 20, 2013, on top of an existing portfolio of USD 3.3 billion in forward hedges at an average rate of 1.26, the Group has set up USD 1.3 billion in accumulators for 2015, enabling it to supplement its day-to-day hedging operations at an average rate of 1.23, provided that the EUR/USD exchange rate remains below 1.42 in 2013. If the EUR/USD exchange rate were to climb above 1.42, the positions contracted at 1.23 would be maintained, but the accumulators would stop working until the spot exchange rate fell back below this threshold. Conversely, if the spot exchange rate were to fall below 1.23 (accumulator rate), the Group would not benefit from the improvement in the exchange rate and would be obliged to sell the USD at 1.23 (only for these products and only for the remaining hedging balance/term).

Based on the performance of these products, and given that the level at which accumulators are no longer effective is set at 1.42, the Group aims to achieve a hedged rate of 1.26 in 2015.

In mid-2012, the Group began hedging its projected 2016 exposure. On top of an existing portfolio of USD 1.0 billion in forward hedges at an average rate of 1.33, the Group set up USD 1.7 billion in accumulators for 2016, enabling it to supplement its day-to-day hedging operations at an average rate of 1.20, provided that the EUR/USD exchange rate parity remains below 1.38 in 2013 and for a part of 2014. If the EUR/USD exchange rate were to climb above 1.38, the positions contracted at 1.20 would be maintained, but the accumulators would stop working until the spot exchange rate fell back below this threshold. Conversely, if the spot exchange rate were to fall below 1.20 (accumulator rate), the Group would not benefit from the improvement in the exchange rate and would be obliged to sell the USD at 1.20 (for these products only).

Based on the performance of these products, the Group aims to achieve a hedged rate of 1.26 in 2016 on total exposure of USD 2.7 billion.

For the record, the estimated annual exposure of approximately USD 5.2 billion depends on budgeted sales figures, and is regularly reviewed for each year covered by the foreign currency risk management policy.

A one-cent change in the EUR/USD exchange rate parity on the hedged rate has an impact of €30 million on adjusted profit from operations.

The following tables present the sensitivity of the main income statement aggregates to a 5% increase or decrease in the EUR/USD exchange rate (average and closing exchange rates). The first table shows adjusted data, the second consolidated data. The sensitivity analysis takes account of:

- the translation effect, i.e., the impact of changes in the EUR/USD exchange rate on the translation into euros of the results of entities whose functional currency is the US dollar;
- the transaction effect, i.e., the impact of changes in the EUR/USD exchange rate on USD transactions conducted by entities whose functional currency is the euro, and on the value of the EUR/USD hedging portfolio.

The sensitivity of equity to a 5% increase or decrease in the EUR/USD closing exchange rate affecting the net investment hedge of some of its US entities is presented in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

Adjusted data (in € millions)

	2011		2012	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.39		1.29	
Average exchange rate used for sensitivity analysis	1.32	1.46	1.22	1.35
Closing rate	1.29		1.32	
Closing exchange rate used for sensitivity analysis	1.23	1.35	1.25	1.39
Revenue	218	(197)	281	(254)
Profit (loss) from operations	6	(6)	11	(10)
Financial income (loss)	6	(5)	17	(15)
Profit (loss) before tax	12	(11)	28	(25)

Non-adjusted consolidated data (in € millions)

	2011		2012	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.39		1.29	
Average exchange rate used for sensitivity analysis	1.32	1.46	1.22	1.35
Closing rate	1.29		1.32	
Closing exchange rate used for sensitivity analysis	1.23	1.35	1.25	1.39
Revenue	386	(349)	480	(434)
Profit (loss) from operations	172	(155)	207	(187)
Financial income (loss)	(1,038)	801	(814)	643
Profit (loss) before tax	(866)	645	(608)	456

INTEREST RATE RISK MANAGEMENT

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

- price risk in respect of fixed-rate financial assets and liabilities; interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk in respect of floating-rate financial assets and liabilities; interest rate fluctuations have a direct impact on the Group's 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.).

EURO INTEREST RATE RISK

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

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 as of January 1, 2013 the interest rate on a portion of the financing for the employee savings plan.

Exposure to euro interest rate risk is presented in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

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 December 31, 2012, 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.

Exposure to USD interest rate risk is presented in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

SENSITIVITY

A 1% rise in interest rates would decrease the cost of debt by €1 million (versus a neutral impact in 2011).

MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

Commodity hedges, together with the fair value of the related hedging instruments, are disclosed in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

EQUITY RISK MANAGEMENT

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, which are the only listed securities classified as available-for-sale financial assets that it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity at end-2012 (€3 million at end-2011).

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

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

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

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

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

The maturity schedule for trade and other receivables is set out in section 3.1 (Note 16, "Trade and other receivables").

LIQUIDITY RISK MANAGEMENT

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

Surplus cash is managed with two principles in mind:

- safeguarding the amounts invested at all times;
- optimizing investment yields whenever possible, without jeopardizing the safety of the investments themselves.

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

A number of financial covenants apply to the EIB borrowings set up in 2003, 2005 and 2010.

The following two ratios apply:

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

Undrawn confirmed liquidity facilities at December 31, 2012 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively. These two facilities are subject to a financial ratio (net debt/EBITDA of less than 2.5).

This covenant also applies to the senior unsecured notes issued on the US private placement market.

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

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

4.1.8 LEGAL RISKS

In the same way as other industrial groups, Safran is exposed to technical and commercial risks as a result of its activities. From a legal standpoint, Safran is particularly exposed to the risk of non-compliance with commercial regulations and anti-trust law. To address such ethical risks, Safran has deployed an action plan entitled "Sustaining a culture of integrity" outlined in section 5.2 and focusing in particular on containing the impact of non-compliance risks.

Aside from the main risks identified in this respect and disclosed in section 3.1 of this Registration Document in Note 30 ("Off-balance sheet commitments") and in Note 31 ("Disputes and litigation"), based on an analysis of the legal risks to which the Group is exposed, no other probable or material risks were identified.

4.1.9 ENVIRONMENTAL RISKS

All industrial activities generate risks, particularly Health, Safety and Environment (HSE) risks. Safran's HSE policy is implemented within the framework of an improvement drive which aims to bolster its strategy of anticipating and preventing potential risks in all of its activities.

Chapter 5 on Corporate Responsibility presents a range of HSE programs and initiatives and analyses performed by the Group have not identified any uncontrolled risks.

4.1.10 DATA CONFIDENTIALITY RISKS

Safran's Defence business as well as its advanced innovation and product technology expose it to the risk of breaches of security in relation to its premises or IT systems (illegal attempts to gain access to confidential information, threats to the physical security of installations, etc.).

In order to limit the impact of this risk, the Group has highlighted the assets most at risk and deployed a policy to protect its sites and information systems (compliant with national regulations and subject to audits and inspections by regulators). Group safety officers also organize awareness-raising initiatives for employees.

4.2 GENERAL RISK MANAGEMENT POLICY

The Group adopts a “Comprehensive Risk Management” approach which has been validated by the Group Risk Committee.

4.2.1 GROUP RISK COMMITTEE

The Group Risk Committee is made up of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers, and headed up by the Group Risk Management and Insurance Director.

Its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;
- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk Department.

The Risk Committee met twice in 2012.

4.2.2 RISK AND INSURANCE DEPARTMENT

The Group Risk and Insurance Department reports to the Deputy Chief Executive Officer, Finance. This department is responsible for implementing the Group's risk management policy. Its duties include:

1) MAPPING GROUP RISKS

The Risk and Insurance Department summarizes risk appraisal results at Group level and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Determining the degree of control is also essential in characterizing risk.

The Risk and Insurance Department ensures that action plans are put in place to improve risk management and recommends a compromise between the risk exposure retained by the Group and the exposure transferred to the insurance and/or reinsurance markets as appropriate.

2) ROLLING OUT THE RISK MANAGEMENT POLICY

In order to achieve optimal risk coverage, the risk management policy is based on:

FIRST-TIER ENTITIES

Each first-tier entity appoints a Risk Manager, who prepares a risk map for his/her entity that is subsequently reviewed during the entity Risk Committee meetings. In all instances, risk management draws on a common methodology using risk analysis as the starting point. A risk owner is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk Department (major risk map and the corresponding degree of control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

The Risk and Insurance Department requires first-tier entities to roll out risk management processes in newly-acquired entities and to organize Risk Committee meetings at least twice a year.

The Group Risk Management and Insurance Director regularly attends these committee meetings.

The Risk and Insurance Department coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved annually by the Group Risk Committee.

FUNCTIONAL DEPARTMENTS AND PROCESSES

The Risk Department prepares a mapping of major risks by Group functional and central department based on interviews. These maps are then approved by functional departments. For each identified risk, a risk owner is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

Risk management is also supported by the Internal Audit and Control Departments (see section 6.5.5).

3) DEVELOPING RISK MANAGEMENT GUIDANCE, ANALYZING AND RECOMMENDING IMPROVEMENTS TO THE RISK MANAGEMENT SYSTEM

The Risk and Insurance Department develops methodological techniques and processes to ensure consistent handling of risks between companies, assists with their use and encourages the sharing of best practices. The Group has a risk manual organized by process, level of impact, frequency, probability and control. Detailed guidance is also prepared for the analysis of certain risks.

4) PROMOTING RISK AWARENESS AND A STRONG RISK CULTURE ACROSS THE GROUP

A "Risks and management" training course, launched in 2007 and organized jointly by the Risk Department and Group Risk Managers in liaison with Safran Corporate University, has promoted risk awareness among almost 880 managers within the Group, including 170 in 2012.

5) IMPLEMENTING THE CRISIS PREVENTION AND MANAGEMENT SYSTEM

This system is based on the implementation of coordinated procedures for managing warnings and crises, at the level of the Group, companies or individual sites.

6) IMPLEMENTING THE PREVENTIVE SAFRAN'S DOCUMENTS INTEGRITY PROGRAM (PSIP)

The aim of this program is to help manage documentation and legal liability risks resulting from the Group's products and/or services. The program is also designed to protect employees from the consequences of an accident due partly or wholly to the Group's products and/or services.

Over 2,000 employees received PSIP-related training in 2012.

7) TAKING OUT INSURANCE COVERAGE

The Risk and Insurance Department identifies the accident risks to which Group entities are exposed and, after careful consideration, takes out the necessary insurance coverage using either insurers in the market or a Group self-insurance arrangement.

It coordinates all Group insurance-related matters for damage caused either to or by the Group, with the exception of personal insurance and loan insurance.

4.3 INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

- A "comprehensive industrial risks" policy covering all Group entities for damage to industrial installations (buildings, machines, inventories, etc.). The maximum payout under the policy is €300 million, or up to €800 million for certain individual sites, excluding market-imposed sub-limits for certain risks such as flooding, earthquakes and natural catastrophes. It includes business interruption insurance.
- "Product third-party liability" policies covering the financial consequences of product failure in the event of an accident following delivery to a third party:
 - Aviation products
The policies provide coverage totaling USD 2 billion per annum that can be used during the year for aviation products. Coverage for helicopter products is capped at USD 1 billion, while coverage for terrorism totals USD 1 billion.

- "Land" products (excluding aviation businesses)

The policies provide coverage of €235 million per annum that can be used during the year.

Total premiums paid by the Group under all policies in 2012 represented 0.15% of adjusted consolidated revenue for that year.

Soreval, a captive reinsurance company based in Luxembourg, participates in the risk coverage scheme.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

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62,558

employees worldwide
at December 31, 2012

7,596

new hires worldwide
in 2012

30%

lower frequency rate of
occupational accidents
resulting in lost worktime
in 2012 compared to 2011

20%

fewer occupational
accidents in 2012
compared to 2011

More than
3,000

employees trained in
corruption prevention
since 2010

CORPORATE SOCIAL RESPONSIBILITY

Safran's social responsibility policy features six strategic focuses based on the main guidelines of the ISO 26000 standard:

- developing innovative products and processes with a lower environmental impact;
- always aiming for excellence in safety and the protection of individuals and property;
- developing human potential;
- involving our suppliers and partners;
- perpetuating the Group's integrity culture;
- guaranteeing better relations with stakeholders.

The CSR policy is overseen by the Deputy Chief Executive Officer, Corporate Office, Dominique-Jean Chertier, and implemented by an internal representative.

This representative coordinates and implements CSR policy at Group level, working with an internal steering committee which is currently being formed.

ETHICAL AND SOCIAL ENGAGEMENT

Safran has a set of values and ethical standards that are espoused by all of its employees. It is corporate policy to ensure that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

SAFRAN'S HUMAN RESOURCES POLICY

The Group's human resources (HR) policy focuses on four strategic areas:

- grooming the best talent to serve innovation;
- promoting social responsibility;
- driving international expansion;
- taking a proactive approach to the Group's transformation.

HEALTH - SAFETY - ENVIRONMENT (HSE)

Safran ambitiously aims for excellence in the field of occupational health and safety and the environment, as well as for its products and services. This reflects the Group's own values and is consistent with its sustainable development commitments.

CSR REPORTING METHODOLOGY AND STATUTORY AUDITORS' REPORT

Safran has elected to have a selection of its labor, environmental and social indicators reviewed by the Statutory Auditors, Ernst & Young Audit and Mazars, in accordance with the CSR reporting requirements set out in article 225 of the Grenelle 2 Act and its implementing legislation. The Statutory Auditors obtained reasonable assurance for eight of the social indicators (identified by the symbol in this section) and limited assurance for a selection of eight HSE indicators and eight social indicators, as well as reviewing ten themes.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the Statutory Auditors' report in section 5.7.2.

5.1

SAFRAN'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Operating in the aerospace, defence and security industries and boasting strong innovative capacities, Safran prepares for the future by developing increasingly efficient products. As such, the Group meets its customers' economic requirements while addressing labor, environmental and social issues.

Safran must also integrate sustainability into its strategy and business operations to meet the expectations of its stakeholders: employees, partners, customers, shareholders, suppliers and all the communities affected by its business.

This corporate social responsibility policy is based on values and ethical standards shared by all employees: civic responsibility, people development and recognition, meeting commitments and teamwork are core values in Safran's corporate culture.

Safran's corporate responsibility shows in its commitments:

- rolling out the Group's far-reaching health, safety and environmental policy designed to develop a culture of anticipation and prevention in managing risks for all of its stakeholders;
- developing Group businesses in full accordance with the highest standards in business ethics;
- developing a strong HR policy focused on anticipating needed expertise, preserving the health of employees and fostering sound employer-employee relations;
- implementing ambitious projects that promote diversity: Safran advocates integrating and maintaining employees with disabilities in the workforce, capitalizes on the experience

of seniors, champions social integration – especially of young people from underprivileged neighborhoods – and encourages equality between men and women;

- establishing a sponsorship policy through two foundations and solidarity initiatives led with major partners.

Safran's Executive Management decided to lay down a formal CSR strategy and governance system in 2012.

For the second consecutive year, the Group consolidated all labor, environmental and social information into a single section. In so doing, Safran aims to highlight the consistency of its initiatives and incorporate social responsibility as a strategic factor in the Group's future and growth.

This practice follows on from the proactive approach initiated by the Group in 2011 and meets the requirements of article 225 of the Grenelle 2 Act and its implementing legislation.

Most of the information set out below is consolidated to cover the Group worldwide and analyzes the data from the consolidation scope of subsidiaries that must comply with these legal and regulatory requirements (Sagem, Snecma and Turbomeca) as well as some other tier-one subsidiaries (Aircelle, Herakles, Hispano-Suiza, Labinal, Messier-Bugatti-Dowty and Morpho). The summary of data is presented in sections 5.8.1 and 5.8.2. However, for greater reliability and due to some legislative requirements, some human resources information is restricted to a smaller scope, encompassing only France or Europe⁽¹⁾.

5.1.1 STRATEGIC CSR FOCUSES

Safran's social responsibility policy features several strategic focuses based on the main guidelines of ISO 26000 and recognizes:

- opportunities inherent to Group strategy: economic performance, innovation and internationalization;
- a number of existing measures and commitments;
- the needs and interests of Group stakeholders.

Based on these criteria, Safran defined the following six strategic CSR focuses:

- developing innovative products and processes with a lower environmental impact;
- always aiming for excellence in safety and the protection of individuals and property;

- developing human potential;
- involving our suppliers and partners;
- perpetuating the Group's integrity culture;
- guaranteeing better relations with stakeholders.

Safran's corporate social responsibility policy applies Group-wide and takes into account all of its stakeholders: business partners, public partners, internal stakeholders, observers and civil society.

Transparency therefore takes on strategic importance in reporting and dialogue with Group stakeholders.

(1) See the Methodology Note on the reporting of social and Health, Safety and Environmental (HSE) indicators in section 5.7.1.

5.1.2 CSR GOVERNANCE

The CSR policy is overseen by the Deputy Chief Executive Officer, Corporate Office, Dominique-Jean Chertier, and implemented by an internal representative. This representative coordinates and implements CSR policy at Group level, working with an internal steering committee.

5.2 PERPETUATING THE INTEGRITY CULTURE

5.2.1 COMMITMENTS: ETHICAL GUIDELINES AND GROUP VALUES

Safran has a set of values and ethical standards that are espoused by all of its employees. It is corporate policy to ensure that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

GROUP VALUES

Safran operates according to seven core values, which provide the foundation of its identity and its image in the eyes of its stakeholders.

These values, promoted at each Group site, are:

- focus on customers;
- meeting the commitments set out in the Ethical Guidelines;
- innovation;
- responsiveness;
- teamwork;
- people development and recognition;
- civic responsibility.

GROUP ETHICS

ETHICAL GUIDELINES

In 2005, Safran introduced Ethical Guidelines setting forth the principles and standards common to the Group as a whole, to be used as a basis for employee conduct under all circumstances. The guidelines, which are summarized below, are not intended to replace or revise the laws and regulations in force, but to provide points of reference and guidance for the conduct of professional activities.

Behaviour outside the Group

■ Upholding the law

In all the countries in which the Group operates, its personnel must uphold the law. Care should be taken, as it may be difficult to understand the law in a legal and cultural environment that is very different than that in which the employee has previously worked. When there is a question or there is any doubt, the employee should immediately consult with a superior or the Legal Department.

Personnel working in a subsidiary jointly owned by a Group company and a foreign company must uphold the law of the

country in which the subsidiary is based, and the country or countries in which it operates and where its shareholders are based.

Integrity, honesty and transparency should guide each of the Group's employees in their work. Employees are expected to deal with customers, suppliers and other business partners in the Group's interest and in compliance with laws and regulations.

All personnel must take particular care to uphold laws on anti-corruption, competition, export and re-export control, labor and employment, safety, health and environmental protection.

■ Engaging in proper business practices

Zero tolerance of corruption

Safran, its companies and employees do not tolerate any form of corrupt practices, be they active or passive, direct or indirect, for the benefit of those in the public or private sector.

The Group's companies apply all international conventions on combating corruption and the anti-corruption laws in force in the countries where they do business.

The Group, its companies and its employees never use a third party to perform any task that they are ethically or legally forbidden to perform themselves. Engaging a third party for the purpose of bribing a person or a legal entity violates anti-corruption laws. Prior to entering any contractual relationship with a business partner, the Group's companies must follow a methodical and documented procedure.

Gifts and hospitality

Business courtesies, such as gifts and hospitality, given to or received from customers, suppliers and other partners are commonly used to build goodwill and acknowledge appreciation in business relationships. However, these courtesies must not exceed a nominal value and may not influence, or give the appearance of influencing, any business decision. Good judgment, discretion and prudence should always guide the Group in these situations. Business courtesies are prohibited by law under certain circumstances and in certain countries. The Group's personnel must comply with the policies and laws that apply in each country where Safran does business.

Complying with export laws

As a global company, Safran purchases goods and services from a diverse group of suppliers. The Group also provides goods and services to customers all over the world. It is therefore critical that the Group strictly complies with all applicable regulations that govern its export activities.

Before engaging in any export activity, Group employees must verify the eligibility of both the delivery location and the recipient. They must also obtain, when applicable, all required licenses and permits, including government authorizations and approvals for government-controlled products or technologies. These authorizations can be obtained from the relevant management in cooperation with Safran's export control organization.

Import activities are also subject to various laws and regulations, and it is the responsibility of the Group's employees to comply with all of the applicable standards. Any breach of these regulations on imports and exports has serious consequences for the Group. It is the Group's responsibility to know and comply with the laws and regulations that apply to its activities.

Competing fairly

As part of its commitment to fair competition, the Group must strictly comply with applicable competition laws in the countries where it does business. In general, these laws prohibit agreements or practices likely to restrain or alter competition or trade. Examples of prohibited agreements include: price fixing, abusive behaviour, bid rigging, allocating markets, territories or customers amongst competitors, or boycotting or discriminating among certain customers or suppliers unless legally justified.

The exchange or disclosure of commercially sensitive information relating to competitors, customers or suppliers may also violate applicable laws.

■ Behaviour towards customers

Each employee must uphold the principles of fairness and integrity in his or her dealings with customers.

The business of the Group, to a large extent, concerns air transport safety; no compromise can be tolerated for any reason; any situation that may seem questionable to an employee must immediately be referred to a superior or the Quality manager.

■ Relations with shareholders

The Group ensures that its shareholders receive, on a timely basis, and in an effective manner, complete, relevant, accurate and precise information that is consistent with previous published information. It takes particular care to implement international corporate governance standards and principles.

■ Relations with suppliers

The Group selects suppliers on the basis of objective criteria and demands high performance from them, in order to ensure that the Group's expectations and those of its customers are fully met. Under no circumstances will the Group use suppliers that make use of child or forced labor. In 2010, the Group signed a charter governing relations between major contractors and SMEs, drawn up on the initiative of the French Ministry of Economic Affairs, Industry and Employment.

■ Integrity

Under no circumstances may employees damage the reputation of the Group or compromise the integrity of its assets or its information systems.

Paid work of any kind that employees may perform outside the scope of their employment with the Group must not cause conflicts of interest with their duties within the Group.

Similarly, considerable caution is required when purchasing shares, directly or via an intermediary, in companies doing business with the Group. Such restrictions do not apply to listed companies, unless confidential information is used, which may be construed as insider trading.

■ Sustainable development

Today more than ever, protecting the environment is a critical concern for all Group employees, starting with product design and running through to the industrial process as a whole.

■ Political and religious activities

The Group does not finance any political parties and any political activities must be carried out exclusively outside the workplace and working hours.

Any religious practices in which employees may be involved must be practiced exclusively outside the workplace and working hours, except in the case of a legal obligation.

Behaviour inside the Group

■ Information control

Employees must ensure the protection of information acquired in the course of or in connection with the performance of his or her duties. Employees are to pay particular attention to respect the internal rules of protection and applicable requirements during both written and verbal communication.

■ Protecting the confidential nature of certain information

In the course of their duties, all employees have access to confidential information, which represents a key asset of the Group. Confidential or classified information is sensitive information which must not be disclosed or communicated outside of the Group. Similarly, Group employees may have information concerning the national security of the country in which the Group company is located. Care must therefore be taken to ensure that such information is protected from third parties.

Any information that could influence the value of the Group's stock price must remain confidential, until it has been communicated by the Group to the public. Any personal use of such information would constitute insider trading and could expose the employee to both civil and criminal liability.

■ Respect for other people

The safety and health of individuals are prime objectives for the Group.

The Group is an equal opportunity employer. Recruitment and promotion are based exclusively on professional qualities and performance. The Group respects the dignity and private life of each of its employees. Furthermore, one of the Group's key values is to create the necessary conditions for all employees to achieve fulfillment in their chosen profession. All Group companies comply with the rules of protection of personal data known as the "Binding Corporate Rules" (BCR), applicable to the treatment and transfer of data outside of the European Union.

■ Compliance with the Ethical Guidelines

Each employee is required to review, understand and comply with the Group's Ethical Guidelines.

In the event of a question or any doubt regarding appropriate conduct, it is the responsibility of the employee to immediately contact a superior or the Group's Legal Department.

Each employee has an affirmative obligation to comply with these Ethical Guidelines.

5.2.2 ZERO TOLERANCE OF CORRUPTION

DEFINITION

Safran defines corruption as offering, promising or giving any undue pecuniary or other advantage, whether directly or through intermediaries, to a third party, in order that said third party act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of business.

Jean-Paul Herteman, Chairman and Chief Executive Officer of the Safran Group, has set out this unequivocal commitment to rejecting corruption.

"Safran firmly believes that lasting growth requires full dedication from each employee in complying with the Group's Ethical

Guidelines and business integrity policy. Safran's ethical excellence extends beyond moral considerations or regulatory compliance. It derives from individuals' outstanding professional behaviour in any circumstances and with all stakeholders."

Safran conducts business in compliance with the anti-corruption and export control laws.

In order to ensure the application of the Ethical Guidelines, Safran has defined common requirements in the form of business-compliance related procedures applicable to all Group companies. These requirements are broken down into a series of specific operational procedures for each Group subsidiary, and are adjusted to take account of the regulations applicable to each subsidiary's specific organization, products and markets.

AN ANTI-CORRUPTION PROGRAM THAT MEETS THE HIGHEST INTERNATIONAL STANDARDS

Following an audit conducted between September 1 and December 15, 2012, Safran obtained anti-corruption certification from the French Agency for the Diffusion of Technological Information (*Agence pour la Diffusion de l'Information Technologique* – ADIT). This certification is based on standards approved by France's Central Service for the Prevention of Corruption (*Service Central de Prévention de la Corruption*), an interministerial body under the Minister of Justice, and is valid until December 2015. Anti-corruption certification recognizes the effectiveness of Safran's business compliance program, thereby validating the Group's efforts over the past several years to bring its rules and procedures in line with the highest international standards.

In line with its commitment to combat all forms of corruption, Safran and all Group companies have signed the Common Industry Standards for Anti-Corruption developed by the Aerospace and Defence Industries Association of Europe (ASD), which promote and reinforce integrity among its members.

Safran is a member of the Strategy Committee of the IFBEC (International Forum of Business Ethical Conduct). This organization is made up of leading US and European companies in the aerospace and defence sectors, and promotes industry-wide ethical standards and good business practices through the Global Principles on Business Ethics, which have been signed by Jean-Paul Herteman, Safran's Chairman and Chief Executive Officer.

Safran has defined a rigorous continuous improvement program to prevent corruption and foster a culture of honesty and fairness while addressing two main concerns: i) promoting responsible behaviour among employees and management and ii) protecting Group assets through risk management.

The program falls under the responsibility of the Executive Vice-President, International Development, as part of a dedicated structure, the Business Compliance and Export Control Department.

As a member of the Group's fraud committee, the department head coordinates the anti-corruption program at Group level and participates in national and international anti-corruption initiatives to promote best practices and dialogue between companies and civil society: the French Aerospace Industries Association (GIFAS), Aerospace and Defence Industries Association of Europe (ASD), International Forum on Business Ethical Conduct (IFBEC), International Chamber of Commerce (ICC), the French employer's association MEDEF, the French business ethics organization *Cercle Éthique des Affaires*, etc.

RAISING EMPLOYEE AWARENESS

All Group employees and Executive Committee members, both directly and indirectly concerned, receive regular, adapted information: more than 50 documents per year, including a trade compliance report every two months, an information bulletin on ethical trade, country regulation guides, dedicated intranet service, etc.

A program of on-site instructional training courses was developed for Group companies worldwide. Preventing corruption was a topic incorporated into several Safran Corporate University training programs, aimed specifically at staff involved in purchasing. These courses are designed to impart on each employee adequate knowledge of regulations applicable to their businesses and full understanding of Group procedures and how they are applied at their company.

SUPPORTING THE PROGRAM: ORGANIZATION, PROCEDURES AND CONTROL

A NETWORK OF 75 COMPLIANCE OFFICERS

The 30 Trade Compliance Officers (TCOs), delegated by their company's Chairman and Chief Executive Officer, are responsible for guaranteeing the strict compliance of business transactions with Group procedure and instructions in relation to anti-corruption. TCOs report to the Group Head of Business Compliance and Export Control, who is responsible for providing them with the support and information necessary and useful to their work.

TCOs work with a network of 45 Trade Compliance Correspondents (TCCs) who ensure that measures are applied at each subsidiary or division of their company.

The TCOs and TCCs must ensure that the persons exposed to and concerned by such risk within their organizations (business, marketing, legal, financial, human resources, supply chain) receive information and training on Safran's business compliance program and carry out any necessary reviews to ensure compliance with procedures.

TCOs and TCCs meet each year to harmonize their knowledge, exchange good practices and contribute to improving the business compliance program and related procedures.

PROCEDURES ON SELECTING AND VALIDATING BUSINESS PARTNERS – GIFTS, HOSPITALITY AND TRAVEL

These procedures clearly and precisely describe the roles of employees and the rules to apply in performing their duties. They are updated regularly and widely distributed among managers and the employees concerned. The Group's external partners also receive these procedures.

- The international business compliance procedure lays down strict rules on managing contractual relations with the business partners of Group companies, including those engaged in offset agreements: consultants, service providers, distributors or investment or venture capital partners. The procedure is updated each year following a review in order to improve and take account of any changes to anti-corruption regulations and disseminate best practices identified.

It describes rigorous standards applied by the Group worldwide with respect to the selection, qualification, ethical evaluation, tracking and payment of business partners. More specifically, it defines a validation process for business partners that is centralized by the International Executive Management (IEM) independently and without business pressure. All business partners of Group companies

are systematically subject to due diligence by certified independent experts.

- The procedure for "gifts, hospitality and travel" given to or received from customers, suppliers and other stakeholders stipulates that they must be used exclusively to acknowledge appreciation in business relationships and in no way give rise to a conflict of interest or influence a professional decision.
- A clause on ethics is included in Safran's general purchasing terms and conditions signed by all Group suppliers.

APPROPRIATE CONTROLS

Monitoring Group companies' implementation of and compliance with current procedures is carried out by means of regular reviews by the IEM relating to the compliance of consultants' files and audits carried out by the Group's Audit and Internal Control Department. These audits aim to ensure that accounting procedures are being complied with (in particular that bills issued by the business partners are properly checked), that all payments made to them correspond to actual services and that the amounts paid do not exceed market rates.

5.2.3 COMPLYING WITH EXPORT LAWS

Group companies purchase goods and services from different suppliers. They also provide goods and services to customers all over the world. It is therefore critical that Safran complies, without exception, with all applicable regulations that govern its activities in the export and import of military or dual-use technology.

Safran follows procedures that guarantee strict compliance with legislation governing export control.

This compliance standard was especially useful for companies obtaining certification from the French Directorate General of Weapons Procurement as of the application of the transposition law of the European Directive on intra-Community transfers of defence equipment (June 30, 2012). Once the notification process is launched, at least five tier-one entities are expected to obtain the certification.

COMPLIANCE STANDARD

A Safran compliance standard sets out the Group's requirements with regard to the control of exports and re-exports to third countries. It is structured around nine key compliance issues:

- implementation of a dedicated organizational structure;
- development of an internal export control program by each Group company;
- training and awareness-raising;
- identification of export restrictions;
- establishment of license/agreement application;
- compliance with the terms and conditions of approved licenses;
- monitoring and audit of the export control program;
- monitoring of technology transfers (data and software);
- treatment of any cases of non-compliance.

ORGANIZATION

Commitment by the Group's Executive Management to complying with the laws in force has enabled Safran to implement a dedicated compliance structure. This structure includes:

- the Business Compliance and Export Control Department, under the responsibility of the Executive Vice-President, International Development, sometimes referred to as the International CEO, is assisted by a global network of export control officers. They work together to ensure that the Group's compliance standard is applied consistently. The Business Compliance and Export Control Department defines overall policy, ensures that each company is applying Group standards, assists Group companies in their transactions, and represents the Group before the relevant government and professional bodies. It is involved in a number of working groups with national authorities in France and in all countries from which the Group exports. In 2012, GIFAS collaborated with the French Directorate General of Weapons Procurement

on the transposition of the European Directive on intra-Community transfers. The export control committee of the ADS also carried out its own work on the project. The Group plans to continually improve its compliance standard and take part in debates on the topic;

- 58 Empowered Officials (members of the Management Committee) appointed at all of the Group's legal entities that import or export products, who, by delegation of the Chairman and Chief Executive Officer of their company, are personally liable for the compliance of their company's exports with the Company's commitments in this respect;
- 58 Export Control Officers (ECO) appointed in each company by the Chairman and Chief Executive Officer to assist the Empowered Official. This person is assisted by a network of 350 Export Control Managers (ECM) in the main operational departments concerned;
- a Group Export Compliance Committee, responsible for recommending to the Executive Management team any actions, organizational methods and directives that would enable it to ensure the Group's compliance with the relevant national and international laws and regulations. The Committee also keeps Executive Management up to date on the progress of the actions in place and of any risks or problems that have arisen.

TRAINING AND AWARENESS-RAISING

International Executive Management notifies all Group employees exposed to and concerned by exports of any regulatory developments and any breaches of these regulations.

Safran organizes targeted training sessions for project managers and buyers, offered by Safran Corporate University, and provides its companies with training materials that they can adapt to the regulations applicable to their company structure, products and market. More than 3,000 employees in France and the US have received this training since 2010.

Safran has developed a unique export control intranet to help raise employee awareness, bring practical assistance to employees worldwide and ensure that they comply with French, European and non-European regulations regarding the export of military and dual-use goods. The site notably provides users with rapid access to lists of countries subject to embargoes and persons or entities with whom trade is forbidden.

CONTROL

The Audit and Internal Control Department performs frequent audits of Group companies to obtain evidence that the compliance standard is being applied. In certain crucial cases, Safran calls on independent firms to carry out additional audits. All of the Group's main companies have been audited since 2010, and improvement plans are systematically defined and put in place.

In complex cases, Safran also ensures that its companies detect, assess and account for any cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future.

The Group's companies or Safran informs the relevant authorities in each case of non-conformity. To date, none of the cases brought to the attention of the authorities have been subject to penalties, which demonstrates their faith in the control system put in place by Safran.

5.3

DEVELOPING HUMAN POTENTIAL

5.3.1 PRESENTATION OF STRATEGIC FOCUSES

To keep in line with its growth and ambitions, the Group must attract the best talent and guide its employees in meeting the challenges they face.

The Safran Group's HR policy focuses on four strategic areas:

- grooming the best talent to serve innovation;
- promoting corporate social responsibility;
- driving international expansion;
- taking a proactive approach to the Group's transformation.

The human resources (HR) function has implemented major reforms to meet these goals, which include pooling HR activities, overhauling department organization, training teams and improving processes. These improvements aim to boost the collective performance of the HR function, thus offering managers and employees greater

support, more solutions and a better understanding of the organization.

GROOMING THE BEST TALENT TO SERVE INNOVATION

Safran's rapid growth in a highly competitive international market has led to the recruitment of young graduates trained in new technologies and renowned experts in cutting-edge fields to prepare for its future projects.

Recruiting the best profiles and offering them attractive career paths is the focus of Safran's HR policy.

Meeting its recruitment needs has become a strategic priority for Safran, leading the Group to launch a massive employer branding campaign to boost its reputation and highlight its appeal as an employer in the eyes of its top recruitment targets.

The campaign powered a new Group tagline, “*Key missions, Key technologies, Key talents*”, to include the men and women of Safran, who make up the Group’s third fundamental pillar.

Safran puts forth extensive efforts to develop talent and support professional integration by training young people under work-study programs and internships at various levels of qualification. It initiated an action plan to improve the number of young hires trained within the Group. Steps were taken with the GIFAS to devise shared apprenticeship schemes between Safran and its SME sub-contractors.

These measures reflect Safran’s endeavors to attract the best talent and offer rewarding professional development through its Group-wide HR policy:

- a skills management scheme coordinated by operational managers and the Human Resources Department to anticipate and prepare for major industry developments;
- a Group-wide career management plan to mark out career paths for managers or technical experts in the Aerospace, Defence and Security sectors;
- an active mobility program featuring *Talent Search*, a one-stop recruitment platform for all business lines, simplifying transfers between Group companies;
- professional training programs with identified business areas: technical, programs, sales, purchasing, finance, etc.;
- leadership and talent development programs offered through Safran Corporate University to guide the transition to managerial positions.

PROMOTING CORPORATE SOCIAL RESPONSIBILITY

Respect for other people and a special focus on employment are fundamental values in the Group’s social responsibility policy, which complies with the conventions of the International Labour Organization (ILO). Social cohesion is therefore a major stake underpinning the harmonious growth of the Group.

This objective is based on the application of Group-wide management methods, namely:

- employee profit-sharing plans adapted to the specific context of the country;
- employee shareholding plans associating employees with Group targets;
- processes designed to develop employer-employee relations internationally with the setting up of a European Works Council and a commitment to participate in European-level negotiations on a framework agreement that promotes the professional integration of young people.

More specifically in France, the Group has been developing several key areas: (i) preserving the health of its employees, (ii) training, (iii) developing the career and skills management program and (iv) promoting diversity and equal opportunity.

- The prevention of accidents in the workplace and the preservation of the physical and mental health of employees feature among Safran’s ethical commitments. This took concrete form with:
 - the rollout of the agreement on occupational stress prevention signed in 2011,
 - comprehensive weekly and monthly reports of accidents resulting in lost worktime included in the reporting submitted to Executive Management,
 - company agreements on the prevention of dangerous or arduous work signed at several Group companies,
 - continued Group-wide negotiations on the prevention of harassment and violence in the workplace.
- Similarly, the promotion and management of diversity and equal opportunity are considered factors that bolster Group cohesion and performance. In France, these goals fostered a new Group agreement to promote the employment of disabled workers signed on April 6, 2012 and an amendment to the agreement on the employment of seniors pending negotiations on France’s future “Generation contract”.

DRIVING INTERNATIONAL EXPANSION

The international nature of the Group requires the implementation of an appropriate HR policy.

This involves:

- including international managers in the Executive Management scheme, with career committees and manager reviews to identify high potential candidates extended to international subsidiaries. Developing international Safran Corporate University programs enables culture-sharing and a better understanding by managers of the true international nature of the Group;
- enhancing international mobility, with the creation of a Group Mobility Charter and an international job pool;
- improving and harmonizing assistance provided to expatriates and developing other ways of working abroad;
- implementing health and welfare plans to accompany all forms of international mobility;
- rolling out new employee shareholding plans abroad: the international Group employee savings plan, free share plans, etc.

The Group's many sites across the globe and the diversity of its businesses and products offer vast opportunities for geographic mobility.

With operations in nearly 60 countries, the Group gives some of its employees the option of gaining professional experience abroad. It will continue enriching the international dimension of its teams by employing a growing number of international employees at its French companies, developing career opportunities at its subsidiaries worldwide and promoting intercultural exchange in implementing strategic projects.

TAKING A PROACTIVE APPROACH TO THE GROUP'S TRANSFORMATION

In 2009, the Group embarked on large-scale initiatives to upgrade its management techniques and processes. These initiatives are designed to install more efficient operating procedures and to accompany the creation of a consolidated group, within which the different companies share common procedures.

These modernization projects fostered cross-business organizations, including Shared Services Centres (payroll, non-production purchasing, accounting, IT, finance, etc.). The Group began transferring these centers to a single site in 2012.

One of the main objectives of these Shared Services Centres is to serve the entire Group building on their high level of skills and expertise.

Safran set up a special unit in 2012 to consolidate its gains from modernizing its management systems and streamline how they will be applied globally.

The Group intends to pool the best practices from each cross-business organization on productivity, HR development and the quality of service provided for companies.

The HR function is also fully involved in this move to create a unified group and is working to adapt its own organizational structure through the creation of three new departments focused on (i) recruitment, careers and mobility, (ii) the development of talent and (iii) employee relations.

The function is also being modernized, with a new Shared Services Centre which took over the administrative duties and payroll at the end of 2012 for close to 38,000 employees, representing virtually all Group employees in France.

A unified human resources management application is currently being rolled out in France and in North America eventually to establish a cohesive, global system for human resources management.

In a Group that is constantly evolving, accompanying organizational changes represents a major challenge for HR teams, which need to:

- provide the necessary legal support to strengthen the required procedures;
- define and negotiate the status of employees affected by these changes;
- organize, coordinate and monitor staff mobility related to these changes.

Accompanying the Group's organizational changes also requires a good understanding of Safran's medium-term needs with regards to its businesses and expertise.

5.3.2 HEADCOUNT

BREAKDOWN BY BUSINESS

The Group had 62,558 employees (excluding work-study contracts) at December 31, 2012.

The following table presents a breakdown of employees by business at that date:

	France	International	Total
Aerospace Propulsion	19,082	4,189	23,271
Aircraft Equipment	9,931	12,943	22,874
Security	1,327	6,400	7,727
Defence	6,442	740	7,182
Holding company and other	1,196	308	1,504
2012 GROUP	37,978	24,580	62,558

Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

BREAKDOWN BY COUNTRY

The Group's expansion continued apace both in France and abroad. In May 2012, the Group set up Herakles following the merger of Snecma Propulsion Solide and SME. It acquired Cassis International through Morpho in July 2012, to join the e-Documents division. The trusted service management pioneer and leader has 75 employees with its registered office located in Singapore.

At end-2012, the Group's workforce had grown 4.6% since the previous year and represented more than 24,580 employees working outside France in 57 countries.

The following table presents a breakdown of employees by geographic area at December 31, 2012 :

		2012 Group	% of total
Europe	France	37,978	60.7%
	United Kingdom	2,130	3.4%
	Belgium	1,475	2.4%
	Germany	1,067	1.7%
	Russia	295	0.5%
	Other ⁽¹⁾	1,628	2.6%
	Africa and the Middle East	Morocco	2,070
South Africa		286	0.5%
United Arab Emirates		107	0.2%
Other ⁽²⁾		52	0.1%
North America		United States	5,754
	Mexico	4,135	6.6%
	Canada	1,093	1.7%
South America	Brazil	850	1.4%
	Other ⁽³⁾	377	0.6%
Asia	India	1,517	2.4%
	China	913	1.5%
	Singapore	534	0.9%
	Other ⁽⁴⁾	119	0.2%
Oceania	Australia	178	0.3%
TOTAL		62,558	100%

(1) Albania, Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey and Ukraine.

(2) Algeria, Bahrain, Egypt, Kenya, Kuwait, Lebanon, Oman, Qatar and Saudi Arabia.

(3) Chile, Colombia, Peru and Uruguay.

(4) Hong Kong, Indonesia, Japan, Malaysia, Philippines, South Korea, Taiwan, Thailand and Vietnam.

OTHER INFORMATION ON HEADCOUNT

At December 31, 2012, 37% of Group employees were engineers or managers. In France, the breakdown of employees by professional category shifted in favor of engineers and managers: 41% managerial-grade staff (cadres), 29% technicians, 4% supervisors, 6% office staff and 21% line workers.

More than 25% of Group employees and 20% of engineers and managers worldwide are women. Close to 21% of French engineering and managerial-grade staff are women.

Over 21% of employees are involved in research and development activities.

Excluding acquisitions, the Group boasts net job creation for 2012, thanks to brisk external recruitment and stable departures. Over 12 months, the Group hired 7,596 people, including

2,879 job creations. Safran hired over 1.61 employees for each departure, and 47% of new hires were for newly created positions.

MORE SPECIFICALLY IN FRANCE

The use of fixed-term employment contracts remains very limited and concerned less than 1% of employees at the end of 2012, while permanent employment contracts represent 90.5% of recruitment. Temporary staff represented about 4.75% of the workforce (excluding work-study contracts) in 2012, primarily in the Aircraft Equipment and Defence businesses, which make use of this type of labor due to significant fluctuations in business levels. Efforts are being combined to limit the number of temporary staff.

Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

5.3.3 HR POLICIES

RECRUITMENT AND INTEGRATION

Safran continued to recruit in 2012 in order to bring in the fresh skills needed to maintain its leading position in the innovation of new generations of aircraft and new technologies related to the Group's businesses, with 3,193 new hires in France. Among the new hires, 64% were for managerial-grade positions and more than 22% were women. Young graduates accounted for close to 40% of our managerial-level hires. Safran recruited 4,403 employees abroad, of which nearly 27% were managers.

Virtually 70% of engineering and managerial-level new hires had a scientific or technical background, mainly in the following areas:

- mechanical engineering;
- materials;
- aerodynamics, energy, thermal sciences;
- electronics and automation;
- software development (onboard software);
- systems architecture;
- methods;
- development testing.

In pursuing its innovation policy, the Group is seeking to diversify its recruitment channels. While a large portion of its intake in the scientific sector is made up of engineers, it also targets academics with a master's degree or PhD.

Recruiting the best profiles and offering them attractive career paths is the focus of Safran's HR policy.

Aligned with its development, the Group put forth extensive resources to apply this policy, culminating in a new recruitment communication drive. The launch of this large-scale, multi-channel (press, print and online) campaign prompted the Group to redesign all the content of its recruitment website, which now features a new name: **safran-talent.com**. The new site reflects the Group's employer branding strategy to make its areas of expertise readily understandable and attractive while conveying a powerful image of Safran's corporate culture. An extensive promotional scheme was introduced at the Group's target schools to raise awareness about the values and advantages of the employer brand. Lastly, the main social networks (Facebook, LinkedIn, Viadeo) featured a new relation-building program.

At the same time, Safran continued to step up its presence at target schools and universities in France and abroad through a number of events designed to offer students guidance in building their career path (conferences, career round tables, visits to industrial sites, forums, the setting up of Chairs, etc.). Today, a network of over 230 Safran ambassadors is proactively working with students to share with them about the Group's business lines and opportunities. Safran also strengthened its partnerships, furthering its involvement

in educational programs and participating in the target schools' management bodies.

Upstream recruitment operations were pooled to form Talent Search in France. Working with the departments seeking to hire, this Shared Services Centre handles the sourcing and preselection of candidates on behalf of Group companies.

DEVELOPING CAREER PROSPECTS

To expand career prospects, the Group-wide career management plan encourages mobility, training and retraining opportunities. Safran Corporate University is also involved, through courses preparing managers to take over new responsibilities.

A Group-wide career management plan was defined to align career-related bodies (career committees and business line committees) and meetings (individual interviews, career interviews, progress reports, etc.) according to a timetable applicable to all Group companies. The scheme will be rolled out in 2013. Some employee categories already receive guidance at Group level (Experts, Black Belts and Master Black Belts, Managers of Managers, expatriates).

The Group has also adopted a centralized system to optimize the management of its senior executives and high-potential managers. The aim is to identify, train and retain internal talent for succession planning purposes.

MOBILITY

In 2012, over 500 employees benefited from an internal transfer between two Group companies in France.

To improve the mobility process, a centralized team of mobility and career advisors anticipates and offers guidance through business line development, applying the HR initiatives of business line committees. Mobility and career advisors, in collaboration with company business line directors and HR departments, design and coordinate individual mobility and recruitment initiatives. The Group's job exchange platform (*Bourse des Emplois*) allows employees to submit applications online or to send a mobility request specifying the sector and employment pool. A new Mobility Charter and practical employee guidelines will be published as an improved version of the job exchange platform goes live in the first quarter of 2013 in France and in mid-2013 in the United States.

At December 31, 2012, the Group had 400 French expatriates (including 122 expatriations and 124 repatriations during the year) and 90 other international transfers.

These 400 expatriates provide commercial and technical services for customers in 49 countries, primarily in Europe (30%), North America (26%) and Asia (25%).

An expertise center was formed in 2012 to gradually merge the management of expatriates, boosting the transparency and consistency of mobility processes. This structure will develop the Group's capacity to deploy expatriates and meet future challenges as it moves into new international markets.

The Group's international subsidiaries benefited from this expertise in preparation for their upcoming implementation of mobility policies for expatriation from countries other than France.

Gaining international experience is an important part of the Safran career path.

The efforts made in 2012 to boost the mobility of younger employees paid off, as the Group now has 107 international volunteers under the French VIE (International Volunteer) program.

Standard contractual arrangements and expatriation packages have been defined at Group level and deployed in all entities to facilitate mobility. International mobility expertise is being coordinated to ensure compliance with the Group's international mobility policy (employment contract, taxation and pay) and support for the implementation of international career management and repatriation programs.

CAREER AND SKILLS MANAGEMENT PROGRAM

The analysis of the quantitative and qualitative developments needed in the business lines helps define the actions to be put in place to accompany strategic developments within the Group related to new markets, new technologies and customer requirements.

In 2012, this analysis was used to define initiatives in certain priority areas:

- in R&D: systems architecture, software and electronics;
- in production: methods and supply chain;
- in programs/customer relations: sales/marketing and programs;
- in support functions: finance, management and human resources.

These initiatives cover all the main aspects of human resources management, namely:

- training by creating and bolstering career paths, allowing employees to develop their skills, manage professional change and improve their employability;
- mobility and career management with greater visibility and support through developments and transitions between businesses and improved employee information;
- more targeted recruitment of Group employees and relations with schools to better attract talent.

This information was shared with the trade unions at a career and skills management program committee meeting. It demonstrates the efforts of employee representatives to integrate the program as a key part of the Group's HR policy, providing all employees with a clear view of the development of the Group's business lines and the possibility of planning their career in line with the future needs of the Group.

TRAINING - SAFRAN CORPORATE UNIVERSITY

By developing Safran Corporate University, the Group has given itself the means to achieve its cultural, technological and organizational transformation. Designed as a cultural melting pot, the university is at the heart of international development and exercises a fundamental influence on all Group members, customers and partners.

The purpose of Safran Corporate University is to provide the knowledge, expertise and people skills necessary to guide the Group's development and growth. The establishment is open to all Group employees. Its role is to promote shared corporate culture and values, and thereby steer training to respond to the Group's strategic requirements and priorities in terms of employee expertise.

Safran invests an average 4% of payroll costs in training.

Nearly 70% of French employees receive training at least once a year.

Safran Corporate University covers all of the business lines, offering training in 16 different areas and representing a total of 1.4 million training hours worldwide in 2012.

A substantial portion of training efforts is focused on developing the technological skills required by major projects.

The development of managerial skills in an international context represents a second major priority.

The quest for customer satisfaction and enhanced economic and industrial performance are the growth drivers that underpin the training program.

In line with the Group's international expansion, Safran Corporate University is active on the three continents where Safran has the strongest foothold (Europe, North America and Asia). Programs are available in about ten countries, in French, English or the local language.

With the local university teams, training is adapted to the region's cultural aspects and relevant needs at the Group sites. This diversity also provides an opportunity to integrate local experience into the programs taught worldwide and enhance the Group's knowledge of its markets.

These exchanges represent an important force in the local response to the training needs of Safran's companies and partners.

At the Dallas campus opened to cover North America (United States, Mexico and Canada), about 30 sessions were organized in 2012, representing about 9,000 hours of training.

Safran Corporate University is also a vector for disseminating Group culture, identity and values throughout all of its companies and countries.

Safran Corporate University's main Campus is currently under construction and due to open in the autumn of 2013. The Campus will provide a proper base for the university, which has been a cultural melting-pot since its creation. The 13-hectare site located in Massy, near Paris, France, will feature a capacity of 600 participants for employee training programs or seminars all year long. Safran's major events (orientation days, seminars, conferences, etc.) and meetings with customers and Group partners will be held there, with access to an amphitheater seating more than 400.

The University's goal is to implement an ambitious Group training policy and to use the resources and efforts involved to meet strategic challenges in order to support the development of the Group's business, technology and international presence. One of the keys to the success of this training system is the commitment of Group management executives, managers and experts to designing and leading these programs.

Safran Corporate University addresses three major challenges that apply to the Group:

- **Improving employee skills and professionalism in all of the Group's business lines**

Business programs allow employees to develop their skills in relation to a particular business throughout their professional career. Safran Corporate University provides this skills development for all employees and contributes to building the Group's human capital, adapting it to tomorrow's businesses and ensuring its continued growth.

The University aims to set up career training programs in line with these needs. Such programs are now available and being rolled out at all business lines. Some of the courses offered by Safran Corporate University will allow employees to obtain a certificate or a diploma. These courses are common to all Group companies in order to encourage the sharing of ideas and best practices.

- **Aiming for excellence in management and leadership**

The Leadership programs provide the necessary career training for senior executives and more generally, for all

Group leaders and managers. These programs are designed to help develop common management practices within the Group and to offer managers every chance of success in their assignments, as they manage change and build the Group of tomorrow.

More than 2,000 Green Belts and Black Belts have been trained since 2010, reflecting the university's campaign to implement the Lean Sigma approach.

Safran's leadership guidelines lay the groundwork for all programs and reflect five managerial priorities: mobilizing employees based on a shared vision, setting the example, daring to innovate, fostering team benefits and promoting individual responsibility.

- **Enhancing the employability of workers**

Transitional programs aim to assist employees whose jobs are likely to change considerably in order to help them develop new skills or change career paths.

Additional specially adapted training programs and specific procedures, involving the assessment of skills, the validation of professional experience, etc., will be put in place to accompany these career changes and developments and prepare employees for tomorrow's jobs.

These programs represent a key component of the employee policy and the career and skills management program.

5.3.4 COMPENSATION AND BENEFITS

COMPENSATION TRENDS

For the second time since the Sagem-Snecma merger in 2005, all French companies signed salary agreements in 2012. These agreements provided for an average increase in compensation of between 2.85% and 3.2% of payroll, depending on the Company, and comprised general and individual increases for employees, and specific increases for managerial-grade staff.

In addition, several Group companies set aside budgets for promoting compensation equality between men and women as part of their annual compensation policy.

INVOLVING EMPLOYEES IN GROUP PERFORMANCE

STATUTORY EMPLOYEE PROFIT-SHARING

In France, statutory profit-sharing is paid under the terms of the Group statutory employee profit-sharing agreement signed on June 30, 2005. A new calculation method was developed in application of an amendment signed on June 29, 2012 to guarantee a more appropriate correlation between profit-sharing and Group earnings. The agreement, which is based on the

principle of solidarity, provides for the pooling of statutory profit-sharing reserves generated by each Group company in France. For a given year, all employees receive an identical percentage of their salary, regardless of their company's earnings. However, the salary used in the calculation is at least 1.2 times the annual social security ceiling (i.e., €43,646 for a full-time employee working for the full year in 2012). The salary floor ensures solidarity between the different pay levels.

For the extended scope of consolidated companies (as defined in Note 33 of section 3.1), the total statutory profit-sharing expense recorded for the last two years is as follows:

<i>(in € millions)</i>	Statutory employee profit-sharing
2011	45
2012	73

OPTIONAL EMPLOYEE PROFIT-SHARING

All French entities have optional profit-sharing plans based primarily on economic performance criteria supplemented, where appropriate, by other company performance indicators.

The total amount of optional profit-sharing payments may not exceed 5% of payroll, although this percentage may be increased to 7% or even 8% in the event of exceptional company performance.

For the extended scope of consolidated companies (as defined in Note 33 of section 3.1), total optional profit-sharing payments, including payments by Group companies outside France, for the last two years are as follows:

<i>(in € millions)</i>	Optional employee profit-sharing
2011	109
2012	131

EMPLOYEE PROFIT-SHARING BONUS AND SHAREHOLDING PLANS

In accordance with French legislation on profit-sharing and given the higher dividend paid per share in respect of 2011 compared with the average dividend paid over the two previous years, a flat bonus of €205 (gross) was allocated to each employee.

The total profit sharing bonus expense recorded in the consolidated financial statements (Note 5 of section 3.1) for the last two years is as follows:

<i>(in € millions)</i>	Employee profit-sharing bonus
2011	19
2012	8

In order to motivate employees further to contribute to its targets and future success and performance, the Group set up a leveraged employee shareholding plan in France at the end of 2011, in which employees could invest all or part of their profit-sharing bonus.

The plan was in the form of an offer to purchase Safran treasury shares reserved for employees through a leveraged fund set up specifically for this purpose within the Group employee savings plan. Employees could subscribe to Safran shares under preferential conditions compared with free shares (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.

The plan was rolled out to Group employees outside France in the first quarter of 2012.

The operation met with resounding success, as nearly 18,000 employees worldwide seized the opportunity to subscribe.

Safran earned an award in 2012 for the development of its employee shareholding plan from the 2012 Employee Shareholding Awards (*Grands Prix de l'Actionariat Salaré 2012*). This development was achieved through both one-off operations, such as the recent employee shareholding offer or the grant of 100 free shares to employees of the Group's European companies in 2009, and long-term plans, such as the Group employee savings plan and the international Group employee savings plan.

EMPLOYEE SAVINGS PLANS

Group employees in France benefit from a comprehensive employee savings plan that allows them to contribute to a company savings plan:

- the Safran collective retirement savings plan (PERCO), recently set up under a Group agreement signed in 2012, allows employees to contribute to a retirement savings plan via six corporate mutual funds (FCPE) with different management strategies;
- the Group employee savings plan, implemented by a Group agreement in 2006, features medium-term savings via a range of five FCPEs with different management strategies. The Group employee savings plan endorses employee share ownership in particular, by allocating company contributions to an FCPE invested in Safran shares.

Rapidly after the Group was created, employee share ownership broadened to an international dimension with the international Group employee savings plan set up under a Group agreement signed in 2006. It provides employer financial support to employees of foreign subsidiaries who wish to contribute to a savings plan based on Safran shares.

In 2012, over 14,000 employees in some 50 Group companies in Belgium, Canada, Germany, Mexico, the UK and the US had access to this plan, which will be progressively rolled out to other countries.

5.3.5 EMPLOYEE POLICY

WORKING HOURS

The Safran Group complies with all legal requirements governing working hours at each site.

In France, most Group companies have signed an agreement on working hours with the following provisions:

- monthly workers: an average of 35 to 39 hours worked per week over the year with compensatory time allotted;
- managerial-grade staff: a system of a set number of hours or days worked over the year with compensatory time allotted;
- senior executives, who are not subject to the legal requirements on work time, conventionally benefit from additional days off.

Different Group sites have introduced special systems to organize employee work time, such as shift work, including night shifts, and flexible time.

The Group believes that working hours should respect the balance between employees' professional and personal lives.

In France, approximately 5% of Group employees worked part-time as at December 31, 2012.

EMPLOYER-EMPLOYEE RELATIONS

Main events in this area in 2012 for the Safran Group in France and in Europe were:

- the signature of Group-wide agreements on:
 - the collective retirement savings plan (PERCO), in February,
 - the employment of disabled workers, in April,
 - the new calculation method for the correlation between profit-sharing and Group earnings, in June,
 - the extension of measures to promote development opportunities for seniors, in December;
- the commitment to participate in European-level negotiations on a framework agreement to promote the professional integration of young people;
- the launch of negotiations to revise the agreement on the Safran European Works Council;
- continued negotiations on the prevention of harassment and violence in the workplace;
- the start of negotiations on training;
- meetings with the Group's union representatives to discuss various issues (statutory bargaining round, training, etc.);
- meetings of the Group and European Works Councils in ordinary and extraordinary sessions.

Each Group company also pursues a dynamic negotiation policy based on its economic and social profile. Salary agreements were signed at all Group companies in 2012 in the statutory bargaining round.

RELATIONS WITH THE LOCAL COMMUNITY

The Group's entities maintain close relations with their local and regional communities and help to raise the Group's profile through active participation in social and economic initiatives at the local level.

The Group devotes considerable resources to training young people under work-study programs and internships at various levels of qualification. In France in 2012, Safran welcomed 3,182 young people under work-study contracts (apprenticeship and professional training contracts) and 2,951 internships, representing 16% of the French workforce.

An action plan was also initiated in 2012 to improve the number of young hires trained within the Group. Steps were also taken with GIFAS to devise shared apprenticeship schemes between Safran and its SME sub-contractors.

The Safran Group pools the payment of apprenticeship tax for qualification levels of "Bac+5" (five years' post-secondary education) and above across all companies, given the national dimension of these qualifications, in order to ensure overall consistency with the Group's strategic focus. The payment of this tax for other qualification levels is entrusted to each company, as their better understanding of the local environment enables them to support the entities that train individuals whose expertise matches recruitment profiles within their employment pool.

Safran has developed partnership initiatives with French public research institutes (CEA, CNRS) in scientific and technology sectors, with engineering and business schools, as well as with scientific universities both in France and abroad. At end-2012, the Group had 147 industrial agreements for training through research (*Conventions Industrielles de Formation par la Recherche – CIFRE*) and Diplomas of Technology Research (*Diplôme de Recherche Technologique – DRT*), a rise of nearly 14% since 2010.

EMPLOYEE-RELATED ACTIVITIES MANAGED BY THE WORKS COUNCIL

In France, the contribution paid by Group companies to their Works Councils for employee-related activities varies between 1% and 5% of the total payroll, depending on the Company and the site.

5.3.6 DIVERSITY AND EQUAL OPPORTUNITIES

Safran has engaged in a policy of combating discrimination and promoting equal opportunities for several years, instituting its Diversity Charter, applicable to all Group companies in November 2010.

In 2012, the Group pressed ahead with its commitment to diversity, broken down into the following four areas:

- integrating and maintaining employees with disabilities in the workforce;

- promoting professional equality between men and women;
- integrating young people;
- developing opportunities for seniors within the Group.

Awareness-raising and communication initiatives, along with the specific targets in place, reflect Safran's determination to boost its social responsibility in this area and report on advances made.

INTEGRATING AND MAINTAINING EMPLOYEES WITH DISABILITIES IN THE WORKFORCE

Measures taken to promote the employment of workers with disabilities at Group subsidiaries differ from country to country, as national legislation varies considerably. Safran is dedicated to complying with all laws, regulations and any local recommendations that apply to employing workers with disabilities.

In France at December 31, 2012, the Group had 1,507 workers with disabilities (i.e., 4% of the French workforce), 66 work-study contracts and 15 internships.

To advance the driving force initiated with the agreement signed in 2010 and 2011 with Agefiph, a French association promoting the employment of people with disabilities, Safran signed a three-year Group agreement with all trade unions in April 2012 to promote the employment of workers with disabilities, applicable from 2012 to 2014.

Through this agreement approved by the Paris regional directorate for enterprises, competition, consumer affairs, labor and employment (*Direction Régionale des Entreprises, de la Concurrence, de la Consommation, du Travail et de l'Emploi*), the Group continued its mobilization, with concrete steps to recruit more employees with disabilities and improve their professional development and working conditions.

This action focuses on five areas:

- a plan to hire at least 72 workers with disabilities: half the target was reached at December 31, 2012, with 37 disabled workers recruited since January 1, 2012;
- the development of integration and training programs;
- the introduction of a formal Group process on the retention of employees with disabilities and career guidance;
- the development of the Group's collaboration with companies that employ only people with disabilities and provide them with special facilities and support;
- communication and awareness-raising initiatives on disabilities for all those involved with the company.

PROMOTING PROFESSIONAL EQUALITY BETWEEN MEN AND WOMEN

Gender equality, employee diversity and variety in profiles foster innovation and are key drivers in Safran's performance and development. These issues are overriding aims in Safran's employee policy.

Initiatives focus mainly on ensuring equal compensation, a discrimination-free recruitment policy and career opportunities at all levels of the hierarchy. In France, the Group has signed equal pay and career opportunity agreements in its main subsidiaries that include objectives, progress indicators and progress reviews.

Worldwide, 25% of Group employees are women, with 20% among managers. Given the Group's high proportion of production- or

technical-based jobs, women continue to be underrepresented. The Group is engaged in a proactive policy to attract women, develop gender balance in teams and provide women with access to high-level positions.

Safran's initiatives in France include its partnership with "*Elles bougent*" (Women on the move), an association which aims to promote industrial professions among female high school and university students and encourage them to pursue their studies in these fields.

Through this partnership, Safran has helped young women learn about its technical and scientific jobs as early as possible in their education. The Group hopes to stimulate interest and meet its target of recruiting at least 25% women in the years to come.

Steps have also been taken to foster access for women to high-level positions at the Group.

In France in 2012, the Group participated in the first Women in Industry awards (*Trophée des Femmes dans l'Industrie*), in partnership with the magazine *Usine Nouvelle*.

In Morocco, Safran hosted a conference on women, industry and development (*Femmes, industrie et développement*) in Rabat in March 2012, which drew political and economic Moroccan opinion leaders, Group employees and the media. The Group is a leading employer in Morocco with six subsidiaries in Casablanca and Rabat, which represent over 2,000 employees, of which 56% are women.

For several years, Safran has been a partner to the Women's Forum, an international event bringing together influential men and women. This partnership advanced in 2012, when Safran held a workshop on the role of women in innovation, "Produce in Europe to grow internationally", inviting about 30 women from Group companies to join in debates and conferences. The workshop provided the opportunity for the Group to promote its industrial strategy, thereby maintaining its technological roots in France and Europe while developing internationally.

INTEGRATING YOUNG PEOPLE

Safran's diversity program focuses on an active and cohesive employment policy for young people from underprivileged neighborhoods and on social and professional integration for disadvantaged groups.

The Group continued its action in 2012, signing the two-year national commitment on employment in priority neighborhoods. Six hundred people will be taken on over the period, including 100 hires, 200 work-study contracts and 300 internships.

In 2012, Safran also continued partnerships with locally active associations, namely "*IMS - Entreprendre pour la Cité*", a network of 200 companies supporting corporate responsibility.

Safran furthered the partnership forged with the Frateli Association, which develops mentoring programs between high-potential students from disadvantaged backgrounds and young professionals. Over 20 employees are now mentors.

Safran joined forces with one of its target schools, Supélec, to promote the social integration of high school students from low-income backgrounds from the Essonne department, by

participating in a program entitled “A top school: why not me?” (*Une grande école : pourquoi pas moi?*), which aims to increase the chances for students from underprivileged neighborhoods to enroll in ambitious study programs.

The Group also partnered the “Aerospace of the heart” (*Aéronautique du cœur*) project initiated by Boeing, which works to integrate individuals from the “Integration projects” (*Chantiers de l’insertion*) program launched by the “Restaurants of the heart” (*Restos du Cœur*) organization through internships.

PROLONGING THE WORKING LIVES OF SENIORS

The Group has developed a proactive career management policy for seniors.

Close to 30% of the Group’s employees worldwide are aged 50 or over. Holding onto these employees, capitalizing on their vast professional experience and giving them confidence in their professional future is a major priority for the Group.

More specifically in France, Safran signed an agreement on the employment of seniors and in 2012 continued to roll out measures in line with this agreement, mainly including:

- a commitment to avoid age discrimination in the fields of recruitment, training, compensation and career development;
- the creation of special leave for employees aged 50 and over to carry out a professional project or work in the voluntary sector. The special leave is granted for up to six months and is subsidized by the Company;
- introduction of subsidized part time allowing any willing employees with ten years’ service in the Company to work 80% of the time and be paid for 90%;
- measures aimed at preventing dangerous or arduous work and improving working conditions and health of seniors in the workplace (medical check-ups, remote working arrangements, etc.);
- other measures also in place aimed at refreshing and capitalizing on the skills of seniors and improving their career management opportunities.

These measures were extended by amendment in December 2012 pending Group-level negotiations on France’s new “Generation contract”.

5.4

AIMING FOR EXCELLENCE IN HEALTH, SAFETY AND ENVIRONMENT

5.4.1 OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL POLICY (HSE)

As an international leader in technology, Safran aims for excellence in the field of occupational health and safety and the environment, as well as for its products and services. This reflects the Group’s own values and is consistent with its sustainable development commitments.

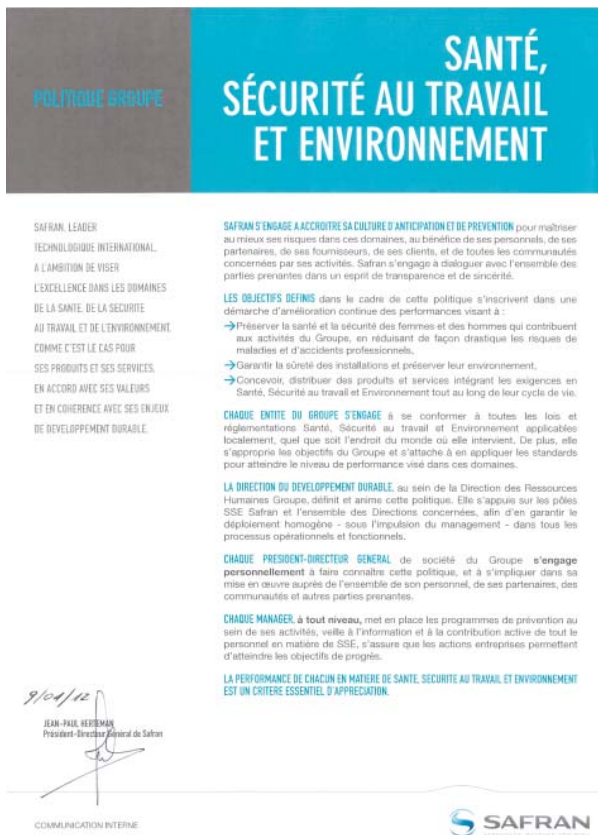
In line with one of its seven values – civic responsibility – Safran is committed to developing a culture of anticipation and prevention for managing occupational health and safety and environmental risks that benefits its employees, partners, suppliers and customers as well as all communities affected by its operations wherever Safran is present. Safran is dedicated to strengthening relations with all of its stakeholders while upholding transparency and reliability.

The objectives defined in this policy, put forward by the Sustainable Development Department and validated by the Chairman and Chief Executive Officer, are in line with the Group’s strategic CSR focuses presented in section 5.1.1:

- always aiming for excellence in safety and the protection of individuals and property;
- developing innovative products and processes with a lower environmental impact.

In 2012, the Group’s Sustainable Development Department continued to spearhead the occupational health and safety and environmental policy and the implementation of policy fundamentals defined in 2008 in line with the Group’s strategic CSR focuses:

- management of risks and their impacts;
- compliance with Group HSE requirements;
- integration of HSE into day-to-day actions;
- demonstration of HSE leadership;
- consideration of HSE issues in any changes made;
- measurement of HSE performance;
- experience sharing;
- shared supervision.



5.4.1.1 ORGANIZATION

In 2012, the Group consolidated and set its HSE structure, organizing the Sustainable Development Department into two major units:

- a Steering unit that comprises three regions (Americas; Europe–North Africa; Asia–Oceania–Middle East–Sub-Saharan Africa), thus encompassing all of Safran’s sites and facilities worldwide. In order to develop local synergies, each region is broken down into divisions covering several geographic sites that may belong to different companies;
- a Segments/Programs unit providing assistance to all Group programs and applications and for external requests from its partners and stakeholders.

The Sustainable Development Department also calls on local division coordinators, company specialists, site prevention officers, occupational health services and a network of decentralized experts.

The Department’s health advisor covers the entire Group to coordinate occupational health services and prevention and ergonomics programs.

At Group level, the Sustainable Development Department liaises with other departments in coordinating overall HSE policy. At division level, the prevention officers, in conjunction with the local HSE departments, ensure that improvement programs are implemented to reduce HSE risks, and also oversee employee

training and awareness-raising programs. Each company appointed an HSE specialist in charge of guiding and assisting its management executives. Over 350 prevention officers contribute to rolling out and improving HSE policy with all Group employees and stakeholders.

Set up in 2008, a “REACH group” project team (Registration, Evaluation, Authorisation and restriction of Chemical substances) draws on the Product Environment Correspondent network to coordinate all the Group initiatives in this area. This Group-wide project is overseen by the Group’s Sustainable Development Department and Industrial Management Department. This dual supervision gives the project greater operational scope. The role of the Product Environment Correspondents is to facilitate the implementation of measures in response to growing environmental imperatives applicable primarily to products.

5.4.1.2 OBJECTIVES

The Group’s HSE policy is underpinned by the international rollout of Safran HSE risk management programs and guidelines:

- implementing common HSE objectives for all entities aimed at reducing risks and reinforcing operational control;
- coordinating and improving HSE synergies, which requires the commitment and involvement of Group and company departments. Each Chairman adapts the Group’s HSE policy and is involved in its implementation. Each manager initiates prevention programs adapted to his or her business in order to achieve the progress objectives.

The Group’s HSE objectives are rolled out across Group entities by the operating divisions, advised and assisted by the relevant HSE prevention officers. The HSE objectives for 2012 cover the following areas:

OCCUPATIONAL HEALTH

- Psychosocial risks: based on research conducted with the University of Liège, targeted action plans were developed to boost our performance in this area.
- Ergonomics: the Group assessed its requirements in order to allocate resources accordingly. A Group-wide Ergonomics program was introduced and an ergonomics specialist hired.
- The EVREST (Assessment of Occupational Health) health observatory program: data sets on the work and health of employees are collected and monitored over several years. Indicators are monitored annually, and specific areas are subject to quantitative analysis. This helps better understand the relationship between employee health and work.

OCCUPATIONAL SAFETY

- The frequency rate of occupational accidents resulting in lost worktime: the 2012 target is a Group value of less than 4.4. The occupational safety target is adapted to each company in line with its businesses and past performance and is one factor that determines the variable portion of compensation for executive and senior management. The performance of each manager is also assessed based on an HSE target.

- Risk analysis: the TESSE risk analysis system is used in the United Kingdom, Canada and Morocco.

ENVIRONMENTAL PROTECTION

- Climate: an assessment of greenhouse gas emissions was consolidated between 2008 and 2011. In application of French regulations, the system for measuring and defining emissions reduction plans was implemented at the sites concerned. An overview of these plans was reported to the competent authorities and published on the Company websites.
- Protection of natural resources: each company draws up a natural resource conservation plan with measurable targets.
- Chemical risk: the Group's Reaching system improves safety in introducing new chemicals.

HSE MODERNIZATION

- Group HSE guidelines: these guidelines are rolled out at all companies. All entities with over 50 employees perform a self-assessment, which is reported in the SCORE (Safran COrporate REporting) system. The guidelines cover ISO 14001 and OHSAS 18001 requirements.
- Managerial involvement: all operating divisions aim for Level 2 maturity in the management commitment and leadership standard.
- Professional training: 50 new HSE training programs are available through Safran Corporate University.
- Local divisions: the program has been launched at all divisions.
- HSE specialist appointed at each company.
- Acciline: Acciline accident management software is used at French companies with over 100 employees.
- SCORE: version V6 of Safran's reporting system is used at all sites included in the reporting scope. The new version makes it easier to manage continuous improvement plans.
- CORP (Customized Regulatory Compliance): the system checks regulatory compliance for French companies.

5.4.1.3 GUIDELINES AND CERTIFICATIONS

GUIDELINES

Structuring risk management and enhancing performance by applying the Safran HSE guidelines:

- the guidelines were consolidated in 2012 and currently include an HSE manual that covers ISO 14001 and OHSAS 18001 requirements and 27 HSE standards setting out Safran's

specific requirements. A maturity matrix is used to assess performance (maturity level) and set specific improvement targets. Each Group entity evaluates its maturity level on a 1-to-4 scale. The maturity level applies to each standard assessed. Standards may apply differently depending on the entity's business activities;

- the Safran HSE guidelines were validated by a third party, demonstrating its equivalence to the ISO 14001 and OHSAS 18001 standards;
- in 2012, the Safran HSE guidelines were rolled out to all Group entities;
- labels are attributed according to each entity's maturity level: bronze (Level 1 for all standards), silver (Level 2 for all standards) and gold (Level 3 for all standards). In 2012:
 - four entities were attributed the bronze label,
 - one entity was attributed the silver label.

The Group is aiming for Maturity Level 3 (on a scale of 1 to 4) for all standards at all entities within three years.

CERTIFICATION AUDITS

At December 31, 2012:

- 39 entities were ISO 14001 certified by a third party;
- 6 entities were OHSAS 18001 certified by a third party;
- 21 entities were certified equivalent to ISO 14001 based on the Safran HSE guidelines;
- 2 entities were certified equivalent to ISO 14001 and OHSAS 18001 based on the Safran HSE guidelines;
- 70 inter-company internal audits were carried out in 2012 based on the Safran HSE guidelines. These internal audits enabled the entities to correct and enhance their HSE management systems;
- 58 HSE auditors, whose internal certification is kept up to date and validated by the Sustainable Development Department, conduct reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year. All auditors took four training courses in 2012 for qualification expertise in the ISO 14001 and OHSAS 18001 standards and the Safran guidelines. In 2013, training programs in French and English will be available.

5.4.1.4 SCOPE

In 2012, the scope of HSE reporting included all entities whose businesses and products may present HSE risks. The data cover some 59,205 employees working at 130 entities worldwide. SCORE has been the reporting database since 2005.

The scope was extended in 2012 to include the Herakles sites.

5.4.2 OCCUPATIONAL HEALTH AND SAFETY

5.4.2.1 HEALTH: "PRESERVE THE HEALTH OF THE MEN AND WOMEN WHO CONTRIBUTE TO THE GROUP'S ACTIVITIES"

Based on a reporting scope of 59,205 employees, the total number of occupational illnesses reported in 2012 stood at 113. The ratio of occupational illnesses was 1.9 per thousand employees in 2012 (2.75 in 2011 and 3 in 2010). Similar to previous years, 70% of the reported occupational illnesses were attributed to musculoskeletal symptoms (MSS). This level is in line with the nationwide statistics published for France. The number of illnesses linked to prior exposure to asbestos remained stable (18 in 2012).

With the Group's increasingly international dimension, expatriate employees benefit from especially close health monitoring and a medical assistance provider.

Following the different pandemic alerts (bird flu, swine flu), Safran devised a health crisis management plan that is updated on a regular basis. Company crisis manuals and Business Continuity Plans (BCP) were also created. Campaigns are regularly organized to raise awareness about crisis management.

Wherever possible, occupational health services roll out the EVREST health observatory program. The program is currently applied at 34 Group facilities, covering 80% of the workforce in France and Belgium. Widely used in France and Belgium, EVREST allows the Group to compile data on employee occupational health over time and determine areas for improvement.

For several years, the Group has worked actively to prevent psychosocial risks in general and occupational stress in particular. In a number of entities it has rolled out a stress prevention policy based on a diagnostic review followed by an action plan.

In 2004, the Group introduced a four-step approach to analyzing psychosocial risks (stress) consisting of:

- setting up an analysis of ways to prevent psychosocial risks, securing the involvement of site and line managers as well as trade unions and forming a steering committee to supervise this initiative;
- training the steering committee members in psychosocial risks and raising employee awareness;
- performing diagnostic reviews of psychosocial risks using the Working Conditions and Control Questionnaire© (WOCCQ). A framework agreement was signed with the University of Liège, a pioneering figure in this area and the brains behind the WOCCQ. Sites with few staff that do not have the resources to roll out such tools can draw on internal questionnaires or the EVREST health observatory for their diagnostic reviews;
- performing analyses and implementing action plans. These may be global, cross-functional or by sector and result from the work of sector-based focus groups.

On January 19, 2011, the Group signed an agreement on stress prevention in the workplace with five trade unions representing the Group's employees in France. This agreement plans to:

- roll out the occupational stress prevention program to all Group facilities;

- round out the approach with:
 - awareness-raising and/or training for all those involved as well as managers,
 - initiatives to detect and care for employees suffering from stress.

This agreement also provides for an extension of existing measures to protect employee health and assistance with changes in the organization as part of a change enablement program.

In 2012, 55 sites used the WOCCQ, covering over 35,000 employees in France and Belgium. UK, German and Canadian sites performed similar analyses using adapted methodology. More than 3,000 managers have benefited from awareness-raising campaigns or training on occupational stress management since the program was initiated in 2011. Over 1,700 employees were involved in awareness-raising campaigns in application of the Group agreement in 2012.

5.4.2.2 SAFETY: "PRESERVE THE SAFETY OF THE MEN AND WOMEN WHO CONTRIBUTE TO THE GROUP'S ACTIVITIES"

ACCIDENT ANALYSIS AND PREVENTION

The frequency rate of occupational accidents resulting in lost worktime changed little between 2005 and 2008, falling within a narrow range of 6 to 7. The Group aims to halve this rate over the period 2009-2013, for a performance of 3.3 in 2013.

Based on a safety reporting scope of 59,205 employees, the number of occupational accidents resulting in lost worktime (362 recorded over 12 months) fell considerably in 2012 (down 20% like-for-like on 2011, following a 15% drop between 2010 and 2011). The frequency rate of occupational accidents resulting in lost worktime came out at 3.5 (down 30%) versus the 2012 target of 4.4, while the severity rate fell 23%.

A detailed weekly report on accidents resulting in lost worktime that occurred during the week was added to the regular reporting submitted to Executive Management in 2012. An in-depth analysis of the most significant accidents is also submitted to Executive Management on a regular basis.

Safran deplores one fatal occupational accident in 2012 that occurred while the employee was on duty.

	2010	2011	2012
Frequency rate	6.2	5.0	3.5
Severity rate	0.19	0.18	0.14

Frequency rate: Number of accidents resulting in more than 24 hours of lost worktime per million hours worked.

Severity rate: Number of days' sick leave as a result of occupational accidents per thousand hours worked.

RISK ASSESSMENT

In 2007, the Safran Group approved TESSE, a tool to appraise workstations risk and track employee exposure. The application was used at all French sites in 2010 and 2011. At the end of 2012, the application had been rolled out at 58 Safran sites in France and the rest of the world. This represents an important approach towards improving the understanding, analysis, use and traceability of HSE data.

In 2012, an English version of the application was released, and the system went live at Group sites in the UK, Canada and Morocco.

ERGONOMICS

After implementing tools to analyze the ergonomics of workstations, the Group offers the sites the training necessary to their rollout, in order to increase the focus placed on ergonomics in the analysis of workstation risks and reduce any arduousness or danger at workstations as much as possible. An ergonomics rollout program was introduced in 2012 and is overseen at Group level. Ergonomics is covered in the Safran HSE guidelines and represents one of the Group's top HSE priorities.

FIRE PROTECTION AND PREVENTION

Since 2007, the Sustainable Development Department has been working with an international fire protection and prevention firm to update the Group's fire risk map, under a multi-annual contract that was renewed for 2013. It covers 77 of the Group's main sites worldwide.

Under the past agreement which covered 2010-2012, 89 audits were performed throughout Safran sites, including 29 in 2012. The sites receive technical assistance from the Group in terms of fire prevention: over 285 site requests have been handled, of which 89 in 2012, representing 800 hours of assistance.

These include 68 reviews of existing fire protection and prevention initiatives, of which 22 in 2012, and of new investments in buildings

or facilities to equip them with automatic sprinklers. The fire prevention policy was updated in 2012, with the specific stipulation that any investment of over €20 million must include the installation of a fire protection sprinkler system.

Since 2007, 1,063 recommendations have been issued, of which 166 in 2012.

The IT application for managing this risk allows each site, company and the Group via consolidation, to:

- identify, assess and understand potential risks and damage;
- identify and assess the remedial and preventive measures taken to manage these risks;
- address any recommendations made;
- manage improvements;
- define the strategy for mitigating identified risks.

TRAINING

A number of general and/or technical training programs are dispensed in all areas of HSE and available to all categories of employees. In 2012, over 17,000 employees took HSE training, totaling more than 120,000 hours (9% of the Group's total number of training hours). Over 130 Group-wide programs were available through Safran Corporate University in 2012.

Several initiatives were also undertaken in 2012:

- 14 sessions provided training for 203 managers on the ongoing HSE improvement drive. This training was held in French, English, Spanish and Portuguese and took place in France, Brazil, Germany, the United States, Canada, Singapore and China. Since 2006, 625 managers have received training on the Group's HSE policy.

This training will continue in 2013 in France and abroad.

- A two-day forum in March 2012 brought over 150 HSE prevention officers together to share their experience.

5.4.3 ENVIRONMENT

5.4.3.1 PRODUCTS AND PROCESSES

Safran handles all environmental and health risks as part of its ongoing HSE improvement drive. These include risks related to industrial production as well as risks resulting from the use of its products on the market. Risks are assessed at every stage of the products' lifecycle from design to end-of-use and/or decommissioning. Safran enforces a continuous improvement policy to protect the environment and manage environmental risks.

Rules governing the choice and use of chemical substances are defined in Group procedures and are sent to all Group suppliers. Since 2009, the Group has been harmonizing its procedures in line with its guidelines on the selection of chemical substances in order to devise a list of processes applicable to any new program. A committee was set up to approve and oversee Group policy on the introduction and use of chemicals. Eco-design is covered in the Safran HSE guidelines to integrate safety requirements and product reliability along with the development of eco-friendly products.

As part of its medium-term HSE objectives, the Group defined the following environmental goals in 2008 (reference year):

- 5% reduction in energy consumption or replacement with renewable energies;
- 10% reduction in waste, excluding metallic chips;
- 10% reduction in waste sent to landfill;
- 15% reduction in greenhouse gas emissions.

These objectives are still being pursued. Companies have been asked to draw up a natural resource conservation plan with measurable targets in line with their activities.

5.4.3.2 ECO-DESIGN

In response to environmental challenges such as climate change, resource shortages or the use of chemicals, Safran is mobilized to promote sustainable development in the Aerospace, Defence and Security sectors. In partnership with its customers, the Group is involved in large-scale French and European programs to develop more environmentally friendly products.

Integrating health, safety and environmental factors into design is crucial in leading this campaign. As such, by using eco-design tools, the Group can evolve towards products with a significantly reduced environmental impact.

The Turbomeca TM800 is a concrete example of this approach. The TM800, a future, new generation helicopter engine, is the culmination of extensive R&D efforts to develop a new, more efficient

architecture, choose new, more health- and environmentally-friendly materials and substantially reduce fuel consumption and noise pollution. Other products derived through eco-design include: ever more fuel efficient engines developed over the past 40 years, the LEAP engine to replace the CFM56 as the future engine for single-aisle jets, thrust reversers, Aircelle nacelles and Morpho's new SIM card, SIMply Green.

Environmental factors are not only integrated into product design, but also the construction of new buildings (Coriolis in Montluçon and César in Buchelay) and improvements to existing processes (foundry in Gennevilliers).

5.4.3.3 REDUCING GREENHOUSE GAS EMISSIONS

Three Group companies, classified as combustion facilities (boilers for industrial use and heating installations, cracking furnaces) with a rated thermal input exceeding 20MW, were concerned by the allocation of greenhouse gas emissions allowances for the 2008 to 2012 period.

The decline in emissions at Snecma (Villaroche) reflects the reduced use of its co-generation facility. Messier-Bugatti-Dowty's direct CO₂ emissions relate to its carbon-based materials manufacturing processes and not chiefly to combustion processes. The greenhouse gas emissions produced by Herakles (Saint-Médard-en-Jalles) come from the industrial heating systems used in utility processes.

Company	Location	Activity	CO ₂ emissions reported in 2010 (metric tons)	CO ₂ emissions reported in 2011 (metric tons)	2008-2012 annual allowance (metric tons)
Snecma	Villaroche (France)	Manufacture of engines	9,820	11,586	27,918
Messier-Bugatti-Dowty	Villeurbanne (France)	Manufacture of carbon brakes	11,271	11,393	22,722
Herakles	Saint-Médard-en-Jalles (France)	Manufacture of propellants	17,042	14,716	17,370
TOTAL			38,133	37,695	68,010

5.4.3.4 SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS

In accordance with its aim of fighting global warming, Safran measures its carbon footprint and energy consumption in scopes 1 and 2.

In 2009, the Group measured the carbon footprint of 65 key facilities. The results were used as a basis for the three-year action plan (2009 to 2011). The materials purchased to manufacture Group products represented 50% of greenhouse gas emissions. As for the remaining 50%, the Group activities that leave the largest carbon footprint are energy consumption, freight and employee travel (in decreasing order of importance).

In 2010, an initiative was launched to reduce greenhouse gas emissions at key facilities and each site was asked to propose action plans. The Group's Sustainable Development Department selected proposals submitted by 16 sites covering a total of 47 action plans, including 14 energy saving plans, 12 freight impact reduction plans and 12 industrial waste treatment plans.

In 2010, four additional sites were added to the 65 sites already committed to carbon footprint reduction: Fougères (France) for Sagem Industries, Osny (France), Flintbek (Germany) and Taubate (Brazil) for Morpho.

A new carbon footprint campaign covering 69 sites was launched in 2011 to improve data management and prepare the Group to meet France's Grenelle 2 environmental requirements.

In this year's publication, data on greenhouse gas emissions are reported in metric tons of CO₂ equivalent and cover direct emissions (scope 1) and indirect emissions from energy consumption (scope 2). 2010 serves as the reference year, in accordance with regulations in force. Data were collected in 2011 in line with legal requirements and Group methodology introduced in 2008. Figures were taken from energy bills or meter readings. Data cover the French facilities of the Group's tier-one entities. Herakles was not taken into account as it was not included in the Group's scope of consolidation in 2010.

Each company has initiated a three-year action plan for scopes 1 and 2 to focus on optimizing heating, lighting, and office systems and processes. Cooling systems are covered in separate monitoring and reduction plans. The data collection scope encompasses Safran entities in France included in the assessment of greenhouse gas emissions (headcount of 31,478). 2011 data cover the worldwide scope (headcount of 47,983).

	SCOPE 1 (Eq. t CO ₂ /employee)	SCOPE 2 (Eq. t CO ₂ /employee)
Safran 2010 (France)	4.7	5.4
Safran 2011 (World)	4.3	3.0

5.4.3.5 ADAPTING TO CLIMATE CHANGE

The Group believes that its business activities and the location of its operations do not expose it to climate change risks and has therefore not defined a specific strategy on adapting to climate change. However, climate change is considered one of the natural risks discussed in section 5.4.3.13.

5.4.3.6 ASBESTOS

The Group is concerned by asbestos legislation, in terms of both the protection of users of its products and the protection of employees and service providers.

Replacement solutions have been implemented for products containing asbestos that are marketed by Group companies.

With respect to the presence of materials containing asbestos in buildings, since 1997 several specialized firms have investigated and assessed asbestos risks, according to the nature and condition of such materials. These investigations covered non-friable materials, thereby anticipating future legal requirements.

Additional investigations on equipment were carried out to check for asbestos-based materials. Any necessary replacement is handled in accordance with current legislation and standards. All risks identified have either been treated by direct removal or are subject to monitoring programs, in accordance with regulations in the countries in which the facilities are located.

This issue is tracked in the Safran HSE guidelines that have been rolled out across the Group.

5.4.3.7 CONDITION OF SOIL AND GROUNDWATER

The Group has enlisted independent experts to perform studies and analyses to assess any potential risk of soil and groundwater pollution at its industrial facilities. Preventive or rehabilitation measures are implemented wherever necessary.

In connection with the acquisition of SME, Safran entered into an environmental guarantee agreement with SNPE for the treatment of pollution resulting from past operations at the Bouchet Research Center, Saint-Médard-en-Jalles and Toulouse facilities (all France). The agreement provides for two scoping and analysis phases over 18 months, and a five-year work phase. The French Directorate General for Health (*Direction générale de la santé* – DGS) and the French Agency for Food, Environmental and Occupational Health and Safety (*Agence nationale de sécurité sanitaire de l'alimentation, de l'environnement et du travail* – ANSES) issued a recommendation setting the threshold for ammonium perchlorate in water at 4 ppb/liter. To remain below the threshold, some water supply sources around the Saint-Médard-en-Jalles site were shut down. In application of additional local legislation in 2012, the Saint-Médard-en-Jalles and Toulouse entities drafted water management plans in line with France's national methodology for polluted sites and soil. The Saint-Médard-en-Jalles facility collects wash water and process wastewater for biological treatment. The Toulouse site operates a perchlorate production unit that recycles process wastewater and where shop flooring was waterproofed.

The Sustainable Development Department carries out environmental reviews of buildings, activities, soil and groundwater at each site and contributes to the due diligence for disposals and acquisitions of assets. These reviews also encompass the HSE risk appraisal procedure.

5.4.3.8 HAZARDOUS SUBSTANCES

For several years, the reduction and elimination of hazardous substances in the products and processes implemented in Group companies has been a key area for progress in the Group's HSE policy. A specific structure and resources were deployed in 2008 to ensure compliance with new regulations relating to dangerous substances.

In 2010, in addition to work on compliance with REACH regulations, the measures taken included:

- designing and deploying guidelines on the use of dangerous chemical substances that incorporate different regulations and techniques in the Aerospace, Defence and Security sectors;
- preparing the standard relating to the most critical substances from a Group perspective, using original, rigorous methodology;
- consolidating the database (REACHING) for all substances used by the Group;
- requesting information from suppliers on the chemical content of products they deliver to Safran;

- developing and rolling out replacement solutions for substances deemed as critical in liaison with the different departments involved: the Materials and Procedures, Purchasing, Quality and Technical departments, etc.

European CLP (Classification Labelling Packaging) regulations concerning dangerous substances and mixtures came into force in 2010, and the Group prepared a multi-annual action plan for training employees and raising their awareness of chemical hazards. Applications have been updated, communication initiatives have been stepped up and the necessary changes have been identified and implemented. In 2010, the different Group companies notified the European Chemicals Agency (ECHA) of substances placed on the market pursuant to regulatory requirements. In 2011 and 2012, Safran focused on consolidating all the measures initiated in 2010 and updating them to incorporate any regulatory changes, particularly in REACH regulations.

In 2012, the Group set up a committee on the introduction of chemicals.

5.4.3.9 WASTE

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary non-hazardous industrial waste and hazardous industrial waste. Waste may be recycled and transformed, stored or incinerated. The main companies producing large amounts of hazardous industrial waste (in excess of 1,000 metric tons per year) are Snecma (Corbeil and Gennevilliers), Herakles (Toulouse), Messier-Bugatti-Dowty (Bidos, Walton, Montreal), Turbomeca (Tarnos).

Waste (metric tons/employee)	2010	2011	2012
Ordinary waste ⁽¹⁾	0.41	0.37	0.36
Hazardous industrial waste ⁽²⁾	0.41	0.40	0.43
Transformed ordinary waste*	0.16	0.17	0.16
Transformed hazardous industrial waste*	0.05	0.07	0.09

(1) Headcount covered: 51,342 employees.

(2) Headcount covered: 55,466 employees.

* Energy recovery and recycling.

Waste (% of total processed)	2010	2011	2012
Percentage recycled	34	38	31
Percentage transformed into energy	50	44	38
Percentage sent to landfill	16	18	30

5.4.3.10 WATER CONSUMPTION, MEASURES FOR IMPROVEMENT AND AQUEOUS DISCHARGES

The majority of Safran industrial processes (excluding Herakles) have little or no impact on water quality. Processing effluents that could represent a risk are discharged into surface water via treatment plants that are constantly monitored. In the absence of a treatment plant, they are collected and treated as industrial waste. Several French sites are governed by legislation and covered by additional local regulations concerning the discharge of hazardous substances into water.

Most of the Group's facilities mainly use drinking water. Total water consumption per employee increased in 2012 with the inclusion of the Herakles facilities, which are heavy water consumers.

Large volumes of water are used to produce carbon-carbon brake disks and pads, resulting in high ratios for Messier-Bugatti-Dowty in Villeurbanne (France) and Messier-Bugatti USA in Walton (United States).

The largest water consumers in 2012 were Turbomeca in Bordes and Herakles in Toulouse (both in France), a direct result of their production processes (cooling test cells, perchlorate manufacturing). Excluding surface water, which is essentially used in processes, water consumption per employee stood at 54 cu.m.

Water ⁽¹⁾ (cu.m/employee)	2010	2011	2012
Water supply network	28	26	26
Surface water	28	26	82
Groundwater	34	32	28
TOTAL SAFRAN GROUP	90	84	136

(1) Headcount covered: 57,208 employees.

5.4.3.11 ENERGY CONSUMPTION, MEASURES FOR IMPROVEMENT AND ENERGY EFFICIENCY

Electricity is the prime energy source, representing almost half of total energy consumption, followed by natural gas. Premises are mainly heated by natural gas. Hydrocarbons are used less and less for heating and are now reserved for engine testing and backup equipment.

Energy (metric tons of oil equivalent/employee)	2010	2011	2012
Electricity ⁽¹⁾	1.45	1.38	1.37
Gas ⁽²⁾ excluding use as a raw material and in industrial processes	1.39	1.16	0.92
Fuel ⁽³⁾ excluding heavy fuel oil and heating oil	0.42	0.34	0.27

(1) Headcount covered: 57,169 employees.

(2) Headcount covered: 54,721 employees.

(3) Not including transport. Headcount covered: 58,385 employees.

The following table does not include the energy impact of transporting goods.

The conversion factor used for electricity consumption (1 MWh = 0.0859 metric tons of oil equivalent) is taken from "The new methodology for preparing energy consumption reports in France" published in February 2002.

The Safran Group's per-employee energy intensity was down 14% in 2012 compared with 2011, despite higher business volumes.

5.4.3.12 CLASSIFIED FACILITIES

SEVESO FACILITIES (HIGH-HAZARD THRESHOLD)

Eight of Safran's facilities in France fell within the high-hazard threshold of the Seveso Directive in 2012: Snecma (Vernon), Messier-Bugatti-Dowty (Molsheim), Turbomeca (Bordes), Herakles (Saint-Médard-en-Jalles, Toulouse, the Bouchet Research Center, St Héléne and Candale). These sites comply with and apply prevailing legislation: Security Management System (*Système de Gestion de la Sécurité – SGS*), Internal Operations Plan (*Plan d'Opération Interne – POI*), Technological Risk Prevention Plans (*Plans de Prévention des Risques Technologiques – PPRT*), etc.

FACILITIES CLASSIFIED FOR ENVIRONMENTAL PROTECTION (INSTALLATIONS CLASSÉES POUR L'ENVIRONNEMENT – ICPE)

A number of entities operate facilities that are subject to authorization, declaration or registration requirements in line with French legislation.

In accordance with French laws, some of these facilities (under Seveso or ICPE classifications) are required to establish financial guarantees so that the site will meet safety standards if the business is discontinued.

5.4.3.13 NATURAL RISKS

The Safran HSE guidelines cover these natural risks in the environment/permit/neighborhood standard. Maturity Level 2 requires entities to assess the impact of these risks (see section 5.4.1.3).

5.4.3.14 BIODIVERSITY

The Group has made a commitment to comply with the environmental regulations in effect for all of its development projects. Safran occasionally carries out analyses to determine the impact of its activities on local biodiversity for the purpose of obtaining a license.

5.4.3.15 LAND USE

Although it seeks to optimize their use, Safran is not directly involved in extracting natural resources.

Moreover, the Group takes into consideration the issue of artificial land use in its development.

5.4.4 CONCLUSIONS

In 2012, Safran improved its results in accident analysis and prevention, reducing the frequency rate of occupational accidents resulting in lost worktime* by approximately 30% and the severity rate** by 23% compared with 2011.

The Group did not record any significant environmental accidents with an impact on health or the environment in 2012. Environmental factors improved or stabilized, despite higher business volumes.

This demonstrates the effectiveness of the plans and initiatives implemented by the Group over the past few years and its steadfast commitment to the sustainable development of its businesses. In addition to the examples mentioned above, other measures include intercompany travel plans, recycling carbon fiber scraps, biodegradation of propellants, an electricity-saving project, replacing equipment and optimizing energy use at sites, etc.

* Frequency rate: Number of accidents resulting in more than 24 hours of lost worktime per million hours worked.

** Severity rate: Number of days' sick leave as a result of occupational accidents per thousand hours worked.

Safran continues to be involved in several major initiatives outside the Group:

- Safran is a founding member of the International Aerospace Environmental Group (IAEG), whose prime objectives include setting shared environmental standards for the international aerospace industry and heightening the reliability of the logistics chain;
- Safran participates in a number of European programs (Clean Sky, SESAR, PAMELA, etc.) that aim to substantially improve the environmental performance of air transport over the full life cycle;
- Safran is involved in a number of strategic organizations such as the Civil Aviation Research Council (CORAC) and the Advisory Council for Aviation Research and Innovation in Europe (ACARE).

The Safran Group is also a stalwart member of the French Aerospace Industries Association (GIFAS) which provides a forum for various professional associations and public institutions to:

- focus on the implementation and consequences of EU regulations such as REACh and CLP;
- draft professional guides (namely on performing assessments of greenhouse gas emissions that cover radiation protection);
- find substitutes for chemicals;
- promote occupational safety (radiation protection, dangerous or arduous work, etc.).

Safran will pursue its HSE objectives in the years to come:

- strengthening managerial involvement through the Group guidelines;
- developing and rolling out the ergonomics program;
- reducing the frequency rate of accidents resulting in lost worktime and work-related travel accidents;
- completing its organizational changes;
- targeting environmental measures for each company.

5.5 INVOLVING OUR SUPPLIERS AND PARTNERS

5.5.1 SOCIALLY RESPONSIBLE PURCHASING

The Group's purchasing policy is perfectly in line with its CSR policy. It is rolled out:

- in compliance with the Group's Ethical Guidelines and best practices set out in its mediation guidelines;
- in compliance with Safran's commitments with ministries, organizations and other partners;
- through close cooperation among Group companies, a Safran purchasing network and culture, smooth coordination among all Group members in contact with suppliers and the involvement of the purchasing team in all product life-cycle phases.

This rollout includes:

- a "Purchasing and CSR" project launched in 2012 to:
 - assess the degree of CSR development in purchasing organizations within the Group,
 - capitalize on company feedback,
 - identify priority purchasing categories and develop the corresponding action plans,

- provide training for about one hundred buyers and decision-makers on CSR principles;

- Safran Buyers' Day, an event organized in October 2012 to encourage buyers to continue their work to turn our purchasing policy into a competitive advantage, while maintaining balanced relations with our suppliers.

The measures taken by Safran (application of the European REACh directive, raw materials recycling, purchasing from ESAT [employment assistance organizations for the disabled], purchase of eco-labeled office supplies, IT equipment recycling, fleet of electric vehicles, etc.) are currently being rolled out. In 2013 we will also assess our suppliers' CSR performance and ask them to sign a CSR charter.

Given the growing importance of the French industrial fabric in the Group's activities, Safran joined the association Pacte PME in its commitment to supporting the development of French SMEs, in particular innovative companies. The Group is also a member of its Board of Directors.

5.5.2 SUB-CONTRACTING

Like other industrial groups, Safran uses sub-contractors. Sub-contracting generally comes in one of three forms:

- cooperation sub-contracting, consisting of activities entrusted to major partners at the request of the customer;
- specialty sub-contracting of activities for which the Group does not possess the necessary expertise, for technical or economic reasons;
- capacity sub-contracting, corresponding to maximum sizing of Group production and development and based around cyclical activities.

5.6 INVESTING IN CORPORATE SPONSORSHIP

Safran boasts an active corporate sponsorship policy that is implemented:

- either through one of its two corporate foundations;
- or directly by the Group, through solidarity initiatives led with prestigious public and private partners.

Since 2005, Safran has supported nearly 400 projects through its sponsorship policy.

All of its sponsorship programs champion two major issues: social cohesion and equal opportunities.

5.6.1 SAFRAN CORPORATE FOUNDATION FOR INTEGRATION

Set up in 2005, the Foundation is devoted to the social and professional integration of young adults with a physical, mental or social disability.

The Foundation's Board of Directors places the long-term results for those who benefit from initiatives as the prime focus in its choice of programs.

Most of the Foundation's action concerns France, although some high-leverage partnerships have also been established in other countries: in Morocco with the organization EMA which develops schools in underprivileged areas of Casablanca, in Brazil with the International Youth Foundation which promotes the employment of young high-risk individuals, and in India with the organization Namasté which promotes the professional integration of women with no income.

Safran employees are increasingly encouraged to further their involvement in the Foundation through projects implemented in collaboration with Group and company HR departments. Two significant examples include:

- the program led with the Frateli Association to offer increasingly operational and diversified guidance to high-potential students from underprivileged backgrounds through program mentors, who are highly experienced Safran employees;
- the multi-year project to design innovative wheelchairs, launched in the summer of 2011 in partnership with the Fondation Garches and different engineering and design schools (Centrale Lyon, ISTE, Strate College), with the involvement of Safran staff, essentially engineers. The short-term goal is to design one or more prototypes, after which the project's partners plan to produce and market one of the models.

5.6.2 SAFRAN CORPORATE FOUNDATION FOR MUSIC

The Foundation was created in 2004 and supports young, particularly promising musicians in their training and professional development through scholarships in France or abroad, assistance in buying an instrument, financing music recording projects, etc.

The Foundation also participates in organizing music events and contests to win the “Safran Corporate Foundation for Music Award”, which went to the pianist Guillaume Vincent in 2012.

5.6.3 SOLIDARITY SPONSORSHIP

Since 2008, the Group has lent its support to a number of solidarity programs that are jointly implemented with the Sponsoring Department.

These programs feature two fundamental dimensions:

- combining both social and cultural aspects;
- encouraging sound, long-term partnerships with prestigious public and private establishments, such as:
 - the Ministry of National Education: annual concerts at the Salle Gaveau for around 700 students from schools in disadvantaged neighborhoods in the Paris region, accompanied by their teachers and senior management from the ministry,
 - the *Orchestre de l'Alliance* (Alliance Orchestra): support for major national causes as part of the *Saisons de la Solidarité* (Seasons of Solidarity) program, with concerts at the Salle Gaveau; all proceeds are donated (in 2012 the donations were made to the AFM [French Muscular Dystrophy Association] Telethon),
 - the French Senate and the French Ministry for Urban Affairs: the *Talents des Cités* (Inner-city Talent) initiative sponsored by Safran since 2011 to support young entrepreneurs from underprivileged neighborhoods,

- the French Embassy in the United States: a multi-year partnership formed in 2011 with the embassy's cultural departments to organize concerts to promote young virtuosos both at prestigious Washington D.C. venues and on tours at US universities,
- the Duke Ellington School for the Arts, a public high school in Washington, D.C.: support for the establishment's dual objective to foster excellence (exceptional talent) and solidarity (students from disadvantaged backgrounds),
- Mexico City Papalote Museum: program initiated with the Mexican Ministry of Education.

Each initiative is promoted internally and externally through Safran's intranet and website, as well as other communication media.

A brochure in French and English is published annually, and updates on initiatives are provided several times a year in an electronic newsletter (in French and English), which is sent to the Group's staff and main external contacts.

Safran employees are increasingly involved in these programs, both in France and around the world.

5.7

CSR REPORTING METHODOLOGY AND STATUTORY AUDITORS' REPORT

5.7.1 METHODOLOGY NOTE ON LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) REPORTING

The labor and HSE indicators in this section have been defined by experts from the Group's support functions and businesses.

As part of its ongoing improvement drive, Safran is gradually introducing a set of labor and HSE indicators that meet legal obligations and follow the changes in the Group and its businesses.

The indicators and reporting period presented herein cover the 2012 calendar year, from January 1 to December 31, unless otherwise indicated.

Safran has elected to have a selection of its labor and HSE indicators reviewed by the Statutory Auditors, Ernst & Young Audit and Mazars, in accordance with the CSR reporting requirements set out in article 225 of the Grenelle 2 Act and its implementing legislation.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the Statutory Auditors' report in section 5.7.2.

5.7.1.1 REPORTING SCOPE

LABOR INDICATORS

The labor reporting scope covers Safran and all of its subsidiaries in which the Group has more than 50% direct or indirect control, excluding joint ventures (companies controlled jointly by Safran and another group), unless otherwise indicated below.

The labor indicators at December 31, 2012 cover all subsidiaries from all business lines included in the reporting scope.

Indicators on training, work-study programs, internships, disabled workers and absenteeism only pertain to France, but the Group is working to expand the reporting scope of these indicators.

HSE INDICATORS

The HSE reporting scope encompasses Safran and some of its subsidiaries in which the Group has more than 50% direct or indirect control. The scope covers the health and safety issues of 130 entities (including the Herakles entities), totaling 59,205 Group employees and representing 95% of the Group's workforce (62,558 employees). Adjustments may have been made to the scope of each indicator in line with its relevance for the entity and the entity's ability to provide data.

CHANGES IN SCOPE OF CONSOLIDATION

Changes in scope are due to acquisitions, the set-up of new companies, disposals, liquidations or changes in subsidiary investments. The following rules were defined for labor and HSE indicators:

- acquisition: data on the acquired entity are included in the consolidation scope at the date on which control is acquired by the Group;
- set-up: data on the new entity are included in the scope as of the inception date;
- disposal/liquidation: data on the entity sold or liquidated are excluded from the consolidation scope at the actual disposal or liquidation date.

Reporting systems must be implemented for set-ups and acquisitions. Additional time may therefore be required for consolidated reporting.

5.7.1.2 DATA COLLECTION

Labor and HSE indicators are based on several data collection systems used by the Group. Each system falls under the responsibility of a specific department.

LABOR INDICATORS

Employee data are reported on a quarterly basis, with the exception of data on absenteeism, which are reported monthly.

Employee data are collected at each subsidiary controlled directly by Safran (tier-one entities). These tier-one entities are responsible for collecting the employee data from their respective subsidiaries in which they have over 50% control. Data reported in the scope of France derive from the same reporting system, Cognos RH, which is updated through a common pay system used by all subsidiaries. International employee data are collected using a standard model. The Group's Human Resources Department consolidates employee data for French and international companies based on the information reported by tier-one entities, following consistency checks.

HSE INDICATORS

Safety indicators are reported on a monthly basis, while health and environmental indicators are reported on an annual basis. Health and safety data published in 2012 correspond to the data available at the end of the year. Environmental data are published on a rolling year basis from October 1, 2011 to September 30, 2012. Scope 1 and 2 data on greenhouse gas emissions correspond to the stabilized 2010 data for French entities, in order to meet regulations in effect. Scope 1 and 2 data for 2011 cover operations worldwide, including France. 2012 data will be compiled in 2013.

Data are entered by representatives appointed at each entity in the special SCORE (Safran Corporate Reporting) data collection system. Data are validated and checked under the supervision of the head of the entity. The Group's Sustainable Development Department is responsible for consolidating data. Indicators are defined in SCORE, which has been rolled out Group-wide since 2005.

5.7.1.3 DETAILS ON CERTAIN INDICATORS

The definitions of labour indicators, presented below, are provided in the model used worldwide and available for representatives.

The definitions and calculation methods of HSE indicators are provided in the reporting system available for representatives. The main assumptions are presented below by group.

HEADCOUNT

The headcount includes all employees under permanent or fixed-term employment contracts covered in the scope. Employees are counted in terms of individuals and at the end of the month. Headcount excludes other types of contracts such as work-study contracts, industrial agreements for training through research (*Conventions Industrielles de Formation par la Recherche – CIFRE*), Diplomas of Technology Research (*Diplôme de Recherche Technologique – DRT*) or seasonal employment contracts.

The data on the employee age pyramid cover 96% of Safran's workforce, as some subsidiaries qualify this information as confidential when it applies to a very small number of employees.

MANAGERIAL GRADE STAFF (MANAGERS AND ENGINEERS)/EMPLOYEES

Employees identified as managerial grade staff (managers and engineers):

- coordinate a set of resources (equipment, human, financial) placed under their charge, with the degree of independence and responsibility required to achieve targets. Management may oversee a team, projects, a process, a technique or a customer or supplier portfolio;
- and/or hold an engineering degree from a university or specialized selective higher-education establishment. Engineers are essentially responsible for solving technological issues related to the design, manufacture or application of products, systems or services, primarily in R&D and production.

All other employees who are not identified as managers or engineers fall into the "Employees" category.

EXTERNAL RECRUITMENT

External recruitment refers to hiring new employees from outside the Group on fixed-term or permanent employment contracts. It does not include acquisitions or other types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

PERMANENT DEPARTURES

A permanent departure (dismissal, resignation, retirement, end of fixed-term contract and other) refers to any employee who leaves the Group scope, excluding disposals of businesses and the termination of other types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

REPLACEMENT RATE

The replacement rate is determined by dividing external new hires by permanent departures.

ABSENTEEISM

As defined by the social performance assessment, absenteeism corresponds to the total number of paid or unpaid hours absent (illness, occupational accidents, work-related travel accidents, maternity leave, contractual leave for family events, parental leave, leave for sick children, absence due to other causes, strikes, etc.) divided by the theoretical number of hours worked.

Data pertain to France, excluding SME and its subsidiaries, AES and SLCA for the 2012 calendar year.

DISABLED WORKERS

This indicator includes employees declared as disabled workers in France, excluding work-study contracts, as defined by article L.5212-13 of the French Labor Code (*Code du travail*) and articles 394 and 395 of the French Code of Military Pensions (*Code des pensions militaires*).

WORK-STUDY CONTRACTS AND INTERNSHIPS

This indicator includes work-study contracts (apprenticeships and professional training contracts) and internships established in 2012 in France.

TRAINING

The indicator on training hours covers all types of training in France, including individual training entitlements (*Droit Individuel à la Formation* – DIF).

ACCIDENT ANALYSIS AND PREVENTION

The frequency rate of occupational accidents equals the number of accidents resulting in the equivalent of one day or more of lost worktime per million hours worked.

The severity rate corresponds to the number of days' sick leave as a result of occupational accidents per thousand hours worked.

The hours worked used for the calculation correspond to actual hours worked.

CO₂ EMISSIONS

Emissions refer to scope 1 and 2 as defined in article 75 of the Grenelle 2 Act, covering 31,478 employees in 2010 and 47,983 employees in 2011.

TRAINING ON OCCUPATIONAL STRESS

The figure of 3,000 managers trained on occupational stress management was estimated based on the number of conferences, each attended by 50 to 80 participants, and the number of training sessions, each attended by 10 to 15 participants, since the program was launched in 2011.

EVREST

The Evrest program was only rolled out in France and Belgium in 2012. The indicator covers sites involved in the program for more than one year.

WASTE

Categories of waste are defined according to local regulations. In order to harmonize reporting practices across the Group, non-contaminated metallic chips are reported separately.

WATER

Reported water consumption involves three types of sources:

- the water supply network refers to water supplied through a public or private operator;
- surface water refers to water pumped directly from the surface of the natural environment (river, lake, etc.);
- groundwater refers to water pumped directly from the water table.

5.7.2 INDEPENDENT VERIFIERS' ATTESTATION AND ASSURANCE REPORT ON SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

YEAR ENDED DECEMBER 31, 2012

To Executive Management,

Pursuant to your request and in our capacity as independent verifiers of Safran, we hereby report to you on the consolidated social, environmental and societal information presented in the management report issued for the year ended December 31, 2012 in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*).

MANAGEMENT'S RESPONSIBILITY

The Board of Directors is responsible for the preparation of the management report including the consolidated social, environmental and societal information (the "Information") in accordance with the requirements of article R.225-105-1 of the French Commercial Code, presented as required by the entity's internal reporting standards (the "Guidelines"), available for consultation at the Group's head office and for which a summary is provided in the management report.

OUR INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de déontologie*) and article L.822-11 of the French Commercial Code. In addition, we maintain a comprehensive system of quality control including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENT VERIFIERS' RESPONSIBILITY

It is our role, on the basis of our work:

- to attest whether the required Information is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of article R.225-105 of the French Commercial Code (*Code de commerce*) and Decree no. 2012-557 dated April 24, 2012 (Attestation of presentation);
- to provide reasonable assurance on whether the Information selected by the Group and identified by in Section 5 of the management report is fairly presented, in all material respects, in accordance with the Guidelines (reasonable assurance);

- to provide limited assurance on whether the other Information is fairly presented, in all material respects, in accordance with the Guidelines (limited assurance).

We called upon our Corporate Social Responsibility experts to assist us in the performance of our work.

1. ATTESTATION OF PRESENTATION

Our engagement was performed in accordance with professional standards applicable in France:

- We compared the Information presented in the management report with the list as provided for in article R.225-105-1 of the French Commercial Code;
- We verified that the Information covers the consolidated scope, namely the entity and its subsidiaries within the meaning of article L.233-1 and the controlled entities within the meaning of article L.233-3 of the French Commercial Code within the limits specified in the methodology note presented on page 214 of the management report;
- In the event of the omission of certain consolidated Information, we verified that an appropriate explanation was given in accordance with Decree no. 2012-557 dated April 24, 2012.

On the basis of our work, we attest that the required Information is presented in the management report.

2. ASSURANCE REPORT

Nature and scope of the work

We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements) and French professional guidance.

We performed the following procedures to obtain:

- Reasonable assurance that the Information selected by the Group and identified by in Section 5 of the management report is fairly presented, in all material respects, in accordance with the Guidelines;
- Limited assurance that nothing has come to our attention that causes us to believe that the other Information presented in Section 5 of the management report is not fairly presented, in all material respects, in accordance with the Guidelines.

Our work consisted in the following:

- We assessed the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, the good practices in the sector.
- We verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the Information. We conducted interviews with those responsible for social and environmental reporting.

- We selected the consolidated Information to be tested⁽¹⁾ and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group's business and characteristics, as well as its societal commitments.
 - Concerning the quantitative consolidated information that we deemed to be the most important:
 - › at the level of the consolidating entity and the controlled entities, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information;
 - › at the level of the sites that we selected⁽²⁾ based on their business, their contribution to the consolidated indicators, their location and a risk analysis:
 - we conducted interviews to verify that the procedures were correctly applied;
 - we performed tests of detail based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.
- The sample thus selected represents 53.6% of the workforce and between 10% and 29% of the quantitative environmental information tested.
- Concerning the qualitative consolidated information that we deemed to be the most important, we conducted interviews and reviewed the related documentary sources in order to corroborate this information and assess its fairness. As regards fair practices and occupational safety, interviews were only carried out at the level of the consolidating entity.
- As regards the other consolidated information published, we assessed its fairness and consistency in relation to our knowledge of the company and, where applicable, through interviews or the consultation of documentary sources.
- Finally, we assessed the relevance of the explanations given in the event of the absence of certain information.
- As regards the Information selected by the Group and identified by in Section 5 of the management report, the degree of accuracy of measurement and the performance of work of the same nature as – but more detailed than – that performed on the other Information, in particular as concerns the number of tests, enable us to express reasonable assurance.

Conclusion

Reasonable assurance

In our opinion, the Information selected by the Group and identified by in Section 5 of the management report is fairly presented, in all material respects, in accordance with the Guidelines.

Limited assurance

We express a qualification on the following Data:

- The distribution of the amounts of ordinary and non-hazardous waste by destination (recycling, energy recovery, or landfilling) revealed anomalies for several sites. These anomalies are either related to difficulties in understanding Group definitions, a lack of knowledge of local waste treatment schemes, or user errors in the reporting tool, and could not all be corrected during consolidation work. This is a potentially significant source of uncertainty in the data reported at Group level.
- The calculation of working hours used to calculate the frequency rate of work-related accidents and the severity rate of accidents is based on a methodology that varies across audited sites. This heterogeneity results in an uncertainty on the value reported at Group level, without affecting the calculation of the number of accidents or the lost time due to these accidents.

Based on our work described in this report, except for the effects of the matter(s) described above, nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines.

Paris La Défense, March 27, 2013

The Statutory Auditors

French original signed by:

Mazars

Gaël Lamant
Partner

Emmanuelle Rigaudias
Partner CSR and Sustainable
Development

Ernst & Young et Autres

Jean-Roch Varon
Partner

Christophe Schmeitzky
Partner CSR and Sustainable
Development

(1) Data reviewed with a reasonable assurance: Headcount, Breakdown (by country, by gender, by total number of managers and other employees) and evolution (recruitments and departures); Number and percentage of recruited women. Data reviewed with a limited assurance: Absenteeism, Frequency rate of work accidents; Severity rate of accidents; Number of work-related illnesses; Number of employees assigned to HSE; Training; Diversity and disability; Generated and recovered waste; Water consumption; Energy consumption; CO₂ emissions. Topics reviewed with a limited assurance: Employer-employee relations; Stress awareness campaign; Implementation of the TESSE program; Anti-discrimination policy; Eco-design; Sponsorship initiatives; Purchases and subcontracting; Corruption prevention.

(2) Legal entities selected for the verification of labor indicators: Sagem Défense Sécurité (France), Turbomeca (France), Messier-Bugatti-Dowty (France), Snecma (France), Safran Engineering Services (France), Hispano-Suiza (France and Poland), Morpho Track (USA), Morpho (France), Technofan (France), Labinal (France), Herakles (France). Sites selected for the verification of environmental and safety indicators: Snecma (Evry-Corbeil, Villaroche and Châtelleraut), Messier-Bugatti-Dowty (Walton); Technofan (Blagnac), Turbomeca (Tarnos), Hispano-Suiza (Sedziszow), Morpho (Haarlem).

5.8

SUMMARY OF LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS

5.8.1 SUMMARY OF LABOR INDICATORS

HEADCOUNT

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispa- no-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier- Bugatti- Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
TOTAL HEADCOUNT	59,805	62,558	3,460	2,511	1,433	10,645	6,841	7,727	1,457	7,182	13,086	6,334
Europe	42,780	44,573	2,948	2,511	1,433	3,773	4,550	2,785	1,203	6,786	12,063	5,096
France	36,426	37,978	2,209	2,511	955	3,338	3,429	1,327	1,149	6,442	11,691	4,880
United Kingdom	2,056	2,130	739			18	1,121	76			1	175
Belgium	1,448	1,475						4			221	
Germany	1,047	1,067				308		627		85	6	41
Russia	272	295						114	54		127	
Other ⁽¹⁾	1,531	1,628			478	109		637		259	17	
Africa and the Middle East	2,278	2,515	512			1,226		337	4		197	239
Morocco	1,898	2,070	512			1,226		150			182	
South Africa	251	286						46			1	239
United Arab Emirates	100	107						99	4		4	
Other ⁽²⁾	29	52						42			10	
North America	10,404	10,982				5,099	1,568	2,389	187	330	388	564
United States	5,718	5,754				1,891	346	2,204	184	219		509
Mexico	3,601	4,135				3,208	393	87	3		388	
Canada	1,085	1,093					829	98		111		55
South America	1,255	1,227						1,005				222
Brazil	920	850						635				215
Other ⁽³⁾	335	377						370				7
Asia	2,907	3,083				547	723	1,157	62	66	438	90
India	1,488	1,517				547		951	4		3	12
China	838	913					368	36	46		434	29
Singapore	507	534					355	71	2	66		40
Other ⁽⁴⁾	74	119						99	10		1	9
Oceania	181	178						54	1			123
Australia	181	178						54	1			123

(1) Albania, Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey and Ukraine.

(2) Algeria, Bahrain, Egypt, Kenya, Kuwait, Lebanon, Oman, Qatar and Saudi Arabia.

(3) Chile, Colombia, Peru and Uruguay.

(4) Hong Kong, Indonesia, Japan, Malaysia, Philippines, South Korea, Taiwan, Thailand and Vietnam.

Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

CORPORATE SOCIAL RESPONSIBILITY

/ SUMMARY OF LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS /

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispa- no-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier- Bugatti- Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
TOTAL HEADCOUNT	59,805	62,558 <input checked="" type="checkbox"/>	3,460	2,511	1,433	10,645	6,841	7,727	1,457	7,182	13,086	6,334
Men	44,798	46,662 <input checked="" type="checkbox"/>	2,768	2,031	1,229	5,661	5,652	5,567	850	5,270	10,786	5,374
Women	15,007	15,896 <input checked="" type="checkbox"/>	692	480	204	4,984	1,189	2,160	607	1,912	2,300	960
Managers	21,187	22,904 <input checked="" type="checkbox"/>	966	874	569	3,608	2,004	3,850	1,012	3,110	4,205	2,059
Employees	38,618	39,654 <input checked="" type="checkbox"/>	2,494	1,637	864	7,037	4,837	3,877	445	4,072	8,881	4,275
Under 25	5.2%	5.5% <input checked="" type="checkbox"/>	4.2%	2.3%	4.7%	13.2%	3.7%	6.2%	2.3%	1.1%	5.9%	1.1%
25 to 29	13.0%	13.6% <input checked="" type="checkbox"/>	13.2%	10.3%	17.1%	23.4%	10.7%	20.6%	11.0%	7.2%	11.5%	7.9%
30 to 34	15.0%	15.2% <input checked="" type="checkbox"/>	18.4%	14.8%	18.2%	19.2%	14.5%	20.9%	10.7%	15.1%	9.9%	14.7%
35 to 39	13.1%	13.3% <input checked="" type="checkbox"/>	13.2%	13.7%	11.7%	13.3%	13.4%	15.7%	14.2%	16.5%	9.3%	16.4%
40 to 44	10.7%	10.5% <input checked="" type="checkbox"/>	10.6%	9.9%	9.0%	9.4%	11.8%	12.8%	10.7%	12.4%	7.0%	14.5%
45 to 49	13.5%	12.5% <input checked="" type="checkbox"/>	12.9%	15.5%	7.7%	8.4%	13.9%	10.1%	17.7%	12.9%	15.1%	14.4%
50 to 54	15.4%	14.8% <input checked="" type="checkbox"/>	14.0%	20.3%	13.0%	6.4%	16.4%	7.6%	14.1%	17.4%	21.2%	15.1%
55 to 59	11.6%	11.8% <input checked="" type="checkbox"/>	11.0%	10.9%	15.5%	4.5%	12.0%	4.6%	13.1%	14.5%	17.2%	13.1%
60 to 65	2.3%	2.6% <input checked="" type="checkbox"/>	2.4%	2.3%	2.9%	1.7%	3.4%	1.5%	6.1%	2.6%	2.9%	2.5%
Over 65	0.2%	0.2% <input checked="" type="checkbox"/>	0.1%	0.1%	0.1%	0.4%	0.2%	0.1%	0.6%	0.2%	0.0%	0.3%

Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

RECRUITMENT AND DEPARTURES

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispa- no-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier- Bugatti- Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
External new hires – male managers	2,131	2,485 ✓	99	43	116	563	174	453	118	235	496	146
External new hires – male employees	2,394	2,793 ✓	187	68	84	566	440	416	19	88	675	178
External new hires – female managers	635	731 ✓	34	25	25	151	55	113	72	50	151	42
External new hires – female employees	2,006	1,587 ✓	57	19	12	777	102	272	48	43	180	39
TOTAL EXTERNAL NEW HIRES	7,166	7,596 ✓	377	155	237	2,057	771	1,254	257	416	1,502	405
Permanent departures – dismissal		732 ✓	26	5	1	191	86	222	3	86	27	44
Permanent departures – resignation		2,232 ✓	50	11	27	834	263	672	18	121	137	73
Permanent departures – retirement		550 ✓	7	11	17	27	52	15	11	89	210	81
Permanent departures – end of fixed-term contract		447 ✓	21	18	9	106	80	120	19	32	18	9
Permanent departures – other		756 ✓	57	84	11	60	49	26	15	126	296	26
TOTAL PERMANENT DEPARTURES	4,255	4,717 ✓	161	129	65	1,218	530	1,055	66	454	688	233
Replacement rate for permanent departures	1.68	1.61 ✓	2.34	1.20	3.65	1.69	1.45	1.19	3.89	0.92	2.18	1.74

✓ Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

DIVERSITY AND EQUAL OPPORTUNITIES

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti-Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Number of disabled workers (France)	1,421	1,507	72	72	34	100	161	32	25	230	557	223
Percentage of disabled workers (France)	3.9%	4.0%	3.3%	2.9%	3.6%	3.0%	4.7%	2.4%	2.2%	3.6%	4.8%	4.6%
Percentage of external new hires of women worldwide	36.9%	30.5% <input checked="" type="checkbox"/>	24.1%	28.4%	15.6%	45.1%	20.4%	30.7%	46.7%	22.4%	22.0%	20.0%

WORK-STUDY CONTRACTS AND INTERNSHIPS (FRANCE)

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti-Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Professional training contracts	146	540	64	81	5	82	67	11	10	65	55	84
Apprenticeships	1,810	2,642	134	98	89	106	264	63	120	368	1,147	237
TOTAL WORK-STUDY CONTRACTS	1,956	3,182	198	179	94	188	331	74	130	433	1,202	321
Percentage of work-study contracts	5.4%	8.4%	9.0%	7.1%	9.8%	5.6%	9.7%	5.6%	11.3%	6.7%	10.3%	6.6%
Number of internships	1,834	2,951	195	132	72	181	218	89	100	409	1,300	255

ABSENTEEISM (FRANCE)

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti-Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Absenteeism	3.8%	4.0%	4.3%	3.0%	3.7%	3.8%	4.1%	4.0%*	2.9%	5.2%*	3.5%	4.0%

* The high absenteeism at these entities is due to contractual leave (1.3% and 2.2% respectively).

Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

TRAINING (FRANCE)

Number of training hours/area	2011 Group	2012 Group	o/w									
			Aircelle and its subsidiaries	Herakles and its subsidiaries	o/w Hispa-no-Suiza and its subsidiaries	Labinal and its subsidiaries	Messier-Bugatti-Dowty and its subsidiaries	Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Défense Sécurité and its subsidiaries	Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Accounting/Finance	15,535		529	967	418	387	1,474	847	1,740	1,013	5,525	2,635
Customers/Marketing	6,909		801	387	148	293	665	486		1,696	1,851	582
Group knowledge	33,776		1,242	171	904	186	1,953			218	14,905	14,198
Health, Safety and Environment	125,695		7,783	15,876	5,824	7,882	15,917	1,881	657	19,867	36,096	13,912
Human resources	30,385		2,248	887	288	1,022	1,633	2,252	3,800	6,015	8,421	3,820
Industrial	179,040		4,194	11,981	2,953	8,335	15,940	1,090	327	27,029	93,401	13,790
International development	4,776		676	61	30	290	650	631	45	748	1,303	342
IT	140,731		6,367	4,720	3,590	10,751	10,993	6,450	5,810	17,149	59,085	15,815
Languages	67,523		3,196	2,262	218	7,500	7,621	3,982	3,358	3,516	24,214	11,657
Leadership	139,387		8,715	7,762	2,903	17,229	12,870	9,463	3,127	21,688	43,579	12,051
Legal	3,525		8	197	11	48	535	137	100	1,420	910	159
Personal performance and interpersonal skills	24,306		1,257	1,366	891	2,551	2,584	1,285	1,301	1,966	6,752	4,353
Purchasing	9,661		737	494	310	133	873	91	2,843	921	1,981	1,278
Quality	50,784		2,123	1,975	1,527	3,909	6,753	241	276	9,666	14,803	9,511
Research & Development	75,469		6,830	2,007	1,514	13,619	3,592	533	800	9,273	31,250	6,051
Risk	9,956		194	394	492	27	1,124	411	629	842	3,195	2,648
Transitions	10,146		660	1,586	66	306	577	236	147	939	2,535	3,094
Other	571		248	323								
TOTAL TRAINING HOURS	831,991	928,175	47,808	53,416	22,087	74,468	85,753	30,016	24,960	123,965	349,806	115,896

CORPORATE SOCIAL RESPONSIBILITY

/ SUMMARY OF LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS /

Number of training initiatives/area	2011 Group	2012 Group	o/w									
			Aircelle and its subsidiaries	Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Accounting/Finance		809	32	24	24	52	90	40	27	28	251	241
Customers/Marketing		270	32	17	8	12	33	22		38	82	26
Group knowledge		2,523	35	15	91	27	419			17	1,066	853
Health, Safety and Environment		17,370	1,365	1,008	807	1,029	2,644	366	18	2,978	5,433	1,722
Human resources		1,858	137	36	32	52	80	57	21	283	721	439
Industrial		7,633	114	525	106	806	1,015	51	6	1,313	2,687	1,010
International development		736	58	3	1	20	194	52	1	272	113	22
IT		12,529	501	393	335	589	1,358	686	367	2,417	4,490	1,393
Languages		3,554	161	95	2	275	334	334	27	368	1,357	601
Leadership		5,861	431	345	94	776	369	737	44	1,029	1,509	527
Legal		509	1	11	1	4	165	7	7	229	74	10
Personal performance and interpersonal skills		1,213	68	68	35	122	145	67	39	120	337	212
Purchasing		367	43	35	16	5	33	6	21	27	126	55
Quality		7,606	343	145	164	448	1,172	17	15	1,331	2,747	1,224
Research & Development		4,740	320	95	52	834	169	72	8	378	2,234	578
Risk		2,039	23	29	171	3	238	85	19	223	714	534
Transitions		242	20	23	2	19	17	10	4	29	66	52
Other		14	6	8								
TOTAL TRAINING INITIATIVES		69,873	3,690	2,875	1,941	5,073	8,475	2,609	624	11,080	24,007	9,499
% of payroll allocated to training	4.0%	4.2%	3.9%	3.6%	4.2%	4.1%	4.3%	4.1%	1.5%	3.9%	4.8%	4.4%

5.8.2 SUMMARY OF HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS

	2012 Group	o/w Aircelle	o/w Herakles	o/w Hispano-Suiza	o/w Labinal	o/w Messier-Bugatti Dowty	o/w Morpho	o/w Sagem Défense Sécurité	o/w Snecma	o/w Turbomeca
Frequency rate of occupational accidents resulting in lost worktime (12 months)	3.5	2.9	5.4	2.8	2.8	4.4	1.6	2.8	5.5	2.3
Severity rate (12 months)	0.14	0.2	0.22	0.06	0.12	0.19	0.02	0.09	0.21	0.05
Ordinary industrial waste generated (t/empl.) (Oct. 2011 to Sep. 2012)	0.36	0.49	0.58	0.5	0.1	0.58	0.39	0.19	0.39	0.31
Hazardous industrial waste generated (t/empl.) (Oct. 2011 to Sep. 2012)	0.43	0.18	1.15	1.03	0	1.2	0.03	0.12	0.7	0.49
Transformed ordinary industrial waste (t/empl.) (Oct. 2011 to Sep. 2012)	0.16	0.29	0.41	0.08	0.04	0.39	0.17	0.09	0.1	0.11
Transformed hazardous industrial waste (t/empl.) (Oct. 2011 to Sep. 2012)	0.09	0.05	0.11	0.03	0	0.38	0	0.02	0.11	0.03
Total water (cu.m/empl.) (Oct. 2011 to Sep. 2012)	136	33	1,368	14	11	184	24	24	54	294
Water supply network (cu.m/empl.) (Oct. 2011 to Sep. 2012)	26	29	41	14	10	77	19	12	19	23
Surface water (cu.m/empl.) (Oct. 2011 to Sep. 2012)	82	0	1,176	0	0	0	0	12	23	228
Groundwater (cu.m/empl.) (Oct. 2011 to Sep. 2012)	28	4	151	< 1	1	107	5	< 1	12	43
Electricity consumption (toe/empl.) (Oct. 2011 to Sep. 2012)	1.37	1.29	3.26	1.25	0.2	2.93	0.75	1.27	1.6	0.9
Natural gas and LPG (toe/empl.) (Oct. 2011 to Sep. 2012)	0.92	0.76	4.35	0.16	0.01	1.6	0.14	0.5	1.2	0.24
Scope 1 emissions (Eq. t CO ₂ /empl.) 2010 (France)	4.7	2.8	N/A	0.2	0.1	9.2	0.3	1.6	7.7	3.8
Scope 1 emissions (Eq. t CO ₂ /empl.) 2011 (world)	4.3	2.9	11.8	0.7	0.1	5.6	1.2	1.7	8.7	3.3
Scope 2 emissions (Eq. t CO ₂ /empl.) 2010 (France)	5.4	2.5	N/A	2.9	0.2	11.5	0.6	4.5	6.7	3.5
Scope 2 emissions (Eq. t CO ₂ /empl.) 2011 (world)	3	4.2	4.9	5.7	0.5	10.9	2.4	1.4	1.8	1.8
Occupational illnesses declared in 2012	113	2	11	1	12	22	10	7	27	7

CORPORATE GOVERNANCE

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15 members

including

4 representatives
of the French
State

5 independent
members

2 employee
shareholder
representatives

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors is composed of the following members:

- Jean-Paul Herteman, Chairman and Chief Executive Officer;
- Francis Mer, Vice-Chairman of the Board of Directors;
- Marc Aubry, Director representing employee shareholders;
- Giovanni Bisignani, Director (independent);
- Christophe Burg, Director representing the French State;
- Jean-Lou Chameau, Director (independent);
- Odile Desforges, Director (independent);
- Jean-Marc Forneri, Director (independent);
- Christian Halary, Director representing employee shareholders;
- Xavier Lagarde, Director;
- Michel Lucas, Director;
- Elisabeth Lulin, Director (independent);
- Astrid Milsan, Director representing the French State;
- Laure Reinhart, Director representing the French State;
- Michèle Rousseau, Director representing the French State.

BOARD ADVISOR

- Caroline Grégoire-Sainte Marie.

TERMS OF OFFICE EXPIRING IN 2013

- Francis Mer;
- Jean-Marc Forneri;
- Michel Lucas;
- The four Directors representing the French State, i.e., Christophe Burg, Astrid Milsan, Laure Reinhart and Michèle Rousseau.

COMPOSITION OF EXECUTIVE MANAGEMENT

- Jean-Paul Herteman, Chairman and Chief Executive Officer;
- Dominique-Jean Chertier, Deputy Chief Executive Officer, Corporate Office;
- Ross McInnes, Deputy Chief Executive Officer, Finance;
- Marc Ventre, Deputy Chief Executive Officer, Operations.

CORPORATE GOVERNANCE CODE OF REFERENCE

Safran abides by the "Corporate Governance Code of Listed Corporations", drawn up jointly by the French employers' associations AFEP⁽¹⁾ and MEDEF⁽²⁾, with reference to the consolidated version of April 2010. The French version of the code can be consulted at www.code-afep-medef.com. Where certain recommendations included in this code, or guidelines adopted subsequently for its enforcement, are not implemented, this is justified in the Report of the Chairman of the Board of Directors (see section 6.5.3 - Application of the AFEP-MEDEF Corporate Governance Code).

6.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

On April 21, 2011, the Shareholders' Meeting approved a governance structure with a Board of Directors, replacing the former structure composed of a Supervisory Board and an Executive Board.

6.1.1 BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

Since April 21, 2011, the Board of Directors of Safran has consisted of fifteen members – including four representatives of the French State and two employee shareholder representatives – appointed by the Ordinary Shareholders' Meeting.

Since July 2011, Board membership has been as follows:

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Jean-Paul Herteman 62 years (French national)	Chairman of the Board of Directors and CEO	April 21, 2011 2015 AGM	20,242 ⁽³⁾	Chairman and CEO of Safran, 2, bd du Général Martial-Valin, 75015 Paris, France
Francis Mer 73 years (French national)	Vice-Chairman of the Board of Directors Chairman of the Strategy and Major Projects Committee and member of the Appointments and Compensation Committee	April 21, 2011 2013 AGM	1,500	Vice-Chairman of the Board of Directors of Safran, 2, bd du Général Martial-Valin, 75015 Paris, France
Marc Aubry 50 years (French national)	Director representing employee shareholders	April 21, 2011 2016 AGM	2,448 ⁽⁴⁾	Design engineer for space engine turbopumps at Snecma's Vernon site, Forêt de Vernon, BP 802 27208 Vernon Cedex, France

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

(3) Indirectly via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

(4) Including 2,408 shares via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Giovanni Bisignani 66 years (Italian national)	Director <i>(independent)</i> Member of the Appointments and Compensation Committee and the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	500	De Vere Gardens 12 14 London W8 5AE, UK
Christophe Burg 49 years (French national)	Director representing the French State Member of the Strategy and Major Projects Committee and the Appointments and Compensation Committee	April 21, 2011 2013 AGM	None	Project manager, Strategy Department at the French Defence Procurement Agency, 7-9, rue des Mathurins, 92220 Bagneux, France
Jean-Lou Chameau 60 years (French and American national)	Director <i>(independent)</i>	April 21, 2011 2015 AGM	1,000	Chairman of Caltech 1200 East California Blvd, M/C 204 - 31, Pasadena, CA 91125, United States
Odile Desforges 63 years (French national)	Director <i>(independent)</i> Member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	500	3, rue Henri Heine, 75016 Paris, France
Jean-Marc Forneri 53 years (French national)	Director <i>(independent)</i> Chairman of the Audit and Risk Committee	April 21, 2011 2013 AGM	1,062	Chairman of Bucéphale Finance, 17, avenue George V, 75008 Paris, France
Christian Halary 59 years (French national)	Director representing employee shareholders	April 21, 2011 2016 AGM	15,568 ⁽⁵⁾	Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité, 21, av. du Gros-Chêne, 95610 Éragny-sur-Oise, France
Xavier Lagarde 65 years (French national)	Director Member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	160,726 ⁽⁶⁾	Chairman of Club Sagem, 77, rue Leblanc, 75015 Paris, France
Michel Lucas 73 years (French national)	Director Chairman of the Appointments and Compensation Committee	April 21, 2011 2013 AGM	1,500	Chairman and CEO of Banque Fédérative du Crédit Mutuel, 34, rue du Wacken, 67000 Strasbourg, France
Elisabeth Lulin 46 years (French national)	Director <i>(independent)</i> Member of the Audit and Risk Committee	April 21, 2011 2017 AGM	501	Chief Executive Officer of Paradigmes et caetera, 23, rue Lecourbe, 75015 Paris, France
Astrid Milsan 41 years (French national)	Director representing the French State Member of the Audit and Risk Committee, the Appointments and Compensation Committee, and the Strategy and Major Projects Committee	July 27, 2011 2013 AGM	None	Deputy Director, Services, Aerospace and Defence Investments at the State Investments Agency (APE), French Ministry of Economic Affairs, Finance and Employment, 139, rue de Bercy, 75012 Paris, France

(5) Including 3,518 via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

(6) Including 55,138 via Club Sagem and via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

CORPORATE GOVERNANCE

/ BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Laure Reinhart 57 years (French national)	Director representing the French State Member of the Strategy and Major Projects Committee	April 21, 2011 2013 AGM	400	Deputy CEO of OSEO Innovation, 27-31, avenue du Général Leclerc, 94710 Maisons-Alfort, France
Michèle Rousseau 55 years (French national)	Director representing the French State Member of the Audit and Risk Committee	April 21, 2011 2013 AGM	None	Chief Executive Officer Seine Normandy Water Agency, 51, rue Salvador Allende, 92000 Nanterre, France

Under the twentieth resolution of the Extraordinary General Meeting of April 21, 2011, the shareholders appointed **Caroline Grégoire-Sainte Marie** as a Board Advisor for a four-year term.

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

JEAN-PAUL HERTEMAN CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF SAFRAN	
EXPERTISE AND EXPERIENCE	<p>Born in 1950, Jean-Paul Herteman is a graduate of <i>École Polytechnique and École Nationale Supérieure de l'Aéronautique et de l'Espace</i>.</p> <p>He began his career with the French Defence Procurement Agency (<i>Délégation générale pour l'armement</i>) in 1975, where he was firstly a test engineer, then head of the Materials department in the Toulouse Aviation Testing Center.</p> <p>In 1984, he joined Snecma as head of the Materials and Process research programs. He was appointed Assistant Director of Quality at Snecma in 1987, then Director of Quality two years later. On this basis he chaired the Quality commission of the French aerospace industries association (GIFAS) from 1990 to 1993.</p> <p>Head of the technical design office at Snecma in 1993, he became Deputy Technical Director the following year. In 1995 and 1996, he was CFM56 Program Director and Vice-President of CFM International. In mid-1996, he became Technical Director at Snecma, and then took over as CEO of the Rocket Engine Division (formerly Société Européenne de Propulsion) in 1999. He was appointed as Chairman and CEO of Snecma Moteurs (now Snecma) in 2002.</p> <p>In 2004, Jean-Paul Herteman was appointed Executive Vice-President of the Snecma group and Executive Vice-President of the Aerospace Propulsion branch. Upon the creation of the Safran Group in 2005, he was confirmed in his duties. In 2006, he became Executive Vice-President, responsible for the Defence Security branch.</p> <p>He was appointed Chairman of the Safran Executive Board in July 2007 and carried out the duties of this position between September 2007 and the change of the Company's governance structure in 2011, when he was appointed Chairman and Chief Executive Officer of Safran.</p> <p>In 2009, he was elected President of GIFAS and in that capacity, acted as Chairman of the French Defence Industries Advisory Council (CIDEF) from the beginning of 2010 to the end of 2011.</p> <p>In November 2009, he was appointed as a member of the Board of Directors of the French Center for Scientific Research (CNRS).</p> <p>Chief weapons engineer (reserve corps) and former pilot of the technical corps, Jean-Paul Herteman is a member of the Steering Board of the Civil Aviation Research Council (CORAC) created in 2008 by the French Minister of Ecology, Energy, Sustainable Development and Territorial Development and of the European Security Research and Innovation Forum (ESRIF).</p> <p>He has been Vice-Chairman of the advisory authority on French Defence Agency issues (<i>Conseil général de l'armement</i>) since March 2010.</p> <p>He was appointed President of the AeroSpace and Defence Industries Association of Europe (ASD) on October 12, 2012.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman and CEO: Safran • Director: Snecma <p>Non-Group:</p> <ul style="list-style-type: none"> • Vice-Chairman: Conseil général de l'armement • Chairman: GIFAS; ASD (Belgium) since October 2012 • Director: CNRS
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman of the Executive Board: Safran, up to April 2011 • Director: Sagem Sécurité, up to October 2009; Sagem Morpho, Inc. (USA), up to May 2008 • Permanent representative of Safran on the Board of Directors of: Sagem Défense Sécurité, up to February 2010 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: CIDEF, up to December 2011

FRANCIS MER DIRECTOR VICE-CHAIRMAN OF THE BOARD OF DIRECTORS, MEMBER AND CHAIRMAN OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE, MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1939, Francis Mer is a graduate of <i>École Polytechnique</i> and the <i>Corps des Mines</i> engineering school.</p> <p>He joined the Saint-Gobain Pont-à-Mousson group in 1970 and was head of Corporate Planning for Saint-Gobain Industries in 1971, before becoming Director of Corporate Planning for Compagnie Saint-Gobain Pont-à-Mousson in 1973. He became CEO of Saint-Gobain Industries in 1974. In 1978, he was appointed as Executive Vice-President of Saint-Gobain and was responsible for industrial policy. In 1982, he went on to become Chairman and CEO of Pont-à-Mousson SA and Director of the Pipe and Mechanics Division of Saint-Gobain.</p> <p>In 1986, the French government, acting as shareholder, decided to merge Usinor and Sacilor and appointed Francis Mer as Chairman of the new steel group. In 1995, Usinor Sacilor was privatized and Francis Mer was again appointed Chairman by the new Board of Directors. In 2002, he was appointed co-Chairman of the Arcelor group.</p> <p>Between May 2002 and March 2004, Francis Mer was French Minister of Economy, Finance and Industry. Francis Mer was also Chairman of the French Steel Federation (FFA), from 1988 to 2002, Eurofer (Association of European Steel Manufacturers), from 1990 to 1997, the International Iron and Steel Institute, from 1997 to 1998, and the National Association of Technical Research (ANRT) from 1991 to 2002. In 2004, he was Chairman of the Foundation for Political Innovation.</p> <p>Francis Mer was Chairman of the Supervisory Board of Safran between 2007 and the change in the corporate governance structure in 2011, when he was appointed Vice-Chairman of the Board of Directors.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Vice-Chairman of the Board of Directors: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: LFB SA; Borusan Holding (Turkey)
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman of the Supervisory Board: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Supervisory Board: Oenoholding, up to April 2008 • Director: Rhodia⁽¹⁾, up to October 2011; Adecco⁽¹⁾ (Switzerland), up to April 2011

(1) Listed company.

MARC AUBRY DIRECTOR – REPRESENTING EMPLOYEE SHAREHOLDERS	
EXPERTISE AND EXPERIENCE	<p>Born in 1963, Marc Aubry is an engineer from <i>École Nationale Supérieure d'Hydraulique et de Mécanique de Grenoble</i> (ENSHMG) (major in water resources and planning) and has a post-graduate degree (DEA) in environment and engineering geophysics (major in hydrology). Marc Aubry has worked with the Group for nearly 24 years. Since 1990, he has occupied the position of Design Engineer in charge of the development of dynamic sealing for space engine turbopumps.</p> <p>He is a local CFDT trade union delegate of Snecma Vernon, central CFDT trade union delegate of Snecma and CFDT trade union coordinator of the Safran Group.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing employee shareholders: Safran • Vice-Chairman of the Supervisory Board of the corporate mutual fund: Safran Investissement <p>Non-Group:</p> <p>None</p>
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	None

GIOVANNI BISIGNANI DIRECTOR – INDEPENDENT MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE AND THE APPOINTMENTS AND COMPENSATION COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1946, Giovanni Bisignani graduated from the Sapienza University of Rome (Law, Economics and Business) where he later became assistant professor. He also attended the International Teachers Program at the Harvard Business School in Boston, United States.</p> <p>Giovanni Bisignani started his career at First National Citibank. He then returned to Italy and, from 1976 to 1989, held several high-level positions at the energy company ENI and with the Italian industrial conglomerate IRI. From 1994 to 1998, he was President of Tirrenia di Navigazione, and from 1998 to 2001, he was CEO of SM Logistics – a member of the Serra Merzerio group, partially owned by GE.</p> <p>He subsequently served as Administrative Director, then CEO and Managing Director, of Alitalia from 1989 to 1994, Chairman of the Association of European Airlines (AEA) in 1992 and Chairman of Galileo International from 1993 to 1994. In 2001, he launched OPODO, the first European travel portal, owned by Air France, British Airways and Lufthansa.</p> <p>Giovanni Bisignani was Director General and CEO of the International Air Transport Association (IATA) between 2002 and 2011. During his term of office, Mr. Bisignani made a series of structural reforms which led to profound changes in the air transport sector. In 2004, he launched the “Simplifying the Business” initiative which led to the elimination of paper tickets. He also introduced the first global standard for airline safety management – since 2006, all IATA members have had to comply with IOSA certification (IATA Operational Safety Audit). He thus reinforced security in relation to the management of funds processed annually by IATA’s financial systems amounting to USD 315 billion. Also under his guidance, IATA was able to reach a consensus on environmental issues within the air transport industry, which remains the only sector to have set firm targets to achieve a significant reduction in its carbon emissions by 2050.</p> <p>He is a member of the World Economic Forum’s Global Agenda Council on Aviation, Travel & Tourism (Switzerland).</p> <p>Since 2012, Giovanni Bisignani has been a visiting Professor at the School of Engineering at Cranfield University (UK) where he received the honorary “Doctor honoris causa” degree.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: UK NATS (UK); Aircastle Limited (UK) since May 2012
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman and CEO: IATA (Canada) until June 2011

CHRISTOPHE BURG
DIRECTOR – REPRESENTING THE FRENCH STATE
MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE AND
THE APPOINTMENTS AND COMPENSATION COMMITTEE

**EXPERTISE
AND EXPERIENCE**

Born in 1963, Christophe Burg is a graduate of *École Polytechnique* and *École Nationale Supérieure de l'Aéronautique et de l'Espace*.

He began his career as a Research Engineer for the Aircraft Manufacturing Division (Ministry of Defence) in 1987. In 1989, he became manager of "Front Sector Optronics" equipment for the Rafale, then head of the Rafale Weapons Systems unit at the Aircraft Manufacturing Division in 1992.

In 1996, he moved to the French Embassy in London to take up the post of Deputy Armament Attaché.

In 1999, he started working for the French Defence Procurement Agency (DGA), first as Assistant Deputy Director and Head of the Electronics Bureau (1999-2002), then as Deputy Director for the "Aeronautics-Missiles-Space" sector (2002-2004).

In 2004, he became implementation manager and, as of February 2005, Head of the European Cooperation and Development subdivision, at the DGA.

In 2006, Christophe Burg was appointed Head of Industrial Affairs and Economic Intelligence at the DGA. Since 2012, he has been an advisor to the Strategy Department of the DGA.

CURRENT OFFICES

Safran Group:

- Director representing the French State: Safran

Non-Group:

- Director representing the French State: DCNS; Nexter; SNPE; Société de Gestion de Participations Aéronautiques (Sogepa); Sogéade Gérance SAS

**OFFICES
THAT EXPIRED
IN THE LAST
FIVE YEARS**

Safran Group:

- Member of the Supervisory Board representing the French State: Safran, up to April 2011

Non-Group:

None

JEAN-LOU CHAMEAU DIRECTOR – INDEPENDENT	
EXPERTISE AND EXPERIENCE	<p>Born in 1953, Jean-Lou Chameau obtained an engineering diploma at <i>École Nationale Supérieure d'Arts et Métiers</i> in 1976, and then continued his studies at Stanford University, where he graduated with a Master's in civil engineering in 1977, followed by a PhD in seismic engineering in 1980.</p> <p>Jean-Lou Chameau started his teaching career at Purdue University, where he taught from 1980 to 1991, before joining Georgia Tech as professor and head of the School of Civil and Environmental Engineering. He left this position in 1994 to become Chairman of the international geotechnical engineering company, Golder Associates Inc. He returned to teach at Georgia Tech two years later, where he became dean of the College of Engineering, the largest of its kind in the United States. In 2001, he was promoted to the position of provost, which he occupied up to 2006.</p> <p>In 2006, he was appointed President of the California Institute of Technology (Caltech), one of the largest scientific and engineering institutions in the world. Caltech is recognized for the exceptional standard of its research, teachers and students. Caltech boasts 32 Nobel Prize winners and is also renowned for the management of its large laboratories, in particular the Jet Propulsion Laboratory; NASA's center for robotic exploration of the solar system.</p> <p>Jean-Lou Chameau is a member of the National Academy of Engineering, a great honor for an engineer in the United States, and of the <i>Académie des Technologies</i> in France.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: California Institute of Technology (Caltech) • Director: Caltech (USA); MTS Systems Corporation⁽¹⁾ (USA); John Wiley & Sons⁽¹⁾ (USA) • Other offices: Interwest Advisory Committee (USA); Council on Competitiveness (USA); Academic Research Council of Singapore (Singapore)
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • <i>École Polytechnique</i>, Internet2

(1) Listed company.

ODILE DESFORGES DIRECTOR – INDEPENDENT MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1950, Odilie Desforges graduated with an engineering diploma from <i>École Centrale de Paris</i>. She began her career as a Research Analyst at the French Transport Research Institute (<i>Institut de recherche des transports</i>). In 1981, she joined the Renault group as planning officer for the Automobile Planning Department before becoming product engineer on the R19, then M1 segment (1984-1986). In 1986, she moved to the Purchasing Department as Head of the Exterior Equipment department. She was later appointed Director of Body Hardware Purchasing for the joint Renault Volvo Purchasing Organization in 1992, and for Renault alone in 1994. In March 1999, she became Executive Vice-President of the Renault VI-Mack group, in charge of 3P (Product Planning, Product Development, Purchasing Project). In 2001, she was appointed President of Volvo Trucks' 3P Business Unit.</p> <p>In 2003, Odile Desforges became Senior Vice-President, Renault Purchasing, Chair and CEO of the Renault Nissan Purchasing Organization (RNPO) and member of the Renault Management Committee. From 2009 to June 2012, she was Director of Engineering and Quality, and a member of Renault's Executive Committee.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Sequana⁽¹⁾ since July 2012, GIE REGIENOV
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Chair: Renault Nissan Purchasing Organization (RNPO), up to February 2009 • Director: RNTBCI, up to June 2012; Renault Nissan BV (Netherlands), up to June 2012; Renault España SA (Spain), up to December 2012

(1) Listed company.

JEAN-MARC FORNERI DIRECTOR – INDEPENDENT MEMBER OF THE AUDIT AND RISK COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1959, Jean-Marc Forneri graduated from <i>École Nationale d'Administration</i> (ENA), before obtaining a Master's in Business Law and completing the French bar (CAPA) exam, at the Aix-en-Provence School of Political Science (IEP).</p> <p>He began his career at the General Finance Inspectorate in 1984. Then in 1987, he became an Advisor to the Minister of Finance and rapporteur for the Commission on Estate Taxes (French Ministry of Finance). Between 1988 and 1994, he was Director and CEO of Skis Rossignol.</p> <p>He was then appointed Managing Partner of Worms et Cie, where he was responsible for the investment bank.</p> <p>In 1996, he was appointed Chairman of Credit Suisse First Boston France and Vice-Chairman of Credit Suisse First Boston Europe, where he was an advisor on major mergers and acquisitions projects.</p> <p>In 2004, he founded Bucéphale Finance, a corporate finance advisory services firm, where he became Chairman.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: Bucéphale Finance SAS • Member of the Supervisory Board: Grand Port Maritime de Marseille (GPMM); Société Casino Municipal d'Aix Thermal • Director: Balmain; Intercontinental Exchange, Inc. (USA)⁽¹⁾ • Manager: Perseus Participations
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Bonnasse Lyonnaise de Banque, up to May 2008

(1) Listed company.

CHRISTIAN HALARY DIRECTOR – REPRESENTING EMPLOYEE SHAREHOLDERS	
EXPERTISE AND EXPERIENCE	<p>Born in 1953, Christian Halary holds a post-graduate degree (DEA) in microwave frequency technology. He began his career in 1980, first as a Research Engineer, then as Engineer responsible for product development, at Sagem SA.</p> <p>Christian Halary has been a Group employee for 33 years. In 2005 he was appointed Engineer responsible for product development at Sagem Défense Sécurité.</p> <p>Since 2009 he has been Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing employee shareholders: Safran • Chairman of the Supervisory Board of the corporate mutual funds: Partifond; Interfond; Avenir Sagem; Safran Investissement <p>Non-Group:</p> <ul style="list-style-type: none"> • Member of the Management Committee: Club Sagem
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board representing employee shareholders: Safran, up to April 2011 <p>Non-Group:</p> <p>None</p>

XAVIER LAGARDE DIRECTOR MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1948, Xavier Lagarde is an engineer from <i>École Nationale Supérieure d'Ingénieurs de Constructions Aéronautiques</i> (ENSICA), which became <i>Institut Supérieur de l'Aéronautique et de l'Espace</i> (ISAE) in 2007 following its link-up with <i>École Nationale Supérieure de l'Aéronautique et de l'Espace</i> (ENSAE). He also obtained a Master of Sciences in Aeronautics from the California Institute of Technology (Caltech).</p> <p>He joined Sagem in 1974 as a Research Engineer at the Avionics R&D Unit at the Pontoise Center. He later became Head of development for new generation inertial navigation systems. In 1981, he became the head of this unit which is responsible not only for development of inertial navigation systems and equipment but also the preparation of fighter aircraft missions and weapon systems.</p> <p>In 1987, Xavier Lagarde became Deputy Director of the Sagem R&D Center in Argenteuil, specialized in inertial technologies and optronics, navigation, observation and weapon aiming equipment and systems primarily dedicated to naval and ground applications. In 1989, he became Director of the R&D Center in Éragny dedicated to missile guidance systems and equipment, disk memories for civil applications and bubble memories for military and space applications. From 1989 to 2001, he was Director of Human Resources of the Sagem group and, from 1999 to 2000, also Executive Director of Société de Fabrication d'Instruments de Mesure (SFIM).</p> <p>In 2001, Xavier Lagarde was appointed Industrial and Quality Director of Sagem. In 2005, he held the position of Quality Director at Safran. The following year, he became Executive Vice-President of the Communications branch of Safran, which was sold in 2008. Then, from 2009 to 2011, he was Executive Vice-President of the Group's Quality, Audit and Risk Department. He was a member of the Executive Board of Safran between 2007 and 2011 before becoming a member of the Board of Directors of Safran. Xavier Lagarde has also served on the Labour Relations Tribunal in Paris since 2005.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran • Chairman and CEO: Sagem Mobiles <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: Club Sagem
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Executive Board: Safran, up to April 2011 • Chairman of the Board of Directors: Soreval (Luxembourg), up to May 2012; Safran Conseil, up to May 2008 • Chairman and CEO: Sagem Télécommunications, up to August 2012 • Director: Safran Consulting, up to June 2012; Aircelle, up to April 2011; Sagem Communications, up to January 2008 • Permanent representative of Sagem Télécommunications on the Board of Directors of: Sagem Industries, up to December 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board: Gores Broadband SA, up to January 2010

MICHEL LUCAS DIRECTOR CHAIRMAN AND MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1939, Michel Lucas obtained an engineering diploma from <i>École Centrale de Lille</i>, then a degree in mathematical and physical science, before becoming a certified member of the French Institute of Actuaries in Paris and then graduating from the <i>Institut des Hautes Finances</i>, also in Paris.</p> <p>He joined Crédit Mutuel de Strasbourg in 1971. Between 1971 and 1985, he worked as Advisor to the Chairman of Crédit Mutuel and, between 1973 and 1998, as Head of the IT Department of Crédit Mutuel. In 1998, Michel Lucas became CEO of the Crédit Mutuel group, while retaining his existing functions. That same year, he was also appointed Chairman of the Executive Board of CIC, and subsequently Chairman and CEO in 2011, following a change in the corporate governance system.</p> <p>Michel Lucas is also Chairman of the Confédération Nationale du Crédit Mutuel, Chairman of the Fédération du Crédit Mutuel Centre Est Europe, Chairman of the Caisse Fédérale de Crédit Mutuel and Chairman and CEO of the Banque Fédérative du Crédit Mutuel.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman and CEO: Banque Fédératrice du Crédit Mutuel; Crédit Industriel et Commercial⁽¹⁾; Carmen Holding Investissement • Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel (BFCM); Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale de Crédit Mutuel; Groupe des Assurances du Crédit Mutuel; Assurances du Crédit Mutuel Vie SA; Assurances du Crédit Mutuel IARD SA; Assurances du Crédit Mutuel Vie SAM; Banque du Crédit Mutuel Ile-de-France; International Information Developments; Direct Phone Services; Républicain Lorrain; Est Républicain⁽¹⁾; Dernières Nouvelles d'Alsace; Liberté de L'Est • Chairman of the Supervisory Board: Banque Européenne du Crédit Mutuel; Euro Information Production (GIE) • Chairman: Crédit Mutuel Cartes de Paiements; Europay France • Vice-Chairman of the Supervisory Board: CIC Iberbanco; Banque de Luxembourg (Luxembourg) • Director: ACMN Iard; Astrée (Tunisia); Assurances Générales des Caisses Desjardins (Canada); Banque de Tunisie (Tunisia); Banque Marocaine du Commerce Extérieur; CIC Banque Transatlantique; Banque Transatlantique Belgium (Belgium); Caisse de Crédit Mutuel "Grand Cronenbourg"; CRCM Midi-Atlantique; CIC Lyonnaise de Banque; Dauphiné Libéré; Est Bourgogne Média; Le progrès SA • Member of the Supervisory Board: CM-CIC Asset Management; Manufacture Beauvillé; CM-CIC Services (EIG), CM-CIC Capital Finance • Member of the Management Committee: Euro Information; Euro Information Développement; EBRA • Permanent representative of BFCM on the Management Committee: Sofredis
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Vice-Chairman of the Supervisory Board: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Executive Board: Crédit Industriel et Commercial⁽¹⁾, up to May 2011 • Chairman of the Supervisory Board: Fonds de Garantie des Dépôts • Member of the Supervisory Board: CIC Investissements; Société Alsacienne de Publications "L'Alsace" • Vice-Chairman of the Supervisory Board: Mastercard Europe Région (Belgium) • Chief Executive Officer: Confédération Nationale du Crédit Mutuel, Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale de Crédit Mutuel • Member of the Board of Directors: CIC Information; Crédit Mutuel Paiements Électroniques; Sofredis

(1) Listed company.

ELISABETH LULIN DIRECTOR – INDEPENDENT MEMBER OF THE AUDIT AND RISK COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1966, Elisabeth Lulin is a graduate of <i>École Normale Supérieure, Institut d'Études Politiques de Paris</i> and <i>École Nationale d'Administration</i>. She also holds a degree in literature.</p> <p>Elisabeth Lulin began her career at the General Finance Inspectorate (1991-1994) before joining the Prime Minister's office as Research Analyst, then Technical Advisor.</p> <p>From 1996 to 1998, she served as Head of the Marketing and External Communication Unit at France's National Institute of Statistics and Economic Studies (INSEE).</p> <p>Alongside these duties, Elisabeth Lulin has also held various teaching posts. She taught at <i>École Supérieure de Commerce de Paris</i>, and was a lecturer at the <i>Institut d'Études Politiques de Paris</i> (1998-1999) and at the <i>Conservatoire des Arts et Métiers</i> (1995-1999). She is also a member of the editorial committee of <i>Sociétal</i>, a quarterly economic and social review.</p> <p>From September 2010 to March 2012, she served as senior advisor of Monitor group, a strategy consulting firm.</p> <p>Elisabeth Lulin is currently Chief Executive Officer of Paradigmes et caetera, a research and consulting firm dedicated to benchmarking and innovation, which she founded in 1998.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Chief Executive Officer: Paradigmes et caetera • Director: Société Générale⁽¹⁾; Bongrain SA⁽¹⁾ • Chair of the Board of Directors of <i>École Nationale Supérieure de Création Industrielle</i> (ENSCI)
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Chair of the Executive Board: <i>Institut Aspen France</i>, up to May 2010 • Member of the Board of Directors of the <i>Institut Français des Administrateurs</i>, up to May 2012

(1) Listed company.

ASTRID MILSAN DIRECTOR – REPRESENTING THE FRENCH STATE MEMBER OF THE AUDIT AND RISK COMMITTEE, MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE, MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1971, Astrid Milsan studied at <i>École Nationale d'Administration</i>, before graduating from the <i>Institut d'Études Politiques de Paris</i> and obtaining a Master's in Law from the <i>Université de Droit de Paris II - Assas</i>.</p> <p>She began her career as reporting counselor (<i>conseiller rapporteur</i>) at the Versailles Administrative Court of Appeal between 1996 and 1998.</p> <p>Between 1998 and 2001, she worked as Project Finance and Privatization manager at Bankgesellschaft in Berlin, and then in London and Berlin. In 2003, she moved to HSBC in London where she worked in Corporate Finance, Mergers & Acquisitions (Europe and Asia) and in the Transport & Logistics team.</p> <p>Later, in 2003, she joined the Finance division (legal and financial engineering for State market transactions) of the French State Investment Agency (APE).</p> <p>In 2006, she was appointed Head of Corporate Finance and Development and Secretary General of the Interministerial Committee on Industrial Restructuring (CIRI) at the Treasury, within the French Ministry of Economic Affairs, Finance and Employment. The following year she became Deputy Director of Corporate Finance and Competitiveness (financial market regulation, Replacement Government Commissioner to the collegium of the French financial markets authority – AMF) at the Treasury.</p> <p>She was appointed Deputy Director of Energy and other investments at the State Investment Agency (APE) in 2009, and then Deputy Director of the Services, Aerospace and Defence sub-division of APE in 2011.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Director representing the French State: DCNS; Établissement Public de Financement et de Restructuration (EPFR); Imprimerie Nationale; SNPE; Société de Gestion de Participations Aéronautiques (Sogepa); Sogeade, Sogeade Gérance SAS
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board representing the French State: RTE, up to 2011; Oseo Financement, up to 2009 • Director representing the French State: Areva NC, up to 2011; la Française des Jeux, up to 2011; Eramet⁽¹⁾, up to 2011; Laboratoire français de fractionnement et de biotechnologies, up to 2011; Oseo, up to 2009; IDES, up to 2009; Oseo Innovation, up to 2009

(1) Listed company.

LAURE REINHART DIRECTOR – REPRESENTING THE FRENCH STATE MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE	
EXPERTISE AND EXPERIENCE	<p>Born in 1955, Laure Reinhart studied at <i>École Normale Supérieure</i>. She obtained a degree in mathematics and a doctorate in applied mathematics from <i>Université de Paris VI</i>.</p> <p>She began her career in 1979 at INRIA (French Research Institute for Computer Science and Automation) where she successively held the posts of Researcher in scientific computing, Head of industrial relations, and Director of industrial relations and technology transfer. In 1992, she became Director at the Rocquencourt research center where she was responsible for managing the center's research, research orientation and technology transfer activities.</p> <p>In 1999, Laure Reinhart joined Thales as Head of operations at the central research and development laboratory, then Head of public research partnerships in France and Europe and of technical cooperation with companies in the R&D domain. She was also responsible for coordinating the company's actions in the areas of competitiveness and technical communication.</p> <p>In 2006, she was appointed Director of Strategy within the Directorate-General of Research and Innovation in the French Ministry for Higher Education and Research where she implemented the new strategy.</p> <p>She then joined Oseo in 2008 as Deputy Chief Executive Officer in charge of Innovation.</p> <p>Between 2007 and 2008, she participated in the committee working on France's White Paper on Defence and National Security.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Deputy CEO in charge of Innovation: Oseo • Director: INPI (<i>Institut National de la Propriété Industrielle</i>); INRIA (<i>Institut National de Recherche en Informatique et en Automatique</i>); IHEST (<i>Institut des Hautes Études pour la Science et la Technologie</i>) • President of three associations: Ile de Science, the Scientipole Initiative and Scientipole Growth
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Agence pour la diffusion de l'information technologique, up to October 2008

MICHÈLE ROUSSEAU
DIRECTOR – REPRESENTING THE FRENCH STATE
MEMBER OF THE AUDIT AND RISK COMMITTEE

<p>EXPERTISE AND EXPERIENCE</p>	<p>Born in 1957, Michèle Rousseau graduated with an engineering diploma from <i>École des Mines de Paris</i>. She began her career in 1983 as Head of the Environment Division at DRIRE, Nord-Pas de Calais.</p> <p>Subsequently, she worked as Head of the industrial environment division at the French Ministry for the Environment between 1987 and 1990, before moving to the General Directorate of Industrial Strategies at the French Ministry for Industry, where she was Deputy Head of industrial IT and professional electronics between 1990 and 1995. In 1995, she was appointed Assistant Director of Safety of Nuclear Installations and was responsible for supervising EDF's network of nuclear plants.</p> <p>In 1999, she joined the French innovation agency, ANVAR (<i>Agence Nationale pour la Valorisation de la Recherche</i>), as Deputy Director General, responsible for conducting policy on assisting innovative projects set up by SMEs.</p> <p>In 2001, Michèle Rousseau was appointed Head of gas, electricity and coal at the General Directorate of Energy and Raw Materials within the French Ministry of Economic Affairs, Finance and Industry. In the same year she went on to become Head of demand and energy markets and the General Directorate of Energy and Raw Materials. She was also appointed as Government Commissioner for EDF and GDF. In 2004, she represented the French State on the independent commission charged with evaluating EDF's financing needs.</p> <p>In 2005, she was appointed Secretary General of the Ministry for Ecology, Energy and Sustainable Development, then in 2008, Assistant Director to the Commissioner General for Sustainable Development.</p> <p>Since 2011, she has served as Chief Executive Officer at Agence de l'Eau Seine-Normandie.</p>
<p>CURRENT OFFICES</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Safran <p>Non-Group:</p> <p>None</p>
<p>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</p>	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Institut Français du Pétrole, up to January 2013; Aéroports de Paris⁽¹⁾, up to May 2012; Agence Européenne de l'Environnement, up to 2011

(1) Listed company.

INFORMATION RELATING TO THE BOARD ADVISOR

The role of the Board Advisor is to monitor the strict application of the bylaws, attend Board meetings and take part in decision making in a consultative capacity. The Board Advisor is also invited to all Audit and Risk Committee meetings.

CAROLINE GRÉGOIRE-SAINTE MARIE ADVISOR TO THE BOARD OF DIRECTORS	
EXPERTISE AND EXPERIENCE	<p>Born in 1957, Caroline Grégoire-Sainte Marie is a graduate of <i>Institut d'Études Politiques de Paris</i> and of the <i>Université de Droit de Paris I</i>. She also took part in the international management programs (INSEAD - IMD) organized by Hoechst/Roussel and Lafarge.</p> <p>She began her career in 1981 at Rank Xerox France as Management Controller.</p> <p>In 1987, she joined pharmaceutical company Hoechst where she occupied various financial/management positions, before being made Financial Director and member of the Executive Board of Albert Roussel Pharma GmbH in 1994.</p> <p>In 1996, Caroline Grégoire-Sainte Marie was appointed Director of Finance and IT at Volkswagen France where she became a member of the Management Committee.</p> <p>She then joined the Lafarge group in 1997, as Financial, Legal and Development Officer and a member of the Management Committee of Lafarge Specialty Products. In 2000, she became Head of the Mergers & Acquisitions department, a member of the Management Board of Lafarge Cement, a member of the International Operating Committee and a member of the Boards of Directors of Materis SA and Lafarge India. In 2004, she was appointed Chair and CEO of Lafarge Cement in Germany and the Czech Republic, and she became a member of the Board of Directors of Präsidium BDZ/VDZ.</p> <p>From 2007 to 2009, she was Chair and CEO of Tarmac France and Belgium, part of the Anglo-American Plc. group. She is also Vice-President and a member of the Executive Committee of the Fédération de l'Industrie du Béton (FIB).</p> <p>Between 2009 and 2011, Caroline Grégoire-Sainte Marie was Chair of FransBonhomme, the French leading distributor of plastic pipes and fittings.</p> <p>She has been an independent Director of Groupama since 2011 and of the FLSmidth and Eramet groups since 2012.</p>
CURRENT OFFICES	<p>Safran Group: None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: FLSmidth & Co⁽¹⁾ (Denmark) since March 2012; Eramet⁽¹⁾ since May 2012; Groupama
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group: None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Chair and CEO: FransBonhomme, up to 2011; Tarmac France and Tarmac Belgique, up to 2009

(1) Listed company.

OTHER PERSONS PARTICIPATING IN BOARD OF DIRECTORS' MEETINGS

THE GOVERNMENT COMMISSIONER

Louis-Alain Roche, Controller-General of the French Armed Forces,

appointed Government Commissioner to Safran and its subsidiaries by decision of the Ministry of Defence of August 27, 2009 in accordance with the laws and regulations applicable to companies supplying military equipment under public contracts or more generally engaged in the manufacturing or trading of such equipment.

THE REPRESENTATIVES OF THE CENTRAL WORKS COUNCIL

Isabelle Besson: executive in the Communications Department of Safran,

Nabil Grine: account manager of Safran's establishment located at 2, boulevard du Général Martial-Valin, 75015 Paris, France, appointed by the Central Works Council on April 26, 2012, like its representatives on Safran's Board of Directors in accordance with article L.2323-65 of the French Labor Code (*Code du travail*).

DIRECTORSHIPS EXPIRING IN 2013

The terms of office of seven Directors will expire at the close of the 2013 Annual General Meeting. These Directors are:

- Francis Mer;
- Jean-Marc Forneri;
- Michel Lucas; and
- the four Directors representing the French State, i.e., Christophe Burg, Astrid Milsan, Laure Reinhart and Michèle Rousseau.

The Annual General Meeting of May 28, 2013 will be called to:

- Re-appoint Jean-Marc Forneri as a Director, as described in section 8.2 of this Registration Document.
- Appoint Monique Cohen as a Director, as described in section 8.2 of this Registration Document.
- Appoint Christian Streiff as a Director, as described in section 8.2 of this Registration Document.
- Record the appointment by Ministerial Decree of four Directors representing the French State, as described in section 8.2 of this Registration Document.

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The roles and responsibilities of the Board of Directors are described in sections 6.5.1 and 7.1.2.1.

BOARD OF DIRECTORS' INTERNAL RULES

The Board of Directors' meeting of April 21, 2011 approved the Internal Rules that govern the operating procedures and organization of the Board of Directors.

These Internal Rules are available on the Company's website (<http://www.safran-group.com>, in the Finance section).

OTHER INFORMATION

INFORMATION ON SERVICE CONTRACTS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS OR EXECUTIVE MANAGEMENT AND THE COMPANY OR ONE OF ITS SUBSIDIARIES

There are no service contracts between the members of the Board of Directors or Executive Management and Safran or any of its subsidiaries providing for the award of benefits.

DISCLOSURE OF FAMILY TIES AND THE ABSENCE OF CONVICTIONS INVOLVING MEMBERS OF THE BOARD OF DIRECTORS OR EXECUTIVE MANAGEMENT

To the best of the Company's knowledge:

- there are no family ties between members of the Board of Directors or Executive Management;
- no member of the Board of Directors or Executive Management:
 - has been convicted of fraud,
 - has been a manager in a company when it filed for bankruptcy or was placed in receivership or liquidation,
 - has been officially charged and/or received sanctions from a legal or regulatory authority,
 - has been prohibited by a court of law from being a member of an administrative, management or supervisory body, or from participating in the management or performance of a company's business.

CONFLICTS OF INTEREST AT BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT LEVEL

The Company has not been notified of any:

- potential conflicts of interest between the duties, with respect to Safran, of any of the members of the Board of Directors or Executive Management and their private interests and/or other duties;
- arrangements or agreements with the principal shareholders, customers, suppliers or other parties for the appointment of members of the Board of Directors or Executive Management.

The management of conflicts of interest within the Board of Directors is organized as follows (Articles 7.2 to 7.5 of the Board of Directors' Internal Rules):

- all members of the Board of Directors must inform the Board of Directors of any actual or potential conflicts of interest between themselves (or any other individual or corporation with which they have a business relationship) and the Company, or any of the companies in which the Company invests, or any of the companies with which the Company is planning to conclude an agreement of any sort;
- in the event that a member of the Board of Directors suspects the existence of a conflict of interests, or a potential conflict of interests, he/she must immediately inform the Chairman of the Board of Directors whose responsibility it is to decide whether or not to inform the Board of Directors and thus to instigate the conflicts of interest management process;
- in the event that the member of the Board of Directors discussed in the previous paragraph is the Chairman of the Board of Directors him/herself, then he/she should inform the Vice-Chairman of the Board of Directors or, failing that, the Board of Directors;
- the member of the Board of Directors concerned must abstain from voting on decisions relating to the conclusion of the agreement in question and from taking part in any discussions preceding the vote;
- in addition, the Chairman of the Board of Directors, the members of the Board of Directors, the CEO and, where appropriate, the Deputy CEO(s) will not be obliged to transmit, to any member(s) of the Board of Directors whom they have serious reason to suspect may be subject to conflicts of interest, information or documents relating to the agreement or operation causing the conflict of interest in question, and they will inform the Board of Directors of the non-transmission.

6.1.2 COMMITTEES OF THE BOARD OF DIRECTORS

In its meeting of April 21, 2011, the Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The Board of Directors may, in its sole discretion, set up further Board committees.

The role, organization, operating procedures and work of each committee are set out in section 6.5.1.

6.1.3 EXECUTIVE MANAGEMENT

At its meeting on April 21, 2011, the Board of Directors opted to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and appointed Jean-Paul Herteman to take on these functions and the title of Chairman and Chief Executive Officer for the duration of his term as Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2014.

At this same meeting, the Board of Directors appointed Francis Mer as Vice-Chairman of the Board of Directors for the duration of his term as Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2012.

This appointment was made in accordance with Article 15.3 of the bylaws which states that a Vice-Chairman must be appointed if the same person holds the positions of Chairman and Chief Executive Officer.

Finally, during its meeting of April 21, 2011, the Board of Directors appointed the following members of staff as non-Director Deputy Chief Executive Officers:

- Dominique-Jean Chertier;
- Ross McInnes;
- Marc Ventre;

with immediate effect and until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2014.

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer.

More specifically, Dominique-Jean Chertier, Deputy Chief Executive Officer, Corporate Office, is responsible for the Corporate Office, which deals with: Social Affairs, Human Resources, Property and Legal Affairs, Institutional and European Affairs, Corporate Communication (excluding financial communication), Health & Safety, Sustainable Development and Industrial Protection. He is also responsible for audit and internal control.

Ross McInnes, Deputy Chief Executive Officer, Finance, is in charge of the Finance Department (Management Control, Accounting, Financial Communication, Cash Management, Financing, Tax Issues), and the Risk and Insurance Department.

Marc Ventre, Deputy Chief Executive Officer, Operations, is responsible for managing the Group's operations, i.e., its industrial, commercial and after-sales support activities and its programs.

Members of Executive Management	Functions	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Jean-Paul Herteman 62 years	Chief Executive Officer	April 21, 2011, 2015 AGM	20,242 ^(*)	Chairman and Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris
Dominique-Jean Chertier 62 years	Deputy Chief Executive Officer, Corporate Office	April 21, 2011 June 30, 2013 ^(**)	5,556 ^(*)	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris
Ross McInnes 59 years	Deputy Chief Executive Officer, Finance	April 21, 2011, 2015 AGM	2,591 ^(*)	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris
Marc Ventre 62 years	Deputy Chief Executive Officer, Operations	April 21, 2011, 2015 AGM	9,448 ^(*)	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris

(*) Indirectly via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

(**) The Board of Directors' meeting of March 21, 2013 noted the resignation of Dominique-Jean Chertier as Deputy Chief Executive Officer with effect from June 30, 2013 and decided to appoint Stéphane Abrial to replace him with effect from July 1, 2013.

INFORMATION ON THE DEPUTY CHIEF EXECUTIVE OFFICERS

DOMINIQUE-JEAN CHERTIER	
EXPERTISE AND EXPERIENCE	<p>Born in 1950, Dominique-Jean Chertier has a post-graduate degree (DEA) in the arts and is a graduate of the School of Information Sciences and Communication (Celsa). He started his professional career in 1976 as Assistant to the Director, Administration Services and Personnel at Renault International, where his duties included conducting audit assignments in the subsidiaries outside France and assignments regarding the establishment of Renault in the United States and Portugal.</p> <p>In 1982, he joined Sacilor as Head of Employee Management Relations in the Group, to negotiate and implement personnel restructurings related to the French Steel Plan. He became Director of Human Resources at Air Inter in 1986. He was responsible, in particular, for personnel management related to the renewal of the aircraft fleet and the launch of the Airbus A320, a complete overhaul of the employee classification grid, as well as the development of contractual policy. During the period between 1992 and 2002, as Director General of the French national association for employment in trade and industry (Unédic), Dominique-Jean Chertier managed a large number of transformations including reforms of the unemployment insurance information systems and the treasury system, putting in place of statutory audits of the accounts and launching of the reorganization of the unemployment authorities' (Assedic) networks.</p> <p>In March 2002, he joined the Snecma group as Vice-President, Human Resources but left this position in May to become an advisor to the French Prime Minister on social affairs. He returned to Snecma in October 2003 as Executive Vice-President, responsible for Social and Institutional Affairs, where he coordinated the definition of the employment policy and internal and external communications for the whole group. He also developed the group's relations with public institutions. In May 2005, when the Safran Group was created, he became Executive Vice-President, responsible for Social and Institutional Affairs. He was also a member of the Executive Board between 2007 and April 2011.</p> <p>He was a member of the Economic and Social Council (CES), up to September 2010 and also Chairman of the Board of Directors of Pôle Emploi (the French unemployment agency), up to December 2011. He is a member of the Employment Policy Council (COE). He has been on the Board of Directors of Air France since September 15, 2004 and a member of Air France's Audit and Accounting Committee since November 23, 2004.</p> <p>On April 21, 2011 he was appointed Deputy Chief Executive Officer, Corporate Office of Safran. In April 2012, he was appointed Director and member of the Audit Committee of Adecco (Switzerland).</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman and CEO: Établissements Vallaroché • Director: Safran Human Resources Support, Inc. (USA) • Permanent representative of Établissements Vallaroché on the Board of Directors: Vallaroché Conseil <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Air France; Adecco⁽¹⁾ (Switzerland), since April 2012
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Executive Board: Safran, up to April 2011 • Chairman of the Board of Directors: Safran Human Resources Support, Inc. (USA), up to October 2010 • Director and Chairman of the Board: Safran Employment Services, Inc. (USA), up to December 2011 • Director: Safran Conseil, up to November 2009 • Permanent representative of Établissements Vallaroché on the Board of Directors: Safran Consulting (formerly Safran Conseil), up to June 2012 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Board of Directors: Pôle Emploi, up to December 2011

(1) Listed company.

ROSS MCINNES	
EXPERTISE AND EXPERIENCE	<p>Born in 1954, Ross McInnes has dual French and Australian nationality and is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson bank, first of all in London then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America) in which he held several positions as Vice-President in the corporate finance arm, in Chicago and then in Paris.</p> <p>In 1989, he chose to move to large multinational corporations and became Chief Financial Officer of Ferruzzi Corporation of America. This group owned, in particular, Eridania Beghin Say, of which he was appointed Chief Financial Officer in 1991, then a member of the Board of Directors in 1999. The following year, Ross McInnes joined Thomson-CSF (now Thales) as Executive Vice-President and Chief Financial Officer and assisted in the group's transformation, up to 2005. He then moved to PPR (Pinault-Printemps-La Redoute) as Senior Vice-President for Finance and Strategy, before joining the Supervisory Board of Générale de Santé in 2006. At the request of the Supervisory Board, he served as acting Chairman of the Management Board of Générale de Santé from March to June 2007. He then held the position of Vice-Chairman of Macquarie Capital Europe, specialized in particular in infrastructure investments.</p> <p>In March 2009, Ross McInnes joined Safran as special Advisor to the Chairman of the Executive Board, before becoming Executive Vice-President, Economic and Financial Affairs in June of that year. He was a member of the Executive Board of Safran between July 2009 and April 2011.</p> <p>On April 21, 2011, he was appointed Deputy Chief Executive Officer, Finance.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Aircelle; Turbomeca; Messier-Bugatti-Dowty; Sagem Défense Sécurité; Morpho; Snecma; Vallaroché Conseil; Safran USA, Inc. (USA) • Permanent representative of Safran on the Board of Directors: Établissements Vallaroché • Permanent representative of Établissements Vallaroché on the Board of Directors: Soreval (Luxembourg) <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Faurecia⁽¹⁾ (also Chairman of the Audit Committee); Financière du Planier; Eutelsat Communications⁽¹⁾ (also Chairman of the Audit Committee) since February 2013 • Permanent representative of Santé Europe Investissements Sarl on the Board of Directors: Générale de Santé⁽¹⁾ (also member of the Audit Committee); Santé SA (Luxembourg)
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Executive Board: Safran, up to April 2011 • Permanent representative of Safran on the Board of Directors: Messier-Dowty SA, from January 2011 to April 2011 • Director: Messier-Dowty SA, up to January 2011; SME, from April to September 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: Chartreuse & Mont-Blanc SAS, up to May 2009 • Vice-Chairman: Macquarie Capital Europe Ltd (UK), up to May 2009 • Director: Limoni SpA (Italy), up to February 2013, Santé SA (Luxembourg), up to May 2010; Macquarie Autoroutes de France SAS, up to May 2009; Eiffarie SAS, up to June 2009; Société des Autoroutes Paris-Rhin-Rhône, up to June 2009; AREA – Société des Autoroutes Rhône-Alpes, up to June 2009; Adéla SAS, up to June 2009; Chartreuse & Mont-Blanc Global Holdings SCA (Luxembourg), Chartreuse & Mont-Blanc GP Sarl (Luxembourg), Chartreuse & Mont-Blanc Holdings Sarl (Luxembourg), up to May 2009; Bienfaisance Holding, up to June 2009 • Member of the Supervisory Board: Générale de Santé, up to May 2010; Pisto SAS, up to May 2009 • Permanent representative of Établissements Vallaroché on the Board of Directors: La Financière de Brienne, up to January 2010 • Board Advisor: Générale de Santé⁽¹⁾, up to June 2011

(1) Listed company.

MARC VENTRE	
EXPERTISE AND EXPERIENCE	<p>Born in 1950, Marc Ventre is a graduate of <i>École Centrale de Paris</i> and holds a Master of Science from the Massachusetts Institute of Technology. He joined Snecma in 1976, where he held various positions related to materials science, in the Quality department at the Corbeil site. From 1979 to 1980, he worked at General Electric Aircraft Engines in Cincinnati in the United States, where he represented Snecma in connection with the development of the CFM56 engine, produced jointly by the two joint venture partners.</p> <p>From 1981 to 1988, after an assignment at the site in Villaroche, Marc Ventre became head of the Quality department at the Snecma plant in Gennevilliers.</p> <p>He was Deputy Director of Production at Snecma from 1988 until 1991 when he was appointed as Director of the Snecma plant in Gennevilliers. In 1994, he took up the position of Director of Production and Procurement at Snecma thus covering all the industrial sites and procurement of all supplies by Snecma during the restructuring of Snecma's industrial plants and the ramp-up of CFM56 engine production.</p> <p>In 1998, he became Chairman and Chief Executive Officer of Hispano-Suiza, then of Snecma Services from 2000 to 2003, before being appointed Chairman and Chief Executive Officer of Snecma. At the end of 2006, he joined Safran as Executive Vice-President of the Aerospace Propulsion branch including the activities of Snecma, Turbomeca, Microturbo, Snecma Propulsion Solide and Techspace Aero.</p> <p>He was a member of the Executive Board of Safran between July 2009 and April 2011.</p> <p>Marc Ventre is also a member of the office and Board of the French Aerospace Industries Association (GIFAS) and in January 2011 was appointed head of the Civil Aviation Research Council (CORAC). He was Chairman of the Governing Board of Clean Sky, up to December 31, 2010. He has also served as President of the Alumni Association and remains a Director of <i>École Centrale de Paris</i>.</p> <p>On April 21, 2011, he was appointed Deputy Chief Executive Officer, Operations of Safran.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Techspace Aero (Belgium) • Permanent representative of Safran on the Board of Directors: Snecma; Turbomeca; Aircelle; Herakles (formerly SME); Labinal; Hispano-Suiza and Messier-Bugatti-Dowty. <p>Non-Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board: Radiall⁽¹⁾ • Director: Nexcelle, LLC (USA)
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Executive Board: Safran, up to April 2011 • Director: Snecma Services, up to February 2009 • Permanent representative of Safran on the Board of Directors: Snecma Propulsion Solide, up to April 2012; Europropulsion, up to July 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Permanent representative of Safran on the Board of Directors: Arianespace Participation and Arianespace SA, up to September 2011

(1) Listed company.

6.2

EXECUTIVE CORPORATE OFFICER COMPENSATION

6.2.1 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF EXECUTIVE MANAGEMENT

FIXED AND VARIABLE COMPENSATION, BENEFITS-IN-KIND

Since May 1, 2011, the compensation of the Chief Executive Officer and Deputy Chief Executive Officers, set by the Board of Directors, upon the recommendations of the Appointments and Compensation Committee has been comprised of a fixed and a variable component. Two thirds of the variable component is determined on the basis of financial objectives and one third on individual objectives for each fiscal year. Management executives receive a company car as a benefit-in-kind.

FIXED COMPENSATION

At the Board of Directors' meeting of May 26, 2011, the Executive Corporate Officers' fixed annual compensation was set as follows:

- Jean-Paul Herteman, Chairman and Chief Executive Officer: €730,000 (up to January 1, 2014)
- Dominique-Jean Chertier (Deputy Chief Executive Officer, Corporate Office): €480,000 (up to January 1, 2014)
- Ross McInnes (Deputy Chief Executive Officer, Finance): €420,000 (up to January 1, 2013)
- Marc Ventre (Deputy Chief Executive Officer, Operations): €400,000 (up to January 1, 2013)

At its meeting of December 12, 2012, the Board of Directors set the fixed annual compensation of Ross McInnes and Marc Ventre as follows:

- Ross McInnes (Deputy Chief Executive Officer, Finance): €500,000 (up to January 1, 2016)
- Marc Ventre (Deputy Chief Executive Officer, Operations): €500,000 (up to January 1, 2016)

VARIABLE COMPENSATION

The Board of Directors decided to define financial objectives with reference to EBIT, free cash flow and working capital (WC). The Board weighs these three performance metrics every fiscal year. The Board also establishes the threshold and maximum levels for each metric, as well as an aggregate maximum level.

Individual objectives (four to five maximum) are determined by the Board of Directors for each fiscal year. These objectives are not based on the responsibilities related to the executive corporate officers' position but on specific objectives relative to key performance criteria.

Variable compensation for 2012

For 2012, at its meetings of February 22 and May 23, 2012, the Board of Directors determined the financial performance criteria based on the following components:

- Weighting:
 - EBIT: 60%,
 - WC: 20%, and,
 - free cash flow: 20%;
- threshold levels (based on annual budgets):
 - 80% of EBIT target,
 - 135% of budgeted WC (no variable compensation on this metric if the value of WC is higher than 135% of budgeted WC), and
 - 65% of free cash flow target.

Calculation methods based on threshold and maximum levels used:

- the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met);
- the following maximum levels are applied to each metric:
 - if 130% (or more) of the EBIT target is achieved, the highest percentage of variable compensation will be payable for this metric,
 - if 65% (or less) of the WC target is achieved, the highest percentage of variable compensation will be payable for this metric, and
 - if 130% (or more) of the free cash flow target is achieved, the highest percentage of variable compensation will be payable for this metric.

Total variable compensation can reach 100% of fixed compensation and up to 130% if performance, which can be assessed based on both individual and financial objectives, is exceeded and substantiated.

At its meetings of February 22 and May 23, 2012, the Board of Directors also determined the management executives' individual objectives and the various payment methods. These objectives are quantifiable and measurable, they are not solely financial, and mainly relate to the Group's main strategic challenges in terms of programs and external growth. They cannot be disclosed in this Registration Document for reasons of strategic and competitive sensitivity.

At its meeting of February 20, 2013, the Board of Directors reviewed the achievement of objectives set for the variable compensation payable to the management executives for 2012, upon consultation with the Appointments and Compensation Committee.

Based on 2012 results, the Group's financial performance criteria were exceeded. The individual achievement rate for quantitative criteria was specifically determined but is not disclosed for confidentiality reasons.

The achievement rate of the variable compensation objectives set for 2012 resulted in the following variable compensation payments:

- Jean-Paul Herteman (Chairman and Chief Executive Officer): €706,000
- Dominique-Jean Chertier (Deputy Chief Executive Officer, Corporate Office): €512,000
- Ross McInnes (Deputy Chief Executive Officer, Finance): €441,000
- Marc Ventre (Deputy Chief Executive Officer, Operations): €420,000

Variable compensation for 2013

For 2013, at its meetings of December 12, 2012, the Board of Directors determined the financial performance criteria based on the following components:

- Weighting:
 - EBIT: 60%,
 - WC: 10%, and
 - free cash flow: 30%;
- threshold levels (based on annual budgets):
 - 80% of EBIT target,
 - 135% of budgeted WC (no variable compensation on this metric if the value of WC is higher than 135% of budgeted WC), and
 - 65% of free cash flow target.

Calculation methods based on threshold and maximum levels used:

- the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met);
- the following maximum levels will be applied to each metric:
 - if 130% (or more) of the EBIT target is achieved, the highest percentage of variable compensation will be payable for this metric,
 - if 65% (or less) of the WC target is achieved, the highest percentage of variable compensation will be payable for this metric, and
 - if 130% (or more) of the free cash flow target is achieved, the highest percentage of variable compensation will be payable for this metric.

Total variable compensation can reach 100% of fixed compensation and up to 130% if performance, which can be assessed based

on both individual and financial objectives, is exceeded and substantiated. This compensation structure applies to other senior executives who are eligible for bonus payments within the Group.

In its meeting of December 12, 2012, the Board of Directors also determined individual objectives that were not solely financial and whose achievement was quantifiable and measurable. The different components of variable compensation mainly relate to the Group's main strategic challenges in terms of programs and external growth. They cannot be disclosed in this Registration Document for reasons of strategic and competitive sensitivity.

SPECIFIC SUPPLEMENTARY PENSION PLAN

No specific supplementary pension plan has been set up for Executive Management.

In the event that a supplementary pension plan is set up for all Group senior executives, the Chairman and Chief Executive Officer would be covered by this plan provided the performance conditions, identical to those governing the removal from office, are met, in accordance with the Board of Directors' decision of April 21, 2011. Shareholders voted against the resolution dealing with this related-party commitment at the May 31, 2012 Ordinary and Extraordinary Shareholders' Meeting.

OTHER

In their former capacity as employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously members of the defined contribution supplementary pension plans set up for the Company's executives.

At its meeting of July 27, 2011, the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by these supplementary pension plans in accordance with the provisions of article L.225-42-1 of the French Commercial Code (*Code de commerce*), in the same conditions as the personnel concerned. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

Shareholders voted against the resolution dealing with this related-party commitment at the May 31, 2012 Ordinary and Extraordinary Shareholders' Meeting.

However, the Company continued to meet these commitments which were validly authorized by the Board of Directors in accordance with article L.225 -41 of the French Commercial Code.

COMPENSATION OR BENEFITS PAID IN RESPECT OF THE TERMINATION OF OFFICE OR A CHANGE OF DUTIES

According to the Board of Directors decision of April 21, 2011, taken pursuant to article L.225-42-1 of the French Commercial Code, in the case of early termination of the term of office of Jean-Paul Herteman as Chairman and Chief Executive Officer, for any reason whatsoever, save serious or gross misconduct (including the consequences of a merger with another company or absorption by another company, a health incident or strategic differences with the other Board members), he will be entitled to a termination payment equal to two years of fixed and variable compensation.

The reference compensation will be equal to the average fixed and variable compensation received during the three years preceding his termination.

This payment will be made only if the variable compensation received over the three fiscal years preceding his termination is equal to or higher than 80% of the target variable compensation.

Otherwise, the amount of the termination payment will be reduced or eliminated as decided by the Board of Directors.

Shareholders voted against the resolution dealing with this related-party commitment at the May 31, 2012 Ordinary and Extraordinary Shareholders' Meeting.

SUMMARY TABLES SHOWING THE INDIVIDUAL COMPENSATION OF EXECUTIVE MANAGEMENT

JEAN-PAUL HERTEMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Summary of compensation, stock options and shares granted	2011	2012
Compensation due for the year (broken down in the table below)	€1,472,136 incl. a fixed component of €730,000	€1,480,748 incl. a fixed component of €730,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year ⁽¹⁾	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€730,000	€730,000	€730,000	€730,000
Variable compensation	€708,100	€700,000 ⁽²⁾	€706,000	€708,100 ⁽¹⁾
Extraordinary compensation	None	None	None	None
Attendance fees	€28,293 ⁽³⁾	None	€40,657	€28,293 ⁽³⁾
Benefits-in-kind ⁽⁴⁾	€5,743	€5,743	€4,091	€4,091
TOTAL	€1,472,136 incl. a fixed component of €730,000	€1,435,743 incl. a fixed component of €730,000	€1,480,748 incl. a fixed component of €730,000	€1,470,484 incl. a fixed component of €730,000

(1) As Chairman of the Executive Board, up to April 21, 2011 and as Chairman and Chief Executive Officer from April 21, 2011.

(2) For 2010.

(3) From April 21, 2011 to December 31, 2011, for his terms of office as Director and Chairman of the Board of Directors.

(4) Company car.

DOMINIQUE-JEAN CHERTIER, DEPUTY CHIEF EXECUTIVE OFFICER, CORPORATE OFFICE

Summary of compensation, stock options and shares granted	2011	2012
Compensation due for the year	€959,502	€996,846
(broken down in the table below)	incl. a fixed component of €480,000	incl. a fixed component of €480,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance	No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year ⁽¹⁾	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€480,000	€480,000	€480,000	€480,000
Variable compensation	€465,600	€449,400 ⁽²⁾	€512,000	€465,600 ⁽¹⁾
Extraordinary compensation	€9,056 ⁽³⁾	€22,676 ⁽⁴⁾	None	€9,056 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁵⁾	€4,846	€4,846	€4,846	€4,846
TOTAL	€959,502 incl. a fixed component of €480,000	€956,922 incl. a fixed component of €480,000	€996,846 incl. a fixed component of €480,000	€959,502 incl. a fixed component of €480,000

(1) As Executive Vice-President, Social, Institutional and Legal Affairs, up to April 21, 2011 and as Deputy Chief Executive Officer, Corporate Office, from April 21, 2011.

(2) For 2010.

(3) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(4) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(5) Company car.

ROSS MCINNES, DEPUTY CHIEF EXECUTIVE OFFICER, FINANCE

Summary of compensation, stock options and shares granted	2011	2012
Compensation due for the year	€901,745	€865,091
(broken down in the table below)	incl. a fixed component of €428,333	incl. a fixed component of €420,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year ⁽¹⁾	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€428,333	€428,333	€420,000	€420,000
Variable compensation	€459,583	€417,200 ⁽²⁾	€441,000	€459,583 ⁽¹⁾
Extraordinary compensation	€9,056 ⁽³⁾	€22,676 ⁽⁴⁾	None	€9,056 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁵⁾	€4,773	€4,773	€4,091	€4,091
TOTAL	€901,745 incl. a fixed component of €428,333	€872,982 incl. a fixed component of €428,333	€865,091 incl. a fixed component of €420,000	€892,730 incl. a fixed component of €420,000

(1) As Executive Vice-President, Economic and Financial Affairs, up to April 21, 2011 and as Deputy Chief Executive Officer, Finance, from April 21, 2011.

(2) For 2010.

(3) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(4) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(5) Company car: €4,091 in 2011 and €4,091 in 2012.

MARC VENTRE, DEPUTY CHIEF EXECUTIVE OFFICER, OPERATIONS

Summary of compensation, stock options and shares granted	2011	2012
Compensation due for the year	€871,747	€824,003
(broken down in the table below)	incl. a fixed component of €412,500	incl. a fixed component of €400,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year ⁽¹⁾	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€412,500	€412,500	€400,000	€400,000
Variable compensation	€447,500	€432,500 ⁽²⁾	€420,000	€447,500 ⁽¹⁾
Extraordinary compensation	€7,056 ⁽³⁾	€20,676 ⁽⁴⁾	None	€7,056 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁵⁾	€4,691	€4,691	€4,003	€4,003
TOTAL	€871,747 incl. a fixed component of €412,500	€870,367 incl. a fixed component of €412,500	€824,003 incl. a fixed component of €400,000	€858,559 incl. a fixed component of €400,000

(1) As Executive Vice-President, Aerospace Propulsion branch, up to April 21, 2011 and as Deputy Chief Executive Officer, Operations from April 21, 2011.

(2) For 2010.

(3) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes.

(4) Payments for 2010 under statutory and optional profit-sharing schemes.

(5) Company car: €4,661 in 2011 and €4,003 in 2012.

SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS AND TERMINATION BENEFITS OF THE EXECUTIVE MANAGEMENT TEAM

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits liable to be due for termination of office, change in duties, or non-competition agreements
Jean-Paul Herteman	Chairman and CEO	No ⁽¹⁾	No ⁽⁴⁾	Yes ⁽²⁾
Dominique-Jean Chertier	Deputy Chief Executive Officer	Suspended ⁽³⁾	No ⁽⁴⁾	No
Ross McInnes	Deputy Chief Executive Officer	Suspended ⁽³⁾	No ⁽⁴⁾	No
Marc Ventre	Deputy Chief Executive Officer	Suspended ⁽³⁾	No ⁽⁴⁾	No

(1) His employment contract terminated on April 21, 2011.

(2) Commitment in respect of the termination of the duties of Chief Executive Officer (see section 6.2.1 – Principles and rules for determining the compensation of Executive Management).

(3) Employment contract suspended since April 21, 2011.

(4) No specific supplementary pension plan has been set up for Executive Management, whose members benefit from the Group's collective supplementary pension plans (see sections 6.2.1, page 254 and 8.5.1).

6.2.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

COMPENSATION, ATTENDANCE FEES

Only the two Directors representing employee shareholders have an employment contract with the Company and their salaries, received under their employment contracts with Safran, are not disclosed.

The other members of the Board of Directors, except for the Chairman and CEO, Jean-Paul Herteman, only receive attendance fees as compensation.

The attendance fees are provided for in Article 17 of the Company's bylaws. The total amount of attendance fees was set by the Shareholders' Meeting of May 31, 2012 at €670,000 for 2012.

The methods of allocation of the total amount of attendance fees are set by the Board of Directors' Internal Rules. Directors waive the right to a portion of these fees in favor of the Board Advisor(s), representing 4.5% of the total amount. A fixed portion of these fees, representing half of the balance (total amount minus the Board Advisors' portion), is split among Directors based on the number of shares they own, the Chairman and Vice-Chairman having each one share and a half and the Directors one share. The remaining half of the balance is allocated according to (i) committee membership and (ii) the rate of attendance by members at Board of Directors' meetings and the meetings of the committees to which they belong. In accordance with legal provisions, attendance fees allocated to representatives of the French State are paid to the French Treasury.

At its meeting of February 20, 2013, the Board of Directors decided to allocate the attendance fees for 2012 pursuant to these rules.

STOCK OPTIONS

None.

PERFORMANCE SHARES

None.

FREE SHARE GRANTS

Among the members of the Board of Directors, only the representatives of the employee shareholders benefited, in their capacity as employees of the Company, from the grant of 100 existing Safran shares free of consideration, delivered in April 2011, in relation to the share grant plans set up by the Executive Board on April 3, 2009 to employees of Group companies within the scope of the European Works Council.

SUMMARY TABLE OF ATTENDANCE FEES PAID TO NON-EXECUTIVE DIRECTORS

Members of the Board of Directors (excluding representatives of the French State)	Amount of attendance fees (gross)	
	For the period from April 21 to December 31, 2011 (paid in 2012) ⁽¹⁾	2012 (paid in 2013) ⁽²⁾
Francis Mer ⁽³⁾	€44,195	€63,508.92
Marc Aubry	€21,336	€30,659.48
Giovanni Bisignani	€34,058	€48,940.91
Jean-Lou Chameau	€21,336	€30,659.48
Odile Desforges	€27,697	€39,800.19
Jean-Marc Forneri ⁽⁴⁾	€30,877	€44,370.55
Christian Halary ⁽⁵⁾	€21,336	€30,659.48
Xavier Lagarde	€27,697	€39,800.19
Michel Lucas ⁽⁶⁾	€30,877	€44,370.55
Elisabeth Lulin	€27,697	€39,800.19
TOTAL ATTENDANCE FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS EXCLUDING REPRESENTATIVES OF THE FRENCH STATE	€287,106	€412,569.95
Payment to the French Treasury for State representatives ⁽⁷⁾	€129,870	€186,622.91
Total attendance fees paid to non-executive Directors	€416,976⁽⁸⁾	€599,192.86⁽⁹⁾

(1) In light of the change in corporate governance decided by the Shareholders' Meeting of April 21, 2011, the shareholders set the amount of attendance fees of €670,000 for 2011, in the 21st resolution, as follows:

- the amount of attendance fees allocated to the Supervisory Board for the first part of 2011, up until the date of the Shareholders' Meeting was set at €203,700; and
- the amount of attendance fees allocated to the Board of Directors for the second part of 2011, starting on the date of the Shareholders' Meeting was set at €466,300.

(2) Before 21% withholding tax for natural persons tax-domiciled in France (in accordance with article 117 quater of the French Tax Code (Code général des impôts)) and social security contributions of 15.5%.

(3) Francis Mer was paid attendance fees of €14,934 (gross) for his duties as Chairman of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €59,129 for 2011.

(4) Jean-Marc Forneri was paid attendance fees of €9,710 (gross) for his duties as member of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €40,587 for 2011.

(5) Christian Halary was paid attendance fees of €10,755 (gross) for his duties as member of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €32,091 for 2011.

(6) Michel Lucas was paid attendance fees of €12,844 for his duties as member of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €43,721 for 2011.

(7) The French Treasury was paid attendance fees of €47,198 for four members of the Supervisory Board representing the French State for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to the French Treasury to €177,068 for 2011.

(8) Plus attendance fees of €28,293 paid to Jean-Paul Herteman, as executive Director and attendance fees of €20,984 paid to Caroline Grégoire-Sainte Marie, as Board Advisor.

(9) Jean-Paul Herteman was paid attendance fees of €40,657.14, as executive Director, and Caroline Grégoire-Sainte Marie was paid attendance fees of €30,150, as Board Advisor, bringing the total amount of attendance fees to €670,000 for 2012.

SUMMARY TABLE OF FREE SHARES GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS

Members	Date of share grant plan	Total number of free shares granted (due to their status as Safran employees)	Share value	Vesting date	Availability date
Marc Aubry	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013
Christian Halary	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013

6.3

SHARE TRANSACTIONS PERFORMED BY CORPORATE OFFICERS AND OTHER MANAGERS

The transactions performed in 2012 in Safran shares and related financial instruments by Safran's corporate officers, management executives, other managers and persons having close personal links with them, referred to in a) to c) of article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), and of which the Company is aware, are as follows:

Person making the disclosure	Nature of the transaction	Value date	Number of shares	Price per share
Marc Aubry	Acquisition ⁽¹⁾	January 27, 2012	450 ⁽³⁾	€23.265
Bruno Cotté	Acquisition ⁽¹⁾	January 27, 2012	450 ⁽³⁾	€23.265
Christian Halary	Acquisition ⁽¹⁾	January 27, 2012	450 ⁽³⁾	€23.265
Yves Leclère	Acquisition ⁽¹⁾	January 27, 2012	450 ⁽³⁾	€23.265
Philippe Petitcolin	Acquisition ⁽¹⁾	January 27, 2012	450 ⁽³⁾	€23.265
Marc Aubry	Acquisition ⁽²⁾	February 28, 2012	79 ⁽³⁾	€23.265
Dominique-Jean Chertier	Acquisition ⁽²⁾	February 28, 2012	110 ⁽³⁾	€24.62
Jean-Pierre Cojan	Acquisition ⁽²⁾	February 28, 2012	330 ⁽³⁾	€24.62
Bruno Cotté	Acquisition ⁽²⁾	February 28, 2012	66 ⁽³⁾	€24.62
Yves Leclère	Acquisition ⁽²⁾	February 28, 2012	330 ⁽³⁾	€24.62
Ross McInnes	Acquisition ⁽²⁾	February 28, 2012	110 ⁽³⁾	€24.62
Philippe Petitcolin	Acquisition ⁽²⁾	February 28, 2012	330 ⁽³⁾	€24.62
Dominique-Jean Chertier	Acquisition ⁽⁴⁾	March 30, 2012	38 ⁽³⁾	€27.555
Jean-Pierre Cojan	Acquisition ⁽⁴⁾	March 30, 2012	116 ⁽³⁾	€27.555
Bruno Cotté	Acquisition ⁽⁴⁾	March 30, 2012	23 ⁽³⁾	€27.555
Xavier Lagarde	Acquisition ⁽⁴⁾	March 30, 2012	107 ⁽³⁾	€27.555
Yves Leclère	Acquisition ⁽⁴⁾	March 30, 2012	116 ⁽³⁾	€27.555
Ross McInnes	Acquisition ⁽⁴⁾	March 30, 2012	38 ⁽³⁾	€27.555
Philippe Petitcolin	Acquisition ⁽⁴⁾	March 30, 2012	116 ⁽³⁾	€27.555
Xavier Lagarde	Sale	March 31, 2012	12,067	€27.555
Christian Halary	Acquisition ⁽²⁾	April 26, 2012	107 ⁽³⁾	€28.00
Marc Aubry	Acquisition ⁽⁶⁾	June 5, 2012	36 ⁽³⁾	€26.545
Dominique-Jean Chertier	Acquisition ⁽⁶⁾	June 5, 2012	73 ⁽³⁾	€26.545
Jean-Pierre Cojan	Acquisition ⁽⁶⁾	June 5, 2012	65 ⁽³⁾	€26.545
Bruno Cotté	Acquisition ⁽⁶⁾	June 5, 2012	14 ⁽³⁾	€26.545
Christian Halary	Acquisition ⁽⁶⁾	June 5, 2012	31 ⁽³⁾	€26.545
Jean-Paul Herteman	Acquisition ⁽⁶⁾	June 5, 2012	265 ⁽³⁾	€26.545
Xavier Lagarde	Acquisition ⁽⁶⁾	June 5, 2012	88 ⁽³⁾	€26.545
Yves Leclère	Acquisition ⁽⁶⁾	June 5, 2012	285 ⁽³⁾	€26.545
Ross McInnes	Acquisition ⁽⁶⁾	June 5, 2012	33 ⁽³⁾	€26.545
Philippe Petitcolin	Acquisition ⁽⁶⁾	June 5, 2012	179 ⁽³⁾	€26.545
Marc Ventre	Acquisition ⁽⁶⁾	June 5, 2012	128 ⁽³⁾	€26.545
Marc Aubry	Acquisition ⁽²⁾	June 25, 2012	55 ⁽³⁾	€28.03
Dominique-Jean Chertier	Acquisition ⁽²⁾	June 25, 2012	96 ⁽³⁾	€28.03
Jean-Pierre Cojan	Acquisition ⁽²⁾	June 25, 2012	290 ⁽³⁾	€28.03
Bruno Cotté	Acquisition ⁽²⁾	June 25, 2012	58 ⁽³⁾	€28.03
Xavier Lagarde	Acquisition ⁽²⁾	June 25, 2012	532 ⁽³⁾	€28.03

Person making the disclosure	Nature of the transaction	Value date	Number of shares	Price per share
Yves Leclère	Acquisition ⁽²⁾	June 25, 2012	290 ⁽³⁾	€28.03
Ross McInnes	Acquisition ⁽²⁾	June 25, 2012	96 ⁽³⁾	€28.03
Philippe Petitcolin	Acquisition ⁽²⁾	June 25, 2012	290 ⁽³⁾	€28.03
Marc Aubry	Acquisition ⁽⁵⁾	June 29, 2012	63 ⁽³⁾	€29.20
Dominique-Jean Chertier	Acquisition ⁽⁵⁾	June 29, 2012	63 ⁽³⁾	€29.20
Jean-Pierre Cojan	Acquisition ⁽⁵⁾	June 29, 2012	63 ⁽³⁾	€29.20
Bruno Cotté	Acquisition ⁽⁵⁾	June 29, 2012	59 ⁽³⁾	€29.20
Christian Halary	Acquisition ⁽⁵⁾	June 29, 2012	55 ⁽³⁾	€29.20
Yves Leclère	Acquisition ⁽⁵⁾	June 29, 2012	63 ⁽³⁾	€29.20
Ross McInnes	Acquisition ⁽⁵⁾	June 29, 2012	63 ⁽³⁾	€29.20
Philippe Petitcolin	Acquisition ⁽⁵⁾	June 29, 2012	63 ⁽³⁾	€29.20
Christian Halary	Sale	September 20, 2012	400	€28.20
Marc Aubry	Sale	October 26, 2012	443 ⁽³⁾	€30.16
Christian Halary	Sale	October 29, 2012	330 ⁽³⁾	€30.195
Christian Halary	Sale	November 5, 2012	203 ⁽³⁾	€30.81
Marc Aubry	Acquisition ⁽⁶⁾	December 17, 2012	22 ⁽³⁾	€32.47
Dominique-Jean Chertier	Acquisition ⁽⁶⁾	December 17, 2012	52 ⁽³⁾	€32.47
Jean-Pierre Cojan	Acquisition ⁽⁶⁾	December 17, 2012	48 ⁽³⁾	€32.47
Bruno Cotté	Acquisition ⁽⁶⁾	December 17, 2012	10 ⁽³⁾	€32.47
Christian Halary	Acquisition ⁽⁶⁾	December 17, 2012	17 ⁽³⁾	€32.47
Jean-Paul Herteman	Acquisition ⁽⁶⁾	December 17, 2012	182 ⁽³⁾	€32.47
Xavier Lagarde	Acquisition ⁽⁶⁾	December 17, 2012	66 ⁽³⁾	€32.47
Yves Leclère	Acquisition ⁽⁶⁾	December 17, 2012	199 ⁽³⁾	€32.47
Ross McInnes	Acquisition ⁽⁶⁾	December 17, 2012	24 ⁽³⁾	€32.47
Philippe Petitcolin	Acquisition ⁽⁶⁾	December 17, 2012	127 ⁽³⁾	€32.47
Marc Ventre	Acquisition ⁽⁶⁾	December 17, 2012	89 ⁽³⁾	€32.47

(1) Leveraged transaction.

(2) Optional employee profit-sharing.

(3) Number of subscribed shares corresponding to units in the Safran Group corporate mutual fund.

(4) Statutory employee profit-sharing.

(5) Company contribution.

(6) Automatic investment of dividend and interim dividend in the Group employee savings plan.

6.4 AUDIT FEES

Pursuant to article R.233-14, paragraph 17 of the French Commercial Code, the following table shows the amount of the fees paid to the Group's Statutory Auditors as included on the consolidated income statement for the fiscal year, a distinction being made between fees charged for the statutory audit of the consolidated financial statements and those charged for advice and services falling within the scope of assistance directly related to the statutory audit engagement with regard to the consolidated financial statements. The fees shown for subsidiaries are those consolidated according to the full consolidation method.

	Ernst & Young				Mazars				TOTAL			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
<i>(in € millions)</i>												
Audit												
1) Statutory audit, certification, review of parent company and consolidated financial statements												
1.a) Safran (issuer)	0.50	0.65	14%	16%	0.50	0.65	11%	15%	1.00	1.30	12%	16%
1.b) Subsidiaries	2.78	2.86	77%	72%	3.69	3.01	78%	72%	6.47	5.87	78%	72%
2) Other engagements and services directly related to the statutory audit engagement												
2.a) Safran (issuer)	0.09	0.19	2%	5%	0.09	0.19	2%	4%	0.18	0.38	2%	5%
2.b) Subsidiaries	0.07	0.26	2%	7%	0.42	0.38	9%	9%	0.49	0.64	6%	7%
Sub-total	3.44	3.96	95%	100%	4.70	4.23	100%	100%	8.14	8.19	98%	100%
Other services rendered by the network to fully consolidated subsidiaries												
3.a) Legal, tax, employee-related	0.02	-	1%	-	-	-	-	-	0.02	-	-	-
3.b) Other (provide details if >10% of audit fees)	0.13	-	4%	-	-	-	-	-	0.13	-	2%	-
Sub-total	0.15	-	5%	-	-	-	-	-	0.15	0.00	2%	-
TOTAL	3.59	3.96	100%	100%	4.70	4.23	100%	100%	8.29	8.19	100%	100%

NOTE 1 – STATUTORY AUDIT, CERTIFICATION, REVIEW OF PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

These services include, but are not limited to, the engagements defined by applicable laws and regulations and set out in sections 2, 5 and 6 of the manual of professional standards drafted by the French institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* – CNCC).

They mainly concern the professional services rendered by the Statutory Auditors and other persons responsible for audits, members of their networks, certifying the parent company and consolidated financial statements of the parent company and fully consolidated subsidiaries in France and abroad.

NOTE 2 – OTHER ENGAGEMENTS AND SERVICES DIRECTLY RELATED TO THE STATUTORY AUDIT ENGAGEMENT

Other engagements and services directly related to the audit engagement and rendered by the Statutory Auditor or a member of its network concern services entering into the scope of services usually rendered in conjunction with the statutory audit engagement (drafting of specific reports and statements, due diligence procedures on the acquisition or divestment of an activity or of companies to be included in or removed from the scope of consolidation).

NOTE 3 – LEGAL AND TAX SERVICES

The services concerned are assignments for the provision of legal or tax assistance in general on a non-recurring basis and by agreement. These engagements mainly concern assistance with fulfilling tax requirements not related to the statutory audit engagement carried out outside France.

NOTE 4 – OTHER SERVICES

These services cover all other specific assignments in general on a non-recurring basis and by agreement.

6.5

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF MAY 28, 2013, PURSUANT TO THE PROVISIONS OF ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*)

To prepare this report, the Chairman of the Board of Directors consulted the Audit and Internal Control Department and the Group Risk and Insurance Department. This report was reviewed by the Audit and Risk Committee on March 18, 2013 before being submitted to the Board of Directors, which approved it at its meeting on March 21, 2013.

6.5.1 COMPOSITION, ORGANIZATION AND WORK OF THE BOARD OF DIRECTORS

THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

Shareholders at the Ordinary and Extraordinary Shareholders' Meeting on April 21, 2011 approved the adoption of a governance structure with a Board of Directors and appointed its members.

REFERENCE CORPORATE GOVERNANCE CODE

Safran refers to the "Corporate Governance Code of Listed Corporations", drawn up jointly by two French employers' associations, AFEP⁽¹⁾ and MEDEF⁽²⁾, and last updated in April 2010.

Where certain recommendations included in this code are not implemented, this is justified in section 6.5.3 "Application of the AFEP-MEDEF Corporate Governance Code" of this report.

MEMBERS OF THE BOARD OF DIRECTORS

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

The composition of the Safran Board of Directors is subject to the provisions of French ordinary law applicable to *sociétés anonymes* (corporations). However, since the French State owns more than 10% of the share capital, pursuant to article 12 of French Law 49-985 of July 25, 1949, a number of seats are reserved for the French State in proportion to its stake.

There are 15 members on the Board of Directors. They include four representatives of the French State appointed by Ministerial Decree and two representatives of employee shareholders.

One Board Advisor appointed by shareholders in a General Shareholders' Meeting also attends Board of Directors' meetings in an advisory capacity, along with a Government Commissioner appointed by decision of the Ministry of Defence in accordance with the regulations applicable in the Company's activities, and two representatives of the Central Works Council in accordance with the French Labor Code (*Code du travail*).

The Statutory Auditors are invited to the Board meetings during which the annual and interim financial statements and the documents prepared for General Shareholders' Meetings are reviewed. They may also be invited to any other Board meeting.

In accordance with the Board of Directors' Internal Rules, depending on the matters discussed, the Chairman of the Board of Directors may invite any person to attend Board of Directors' meetings that he deems may be able to provide Board members with helpful information on an agenda item.

As of December 31, 2012, the Board of Directors was composed of the following members:

- Jean-Paul Herteman (Chairman), a French national;
- Francis Mer (Vice-Chairman), a French national;
- Marc Aubry (representative of employee shareholders), a French national;
- Giovanni Bisignani (independent Director), an Italian national;

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

- Christophe Burg (French State representative), a French national;
- Jean-Lou Chameau (independent Director), a French and American national;
- Odile Desforges (independent Director), a French national;
- Jean-Marc Forneri (independent Director), a French national;
- Christian Halary (representative of employee shareholders), a French national;
- Xavier Lagarde, a French national;
- Michel Lucas, a French national;
- Elisabeth Lulin (independent Director), a French national;
- Astrid Milsan (French State representative), a French national;
- Michèle Rousseau (French State representative), a French national;
- Laure Reinhart (French State representative), a French national.

No changes in the composition of the Board of Directors took place in 2012.

An advisor to the Board of Directors was appointed by the Ordinary and Extraordinary Shareholders' Meeting of April 21, 2011.

FEMALE REPRESENTATION ON THE BOARD OF DIRECTORS

The Board of Directors has five female members. The proportion of women on the Board of Directors is one-third of the members. This is higher than the proportion recommended by the AFEP-MEDEF Code, which sets a target of at least 20% for female board members in 2013.

DURATION OF THE TERMS OF OFFICE OF THE MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors are appointed by the Ordinary General Meeting for five-year terms.

By way of exception to the five-year term, the terms of office of the Company's first Directors, appointed by the Annual General Meeting held on April 21, 2011 (other than Directors representing employee shareholders whose term of office is five years) are set for different periods in order to make the staggered re-election of Directors possible.

COMPULSORY SHAREHOLDINGS

In accordance with Article 14.5 of the Company's bylaws, each Director – other than the representatives of the French State and Directors representing employee shareholders – shall be required to own a certain number of shares in the Company in accordance with the terms and conditions set down in the Board of Directors' Internal Rules.

Article 11.1 of the Board of Directors' Internal Rules established a shareholding obligation of at least 500 shares.

CONFIDENTIALITY TRANSACTIONS IN THE COMPANY'S SHARES

Members of the Board of Directors and all individuals who attend Board meetings are under obligations of confidentiality and discretion with respect to information provided to them in this context.

INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Independent Directors are those who do not have any relationship whatsoever with the Company, the Group or its Management that may compromise their freedom of opinion.

A Director is deemed independent when he meets all of the following conditions (Article 2.4 of the Board of Directors' Internal Rules and Article 8.4 of the AFEP-MEDEF Code); thus a Director cannot:

- have been during the five years preceding his/her first appointment as a Director of the Company, an employee or corporate officer of the Company or one of the Group's companies, and be, at the time of his/her appointment, an employee of the Company or an employee or corporate officer of one of the Group's companies;
- be a corporate officer of a company in which the Company holds, directly or indirectly, a directorship or serves as a member of the Supervisory Board;
- be a corporate officer of a company in which an employee appointed as such or a corporate officer of the Company (currently or within the last five years) holds a directorship or serves as a member of the Supervisory Board;
- be a significant client, supplier, investment bank, or financing bank of the Company or the Group, or for which the Company or the Group represents a significant portion of the activity;
- participate, for Directors who have duties in one or more banks, in (i) preparing or soliciting offers for services from one or more of these banks with the Company or one of the Group's companies, (ii) the work of one of these banks in event of the performance of a mandate entrusted to this bank by the Company or one of the Group's companies or (iii) voting on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity;
- have any close family tie with a corporate officer of the Company or one of the Group's companies;
- have been the Statutory Auditor of the Company in the past five years;
- be a member of the Board of Directors or have been a member of the Company's Supervisory Board for over twelve years. However, members only lose their status as independent Directors at the end of the term of office during which they have exceeded the 12-year term;
- be the reference shareholder of the Company.

Based on these criteria, five of the fifteen members of the Board of Directors are classified as independent members. These members are Giovanni Bisignani, Jean-Lou Chameau, Odile Desforges, Jean-Marc Forneri and Elisabeth Lulin, i.e., one-third of the Directors in office.

ORGANIZATION AND WORK OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS' INTERNAL RULES

In addition to the provisions of the law and the bylaws that govern its functioning, the Board of Directors has a set of Internal Rules that clarify certain conditions relating to its meetings, list the operations that require its prior approval, define the duties and the operating rules of its special committees and set out the rules for the allocation of attendance fees to Board members, based on the budget previously set by the Annual General Meeting.

These Internal Rules are available on the Company's website (<http://www.safran-group.com>, in the Finance section).

POWERS OF THE BOARD OF DIRECTORS LIMITS IMPOSED ON THE POWERS OF EXECUTIVE MANAGEMENT

The Board of Directors exercises the rights granted by law and regulations, summarized in particular in section 7.1.2.1.

In addition, in accordance with Article 19.3 of the bylaws and Article 4 of the Board of Directors' Internal Rules, the following transactions have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures of the Company and Group:

- decisions related to significant operations in France or abroad;
- decisions to withdraw from such operations in France or abroad;
- material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.

The Board of Directors is always called upon to approve, in advance, each of the following transactions or decisions, if such transaction or decision leads to an investment, divestment or commitment for an amount equal to or more than €50 million, for the Company or one of the Group's companies:

- acquisition or disposal of property;
- acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issues of shares, partnership shares, or bonds, excluding ordinary treasury management transactions;
- any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding ordinary treasury management transactions;
- in the event of litigation, signature of any agreement and transaction, acceptance of any settlement;
- creation of collateral on company assets.

The Board of Directors is always called upon to approve, in advance, each of the following transactions or decisions for an amount equal to or more than €150 million, for the Company or one of the Group's companies:

- granting or contracting of any loan, credit or advance;
- acquiring or disposing of any receivable by any means.

The Board of Directors is called upon to approve in advance any industrial or commercial project deemed significant by the Chief Executive Officer and presented as such by the Strategy and Major Projects Committee.

Furthermore, the following transactions will require prior authorization from the Board of Directors with at least one Director representing the French State voting in favor, provided that the French State owns more than 10% of the Company's share capital:

- any disposal by the Group of strategic military and aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any sale by the Company of securities of Herakles, Microturbo, Europropulsion and Sagem Défense Sécurité;
- any decision to grant to a third party special management rights or rights to information over strategic military or aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any decision to grant to a third party rights to be represented on the management bodies of Herakles, Microturbo, Europropulsion and Sagem Défense Sécurité.

Furthermore, in accordance with legal provisions, prior authorization must be given by the Board of Directors for guarantees, endorsements and sureties granted in the Company's name.

Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Chairman and Chief Executive Officer; any commitment exceeding this ceiling must be specifically authorized by the Board.

For 2012, the blanket ceiling was set at €500 million (with no ceiling for the guarantees, endorsements and sureties for tax and customs authorities).

On December 12, 2012, the Board of Directors decided to renew the €500 million blanket ceiling for 2013 (with no ceiling for the guarantees, endorsements and sureties for tax and customs authorities).

INFORMATION ON THE BOARD OF DIRECTORS

The agenda for Board of Directors' meetings is put forward by the Secretary of the Board to the Chairman and takes account of the work of the Board's special committees and proposals made by members of the Board of Directors.

Before each meeting, members of the Board of Directors receive the agenda and all documents necessary to inform them on the matters to be discussed during the meeting, as well as the draft minutes of the previous meeting.

Prior to the meeting, they may request any additional documents they consider useful.

In addition, the Chairman continually keeps the Board of Directors informed, by any means, of all significant events concerning the Group. Its members receive a copy of the Company's press releases and a press review, as well as a monthly stock market performance report on the Safran share.

BOARD OF DIRECTORS' MEETINGS

A provisional timetable of meetings is approved at the end of each year for the following year.

The Board of Directors meets at least once every quarter.

Meetings may be convened by any means. The Board of Director's Internal Rules state that Directors may participate in meetings by videoconference or other means of telecommunications.

The presence of at least half of the members is necessary in order to validate majority decisions. Decisions are voted by the majority of members present or their representatives; in the event of a split decision, the Chairman shall have the casting vote.

Under their responsibility, the members of the Board of Directors may be represented by another Board member, by means of a proxy, each member having only one such proxy.

Minutes are drawn up for each Board of Directors' meeting and forwarded to all members of the Board of Directors with a view to their adoption at the next meeting.

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2012

The Board of Directors met eight times in 2012, with an average attendance rate of 92.08%.

In accordance with the provisions of the Internal Rules, certain deliberations of the Board of Directors were prepared based on recommendations and proposals of special Board committees, within the scope of their remit. These committees reported on their findings and submitted their opinions and proposals to the Board. The main activities of the Board of Directors in 2012 were as follows:

In terms of corporate governance

At its meetings on February 22, May 23 and December 12, 2012, the Board improved and established the methods used for determining management compensation upon consultation with the Appointments and Compensation Committee.

In terms of industrial and commercial matters

At each Board meeting, an update is provided on the Group's industrial and commercial situation as well as the progress on programs under development.

In terms of strategy

At every Board of Directors' meeting, the Chairman provides an update on significant projects and programs being launched, progress made with regard to external growth plans, ongoing negotiations and the difficulties encountered.

Detailed presentations were given by the members of management involved in the specific acquisition projects at their various stages of development. These were then followed by discussions among the Board members, and where applicable, decisions, after the Chairman of the Strategy Committee reported on the work of this Committee and its recommendations.

In terms of economic and financial matters

Throughout the year, the Board was briefed by the Chairman and the managers, notably at the quarterly business report presentations, on the business highlights, business conditions in the aviation industry, business trends, the Group's financial position, the financial guarantees granted to clients, and disputes and outstanding cases.

Currency hedging was reported on regularly.

The Board approved the half-year financial statements and the half-year financial report, the provisional budget documents and authorized the Deputy Chief Executive Officer, Finance to implement the new share buyback program authorized by the Annual General Meeting of May 31, 2012.

The Board also reviewed the Group's quality improvement program and the areas in which progress could be made, the status of the main indicators relating to the 2012 budget, the assumptions retained for the 2013 budget and the detailed review of this budget, as well as the medium-term plan and the audit plans.

In terms of employee policy

The Deputy Chief Executive Officer, Corporate Office, regularly kept the Board of Directors up-to-date on progress made with various projects to modernize the running of the Group and the Group's employee policy.

COMMITTEES OF THE BOARD OF DIRECTORS

The Internal Rules of the Board of Directors provide for the Board's decisions regarding certain matters to be prepared by special committees that review matters within their remit and submit their opinions and proposals to the Board.

The Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The role, organization and operating procedures of each committee are set out in the Board of Directors' Internal Rules.

In its area of expertise, each committee carries out in-depth work and analysis prior to the Board of Directors' discussions and is used to prepare the Board's decisions. It makes proposals and recommendations to the Board, and gives its opinion on the matters under review.

As such, each committee may propose to the Board of Directors to conduct internal or external studies that may be able to provide the Board of Directors with helpful information for its decisions.

Each committee may also call on one or more members of the Company's Executive Management.

At each Board of Directors' meeting, the Chairman of each committee reports – or any other committee member designated if the Chairman is unable to do so – to the Board on its work, proposals and recommendations.

The Audit and Risk Committee

■ Composition

The Audit and Risk Committee has at least three members, including its Chairman. These members are selected from among the Directors, other than the Chairman of the Board of Directors, who do not have management duties with the Company.

The majority of members on this Committee, including its Chairman, must be independent Directors.

In addition, at least one of the Committee's independent members has specific financial or accounting skills.

The Audit and Risk Committee meets at least four times a year, and the Statutory Auditors are always invited to its meetings, except where a joint meeting is held with another Committee.

At December 31, 2012, the Audit and Risk Committee had four members: Jean-Marc Forneri, Chairman, Elisabeth Lulin, Astrid Milsan and Michèle Rousseau. The Board Advisor attends all of the Audit and Risk Committee's meetings in an advisory capacity.

■ Duties and main activities in 2012

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

The Audit and Risk Committee is responsible for:

- reviewing the draft half-year and annual parent company and consolidated financial statements before they are submitted to the Board of Directors, and in particular:
 - ensuring that the accounting policies adopted to prepare the parent company and consolidated financial statements are relevant and are applied continuously, and
 - examining any problems encountered related to applying accounting policies;
- reviewing the financial documents issued by the Company in connection with the end of the annual and half-year reporting periods;
- reviewing draft financial statements prepared for the requirements of special transactions, such as contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain transactions proposed by Executive Management and submitted to the Board of Directors (certain of which for prior authorization), such as:
 - capital increases,
 - investments,
 - acquisitions or divestments;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of decisions taken to handle major transactions;

- ensuring the auditing of the full-year and consolidated financial statements, by the Statutory Auditors;
- reviewing the methods and procedures used for reporting purposes and for the restatement of accounting information from the Group's foreign companies.

The Audit and Risk Committee is also tasked with verifying the effectiveness of the Company's external audit.

The Audit and Risk Committee is responsible for:

- issuing a recommendation on the Statutory Auditors proposed for appointment by the Company's Annual General Meeting;
- ensuring that the Company's Statutory Auditors are independent;
- reviewing the compensation of the Company's Statutory Auditors – which should not call into question their independence or objectiveness;
- reviewing each year with the Statutory Auditors:
 - the audit plans and their findings,
 - their recommendations and the follow-up thereof.

The Audit and Risk Committee reports to the Board of Directors on a regular basis on its work and immediately informs the Board of any problems that may arise. These reports are added to the minutes of the relevant Board of Directors' meetings or are included in an appendix to these minutes.

In 2012, the Audit and Risk Committee met seven times: on February 20, April 4, June 8 (joint meeting with the Strategy and Major Projects Committee), July 26, October 3, October 22 and December 10, to address all the topics mentioned above. The Statutory Auditors (except for the joint meeting of June 8), the Board Advisor and the Head of Audit and Internal Control attended each of these meetings. The Committee focused on monitoring key topics for Safran:

- preparing the annual and half-year accounts, and proposing the appropriation of profit; preparing the medium-term plan;
- preparing forecast financial statements for the parent company (*comptes prévisionnels*);
- preparing the budget;
- preparing the Group's financing plans;
- preparing, monitoring and carrying out strategic projects, particularly acquisitions. However, joint meetings with the Audit and Risk Committee and the Strategy and Major Projects Committee can be held to discuss key strategic projects for the Group;
- foreign currency hedging;
- guarantees, endorsements and sureties;
- risk management;
- monitoring Internal Control and Internal Audit work, and directing their future work;
- monitoring the Statutory Auditors' work;
- preparing financial communications, in particular draft press releases.

The Appointments and Compensation Committee

■ Composition

The Appointments and Compensation Committee has at least three members, including its Chairman.

At December 31, 2012, the Appointments and Compensation Committee had five members: Michel Lucas, Chairman, Astrid Milsan, Giovanni Bisignani, Christophe Burg and Francis Mer.

■ Duties and main activities in 2012

With respect to appointments

The Appointments and Compensation Committee has the following role:

- assisting the Board of Directors in its choice of:
 - members of the Board of Directors,
 - members of the committees of the Board of Directors, and
 - the Chief Executive Officer, as well as the Deputy Chief Executive Officer(s), where applicable;
- selecting potential members of the Board of Directors who meet the independence criteria and submitting the list of potential members to the Board of Directors;
- preparing succession plans for:
 - members of the Company's Executive Management, and
 - the Chairman and Vice-Chairman of the Board, the Chief Executive Officer, as well as the Deputy Chief Executive Officer(s), where applicable.

With respect to compensation

The Appointments and Compensation Committee is also responsible for making recommendations and proposals to the Board of Directors, for Board members concerned, as regards:

- the allocation of attendance fees;
- all other components of compensation, including the conditions applying at the end of their terms of office;
- possible compensation for the Board Advisor(s);
- any modifications or changes to pension and welfare plans;
- benefits-in-kind and various financial benefits; and
- where appropriate:
 - granting of stock options, and
 - free share grants.

More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors as regards:

- the compensation policy for senior executives; and

- profit-sharing provisions, by any means, for the Company's employees and more generally the Group's companies, including:
 - employee savings plans,
 - supplementary pension systems,
 - the issue of securities carrying rights to shares reserved for employees,
 - granting of stock options, and free share grants and any other employee share ownership arrangements.

The Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors on the performance criteria to be used, where appropriate, when granting any stock options, as well as for any free share grants.

In 2012, the Appointments and Compensation Committee met four times: on February 20, March 26, May 15 and December 3, to address all the topics mentioned above.

The Strategy and Major Projects Committee

■ Composition

The Strategy and Major Projects Committee has at least three members, including its Chairman.

At December 31, 2012, the Strategy and Major Projects Committee had seven members: Francis Mer, Chairman, Astrid Milsan, Giovanni Bisignani, Christophe Burg, Odile Desforges, Xavier Lagarde and Laure Reinhart.

■ Duties and main activities in 2012

The Strategy and Major Projects Committee analyzes and expresses its opinion on:

- the Company's and the Group's major strategic orientations (including the medium-term business plan);
- the Group's development policy;
- and the major industrial product development projects or programs that are planned to be carried out by the Company or one of the Group's companies;

presented by Executive Management to the Board of Directors.

The Strategy and Major Projects Committee examines and reviews:

- the proposed strategic and partnership agreements;
- the external growth transactions and transactions that impact Group structure; and more generally;
- any significant project of any kind whatsoever.

In addition, the Strategy and Major Projects Committee gives its opinion on any strategic issue that it is asked to address by the Board of Directors.

In 2012, the Strategy and Major Projects Committee met seven times: on February 22, April 10, May 23, June 8 (joint meeting with the Audit and Risk Committee), July 30, August 9 and September 12, to address all the topics mentioned above.

ASSESSMENT OF THE WORK OF THE BOARD OF DIRECTORS

At its meeting of May 23, 2012, the Board of Directors decided to assess its own work and that of its committees after its members' first year in office.

Based on this self-assessment, the Directors and other participants (section 6.1.1) at the Board of Directors' meetings of Safran, and the members of the three committees, were able to assess the composition, operating procedures and work of the Board of Directors and of its three committees after one year in operation.

The analysis focused on three main areas:

- assessing the composition, duties and operating procedures of the Board of Directors and its three committees;
- verifying that important issues are properly prepared and discussed;
- assessing each member's actual contribution to the Board's work based on his/her skills and involvement in the discussions, recommendations and decisions.

At its meeting of October 24, 2012, following this self-assessment and the Board of Directors' review of the report at its meeting of July 30, 2012, the Board of Directors defined the following action plans, which were implemented immediately:

- drawing up a table listing the Board of Directors' decisions and their implementation;
- inviting Directors to meetings covering key topics for the Group (strategy, HR, etc.);
- upon specific requests, organizing site visits for the Directors concerned;
- carrying out a review on means of improving the operation of the Appointments and Compensation Committee taking into account the specificities governing its composition, as they relate to Safran employee shareholders. The terms of office of seven Directors will expire at the close of the Annual General Meeting of May 28, 2013 and the results of this review are taken into account, within the constraints described above, for re-elections and new appointments which are submitted to the shareholders for approval.

6.5.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF EXECUTIVE CORPORATE OFFICERS

MEMBERS OF EXECUTIVE MANAGEMENT

The principles and rules for determining the compensation of members of Executive Management are described in section 6.2.1 of this Registration Document, along with information concerning their other benefits and commitments.

Having considered the advice and recommendations drawn up by the Appointments and Compensation Committee at its meeting of February 15, 2013, the Board of Directors met on February 20, 2013 to conduct a detailed review of the individual performances of the executive corporate officers in 2012.

On this basis, and bearing in mind the Group's economic performance, the Board then proceeded to allocate variable compensation, and thus set the total amount of variable compensation to be awarded to each of the executive corporate officers in respect of 2012, as indicated in section 6.2.1.

In its meeting of December 12, 2012, the Board of Directors determined individual targets for the members of Executive Management for 2013, upon consultation with the Appointments and Compensation Committee.

MEMBERS OF THE BOARD OF DIRECTORS

With the exception of Jean-Paul Herteman, executive Director, and the Directors representing employee shareholders, who were linked to the Company by way of an employment contract in 2012, the members of the Board of Directors received only attendance fees as compensation, as described in greater detail in section 6.2.2 of this Registration Document.

6.5.3 APPLICATION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

Safran abides by the “Corporate Governance Code of Listed Corporations”, drawn up jointly by the French employers' associations, AFEP⁽¹⁾ and MEDEF⁽²⁾, with reference to the consolidated version of April 2010. The French version of the code can be consulted at www.code-afep-medef.com.

Where code recommendations, or directives issued subsequently for application thereof, have not been implemented, reasons are given in the following table.

AFEP-MEDEF Code recommendations	Safran practices - Reasons
<p>Proportion of independent members on the Board of Directors</p> <p>The independent Directors should account for half the members of the Board in widely-held corporations and without controlling shareholders.</p>	<p>Of the 15 members of the Board of Directors, five are deemed to be independent, representing one-third, taking account of the fact that four seats are reserved for the French State and two for the representatives of employee shareholders, pursuant to the legal provisions in effect and the bylaws (see sections 6.5.1 and 7.1.2.1 of this Registration Document).</p> <p>The Company will strive to increase the proportion of independent Directors with the staggered re-election of its Directors.</p>
<p>Duration of the terms of office of the members of the Board of Directors</p> <p>The duration of the Board members' terms of office, set by the bylaws, should not exceed four years.</p>	<p>The terms of office of the members of the Board of Directors are set by the current bylaws at five years, given the long-term nature of the Company's activities.</p> <p>It was considered that the staggered re-election of Directors implemented in 2011 (see section 7.1.2.1) would result in frequent shareholders' decisions in line with the purpose and spirit of the recommendation of the AFEP-MEDEF Code.</p>
<p>Proportion of independent members in the Audit and Risk Committee</p> <p>The proportion of independent Directors on this Committee should be at least equal to two-thirds.</p>	<p>Due to the specificities governing the composition of the Board of Directors as described above, two out of four members, i.e., one-half of the Committee members, including its Chairman, have independent status. Under these conditions, it has been decided that the Board Advisor may attend and take part in every meeting of this Committee, in a consultative capacity.</p>
<p>Proportion of independent members in the Appointments and Compensation Committee</p> <p>The Appointments and Compensation Committee should have a majority of independent Directors.</p>	<p>Due to the specificities governing the composition of the Board of Directors as described above, one out of five members, i.e., 20%, is an independent Director.</p>

6.5.4 PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS - INFORMATION REFERRED TO UNDER ARTICLE L.225-100-3 OF THE FRENCH COMMERCIAL CODE

PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

The conditions for the participation of shareholders in General Meetings are governed by the legal provisions and regulations in effect and by Articles 30 *et seq.* of the Company's bylaws.

Any shareholder, regardless of the number of shares held, is entitled to attend General Meetings, on proof of identity and of his/her capacity as a shareholder, provided that the shareholder's shares are registered in his/her name in the Company's share register managed by BNP Paribas Securities Services, or in the securities accounts managed by the authorized intermediary, no later than midnight (CET) on the third business day preceding the meeting.

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

As regards voting rights, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or the provisions concerning double voting rights stipulated in Article 31.8 of the bylaws. Fully-paid up shares that have been registered in the name of the same holders for at least two years as of the date of the General Meeting shall carry double voting rights.

Under Article 31.12 of the bylaws, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself/herself and in the capacity as proxy for another shareholder that are attached to shares (i) that he/she holds directly or indirectly and (ii) that are owned by another shareholder for which he/she is acting as proxy. The conditions for applying this limit in the number of voting rights to which each shareholder is entitled are described in section 7.1.2.2.

The bylaws permit shareholders to use the e-voting system to vote at any Shareholders' Meeting (Article 30.2), by decision of the Board of Directors published in the notice of meeting.

INFORMATION REFERRED TO UNDER ARTICLE L.225-100-3 OF THE FRENCH COMMERCIAL CODE

Information referred to under article L.225-100-3 of the French Commercial Code concerns material that could have an effect in the event of public offering, which should be stated in the management report.

The 2012 management report drawn up by Safran's Board of Directors, which is included in this Registration Document, meets this legal obligation. The required information can be found under the following headings in the Registration Document:

- agreement with the French State (section 7.1.4.2);
- breakdown of share capital and details of buyback program (sections 7.2.6 and 7.2.7);
- capping of voting rights (section 7.1.2.2);
- authorization, given at the Annual General Meeting of May 31, 2012 (tenth resolution), for the Board of Directors to issue free stock warrants in the event of a tender offer for the Company (sections 7.2.2.1 and 7.1.2.6).

6.5.5 INTERNAL CONTROL AND RISK MANAGEMENT

Operating a business involves incurring a level of risk; risk factors are described in section 4.1 of this Registration Document. Risk management is a key component in the management of Safran's activities.

The Safran framework for controlling the Group's information, activities, processes and assets includes all the appropriate resources, rules of conduct and procedures. In addition to relying on management principles, organizations, quality approach, implemented information systems, it is also based on a general compliance framework (section 6.5.5.1), a specific structure for managing major risks (section 6.5.5.2) and an internal control system (section 6.5.5.3). Key players are involved in the internal control system (section 6.5.5.4).

6.5.5.1 GENERAL COMPLIANCE FRAMEWORK

ETHICAL GUIDELINES

The Group's Ethical Guidelines have been distributed to employees worldwide. They are part of the Group's procedure manual, and each company is responsible for their implementation in day-to-day operations.

Safran is built around values shared by all of its employees. These values serve as a guide for all the Group's activities, providing high standards for honesty, integrity and professionalism, and compliance with applicable laws and regulations.

They ensure the Group remains worthy of the trust placed in it by customers, employees, shareholders, suppliers and other partners.

The Group emphasizes the importance of complying with applicable rules concerning:

- exports of military and dual-use goods;
- management of consultants;
- offering and accepting gifts and invitations;
- security of protected sites and activities;
- corporate social responsibility;
- safeguarding privacy.

For each of these facets, the Group has implemented specific procedures and arrangements.

PREVENTION AND DETECTION OF INTERNAL FRAUD

A sponsor of the anti-fraud system was appointed and a committee on fraud was established. The Group has a prevention, detection and assessment program for cases of potential internal fraud. A system for the centralizing of information on fraud or attempted fraud identified within Group companies is in place. This information is acted upon by the Group's Audit and Internal Control Department and Safety Department and necessary actions are taken.

STANDARDS AND REGULATIONS

Standards and regulations are monitored and followed up by specialist central departments which, within their respective areas of expertise, lead and coordinate a network of counterparts in the various Group companies.

ISO 9000-compliant quality management systems in the industrial companies provide valuable support to the internal control system.

For most of its activities, in France and in other countries, the Group is subject to controls imposed by civil and military authorities as well as by its customers. These controls round out the Group's own arrangements in this area.

GROUP ORGANIZATIONAL STRUCTURE

Safran is an industrial group. Each subsidiary directly manages the operational side of its business activity and assumes responsibility for the internal control system to be implemented in accordance with Group procedures and Internal Rules.

The organizational structure is based on:

- a parent company, Safran, the issuer, responsible for the Group's strategic management, organization and development. This company has adopted a governance structure with a Board of Directors;
- companies operating by business line, whose strategies are defined by the Board of Directors of the parent company. Executive Management of the parent company ensures that the strategic orientations defined for each business line are implemented and complied with at the operational level.

First-tier entities are responsible for overseeing the second-tier entities with which they have operational ties.

Under the authority of the Board of Directors, the primary duties of Safran, the parent company, are to:

- devise and pursue the Group's strategy;
- define the corporate governance guidelines and the conditions of the control of Group companies. A certain number of rules laid down in procedures have been adopted concerning, in particular:
 - corporate governance in Group companies,
 - relations between subsidiaries and the parent company;
- provide services on behalf of all Group companies. The Group gradually sets up Shared Services Centres with responsibilities in the following areas: payroll administration and management, recruitment, non-production purchases, IT, and some accounting services;
- lead or coordinate actions to develop the Group's reputation and increase effectiveness.

PROCEDURES RELATING TO GROUP OPERATIONS

The main procedures governing Group operations are collated in a documentation system, accessible via the Group intranet. This manual is organized by major process.

It primarily includes:

- with respect to the management process:
 - corporate governance rules: delegation of authority, governance of Group companies, internal control principles and Ethical Guidelines,

- risk management rules: risk management, crisis management, general safety, health, safety and environment, legal, and information systems,

- quality management rules;

- with respect to the operational process: sales-related rules;
- with respect to the support process: rules on procurement and asset management.

Every month, a list of updates to the manual is published. Entities have a duty to keep their own manual up-to-date so that it complies with Group rules.

FINANCIAL AND ACCOUNTING PROCEDURES

Financial and accounting principles are grouped together in four different manuals:

- the Group IFRS accounting manual;
- rules for the preparation of consolidated financial statements and rules concerning inter-company transactions and quarterly consolidation instructions issued to all companies concerned;
- the consolidation package user guide. This package contains the controls necessary for ensuring consistency between the items used to draw up consolidated financial statements;
- other financial principles (available in a documentation system) related to tax, banking, cash and financing transactions.

In terms of accounting standards, the Group applies IFRS as adopted in the European Union.

REPORTING AND MANAGEMENT CONTROL ARRANGEMENTS

Each week, Safran's Executive Management receives a report from each entity summarizing the main events concerning its activity.

The entities prepare monthly budget and financial reports on their activities (overview and comments). The Group's Economic and Financial Affairs Department provides Executive Management with an economic and financial overview.

Budget and planning meetings are organized regularly by the Economic and Financial Affairs Department and the management team of the company concerned:

- final quarter review and validation of the budget;
- current-year budget forecast updates three times per year;
- second quarter review and validation of the medium-term business development plan.

In addition, performance-level meetings are held regularly with representatives from the Group's principal first-tier entities.

6.5.5.2 ORGANIZATION AND COORDINATION OF RISK MANAGEMENT

DEFINITION AND OBJECTIVES

The purpose of risk management, embedded in organizational processes, is to identify the Group's major risk exposures, quantify their impact on the achievement of objectives, ensure that adequate measures and actions are implemented to bring critical risks to an acceptable level. Risk management is not a separate independent activity; it is the responsibility of each department and forms an integral part of organizational processes, including strategic planning, project management and change processes.

POSITION IN THE ORGANIZATION

The Risk and Insurance Department, which reports to the Deputy Chief Executive Officer, Finance, oversees the risk management process.

FRAMEWORK, APPRAISAL PRINCIPLE

The Risk and Insurance Department summarizes risk appraisal results at Group level and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Determining the degree of control is also essential in characterizing risk. Risk appraisals lead to action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability.

Each first-tier entity appoints a Risk Manager, who prepares a risk map for the entity that is subsequently reviewed during the entity's Risk Committee meetings. In all instances, risk management draws on a common methodology using risk analysis as the starting point. A Risk Manager is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

The Risk and Insurance Department develops methodological techniques and procedures, for the Group, to ensure consistent handling of risks between entities. The Group has a risk manual organized by process, level of impact, frequency, probability and control. Detailed guidance is also prepared for the analysis of certain risks.

Arrangements for crisis prevention and management are built on coordinated procedures implemented for managing warnings and crises, not only at Group but also at Company and facility level.

MANAGEMENT

The Group Risk Committee – made up of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers, led by the Risk Management and Insurance – approves the risk management policy, the Group's risk mapping and risk mitigation, and the cross-sector action plans of the Risk and Insurance Department, and makes sure that the risk management process works effectively and that there is an adequate level of risk-awareness. This Committee met twice in 2012.

The Risk and Insurance Department sets risk management maturity objectives for first-tier entities. One item of the first-tier entities' action plans, as requested by the Risk and Insurance Department, is to implement risk management in newly acquired entities.

It coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved by the Group Risk Committee.

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk and Insurance Department (major risk map with the corresponding degree of control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk and Insurance Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

The Risk and Insurance Department prepares the mapping of major risks by support/central departments of Safran, as parent company, based on interviews. These maps are then approved by the support/central departments of Safran. For each identified risk, a manager is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

AWARENESS AND TRAINING

Risk management leverages training and communication. A risk and management training course launched in 2007 and organized jointly by the Risk and Insurance Department and Group Risk Managers in liaison with Safran Corporate University has promoted risk awareness among close to 880 managers within the Group, including 170 in 2012.

The Risk and Insurance Department has also implemented the PSIP Program (Preventive Safran's documents Integrity Program). This program seeks to help mitigate documentary risk and legal accusations attributable to Group products/services while protecting employees from the consequences of an accident in which a product/service may be the target of an accusation.

6.5.5.3 ORGANIZATION AND COORDINATION OF INTERNAL CONTROL

DEFINITION AND OBJECTIVES

The Safran Group implements its internal control system on the basis of general principles advocated by the AMF. Internal control is defined as a process implemented by its Board of Directors, management and personnel, to provide reasonable assurance as to the realization of the following objectives:

- compliance with applicable laws and regulations;
- application of instructions and strategies set by Executive Management;
- proper functioning of the Company's internal processes, particularly those contributing to the protection of its assets;
- reliability of financial information.

Internal control thus contributes to the safeguarding of the Company's assets, the management of its activities, the effectiveness of its operations, the efficient use of its resources and the prevention of any organizational dysfunctions. Nevertheless, as with all control systems, it can only provide reasonable assurance that the objectives described above are fully achieved.

POSITION IN THE ORGANIZATION

The internal control system is managed by the Audit and Internal Control Department, which reports to the Deputy Chief Executive Officer, Corporate Office.

INTERNAL CONTROL FRAMEWORK

The Audit and Internal Control Department defined an internal control framework built around:

- one process relating to the control environment;
- ten operating processes;
- two IT processes (general IT and IT system security checks);
- processes adapted to Shared Services Centres' risks.

For each process, the Audit and Internal Control Department and Group specialists in each of these areas has drawn up a list of check points and tests aimed at measuring for each entity:

- the conformity of its control procedures and activities with the framework's requirements; and
- the operational effectiveness of these procedures.

Around 200 check points have been listed. They serve to ensure the integrity of the financial and accounting information and the security of this information. Every year, internal control tests, based on objectives related to scope, content, and time limit for carrying out action plans are performed.

APPRAISAL PRINCIPLE

The Group has upheld the principle whereby each entity appraises its own internal control arrangements in relation to the framework (conformity and effectiveness). A testing program (effectiveness) is devised annually; it investigates all of the processes over two years in first-tier entities and over three years in second-tier entities. In 2012, the Audit and Internal Control Department devised a questionnaire with about fifty check points to be implemented in very small entities, including a series of check points that must be formally tested annually regardless of the entity's size.

The Group can order Internal Audits to verify that the appraisals carried out by the subsidiaries comply with the rules and principles it has put in place.

Any disparity relative to the requirements of the internal control framework in the evaluation of the conformity and effectiveness of procedures generates an action plan, with a project leader designated and a deadline established. The progress of such action plans is monitored monthly within the reporting system described below.

The internal control system was up and running in 101 companies, representing 95% of Safran's consolidated revenue in 2012.

First-tier entities must assess the internal control system of newly acquired companies with which they have operational ties in relation to the Safran framework within three months of the finalization of the acquisition.

MANAGEMENT

The central team that manages the internal control system is assisted by a network of internal control managers in each first-tier entity, with each manager supported by counterparts situated in second-tier entities.

Every month, the central team and internal control managers communicate important news. Methodological insights into the internal control system may also be sent by the central team to internal control managers.

Each first-tier entity has an Internal Control Committee, comprising members of its management, to review progress made in evaluations and analyze results, including for the related second-tier entities.

Every year, the central team brings together internal control managers to conduct a review of obstacles encountered, suggest enhancements to the framework and define areas in which progress can still be made. The meeting also serves as a forum for exchanging best practices in terms of the organization of internal control. In 2012, the central team organized an information and discussion meeting with the internal control managers and the various representatives of the HR, legal, risk and safety departments on fraud and Safran anti-fraud procedures.

For 2013, the main areas for development identified by Safran are to continue adapting the internal control frameworks to changes in the Group's organization and structure, particularly to finalize the integration of the Shared Services Centres into the internal control system.

THE REPORTING TOOL

Group companies use the same reporting system for the results and conclusions of their internal control evaluations. It is documented by nearly 400 stakeholders and allows:

- direct access to the Group framework, methodology and the procedures to follow;
- monitoring of rectifications resulting from recognized disparities in relation to the framework.

AWARENESS AND TRAINING

A training course on internal control was set up within the framework of the Safran Corporate University in 2012, with a view to raising awareness of internal control issues among the financial and operating personnel. More than 100 individuals were trained in 2012.

INTERNAL CONTROL QUALITY ASSURANCE

Every year, each Chairman and CEO of first-tier entities sends a representation letter to Safran's Chairman and Chief Executive Officer on the internal control system put in place in the entity and its subsidiaries.

Every year, the Statutory Auditors examine the adequacy of the internal control system on a selection of processes contributing to the preparation of financial and accounting information (see section 6.5.5.4 below).

The central team conducts quality controls of the first-tier entities' self-assessments to ensure compliance with the methodology when a new process has been implemented in the internal control system or if a process has changed significantly.

The internal auditors strive to assess the adequacy of the internal control system on matters audited, the proper application of the relevant frameworks and the veracity of the related tests' results.

INTERNAL AUDIT

The internal auditors from the Audit and Internal Control Department conduct compliance work and other work aimed at identifying ways to improve the efficiency of the Group, entities, programs, projects and processes.

The Internal Audit plan is prepared within the scope of an annual plan that is reviewed where appropriate and that is largely based on the mapping of Group risks.

Internal Audit has been certified compliant with the international standards of the Institute of Internal Auditors by the *Institut Français de l'Audit et du Contrôle Interne* (IFACI). Certification was confirmed in 2012 by IFACI further to a follow-up audit.

6.5.5.4 KEY PLAYERS IN INTERNAL CONTROL AND RISK MANAGEMENT

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors

The Board of Directors defines the primary features of the system for internal control and risk management, upon consultation and recommendation of the Audit and Risk Committee. The Chairman and Chief Executive Officer delegates his authority to the Deputy Chief Executive Officer, Operations to direct and monitor the activities of the entities with regard to:

- setting objectives and monitoring results with the Economic and Financial Affairs Department;
- implementing decisions regarding strategic issues concerning Group companies;
- operational supervision.

The Chairmen and CEOs of the first-tier entities assume full responsibility for the internal control systems implemented in their entities and, where appropriate, in related second-tier entities; the system implemented must comply with the internal control principles set out by the Group.

The Economic and Financial Affairs Department

The Economic and Financial Affairs Department centralizes and coordinates financing, treasury, taxation, the budget process, reporting, consolidation of accounts and risk management. It ensures compliance with the internal control procedures falling within the scope of its responsibilities. It also assists in carrying out any acquisitions and disposals decided by the Board of Directors.

The Corporate Office

The Audit and Internal Control Department reports to the Corporate Office.

DEPARTMENTS RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Audit and Internal Control Department

The Audit and Internal Control Department contributes to the management of the Group's activities, the effectiveness of its operations, the efficient use of its resources and the appropriate consideration of material risks. Its main responsibilities are as follows:

- define and implement the annual audit plan;
- define, organize and coordinate the internal control system.

Taken together, these responsibilities aim at ensuring compliance with applicable laws and regulations, the application of instructions and strategies set by Executive Management, the proper functioning of internal processes, particularly those contributing to the protection of its assets, and the reliability of financial information.

Risk and Insurance Department

The Risk and Insurance Department is responsible for defining the methods and criteria to be used to organize risk management. Its main responsibilities are as follows:

- identifying risks that could affect the strategy, earnings or image of the Group;
- defining and organizing risk and crisis management within the Group;
- ensuring the implementation of the PSIP Program (Preventive Safran's documents Integrity Program);
- identifying and setting up insurance policies for the Group, with the exception of personal insurance and loan insurance.

INSPECTION BODIES

The Board of Directors' Audit and Risk Committee

This Committee reviews:

- the financial statements and accounting procedures presented by Executive Management;
- the results of audits and internal control procedures presented by the Audit and Internal Control Department;
- findings on the primary risks facing the Group presented by the Risk and Insurance Department;
- the results of the work carried out by the Statutory Auditors, whose independence it must also verify.

The report on internal control and risk management procedures is reviewed annually by the Audit and Risk Committee, then submitted to the formal approval of the Board of Directors.

The Group's Internal Control Guidelines are approved by the Chairman of the Audit and Risk Committee.

Statutory Auditors

As part of the audit and certification of Safran's individual and consolidated financial statements, the Statutory Auditors examine the procedures of a certain number of company cycles contributing to the preparation of financial and accounting information. In particular, they base the work they conduct at selected entities on the Group's internal control framework.

They present their conclusions to the Board of Directors' Audit and Risk Committee.

The Statutory Auditors adopt the following approach:

- review of documentation on controls carried out by companies;
- tests to verify the operational effectiveness of the procedures implemented;
- review of completed action plans;
- review of results of tests performed by companies.

6.6

STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH THE ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as Statutory Auditors of Safran and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management and relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION CONCERNING INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman of the Board's report in accordance with article L.225-37 of the French Commercial Code.

OTHER INFORMATION

We attest that the Chairman's report set out the other information required by article L.225-37 of the French Commercial Code.

Paris La Défense and Courbevoie, March 27, 2013.

The Statutory Auditors,
French original signed by:

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

MAZARS

Thierry Colin

Gaël Lamant

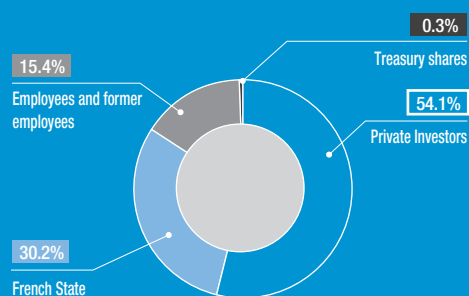
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INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

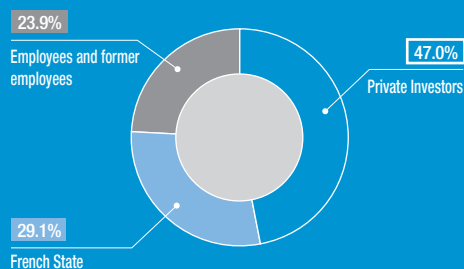
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BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS (AS OF DECEMBER 31, 2012)

Share capital



Exercisable voting rights



GENERAL INFORMATION

The Company is registered with the Paris Trade and Companies Registry under number 562 082 909.

Safran's registered office is located at 2, boulevard du Général Martial-Valin, 75015 Paris, France.

SHARE CAPITAL (AS OF DECEMBER 31, 2012)

As of December 31, 2012, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

RELATIONS WITH SHAREHOLDERS

Safran provides all of its shareholders with clear, comprehensive and accessible information that responds accurately to their needs, regardless of their level of expertise. To get to know its audience and provide it with information on its business strategy, Safran regularly meets with financial analysts and institutional investors from France and other countries during presentations of the Group's financial results, conferences and seminars.

Safran organized two meetings especially for individual shareholders in late 2012, with a view to developing a close, trust-based relationship with them. The first of these meetings was held in Marseilles on November 20, 2012, and the second in Strasbourg on December 11, 2012.

INDICES

Safran's share has been included in the CAC 40 index since September 19, 2011.

SAFRAN SHARE PRICE

Main stock market data over three years	2010	2011	2012
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price (in €)			
High	27.950	30.500	32.850
Low	13.670	20.180	22.755
Closing	26.500	23.205	32.595
Market capitalization as of December 31 (in € millions)	11,051	9,677	13,593

7.1 GENERAL INFORMATION AND BYLAWS

7.1.1 GENERAL INFORMATION

CORPORATE NAME

Safran.

REGISTERED OFFICE

2, boulevard du Général Martial-Valin, 75015 Paris, France.
Tel.: +33 (0)1 40 60 80 80

LEGAL FORM

Safran is a French *société anonyme* (corporation).

REGISTRATION

Safran is registered with the Paris Trade and Companies Registry under number 562 082 909.

INCORPORATION DATE AND TERM

The Company was created on August 16, 1924.
The Company's term has been set at 99 years from the date of registration with the Trade and Companies Registry, i.e., expiring on August 28, 2023, unless said term is extended or the Company is wound up in advance.

CORPORATE PURPOSE

Under Article 3 of the bylaws, the Company's purpose, in any and all countries, for its own account, on behalf of third parties,

or directly or indirectly in conjunction with third parties, is to carry out research, design, development, testing, manufacturing, sales, maintenance and support operations for high-technology activities, and notably for:

- All aviation and aerospace activities for the civilian and military markets, particularly those related to:
 - aviation and aerospace propulsion solutions, including the operation of systems that produce or use energy, and equipment designed to be used with such systems, and
 - equipment and sub-systems used in aircraft, helicopters, launch vehicles and missiles;
 - All air, land and naval defence activities, particularly those related to:
 - optronics, avionics and navigation solutions and services, and
 - electronics and critical software for aerospace and defence applications;
 - All security activities, particularly those related to:
 - multi-biometric identification solutions, identity management solutions, smart cards and secure transactions, and
 - detection solutions for explosives and illicit substances;
- and generally, to conduct any and all transactions of a commercial, industrial or financial nature or involving moveable assets or real estate that relate directly or indirectly to the above corporate purpose or to anything incidental or conducive to the achievement of said corporate purpose.

FISCAL YEAR

The fiscal year begins on January 1 and ends on December 31.

7.1.2 PRINCIPAL PROVISIONS OF THE BYLAWS

7.1.2.1 BOARD OF DIRECTORS

MEMBERSHIP STRUCTURE

Under the terms of Article 14 of the bylaws, the Board of Directors has at least three and no more than 13 members, either individuals or legal entities, including any representatives of the French State appointed in application of article 12 of Act 49-985 dated July 25, 1949. The maximum number of 13 Board members may be increased to allow for the inclusion of any Directors representing employee shareholders.

The Board of Directors elects a Chairman and, if applicable, a Vice-Chairman from among its members, who must be individuals.

SHAREHOLDING

Under Article 14.5 of the bylaws, each member of the Board of Directors shall be required to own a certain number of shares in the Company in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. As a legal exception, this shareholding obligation shall not apply to representatives of the French State or to employee shareholder representatives.

TERM OF OFFICE – AGE LIMIT

Members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting for a term of five years, ending at the close of the Ordinary Shareholders' Meeting held during the year in which their term of office expires in order to approve the financial statements for the previous year. Members of the Board of Directors may be re-elected, it being specified that:

- the number of Directors (both individuals and permanent representatives of legal entities) over the age of 70 may not exceed one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- no Director over the age of 70 may be elected if such election would raise the number of Directors over the age of 70 to more than one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- if the number of Directors over the age of 70 exceeds one quarter of the total number of Directors in office, and if no Director over the age of 70 resigns, the oldest Board member shall automatically be deemed to have resigned.

By way of an exception to the five-year term set out above, pursuant to the provisions contained in Article 16.4 of the bylaws, the following terms of office were set at the Annual General Meeting held on April 21, 2011 for the sole purpose of implementing a staggered election system for Board members:

- the terms of Directors who were members of the Company's Supervisory Board during the 12 months preceding the April 21, 2011 Annual General Meeting were set at two years. This term shall apply for individuals as well as permanent representatives of legal entities and State representatives, even in the event of a change in these representatives during the term of office concerned;
- the terms of Directors who were not members of the Company's Supervisory Board during the 12 months preceding the April 21, 2011 Annual General Meeting were set at four years for one third of these Directors and at six years for the remaining two thirds, with lots drawn to decide which term would apply for each Director.

Article 15 of the bylaws stipulates that the duties of the Chairman and Vice-Chairman shall end no later than at the close of the first Ordinary Shareholders' Meeting following the date on which they reach the age of 75.

MEETINGS

Under the terms of Article 18 of the bylaws, the Board of Directors shall meet as often as required in the interests of the Company and at least four times a year. Meetings shall be called by the Chairman, or if he is unable to do so, by the Vice-Chairman.

If the Board has not met for more than two months, a group of at least one third of the Directors may ask the Chairman to call a meeting to discuss a specific agenda.

The Chief Executive Officer or the Deputy Chief Executive Officer(s) may also request that the Chairman call a Board meeting to consider a specific agenda.

Board meetings shall only be validly constituted if at least half of the Directors are present.

Directors who participate in Board meetings by videoconference or any other telecommunications media that comply with the technical criteria set in the applicable laws and regulations shall be considered as being physically present for the purposes of calculating the quorum and voting majority, in accordance with the terms and conditions set out in the Board of Directors' Internal Rules.

Directors may give written proxy to another Director to represent them at Board meetings, provided that no Director holds more than one proxy at any single meeting.

POWERS

Under Article 19 of the bylaws, the Board of Directors shall determine the Company's overall business strategy and oversee its implementation. Except for those powers directly vested in shareholders, the Board shall be responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

Subject to the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules the roles and responsibilities of the Board of Directors shall include, but shall not be limited to:

- calling the Annual Shareholders' Meeting and drawing up its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual management report;
- authorizing related-party agreements governed by article L.225-38 of the French Commercial Code (*Code de commerce*);
- selecting the Company's management structure;
- appointing and removing from office (i) the Chairman of the Board of Directors, and the Vice-Chairman (if any), and (ii) the Chief Executive Officer and, on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors and the Vice-Chairman (if any), and the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Audit and Risk Committee and the members of any other Board committees set up in accordance with the provisions of these bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees among the Board members, in accordance with the Board of Directors' Internal Rules;
- approving the report of the Chairman of the Board of Directors on the organization of the Board's work and internal control and risk management procedures;



- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board Advisors;
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees and endorsements by setting an overall ceiling for each fiscal year and, where appropriate, a maximum amount per transaction;
- authorizing in advance any transactions that would result in exceeding the above-mentioned overall ceiling or maximum amount per transaction set by the Board.

In addition to the legal and regulatory requirements concerning prior authorizations that have to be obtained from the Board of Directors, a number of specific transactions also have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures of the Company and Group. These transactions are listed in the Board of Directors' Internal Rules.

The Board of Directors shall perform any checks and controls that it deems appropriate. Each Director shall be provided with all the information required to carry out his duties and may request any documents he deems useful.

ATTENDANCE FEES

Under Article 17 of the bylaws, at the Annual General Meeting, the Company's shareholders shall set an annual aggregate amount of attendance fees, effective for the current year and subsequent years until the shareholders decide otherwise.

The Board of Directors shall allocate the attendance fees among its members as it deems fit, in accordance with the rules set out in the Board's Internal Rules.

BOARD ADVISORS

Under Article 20 of the bylaws, shareholders in an Ordinary General Meeting may elect Board Advisors to attend Board meetings in an advisory capacity. The number of Board Advisors may not exceed two. However, if the French State's interest in the Company's capital falls below 10%, the French State would automatically be entitled to appoint a Board Advisor and the maximum number would be increased to three. Board Advisors are appointed for four years and may be re-elected. Any Board Advisor reaching the age of 70 shall be deemed to have resigned.

EXECUTIVE MANAGEMENT

Under Article 21 of the bylaws, the Company's management shall be placed under responsibility of either:

- the Chairman of the Board of Directors; or
- another individual appointed by the Board, who shall hold the title of Chief Executive Officer and who may or may not be a Director.

Under Article 22 of the bylaws, the Chief Executive Officer shall have the broadest powers to act in all circumstances in the Company's name. The Chief Executive Officer shall exercise these powers within the scope of the Company's corporate purpose and subject to:

- the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors; and
- any restrictions placed on his powers and any matters that require the prior approval of the Board of Directors in accordance with the Board of Directors' Internal Rules.

The Board of Directors shall determine compensation payable to the Chief Executive Officer and the length of his term of office. The age limit for the Chief Executive Officer is set at 65 years.

DEPUTY CHIEF EXECUTIVE OFFICER(S)

Under Article 23 of the bylaws, at the proposal of the Chief Executive Officer, the Board of Directors may appoint up to three Deputy Chief Executive Officers (who may or may not be Directors) to assist the Chief Executive Officer in his duties.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers vested in the Deputy Chief Executive Officer(s). The Board of Directors shall also set their remuneration, in accordance with Article 24 of the bylaws.

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer with respect to third parties.

The age limit for holding office as Deputy Chief Executive Officer is set at 65 years.

7.1.2.2 GENERAL SHAREHOLDERS' MEETINGS

CONVENING AND PARTICIPATION

General Shareholders' Meetings shall be called in accordance with the applicable laws and regulations.

Under Article 30 of the bylaws, all shareholders shall be entitled to vote at General Shareholders' Meetings in accordance with the terms and conditions set down by the applicable laws and regulations.

Proxy/postal voting forms for General Shareholders' Meetings may be sent in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

Where a shareholder electronically submits a proxy or postal voting form, the shareholder's signature must be a secure electronic signature or a reliable identification procedure to ensure signature security, for example by registering a unique identification code and password.

Shareholders who have not paid up the amounts due on their shares within 30 days of a notice to pay issued by the Company shall not be entitled to participate in General Shareholders' Meetings and the shares concerned shall be deducted from the total of the Company's outstanding shares for the purposes of calculating the quorum.

EXERCISING VOTING RIGHTS – DOUBLE VOTING RIGHTS – RESTRICTION ON VOTING RIGHTS

Under Article 31 of the bylaws, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or regulations.

The General Shareholders' Meeting of June 21, 1974 decided to allocate double voting rights in respect of all fully paid-up shares registered in the name of the same holder, under Article 31.8 of the bylaws, for at least two years.

In the event of a capital increase paid up by capitalizing retained earnings, profits or additional paid-in capital, the registered bonus shares allocated in respect of shares carrying double voting rights shall also carry double voting rights.

Double voting rights shall be forfeited if registered shares are converted into bearer shares or transferred. However, registered shares shall not be stripped of double voting rights and the qualifying period shall continue to run following a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an inter vivos gift to a spouse or a relative in the direct line of succession.

Any merger or demerger of the Company shall have no impact on double voting rights, which may be exercised in the surviving company if its bylaws so provide.

In accordance with the law, double voting rights may not be abolished by the Extraordinary General Meeting unless this decision is first approved by a special meeting of holders of shares with double voting rights.

Under Article 31.12 of the bylaws adopted by the General Shareholders' Meeting of April 21, 2011, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself and, in the capacity as proxy for another shareholder, that are attached to shares (i) that he holds directly or indirectly and (ii) that are owned by another shareholder for which he is acting as proxy.

For the purposes of these provisions:

- the total number of voting rights attached to the Company's shares taken into account shall be calculated as at the date of the General Shareholders' Meeting concerned and the shareholders shall be informed thereof at the start of the Meeting;
- the number of voting rights held directly or indirectly shall mean those voting rights attached to shares held by:
 - a private individual, either personally or as part of jointly-owned property, or
 - a company, group of entities, association or foundation, as well as voting rights attached to shares held by a company that is controlled – within the meaning of article L.233-3 of the French Commercial Code – by a company, private individual, association, group of entities or foundation;
- the restrictions set out above shall not include voting rights exercised by the Chairman of a General Shareholders' Meeting when said voting rights are (i) attached to shares for which a proxy form has been returned to the Company without any named proxy, and (ii) do not individually infringe the specified restrictions.

The restrictions provided for above shall automatically become null and void, without the requirement for a new decision by shareholders in an Extraordinary General Meeting, in the event that an individual or entity – acting alone or in concert with one or more other individuals or entities – acquires an interest in the Company representing two-thirds of the Company's capital or voting rights following a public tender offer for all of the Company's shares.

7.1.2.3 RIGHTS AND RESTRICTIONS ATTACHED TO SHARES

Under Article 9 of the bylaws, fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion, subject to compliance with the provisions of the applicable laws and regulations and the Board of Directors' Internal Rules concerning the form of shares held by certain categories of shareholder.

Under Article 12 of the bylaws, each share shall entitle its holder to a proportion of the Company's profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.

Where a shareholder must own a specific number of shares to exercise a particular right, notably in the event of an exchange or allocation of shares, a stock split, reverse stock-split, a capital increase or reduction, a merger, demerger, partial asset transfer, dividend payment or any other corporate action, any shares held that fall below the required number shall not confer any rights on their holders with respect to the Company, and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares or rights, including through purchases or sales of shares or rights where required.

7.1.2.4 CONDITIONS GOVERNING CHANGES TO SHARE CAPITAL AND SHAREHOLDERS' RIGHTS

The Company's bylaws do not require that the conditions to change share capital and shareholders' rights be more restrictive than prevailing legislation. These changes are subject to the approval of the shareholders at the Extraordinary Shareholders' Meeting deliberating in accordance with the rules of quorum and majority in accordance with the applicable laws and regulations.

7.1.2.5 DISCLOSURE OBLIGATION IN THE EVENT OF EXCEEDING THE LEGAL THRESHOLD FOR OWNERSHIP

Under Article 13 of the bylaws, in addition to the disclosures required under the applicable laws and regulations when certain ownership thresholds are crossed, any person or legal entity, acting alone or in concert with others, that becomes the owner – directly or indirectly through one or more companies controlled by said person or entity within the meaning of article L.233-3 of the French Commercial Code – of 1% or more of the Company's capital or voting rights or any multiple thereof, as calculated in accordance with articles L.233-7 and L.233-9 of the French Commercial Code and the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), must notify the Company of the total number of shares and voting rights held as well as the total number of securities held that carry deferred rights to the Company's capital and the potential voting rights attached thereto.

Said notification shall be sent to the Company by registered letter with recorded delivery within four trading days of the relevant threshold being crossed.

The same disclosures are required – within the same timeframe and in accordance with the same conditions – in cases where a shareholder's interest falls below any of the thresholds referred to above.

The sanctions provided for by law in the event of a failure to comply with the disclosure requirements applicable when a legal threshold is crossed shall also apply if a shareholder does not comply with the disclosure requirements applicable in the bylaws, where requested by one or more shareholders holding at least 5% of the Company's capital or voting rights (with said request duly recorded in the minutes of the relevant General Shareholders' Meeting).

7.1.2.6 PROVISIONS THAT COULD DELAY, POSTPONE OR PREVENT A CHANGE IN CONTROL OF THE COMPANY

The provisions of the bylaws or other contractual documents related to the Company that could delay, postpone or prevent a change in the Company's control are as follows: (i) the granting of double voting rights to any shareholder owning fully paid-up shares which the shareholder must prove have been registered in the name of the same shareholder for at least two years, (ii) the restriction on voting rights provided for by Article 31.12 of the bylaws, (iii) a three-way agreement with the French State (see section 7.1.4.2), and (iv) the authorization granted by the Annual General Meeting of May 31, 2012 (tenth resolution) with a view to the free issue of warrants in the event of a takeover bid against the Company (see section 7.2.2.1).

7.1.3 INFORMATION ON INVESTMENTS

7.1.3.1 DIRECT AND INDIRECT INVESTMENTS AS OF DECEMBER 31, 2012

The direct and indirect investments presented below meet the criteria defined by the Committee of European Securities Regulators in its February 2005 recommendation, i.e., an investment carrying amount representing at least 10% of the consolidated net assets, or a net profit (loss) equal to at least 10% of the consolidated net profit (loss).

Company (in € millions)	Registered office	Business activity	% capital and voting rights (if different) (direct and indirect investment)	Capital	Reserves and retained earnings before appropriation of net profit	Amount payable for shares held	Carrying amount of shares held (gross) ⁽²⁾	Net profit (loss) for 2012	Dividends collected in 2012 ⁽¹⁾	Outstanding loans and advances granted and not repaid
1) Main French subsidiaries and sub-subsidiaries – more than 50% of capital held										
Snecma	Paris 75015	Propulsion	100%	154	166	-	225	287	381	-
Aircelle	Harfleur 76700	Aircraft Equipment	100%	57	81	-	964	(28)	-	-
Sagem Défense Sécurité	Paris 75015	Defence	100%	373	71	-	617	54	37	-
2) Main foreign subsidiaries and sub-subsidiaries – more than 50% of capital held										
Safran USA	USA	Holding company	100%	- ⁽³⁾	1,462	-	1,424	11	-	-
Morpho USA	USA	Security	100%	- ⁽³⁾	1,486	-	1,552	(2)	30	-
L-1 Identity Solutions Inc.	USA	Security	100%	- ⁽³⁾	828	-	829	(5)	-	140
MorphoTrust Inc.	USA	Security	100%	- ⁽³⁾	954	-	962	(27)	-	-

(1) Dividends were paid to Safran or the shareholding company owned directly or indirectly by Safran.

(2) Direct and indirect investment.

(3) For the US companies "additional paid-in capital" is shown in the "reserves and retained earnings before appropriation of net profit" column.

7.1.3.2 INVESTMENTS

In accordance with the provisions of articles L.233-6 and L.247-1 of the French Commercial Code, in 2012 Safran did not acquire any material investments within the meaning of article L.233-6, but acquired indirect control of Cassis International Europe through Morpho.

7.1.4 RELATIONS WITH RELATED PARTIES

The list of equity-accounted companies and proportionately consolidated companies is presented in Note 33 of section 3.1.

Quantified information is presented in:

- Note 14 of section 3.1 for equity-accounted companies;
- Note 28 of section 3.1 for proportionately consolidated companies.

Information on management compensation is presented in Note 29 of section 3.1 and in section 6.2.1.

Information on sales to related parties is presented in Note 29 of section 3.1.

- electronics, IT, cryptology and management of complex projects for the integration of full systems;
- biometrics for police systems and border checkpoints (visas, passports, etc.).

Safran supplies Modular Air-to-Ground Weapons (AASM) for the Rafale, nuclear submarine periscopes, unmanned aerial vehicles, mission preparation systems, the FELIN infantry combat system (integrated equipment and communications infantryman), and a number of other systems to safeguard French territorial security and citizen safety, including automatic radar systems under the road safety program.

7.1.4.1 RELATIONS WITH RELATED PARTIES

In 2012, Safran generated adjusted revenue of €1,294 million with the French State and entities in which it has interests, primarily in military areas.

The Aerospace Propulsion branch (see section 1.3.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects such as the Mirage F1, Mirage 2000, Rafale, Super Étendard, refueling tankers, helicopters, Transall and ATL 2, among others. It also powers missiles of the ocean-going strategic force (M45 and M51), long-range air-to-surface missiles such as the Scalp and the Apache, and the very short-range surface-to-air missile, the Mistral. Safran is also involved with Roxel, a 50-50 joint venture with MBDA that powers ASMP-A long-range air-to-surface missiles, Aster medium-range surface-to-air missiles and Exocet sea-launched missiles. Finally, it is a major player in the rocket engine and space transport sector in which it is the prime contractor for propulsion systems and work to prepare the future.

The Aircraft Equipment branch (see section 1.3.2), participates in the aforementioned major French military aviation programs, primarily in terms of landing gear, brake and wiring systems.

The Defence and Security branches (see sections 1.3.3 and 1.3.4), apply advanced technology across all defence and security areas (national defence and the security of private individuals, assets, transport and information systems) on behalf of French government agencies:

- inertia, for independent positioning, navigation and guidance systems for all types of vehicles and engines;
- optronics and signal processing for monitoring, observation, day/night imaging, warning and guidance systems;

7.1.4.2 AGREEMENT WITH THE FRENCH STATE RELATING TO STRATEGIC ASSETS AND SUBSIDIARIES

In order to protect national interests and preserve national independence, and in the context of the proposed combination of Sagem and Snecma's businesses through the merger of these two companies, the French State informed these companies of its intention to exercise, in the context of the proposed transaction, its right to a "golden share" with regard to Snecma of the kind defined in article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to a "golden share", the French State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of a "golden share" was entered into by Sagem and Snecma (now Safran) and the French State on December 21, 2004. The agreement, as amended or supplemented by the amendments of March 31, 2011, June 29, 2011 and December 16, 2011, provides, inter alia, that:

- the French State shall be entitled to appoint a non-voting representative to the Safran Board of Directors should its interest in the share capital of the Company fall below 10%, as a result of which the provisions of article 12 of the Law of July 25, 1949 authorizing the appointment of voting representatives to this Board would no longer apply;
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors of Safran's strategic subsidiaries (Herakles and Microturbo) and subsidiaries holding assets with a connection to French combat aircraft engines;
- the French State shall have a prior right to approve or refuse the sale of certain military and aerospace assets identified as strategic, sensitive or defence, by entities of the Safran

Group, as well as a number of strategic assets held by Roxel France, in which Herakles holds an indirect 50% stake (mainly corresponding to propellant chambers for statoreactors located in France and owned by Roxel France, for which the French State's contractual rights are limited to the rights held by Safran in connection with its indirect 50% interest in Roxel France⁽¹⁾), the transfer of securities of Herakles, Microturbo, Europropulsion, Regulus (40% stake), Arianespace and the EIG G2P⁽²⁾, the acquisition of more than 33.33% or 50% of the capital or voting rights of companies in the Safran Group holding strategic military or aerospace assets, and any projects granting special management rights or rights to information over the strategic military or aerospace assets or rights to be represented on the management bodies of Herakles and Microturbo, in which case, should the State not make known its decision within 30 business days, it shall be deemed to have approved the transaction;

- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in

connection with the strategic military and aerospace assets, the State shall be entitled to purchase the securities and assets of the strategic subsidiaries Herakles and Microturbo at a price to be set by a panel of experts, in which case the parties shall enter into an agreement for the provision of services and the transfer of technology relating to the assets sold.

7.1.4.3 OTHER RELATED-PARTY AGREEMENTS

Safran did not enter into any related-party agreements in 2012. The related-party agreements and commitments authorized in previous years and which had continuing effect during this period, are presented in the Statutory Auditors' special report in section 8.5.1.

Safran has not entered into any new related-party agreements between January 1, 2013 and the filing date of this Registration Document.

7.2 INFORMATION ON SHARE CAPITAL

7.2.1 SHARE CAPITAL

As of December 31, 2012, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

There were no changes to the amount or structure of the share capital during 2012 and up until the filing date of the Registration Document.

(1) As described in greater detail in section 1.3.1.3, Roxel France sold its ramjet integration and testing activities to MBDA France in late 2012.

(2) The EIG G2P is currently undergoing liquidation proceedings following the merger of SME and Snecma Propulsion Solide, its two sole members.

7.2.2 AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS

7.2.2.1 AUTHORIZATIONS GRANTED BY THE ANNUAL GENERAL MEETING TO THE BOARD OF DIRECTORS WITH RESPECT TO SHARE CAPITAL INCREASES

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at December 31, 2012
Authorization for the Board of Directors to increase the share capital through the issue, with pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company	AGM of April 21, 2011 (23 rd resolution) 26 months, i.e., until June 20, 2013	€25 million ⁽¹⁾⁽³⁾ €1 billion (debt securities) ⁽²⁾	None
Authorization for the Board of Directors to increase the share capital through the issue, without pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company via a public offering	AGM of April 21, 2011 (24 th resolution) 26 months, i.e., until June 20, 2013	€15 million ⁽¹⁾⁽³⁾ €600 million (debt securities) ⁽²⁾	None
Authorization for the Board of Directors to issue shares of the Company and securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company	AGM of April 21, 2011 (25 th resolution) 26 months, i.e., until June 20, 2013	€15 million ⁽¹⁾⁽³⁾⁽⁴⁾	None
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock or securities carrying rights to the capital, via a private placement as referred to in article L.411-2-II of the French Monetary and Financial Code without pre-emptive subscription rights for existing shareholders	AGM of April 21, 2011 (26 th resolution) 26 months, i.e., until June 20, 2013	€10 million ⁽¹⁾⁽³⁾⁽⁴⁾ €600 million (debt securities) ⁽²⁾⁽⁵⁾	None
Authorization for the Board of Directors to increase the number of shares to be issued in the event of a share issue with or without pre-emptive subscription rights	AGM of April 21, 2011 (27 th resolution) 26 months, i.e., until June 20, 2013	15% of the initial share issue ⁽⁶⁾	None
Authorization for the Board of Directors in the event of the issue, without pre-emptive subscription rights for existing shareholders, of shares or any securities carrying immediate or deferred rights to the Company's shares to set the issue price according to the terms and conditions adopted by the General Meeting, within the limit of 10% of the Company's share capital	AGM of April 21, 2011 (28 th resolution) 26 months, i.e., until June 20, 2013	10% of the Company's share capital ⁽⁷⁾	None
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock in consideration for contributions in kind granted to the Company and consisting of capital stock or securities carrying rights to shares	AGM of April 21, 2011 (29 th resolution) 26 months, i.e., until June 20, 2013	10% of the Company's share capital ⁽³⁾	None
Authorization for the Board of Directors to increase the share capital by capitalizing reserves, profits or additional paid-in capital	AGM of April 21, 2011 (30 th resolution) 26 months, i.e., until June 20, 2013	€15 million ⁽³⁾	None
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran Group employee savings plans	AGM of May 31, 2012 (11 th resolution) 26 months, i.e., until July 30, 2014	1.5% of share capital ⁽³⁾	None
Authorization for the Board of Directors to grant stock subscription options or stock purchase options to employees and corporate officers of the Company and companies of the Safran Group	AGM of April 21, 2011 (32 nd resolution) 26 months, i.e., until June 20, 2013	1.5% of share capital ⁽³⁾	None

INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

/ INFORMATION ON SHARE CAPITAL /

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at December 31, 2012
Blanket ceilings on authorizations for share or securities issues	AGM of April 21, 2011 (33 rd resolution)	Sub-ceiling: €35 million for the 23 rd , 24 th and 26 th resolutions of the AGM of April 21, 2011 Sub-ceiling: €1.4 billion (debt securities) for the 23 rd , 24 th and 26 th resolutions of the AGM of April 21, 2011 €60 million blanket ceiling for the 23 rd , 24 th , 26 th , 29 th , 30 th and 32 nd resolutions of the AGM of April 21, 2011, and the 11 th resolution of the AGM of May 31, 2012.	None
Authorization for the Board of Directors to make free share grants of the Company's existing shares or shares to be issued to employees and corporate officers of the Company and companies of the Safran Group	AGM of April 21, 2011 (34 th resolution) 26 months, i.e., until June 20, 2013	1.5% of share capital 0.1% of share capital if granted to executive corporate officers	None
Authorization for the Board of Directors to issue stock warrants to shareholders in the event of a tender offer on the Company	AGM of May 31, 2012 (10 th resolution) 18 months, i.e., until November 29, 2013	€40 million	None

(1) This amount is included in the sub-ceiling of €35 million for capital increases set by the Annual General Meeting of April 21, 2011 (33rd resolution).

(2) This amount is included in the sub-ceiling of €1.4 billion for the issue of debt securities set by the Annual General Meeting of April 21, 2011 (33rd resolution).

(3) This amount is included in the sub-ceiling of €60 million for capital increases set by the Annual General Meeting of April 21, 2011 (33rd resolution).

(4) This amount is counted against the ceiling of €15 million for capital increases without pre-emptive subscription rights for existing shareholders set by the Annual General Meeting of April 21, 2011 (24th resolution).

(5) This amount is counted against the ceiling of €600 million for the issue of debt securities without pre-emptive subscription rights for existing shareholders set by the Annual General Meeting of April 21, 2011 (24th resolution).

(6) The ceilings applicable to the 23rd, 24th and 26th resolutions of the Annual General Meeting of April 21, 2011 still apply if the option provided for in the 27th resolution of the Annual General Meeting of April 21, 2011 is exercised.

(7) The ceilings applicable to the 24th and 26th resolutions of the Annual General Meeting of April 21, 2011 still apply if the option provided for in the 28th resolution of the Annual General Meeting of April 21, 2011 is exercised.

The authorizations to increase share capital granted by the Annual General Meeting to the Board of Directors were not used in 2012 or up until the filing date of this Registration Document.

7.2.2.2 AUTHORIZATIONS SUBMITTED FOR APPROVAL AT THE ANNUAL GENERAL MEETING OF MAY 28, 2013

The authorizations submitted for approval at the Annual General Meeting of May 28, 2013 are presented in sections 8.2.2 and 8.2.4 of this Registration Document.

7.2.3 THE COMPANY'S SECURITIES

7.2.3.1 OTHER SECURITIES NOT REPRESENTING THE COMPANY'S CAPITAL

Other securities issued by Safran not representing the Company's capital as of the date of this Registration Document are set out in section 3.1, Note 23, and in section 3.3, Notes 11 and 12.

7.2.3.2 SECURITIES CARRYING RIGHTS TO SHARES OF THE COMPANY

As of December 31, 2012, there were no securities carrying immediate or deferred rights to shares of Safran.

7.2.4 HISTORY OF THE SHARE CAPITAL SINCE 2005

Date	Transaction	Safran share price (in €)	Amount of share capital (in €)	Number of outstanding shares	Additional paid-in capital (cumulative amount in € thousands)
Situation as of December 31, 2012		0.20	83,405,917	417,029,585	3,288,568
May 11, 2005	Merger of Snecma into Sagem SA, now Safran	0.20	83,405,917	417,029,585	3,288,568
March 17, 2005	Settlement-delivery of Sagem shares exchanged as part of the Sagem public exchange offer for Snecma shares	0.20	73,054,834	365,274,170	3,214,696
Situation as of January 1, 2005		0.20	35,500,000	177,500,000	163,366

7.2.5 PLEDGING OF SHARES

To the best of the Company's knowledge, 1,119,741 shares representing 0.27% of the share capital were pledged as of December 31, 2012, compared with 3,759,271 shares representing 0.90% of the share capital as of December 31, 2011.

7.2.6 TREASURY SHARES

SITUATION AS OF DECEMBER 31, 2012

	Number of shares	% capital	Carrying amount as of Dec. 31, 2012 (in €)	Total nominal value (in €)
Treasury shares, held directly	1,121,419	0.27	21,082,000	224,283.80
Treasury shares, held indirectly	-	-	-	-
TOTAL	1,121,419	0.27	21,082,000	224,283.80

7.2.7 SHARE BUYBACK PROGRAMS

The Annual General Meeting of May 31, 2012, by its eighth resolution authorized the Board of Directors, for a period of 18 months, to set up a share buyback program with the following primary characteristics:

Purpose of the program:

- to purchase shares for allocation or sale to employees or officers of the Company or of other Group companies, in accordance with the law, notably in connection with a profit-sharing plan, share grant plan, stock option plan or an employee stock ownership plan;
- for cancelation of shares;
- to maintain a liquid market in the Company's shares via a liquidity contract that complies with the code of ethics drawn up by the French Association of Financial and Investment

Firms (*Association française des marchés financiers – AMAFI*), approved by the AMF, and entered into with an investment services firm;

- to deliver shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means; and
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions.

Maximum percentage of share capital to be bought back:

- 10% of share capital.

Maximum purchase price per share:

- €35.

Total maximum amount that may be invested in the share buyback program:

- €1,400 million.

As of May 31, 2012, this program superseded the previous program authorized by the Annual General Meeting of April 21, 2011 (twenty-second resolution), with the same purpose, a maximum purchase price of €35 per share and a total maximum amount of €1,400 million to be invested in the buyback program.

7.2.7.1 TREASURY SHARE TRANSACTIONS IN 2012

SHARE BUYBACKS

In 2012, Safran purchased 4,620,989 treasury shares under liquidity contracts (that comply with the AMAFI code of ethics) entered into with Kepler Capital Markets and Oddo Corporate Finance:

- 1,840,844 shares were purchased between January 1 and May 31, 2012, at an average price of €25.57;
- 2,780,145 shares were purchased between June 1 and December 31, 2012, at an average price of €28.90.

During the year, the Company also purchased 828,282 Safran shares from its indirectly wholly-owned subsidiary Lexvall 2, at a unit price of €27.24.

SALES OF SHARES

In 2012, Safran sold 4,819,603 treasury shares under the above-mentioned liquidity contracts:

- 2,037,592 shares were purchased between January 1 and May 31, 2012, at an average price of €25.58;
- 2,782,011 shares were purchased between June 1 and December 31, 2012, at an average price of €28.97.

EMPLOYEE SHAREHOLDING TRANSACTIONS

Within the scope of the leveraged employee shareholding plan described in section 7.3.7.2 below, shares intended for allocation or sale to employees or officers were delivered as follows:

- upon roll-out of the plan in France, a first tranche of 6,000,000 shares was awarded to eligible employees at an average price of €17.32;
- upon roll-out of the plan to Group employees outside France, a second tranche of 371,997 shares was awarded to eligible employees at an average price of €21.42 and 66,267 shares were sold, at an average price of €26.77, to the bank that structured the plan in order to cover the under-subscription of this tranche.

CANCELTION OF SHARES

None.

DELIVERY OF FREE SHARES

Pursuant to the authorization granted to the Executive Board under the fourteenth resolution of the Annual General Meeting of May 28, 2008, on April 3, 2009 the Board decided to grant 4,200,000 existing Safran shares, representing roughly 1% of the share capital and in the amount of one hundred shares per beneficiary, free of consideration, to employees of Group companies within the scope of the European Works Council.

For employees of the Group's French companies, 3,502,100 free shares were awarded to beneficiaries in 2011.

For employees of the Group's companies located outside of France, but within the scope of the European Works Council, 500 shares were awarded in 2012 and approximately 520,000 free shares will be awarded in April 2013 to the eligible beneficiaries present in the Group at that date.

LIQUIDITY CONTRACTS

Between July 5, 2011 and January 31, 2012, the liquidity contract was handled by Kepler Capital Markets. A new liquidity contract that complies with the AMAFI code of ethics was entered into in January 2012 with Oddo Corporate Finance, effective from February 1, 2012.

SITUATION AS OF DECEMBER 31, 2012

As of December 31, 2012, Safran directly held 1,121,419 of its own shares, representing 0.27% of its capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees or corporate officers: 1,014,304 shares, or 0.24% of the share capital;
- maintaining a liquid market in the Company's shares under the liquidity contract; 107,115 shares, or 0.026% of the share capital.

7.2.7.2 DESCRIPTION OF THE SHARE BUYBACK PROGRAM TO BE APPROVED BY THE ANNUAL GENERAL MEETING OF MAY 28, 2013

Under the tenth resolution, the Annual General Meeting of May 28, 2013, is invited to authorize a new share buyback program. Drafted in accordance with the provisions of article 241-2 of the AMF's General Regulations, the program's description is presented below and will not be published separately pursuant to article 241-3-III of said Regulations.

NUMBER OF SHARES AND PERCENTAGE OF SHARE CAPITAL HELD DIRECTLY OR INDIRECTLY BY THE COMPANY AS OF FEBRUARY 28, 2013

As of February 28, 2013, the Company directly held 1,125,231 Safran shares, representing 0.27% of its share capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees or corporate officers: 1,014,304 shares, or 0.24% of the share capital;
- maintaining a liquid market in the Company's shares under the liquidity contract; 110,927 shares, or 0.03% of the share capital.

OBJECTIVES OF THE SHARE BUYBACK PROGRAM

In accordance with EC Regulation 2273/2003 of December 22, 2003, in application of European Directive 2003/6/EC of January 28, 2003 and the AMF's General Regulations, the objectives of the share buyback program to be approved by the Annual General Meeting of May 28, 2013 are to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity contract that complies with the code of ethics drawn up by the AMAFI, approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees or officers of the Company or of other Group companies, in accordance with the law, notably in connection with a profit-sharing plan, share grant plan, stock option plan or an employee stock ownership plan;
- for delivery in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means; and
- to be held in treasury for subsequent delivery as payment or exchange for external growth transactions;
- for cancelation within the scope of the authorization granted by the Annual General Meeting of May 31, 2012 (ninth resolution).

MAXIMUM PERCENTAGE OF SHARE CAPITAL, MAXIMUM NUMBER AND PURCHASE PRICE, AND CHARACTERISTICS OF THE SHARES THE COMPANY WISHES TO ACQUIRE

The number of shares that may be bought back under the program may not exceed 10% of the Company's total shares. This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity contract, the number of shares included for the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the authorization period.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

As of December 31, 2012, the Company's capital was composed of 417,029,585 shares. Given the 1,121,419 shares already directly or indirectly held by the Company at this date, the maximum number of shares the Company could acquire in connection with this buyback program would be 40,581,539 shares.

Shares may not be purchased at a price of more than €45 per share and the maximum amount that may be invested in the program is €1.87 billion.

The maximum number of shares and the maximum purchase price as indicated above may be adjusted to reflect the impact on the share price of any share capital transactions carried out by the Company.

SHARE BUYBACK PROGRAM PROCEDURES

Shares may be purchased, sold, or transferred by any method allowed under the laws and regulations applicable at the transaction date, on one or more occasions, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, including during a tender offer for the Company's shares, subject to strict compliance with article 231-41 of the AMF's General Regulations and article L.225-209 of the French Commercial Code.

TERM OF THE SHARE BUYBACK PROGRAM

This new share buyback program shall be valid for a period of 18 months as from the approval of the Annual General Meeting of May 28, 2013, i.e., until November 27, 2014 at the latest.

7.3 SHARE OWNERSHIP

7.3.1 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

7.3.1.1 SITUATION AS OF DECEMBER 31, 2012

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2012:

Shareholders	Shares		Exercisable voting rights		Theoretical voting rights ⁽⁴⁾	
	Number	% capital	Number	%	Number	%
Private investors ⁽¹⁾	225,492,451	54.07	232,460,825	47.00	232,460,825	46.90
French State	125,940,227	30.20	143,752,222	29.07	143,752,222	29.00
Employees' corporate mutual fund (FCPE) ⁽²⁾	33,661,683	8.07	56,903,339	11.51	56,903,339	11.48
Current or former employees	12,759,398	3.06	25,342,995	5.12	25,342,995	5.11
Club Sagem ⁽³⁾	18,054,407	4.33	36,108,814	7.30	36,108,814	7.28
Treasury shares, held directly	1,121,419	0.27	0	0.00	1,121,419	0.23
Treasury shares, held indirectly	0	0.00	0	0.00	0	0.00
TOTAL	417,029,585	100.00	494,568,195	100.00	495,689,614	100.00

(1) Including Areva.

(2) Employee shareholding within the meaning of article L.225-102 of the French Commercial Code.

(3) Club Sagem is a simplified corporation with variable share capital (*société par actions simplifiée à capital variable*) whose corporate purpose is the acquisition and management of securities and whose portfolio comprises Safran shares and shares in other companies resulting from activities previously carried out by the Sagem group. Club Sagem is held at 53.74% by current and former employees of the Safran Group (current and former employees of Sagem), notably via a corporate mutual fund and at 46.26% by the Crédit Mutuel-CIC group.

(4) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (article 223-11 of the AMF's General Regulations).

To the best of the Company's knowledge, no shareholder apart from those listed in the table above holds more than 5% of Safran's share capital or voting rights.

The main Safran shareholders do not have different voting rights from those of other shareholders. Any shareholder may be entitled to double voting rights in accordance with the conditions stipulated in Article 31.8 of the Company's bylaws (see section 7.1.2.2).

DOUBLE VOTING RIGHTS

As of December 31, 2012, 78,660,029 shares are entitled to double voting rights pursuant to Article 31.8 of the Company's bylaws.

REPRESENTATIVES OF EMPLOYEE SHAREHOLDERS

The Safran Board of Directors comprises two employee shareholder representatives, who were appointed with effect from April 21, 2011 by the Annual General Meeting.

7.3.2 BREAKDOWN OF SHARE OWNERSHIP BY GEOGRAPHIC ORIGIN

According to a survey on identifiable bearer shares carried out by Euroclear France, as of December 31, 2012 Safran's free-float shareholders break down as 88% institutional investors, 9% individual shareholders and 3% unidentified.

Of the 88% of institutional investors identified, 30% were from North America, 22% from France and 28% from the UK and Ireland.

Individual shareholders represent 9% of Safran's share capital, the majority of them being French.

7.3.3 CHANGE IN THE BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS OVER THE LAST THREE YEARS

Shareholders	December 31, 2010			December 31, 2011			December 31, 2012		
	Number of shares	% capital	% voting rights ⁽²⁾	Number of shares	% capital	% voting rights ⁽²⁾	Number of shares	% capital	% voting rights ⁽²⁾
Private investors	198,734,480	47.65	40.94	216,692,488 ⁽³⁾	51.96 ⁽³⁾	44.77 ⁽³⁾	225,492,451 ⁽³⁾	54.07 ⁽³⁾	47.00 ⁽³⁾
French State	125,940,227	30.20	29.80	125,940,227	30.20	29.77	125,940,227	30.20	29.07
Employees' corporate mutual fund (FCPE) ⁽¹⁾	24,865,288	5.96	9.51	27,557,360	6.61	10.05	33,661,683	8.07	11.51
Current or former employees	15,280,015	3.67	6.01	14,126,306	3.39	5.55	12,759,398	3.06	5.12
Club Sagem	26,454,407	6.34	10.46	24,954,407	5.98	9.86	18,054,407	4.33	7.30
Areva	8,300,000	1.99	3.28	-	-	-	-	-	-
Treasury shares, held directly	14,196,061	3.41	0.00	6,930,515	1.66	0.00	1,121,419	0.27	0.00
Treasury shares, held indirectly	3,259,107	0.78	0.00	828,282	0.20	0.00	0	0.00	0.00
TOTAL	417,029,585	100.00	100.00	417,029,585	100.00	100.00	417,029,585	100.00	100.00

(1) Employee shareholding within the meaning of article L.225-102 of the French Commercial Code.

(2) Exercisable voting rights.

(3) O/w Areva.

7.3.4 DISCLOSURE THRESHOLDS

7.3.4.1 SIGNIFICANT MOVEMENTS DURING 2012

- On February 7, 2012, for regularization purposes, Natixis Asset Management (21 quai d'Austerlitz, 75634 Paris Cedex 13), acting on behalf of the Safran Investissement corporate mutual fund, reported that as of January 30, 2012 it had exceeded the threshold of 5% of the Company's capital and it held, at that date and on behalf of said fund, 25,706,000 shares representing 42,469,000 voting rights, i.e., 6.16% of the capital and 8.26% of the voting rights. The threshold was exceeded as a result of an acquisition of Safran shares outside the market. Natixis Asset Management, acting on behalf of the Safran Investissement corporate mutual fund, also reported that on February 6, 2012 it held 25,692,000 Safran shares representing 42,455,000 voting rights, i.e., 6.16% of the capital and 8.26% of the voting rights (AMF notification 212C0211).
- On February 16, 2012, Viking Global Investors LP, acting on behalf of the Viking Global Equities LP, Viking Global Equities II LP, VGE III Portfolio Ltd. and Viking Long Fund Master Ltd. funds (the "Funds") reported to the Company that:
 - following the acquisition of 32,885 shares on August 23, 2011, the Funds held 4,178,913 shares in the Company, resulting in them exceeding the 1% statutory threshold;
 - following the sale of 100,000 shares on January 16, 2012, the Funds held 4,129,728 shares in the Company, resulting in them exceeding the 1% statutory threshold.
- The Children's Investment Fund Management (UK) LLP, by letter of April 2, 2012, reported the acquisition on March 27, 2012 of Safran shares on behalf of the funds it manages, bringing the aggregate holdings of these funds to a total of 4,446,714 Safran shares, representing 1.07% of the Company's share capital, resulting in them exceeding the 1% statutory threshold.
- The Amundi group's three fundamental asset management companies, namely Amundi, Société Générale Gestion and Étoile Gestion, combined their voting right policy and now report jointly on disclosure thresholds. Amundi Asset Management thus reported:
 - by letter of June 4, 2012, that following an acquisition on June 1, 2012, it held 14,270,508 shares in its money-market funds, representing 3.42% of the capital, thus exceeding the 3% statutory threshold;
 - by letter of June 26, 2012, that following a sale on June 25, 2012, it held 8,530,983 shares in its money-market funds, representing 2.04% of the capital, thus falling below the statutory threshold of 3%, and representing 1.67% of the voting rights, thus falling below the 2% statutory threshold.
- Club Sagem reported that:
 - it had reduced its interest in the Company's capital to below the 5% threshold on September 5, 2012 and that, at that date, it held 20,754,407 shares representing 40,808,814 voting rights, i.e., 4.98% of the capital and 8.06% of the voting rights. This threshold was crossed as a result of the sale of shares on the market (AMF notification 212C1135);

- it had reduced its interest in the Company's voting rights to below the 8% threshold on September 12, 2012, following the conversion of 1,100,000 registered shares into bearer shares and that, at that date, it held 18,654,407 shares representing 4.47% of the capital and 7.37% of the voting rights.
6. The Children's Investment Fund Management (UK) LLP, by letter of October 5, 2012, reported that it had exceeded the statutory threshold of 2% and that, as of October 1, 2012, it held, on behalf of the funds that it manages:
 - 7,908,558 shares, representing 1.90% of the capital and 1.57% of the voting rights; and
 - 4,384,438 cash-settled equity derivatives, representing 1.05% of the capital and 0.87% of the voting rights. The Children's Investment Fund Management (UK) LLP may not exercise the voting rights attached to the 4,384,438 shares underlying such instruments.
 7. UBS Investment Bank, Wealth Management and Corporate Centre, by letter of October 18, 2012, reported that on October 16, 2012 it held 6,585,089 Safran shares representing 1.58% of the capital and 1.31% of the voting rights.
 8. UBS Investment Bank, Wealth Management and Corporate Centre, by letter of October 19, 2012, reported that on October 17, 2012 it held 2,800,526 Safran shares representing 0.67% of the capital and 0.56% of the voting rights.
 9. The Amundi group's four fundamental asset management companies, namely Amundi, Société Générale Gestion, Étoile Gestion and CPR Asset, combined their voting right policy and now report jointly on disclosure thresholds. Amundi Asset Management thus reported that, following a sale on December 12, 2012, it held 8,339,209 shares in its money-market funds, representing 1.99% of the capital, thus exceeding the 2% statutory threshold;
 10. Franklin Resources, Inc., by letter of December 26, 2012, reported that on December 21, 2012, it held 4,605,274 Safran shares on behalf of the investment funds and client accounts that it manages, representing 1.10% of the capital and 0.93% of the voting rights, thus exceeding the statutory thresholds of 1%.

7.3.4.2 SIGNIFICANT MOVEMENTS SINCE JANUARY 1, 2013

No legal or statutory share ownership threshold disclosures were made since January 1, 2013 and up to the date the Registration Document was filed.

However, Safran was informed of the finalization of the sale by the French State of a 3.12% stake on March 27, 2013 (see section 2.5), which reduces the State's holding from 30.2% to 27.08%.

7.3.4.3 TRIGGER LEVEL FOR MANDATORY BIDS – GRANDFATHER CLAUSE

In accordance with article L.433-3 of the French Monetary and Financial Code (*Code monétaire et financier*) and article L.234-2 of the AMF's General Regulations adopted for its enforcement, the trigger threshold for filing a draft offer was lowered on February 1, 2011 from one-third to 30% of a company's capital or voting rights.

An open-ended "grandfather" clause applies to investors who held between 30% and 33.33% on January 1, 2010. These investors will remain subject to the former one-third threshold for a mandatory bid as long as their investment remains between the two thresholds (article 234-11, paragraph 1 of the AMF's General Regulations).

As of January 1, 2010, the French State held a 30.20% equity stake in the Company, representing, as of that date, 27.18% of voting rights. The provisions of article 234-11, paragraph 1 of the AMF's General Regulations therefore applied to the French State, which reported its holding to the AMF on February 24, 2011 accordingly. This notification was published on February 25, 2011 in opinion no. 211C0236.

In other words, if the French State were to have crossed the one-third share capital threshold or the 30% voting rights threshold it would have been obliged to file a mandatory bid.

As a result of its sale of a 3.12% stake in Safran's share capital (as described in section 2.5), on March 27, 2013 the French State forfeited its right to this grandfather clause.

7.3.5 CONTROL OF THE COMPANY - SHAREHOLDERS' AGREEMENT

As of the date of filing of this Registration Document, no shareholder held, directly or indirectly, jointly or in concert with another shareholder, a percentage of voting rights conferring control of the Company.

To the best of Company's knowledge, there are no current shareholder agreements relating to Safran shares.

7.3.6 AGREEMENTS WHOSE IMPLEMENTATION COULD LEAD TO A CHANGE IN CONTROL OF THE COMPANY

To the best of the Company's knowledge, there are no agreements whose implementation at a later date could lead to a change in control of the Company.

UNDERTAKING TO HOLD SECURITIES

To the best of Company's knowledge, there is no collective undertaking to hold securities relating to Safran shares.

7.3.7 EMPLOYEE SHAREHOLDERS

7.3.7.1 FREE SHARE GRANTS

Pursuant to the authorization granted to the Executive Board under the fourteenth resolution of the Annual General Meeting of May 28, 2008, on April 3, 2009 the Executive Board decided to grant 4,200,000 existing Safran shares, representing roughly 1% of the share capital and in the amount of one hundred free shares per beneficiary to employees of Group companies within the scope of the European Works Council.

For employees of the Group's French companies, free shares were awarded to the beneficiaries in April 2011. The rights attached to the shares (voting rights, dividends) may be exercised, although the shares may not be sold until April 2013.

The two members of the Supervisory Board representing employee shareholders were the only two Safran corporate officers who were granted shares. Other corporate officers who could have benefited from this plan for the grant of free shares under their employment contract individually waived such rights.

For employees of the Group's companies located outside of France, but within the scope of the European Works Council, 500 shares were awarded in 2012 and approximately 520,000 free shares will be awarded in April 2013 to the eligible beneficiaries present in the Group at that date.

No other free shares were granted to Safran's corporate officers or to its employees in 2012.

7.3.7.2 OTHER TRANSACTIONS

PROFIT-SHARING BONUS FOR EMPLOYEES

Within the scope of French legislation on profit sharing and following an increase in the per-share dividend paid in respect of 2011 compared with the previous two years, an across-the-board bonus of €205 gross was paid to each qualifying employee.

EMPLOYEE SHAREHOLDING TRANSACTIONS

In order to strengthen employees' commitment to its objectives, success and future performance, in late 2011, the Group implemented a leveraged employee share ownership plan in France, in which employees could invest all or part of their profit-sharing bonus.

The plan was in the form of an offer to purchase Safran treasury shares reserved for employees through a leveraged fund set up specifically for this purpose within the Group's employee savings plan.

This offer enabled employees to acquire Safran shares at a discounted 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 contributed 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.

The plan was rolled out to Group employees outside France in the first quarter of 2012.

The plan was highly successful, with almost 18,000 employees worldwide seizing the opportunity to participate.

7.3.7.3 STOCK OPTIONS

As of the date this Registration Document was filed, the Board of Directors has not used the 26-month authorization approved by the thirty-second resolution of the Annual General Meeting of April 21, 2011 to give stock options granting entitlement to subscribe for new shares of the Company or to purchase existing shares bought back by the Company. This authorization expires on June 20, 2013.

There is no stock subscription or stock purchase option plan in progress.

Safran affiliates do not grant stock subscription or purchase options.

7.4 RELATIONS WITH SHAREHOLDERS

7.4.1 COMPREHENSIVE AND ACCESSIBLE FINANCIAL INFORMATION

Safran provides all of its shareholders with clear, comprehensive and accessible information that responds accurately to their needs, regardless of their level of expertise. The Group provides its shareholders with several information and communication tools including the annual report, the Registration Document, the Shareholders' Guide, the Shareholders' Newsletter, Safran Magazine, the website, a toll-free line (France only), financial press releases, etc.

The annual report, which describes the Group and its businesses, is aimed at a wide audience including individual shareholders, journalists and any other person or persons interested in the Group. The Registration Document, filed with the AMF, is aimed at those with more in-depth financial knowledge. The Group provides two different documents with a view to offering shareholders better access to information.

7.4.2 MEETINGS WITH THE FINANCIAL COMMUNITY

In order to get to know its audience and provide it with information on its business strategy, Safran regularly meets with financial analysts and institutional investors from France and other countries during presentations of the Group's financial results, conferences and seminars. These regular events enable the Group to keep up relations with its main points of contact and build a trust-based relationship. The Safran share is regularly monitored by more than 20 financial analysts.

Safran organized two meetings especially for individual shareholders in late 2012, with a view to developing a close, trust-based

relationship with them. The first of these meetings was held in Marseilles on November 20, 2012, and the second in Strasbourg on December 11, 2012.

To further strengthen these relationships, Safran proposes industrial-site visits to members of the Shareholders' Club. In 2012, six half-day visits were organized, during which more than 100 people got an insiders' view of the Group's business activities.

On October 11, 2012, Safran was awarded the "Grand Prix des Actions" gold medal*, which rewards initiatives in favor of shareholders.

7.4.3 PROVISIONAL SHAREHOLDERS' CALENDAR

First quarter 2013 revenue: April 23, 2013

Ordinary and Extraordinary Shareholders' Meeting: May 28, 2013 at the CNIT, Paris-La Défense

First-half 2013 results: July 26, 2013

Third-quarter 2013 revenue: October 24, 2013

7.4.4 INVESTOR RELATIONS CONTACTS

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75724 Paris Cedex 15 - France

Investors and analysts

Tel.: +33 (0)1 40 60 83 53

Email: investor.relation@safran.fr

Individual shareholders and Shareholders' Club

Toll-free number (France only): 0 800 17 17 17

Email: actionnaire.individuel@safran.fr

* Ranking established by the magazine "Mieux Vivre votre Argent" and non-financial rating agency, Vigeo.

7.5

STOCK MARKET INFORMATION

The Safran share (ISIN code: FR0000073272 – Ticker symbol: SAF) is listed on the A list of the Euronext Paris Eurolist and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

Since September 19, 2011, the Safran share has been included in the CAC 40, CAC 40 Equal Weight, CAC Large 60, SBF 120, CAC All-Tradable, CAC All-Share, CAC Industrials, CAC Aero & Def., Euronext 100 and Euronext FAS IAS indices. Safran's share has been included in the LC 100 Europe index since March 21, 2011.

Main stock market data over three years	2010	2011	2012
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price (in €)			
High	27.950	30.500	32.850
Low	13.670	20.180	22.755
Closing	26.500	23.205	32.595
Market capitalization as of December 31 (in € millions)	11,051	9,677	13,593

Change in share price from January 1, 2012 to February 28, 2013		Average share price* (in €)	High (in €)	Low (in €)	Daily transactions (in number of shares)	Average market capitalization** (in € millions)
January	2012	23.686	25.020	22.755	1,035,845	9,878
February		24.498	26.010	23.660	1,193,842	10,216
March		26.443	27.630	24.515	1,289,645	11,028
April		26.622	28.900	24.900	1,627,401	11,102
May		27.238	28.390	26.440	1,338,667	11,359
June		27.634	29.455	26.180	1,699,202	11,524
July		28.251	29.630	26.450	1,222,940	11,782
August		28.100	28.780	26.955	633,282	11,719
September		28.010	28.500	27.255	938,353	11,681
October		29.793	30.890	27.820	1,020,023	12,425
November		30.482	31.600	28.965	556,898	12,712
December		32.296	32.850	31.280	623,128	13,468
January	2013	33.610	34.870	32.760	509,538	14,016
February		34.119	35.545	33.065	872,702	14,229

* Average closing price.

** Out of the 417,029,585 shares that comprised the share capital from January 1, 2012 to February 28, 2013. Source: NYSE Euronext.



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ANNUAL GENERAL MEETING OF MAY 28, 2013

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ordinary resolutions

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extraordinary resolutions

1

resolution concerning
powers to carry out
formalities

The Annual General Meeting will be held on May 28, 2013 at the CNIT (Paris-La Défense, France).

PROPOSED RESOLUTIONS

- Approval of the parent company and consolidated financial statements for the year ended December 31, 2012
- Appropriation of profit for the year and approval of the recommended dividend
- Related-party agreements and commitments
- Re-appointment of Jean-Marc Forneri as a Director
- Appointment of Monique Cohen as a Director
- Appointment of Christian Streiff as a Director
- Appointment of four Directors representing the French State
- Setting the amount of attendance fees to be allocated to the Board of Directors
- Authorization for the Board of Directors to carry out a share buyback program
- Financial authorizations
- Powers to carry out formalities

DIVIDEND

At the Annual General Meeting of May 28, 2013, the Board of Directors will recommend a dividend payment of €0.96 per share, representing a total payout of around €400.3 million (including the €129.3 million interim dividend paid in December 2012).

	2010	2011	2012
Dividend per share	€0.50	€0.62	€0.96

8.1 AGENDA

ORDINARY RESOLUTIONS

First resolution:	Approval of the parent company financial statements for the year ended December 31, 2012
Second resolution:	Approval of the consolidated financial statements for the year ended December 31, 2012
Third resolution:	Appropriation of profit for the year and approval of the recommended dividend
Fourth resolution:	Related-party agreements and commitments governed by articles L.225-38 and L.225-42-1 of the French Commercial Code
Fifth resolution:	Re-appointment of Jean-Marc Forneri as a Director
Sixth resolution:	Appointment of Monique Cohen as a Director
Seventh resolution:	Appointment of Christian Streiff as a Director
Eighth resolution:	Appointment of four Directors representing the French State
Ninth resolution:	Setting the amount of attendance fees to be allocated to the Board of Directors
Tenth resolution:	Authorization for the Board of Directors to carry out a share buyback program

EXTRAORDINARY RESOLUTIONS

Eleventh resolution:	Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders
Twelfth resolution:	Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a public offering
Thirteenth resolution:	Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offering initiated by the Company
Fourteenth resolution:	Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by article L.411-2-II of the French Monetary and Financial Code
Fifteenth resolution:	Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights
Sixteenth resolution:	Authorization for the Board of Directors to issue ordinary shares in payment for another company's shares and/or securities carrying rights to shares, without pre-emptive subscription rights for existing shareholders
Seventeenth resolution:	Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital
Eighteenth resolution:	Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders
Nineteenth resolution:	Blanket ceilings on authorizations to issue shares and/or other securities

Twentieth resolution:	Authorization for the Board of Directors to grant stock options to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights
Twenty-first resolution:	Authorization for the Board of Directors to make free grants of existing or newly-issued Safran shares to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights

POWERS TO CARRY OUT FORMALITIES

Twenty-second resolution: Powers to carry out formalities

8.2 PROPOSED RESOLUTIONS

8.2.1 REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

ORDINARY RESOLUTIONS

PRESENTATION OF THE FIRST AND SECOND RESOLUTIONS

Approval of the parent company and consolidated financial statements

In the first and second resolutions shareholders are invited to approve the parent company and consolidated financial statements for the year ended December 31, 2012 as well as the expenses incurred during the year that are not deductible for tax purposes.

- The parent company financial statements show that the Company ended 2012 with profit of €764.9 million compared with €352.9 million in 2011.
- The consolidated financial statements show attributable profit for the year amounting to €1,302 million (€3.14 per share) versus €478 million (€1.18 per share) in 2011.

PRESENTATION OF THE THIRD RESOLUTION

Appropriation of profit

Safran SA's distributable profit for 2012 totals €767.9 million, breaking down as €764.9 million in profit for the year plus €3 million in retained earnings brought forward from the previous year.

The Board of Directors is recommending a total dividend payout of €400.3 million, representing a per-share dividend of €0.96, up 55% on 2011.

An interim dividend of €0.31 per share was paid on December 20, 2012 with the ex-dividend date having been set as December 17, 2012. If the third resolution is approved, the ex-dividend date for the balance of the 2012 dividend – corresponding to €0.65 per share – will be set as June 3, 2013, and the dividend payment will be made on June 6, 2013.

The remaining €367.6 million of distributable profit would be allocated to retained earnings.

Individual shareholders domiciled for tax purposes in France are eligible for 40% tax relief on the amount of their interim dividend, as provided for under article 158, 3-2° of the French Tax Code, unless they have elected to pay the 21% dividend withholding tax provided for under article 117 *quater* of said Code.

They also qualify for this 40% tax relief on the balance of the dividend payment. However for such shareholders, the Company's paying agent – BNP Paribas Securities Services – will withhold at source from the gross amount of said balance (i) a compulsory deduction of 21% as required in accordance with article 117 *quater* 1-1° of the French Tax Code (as amended by article 9 of the French Finance Act for 2013 – Act 2012-1509 of December 29, 2012), and (ii) 15.5% in social security contributions. The compulsory 21% withholding tax does not apply to income from shares held as part of a PEA personal equity plan, as defined in articles L.221-30 *et seq.* of the French Monetary and Financial Code.

The 21% withholding tax corresponds to a downpayment of personal income tax due on the dividend payment and is not a payment in full discharge of all of the tax that may potentially be due on the dividend income. Consequently, the tax payable on the dividend will be subject to the progressive tax scale applicable to personal income tax, after applying the above-mentioned 40% tax relief. The withholding tax deducted at the time of the dividend payment will be set off against the overall amount of the income tax due on said payment. If the withholding tax exceeds the amount actually due, the excess will be repaid to the shareholder concerned by the French tax authorities in accordance with article 117 *quater* 1-1° of the French Tax Code.

In practice, the amount withheld at source when the balance of the dividend is paid on June 6, 2013 will be offset against shareholders' personal income tax payable in 2014 on income received in 2013.

Individual shareholders domiciled for tax purposes in France whose reference taxable income for 2011 was less than €50,000 (for single, divorced or widowed taxpayers) or €75,000 (for taxpayers filing a joint tax return) may apply for an exemption from this withholding tax. In order to qualify for this exemption on the balance of the 2012 dividend to be paid on June 6, 2013, shareholders must lodge with the Company's paying agent, by March 31, 2013, a statement of honor as provided for in article 242 *quater* of the French Tax Code certifying that their reference taxable income for 2011 did not exceed the ceilings set out in article 117 *quater* 1-1° of said Code.

PRESENTATION OF THE FOURTH RESOLUTION

Related-party agreements and commitments

The fourth resolution concerns related-party agreements and commitments governed by articles L.225-38 and L.225-42-1 of the French Commercial Code (*Code de commerce*), as described in the Statutory Auditors' special report.

Shareholders will be asked to place on record that no such agreements or commitments were entered into in 2012.

PRESENTATION OF THE FIFTH RESOLUTION

Re-appointment of a Director

In the fifth resolution, shareholders are invited to re-appoint Jean-Marc Forneri as a Director for a five-year term as provided for in the Company's bylaws.

Jean-Marc Forneri's average attendance rate for Board meetings held in 2012 was 93.75%. Based on the opinion of the Appointments and Compensation Committee, the Board has affirmed Jean-Marc Forneri's status as an independent Director based on the criteria set out in both the Internal Rules of Safran's Board of Directors and the AFEP-MEDEF Corporate Governance Code.

A list of the other directorships and positions held by Jean-Marc Forneri is set out in sections 8.2.3 and 6.1.1 of this Registration Document.

PRESENTATION OF THE SIXTH RESOLUTION

Appointment of a new Director

In the sixth resolution, shareholders are invited to appoint Monique Cohen as a Director for a five-year term as provided for in the Company's bylaws.

Based on the opinion of the Appointments and Compensation Committee, the Board considers that Monique Cohen meets all of the independence criteria set out in the Internal Rules of Safran's Board of Directors and the AFEP-MEDEF Corporate Governance Code, and that neither the positions held by Monique Cohen nor her personal situation give rise to any conflict of interest.

A list of the other directorships and positions held by Monique Cohen is set out in section 8.2.3 of this Registration Document.

PRESENTATION OF THE SEVENTH RESOLUTION

Appointment of a new Director

In the seventh resolution, shareholders are invited to appoint Christian Streiff as a Director for a five-year term as provided for in the Company's bylaws.

Based on the opinion of the Appointments and Compensation Committee, the Board considers that Christian Streiff meets all of the independence criteria set out in the Internal Rules of Safran's Board of Directors and the AFEP-MEDEF Corporate Governance Code, and that neither the positions held by Christian Streiff nor his personal situation give rise to any conflict of interest.

A list of the other directorships and positions held by Christian Streiff is set out in section 8.2.3 of this Registration Document.

PRESENTATION OF THE EIGHTH RESOLUTION

Directors representing the French State

The terms of office of Christophe Burg, Astrid Milsan, Laure Reinhart and Michèle Rousseau – who are Directors of the Company representing the French State – are due to expire at the close of this Meeting.

Consequently, in accordance with Article 14.1 of the Company's bylaws, in the eighth resolution shareholders are invited to place on record that four Directors representing the French State will be appointed by way of a ministerial decree, for the five-year term provided for in Article 16.1 of the bylaws, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

PRESENTATION OF THE NINTH RESOLUTION

Attendance fees

In the ninth resolution shareholders are invited to set the aggregate amount of attendance fees to be allocated among the members of the Board of Directors for 2013 at €670,000.

PRESENTATION OF THE TENTH RESOLUTION

Share buyback programs

The Company needs to have the necessary flexibility to react to changes in financial markets by buying back Safran shares.

In the tenth resolution shareholders are therefore invited to authorize the Board of Directors to carry out a share buyback program with the following main conditions:

The number of shares that may be bought back may not exceed 10% of the Company's total outstanding shares (for information purposes, 41,702,958 shares based on the issued capital at December 31, 2012) and the Company may at no time directly or indirectly hold a number of Safran shares representing more than 10% of the Company's capital.

The shares may be purchased, sold or transferred at any time (including during a public tender offer for the Company's shares) and by any authorized method, including through block trades or the use of derivatives, subject to the limitations set down in the applicable laws and regulations.

The maximum per-share purchase price of shares acquired using this authorization would be set at €45 and the maximum total investment in the buyback program would be €1.87 billion.

The buyback program would be used for the purposes authorized in the applicable regulations, notably to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity contract entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers, notably in connection with a profit-sharing plan, free share grant plan or Group employee savings plan;
- to deliver shares on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- for delivery in payment or exchange for external growth transactions;
- for cancellation in accordance with the authorization granted in the ninth resolution of the Annual General Meeting of May 31, 2012.

This authorization would be given for a period of 18 months as from the date of this Meeting and would supersede the previous authorization granted for the same purpose in the eighth resolution of the Annual General Meeting held on May 31, 2012.

Report on the utilization in 2012 of previous shareholder-approved share buyback programs

In 2012, the aggregate number of shares purchased under the liquidity contracts entered into successively with Kepler Capital Markets and Oddo Corporate Finance amounted to 4,620,989.

During the year, the Company also purchased 828,282 Safran shares from its indirectly wholly-owned subsidiary Lexvall 2 at a unit price of €27.24.

The total number of shares sold under the above-mentioned liquidity contracts amounted to 4,819,603.

In addition a total of 6,438,764 shares were delivered to employees under employee share transactions (free share grants as described in section 7.3.7.1 of this Registration Document and the leveraged employee share ownership plan described in section 7.3.7.2).

No treasury shares purchased under a buyback program were canceled in 2012.

At December 31, 2012, the Company directly held 1,121,419 Safran shares, representing 0.27% of its share capital. These treasury shares were held for the following purposes:

- to allocate or sell shares to employees or corporate officers: 1,014,304 shares;
- to maintain a liquid market in the Company's shares under the liquidity contract: 107,115 shares.

EXTRAORDINARY RESOLUTIONS

FINANCIAL AUTHORIZATIONS

Safran needs to be able to raise financing swiftly to support its ongoing development based on opportunities arising in financial markets and using the most suitable financial instruments. To this end shareholders are invited to grant the Board of Directors the necessary authorizations – covering a period of twenty-six months – to issue ordinary shares and/or securities carrying immediate or deferred rights to shares of the Company.

The financial authorizations given to the Board of Directors at the April 21, 2011 and May 31, 2012 Annual General Meetings were not used in 2012.

In the same way as in prior years, the Board of Directors is seeking these authorizations in order to carry out the operations considered necessary for the effective running and future growth of the Company and the Group. If the new authorizations are adopted, they will supersede the previous authorizations granted to the Board of Directors for the same purpose.

A summary table is provided in section 8.2.4 of this Registration Document setting out the financial authorizations that shareholders are being asked to renew.

PRESENTATION OF THE ELEVENTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders

The purpose of the eleventh resolution is to authorize the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders. The pre-emptive rights granted to existing shareholders may be detached from the shares to which they relate and may be transferred or traded throughout the subscription period of any issues carried out under this authorization.

These pre-emptive subscription rights would entitle their holders to subscribe for a number of new shares proportionate to the number of pre-emptive rights held, during a period corresponding to at least five trading days preceding the opening of the subscription period.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €25 million (representing approximately 30% of the Company's capital). This amount would be included in the ceilings set in the nineteenth resolution, i.e.:

- the sub-ceiling of €30 million applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eleventh to fourteenth resolutions; and

- the blanket ceiling of €50 million applicable to all capital increases that may be carried out by the Board of Directors.

The maximum principal amount of any debt securities issued would be set at €1.3 billion and would be included in the €1.3 billion blanket ceiling set in the nineteenth resolution. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €25 million ceiling on capital increases set in the eleventh resolution (and therefore in the ceilings on capital increases set in the nineteenth resolution).

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the twenty-third resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE TWELFTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a public offering

In the twelfth resolution the Board of Directors is seeking an authorization to issue ordinary shares and/or securities carrying rights to shares of the Company, through a public offering and without pre-emptive subscription rights for existing shareholders. However, if this resolution is adopted, the Board of Directors would be able to grant shareholders a priority subscription right for a period of at least three trading days but this right would be non-transferable and non-tradable.

The cancellation of pre-emptive subscription rights would make it easier to carry out public offerings, especially when an issue has to be organized swiftly in order for it to be successful, or when shares or other securities are offered in financial markets both in France and abroad.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €8 million (representing approximately 9.6% of the Company's capital). This amount would be included in the ceilings set in the nineteenth resolution, i.e.:

- the sub-ceiling of €30 million applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eleventh to fourteenth resolutions; and
- the blanket ceiling of €50 million applicable to all capital increases that may be carried out by the Board of Directors.

The maximum principal amount of any debt securities issued would be set at €1 billion and would be included in the €1.3 billion blanket ceiling set in the nineteenth resolution. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €8 million sub-ceiling on capital increases set in the twelfth resolution (and therefore in the ceilings on capital increases set in the nineteenth resolution).

The issue price of the shares and/or other securities issued under this authorization would be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the twenty-fourth resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE THIRTEENTH RESOLUTION

Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offering initiated by the Company

The purpose of the thirteenth resolution – which is connected to the twelfth resolution – is to authorize the Board of Directors to issue shares of the Company and/or securities carrying rights to the Company's shares as payment for securities of another company that are tendered to a public exchange offering initiated by the Company in France or abroad.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €8 million (representing approximately 9.6% of the Company's capital). This amount would be included in the €8 million ceiling set in the twelfth resolution and therefore would also be included in:

- the ceiling of €30 million applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eleventh to fourteenth resolutions; and
- the blanket ceiling of €50 million applicable to all capital increases that may be carried out by the Board of Directors.

As the thirteenth resolution does not contain any specific ceilings for debt securities, the principal amount of any debt securities issued would not be able to exceed the €1 billion ceiling set in the twelfth resolution, and would be included in the €1.3 billion blanket ceiling set in the nineteenth resolution.

The issue price of the shares and/or other securities issued under this authorization would be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%). The applicable exchange ratio would be set by the Board of Directors.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the twenty-fifth resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE FOURTEENTH RESOLUTION**Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by article L.411-2-II of the French Monetary and Financial Code**

This resolution would authorize the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, by way of a private placement carried out through an offering to qualified investors or a restricted group of investors, without pre-emptive subscription rights for existing shareholders.

The procedure for this type of private placement is less onerous than for a public offering and this authorization would enable the Company to react swiftly to market opportunities and rapidly raise the funds it requires.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €8 million (representing approximately 9.6% of the Company's capital). This amount would be included in the €8 million ceiling set in the twelfth resolution and therefore would also be included in:

- the ceiling of €30 million applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eleventh to fourteenth resolutions; and
- the blanket ceiling of €50 million applicable to all capital increases that may be carried out by the Board of Directors.

This type of issue would be subject to an additional ceiling provided for by law, corresponding to 20% of the Company's capital per year.

The maximum principal amount of any debt securities issued would be set at €1 billion, and this amount would be included in the €1 billion ceiling set in the twelfth resolution, and therefore in the €1.3 billion ceiling set in the nineteenth resolution.

The issue price of the shares and/or other securities issued under this authorization would be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the twenty-sixth resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE FIFTEENTH RESOLUTION**Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights**

In the fifteenth resolution the Board of Directors is seeking an authorization to increase the number of securities to be issued in the event that an issue carried out with or without pre-emptive subscription rights decided by the Board of Directors pursuant to the eleventh, twelfth, thirteenth or fourteenth resolution is oversubscribed.

Any securities issued under this authorization would have to be issued:

- at the same price as for the original issue; and
- within the timeframes and limits provided for in the laws and regulations in force on the issue date (currently, the additional securities must be issued within thirty days of the close of the original subscription period and may not represent more than 15% of the original issue amount).

The ceilings and sub-ceilings applicable in the eleventh to fourteenth resolutions would still apply if the option provided for in the fifteenth resolution is exercised.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the twenty-seventh resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE SIXTEENTH RESOLUTION**Authorization for the Board of Directors to issue ordinary shares in payment for another company's shares and/or securities carrying rights to shares, without pre-emptive subscription rights for existing shareholders**

The purpose of the sixteenth resolution is to authorize the Board of Directors to increase the Company's capital through the issue of ordinary shares of the Company in payment for shares and/or securities carrying rights to shares of another company.

The aggregate par value of the shares issued under this authorization would not be able to represent over 10% of the Company's capital at the date the Board of Directors decides to carry out the issue(s), and would be included in the €50 million blanket ceiling on capital increases set in the nineteenth resolution.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the twenty-ninth resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE SEVENTEENTH RESOLUTION

Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital

The seventeenth resolution authorizes the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital brought forward from prior years.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution would be set at €12.5 million and would be included in the blanket ceiling of €50 million set in the nineteenth resolution.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the thirtieth resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE EIGHTEENTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders

In the eighteenth resolution shareholders are invited to authorize the Board of Directors to offer employees who are members of a Safran Group employee savings plan the possibility to subscribe for the Company's shares with a view to involving them more closely in the Group's development.

This resolution is being submitted in accordance with paragraph 1 of article L.225-129-6 of the French Commercial Code which states that whenever companies seek authorizations to issue shares to be paid up in cash, they must also submit a resolution on employee share issues.

If this authorization is approved it will necessarily entail the waiver of existing shareholders' pre-emptive rights to subscribe for the shares covered by the employee shares issue(s) concerned.

Shares issued under this resolution would not be able to represent over 1.5% of the Company's capital and this amount would be included in the blanket ceiling of €50 million set in the nineteenth resolution.

In accordance with article L.3332-19 of the French Labor Code, the purchase price of the shares offered to employees may not be lower than the average of the closing prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided for by law as at the date of the Board's decision.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the eleventh resolution of the Annual General Meeting held on May 31, 2012.

PRESENTATION OF THE NINETEENTH RESOLUTION

Blanket ceilings on authorizations to issue shares and/or other securities

This resolution sets the following ceilings for the issues that may be carried out by the Board of Directors pursuant to the authorizations granted at this Meeting if the related resolutions are adopted:

- a blanket ceiling of €50 million (representing approximately 60% of the Company's capital) would be set for the aggregate nominal amount of any capital increases carried out by the Board of Directors pursuant to the authorizations given in the eleventh, twelfth, thirteenth, fourteenth, sixteenth, seventeenth, eighteenth and twentieth resolutions;
- a sub-ceiling of €30 million (approximately 36% of the Company's capital) – which would be included in the above-mentioned €50 million blanket ceiling – would be set for the aggregate nominal value of capital increases carried out pursuant to the authorizations given in the eleventh, twelfth, thirteenth and fourteenth resolutions;
- a blanket ceiling of €1.3 billion would be set for the aggregate principal amount of debt securities that may be issued pursuant to the authorizations given in the eleventh, twelfth, thirteenth and fourteenth resolutions.

PRESENTATION OF THE TWENTIETH RESOLUTION

Authorization for the Board of Directors to grant stock options to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights

In the twentieth resolution, the Board of Directors is seeking an authorization to issue to employees of the Company and other companies in the Safran Group (excluding corporate officers) options to subscribe for newly-issued Safran shares or purchase existing Safran shares bought back by the Company under the terms and conditions provided for by law. Any corporate officers whose employment contracts have been suspended for the duration of their term of office may not be granted stock options under this authorization.

Any options granted to employees who are members of the Company's Executive Committee would be subject to performance conditions set by the Board of Directors on the recommendation of the Appointments and Compensation Committee.

This authorization would entail the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares to be issued on exercise of options exercisable for new shares.

The aggregate nominal amount of any capital increases carried out as a result of this authorization would not be able to exceed 1.5% of the Company's capital and this amount would be included in the blanket ceiling applicable to capital increases set in the nineteenth resolution.

In the event that stock options exercisable for new shares are granted, the subscription price of the shares may not be lower than the average of the closing prices of the Company's shares over the twenty trading days preceding the option grant date.

For stock options exercisable for existing shares the purchase price of the shares may not be lower than either (i) the average of the closing prices for the Company's shares over the twenty trading days preceding the option grant date, or (ii) the average purchase price of the treasury shares held by the Company.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the thirty-second resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE TWENTY-FIRST RESOLUTION

Authorization for the Board of Directors to make free grants of existing or newly-issued Safran shares to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights

If the twenty-first resolution is adopted, the Board of Directors would be authorized to grant, free of consideration, existing or newly-issued Safran shares to employees (or certain categories of employees) of the Company and other companies in the Safran Group. Any corporate officers whose employment contracts have been suspended for the duration of their term of office may not be granted free shares under this authorization.

In accordance with this authorization the Board would be able to grant either new shares or shares bought back by the Company under the terms and conditions provided for by law.

The Board of Directors would determine the beneficiaries of the grants and set the terms and conditions thereof as well as any eligibility criteria.

The total number of free shares granted would not be able to exceed 0.5% of the Company's capital as at the date on which the Board decides to make the share grants.

This authorization would entail the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares to be issued pursuant to this resolution in favor of the beneficiaries.

The shares granted would be subject to a vesting period set by the Board of Directors, which may not be less than two years. In addition, the vested shares would be subject to a lock-up period set by the Board and lasting at least two years as from the vesting date. However, this minimum lock-up period may be reduced or waived for any shares whose vesting period is set at a minimum of four years.

Any free shares granted to employees who are members of the Company's Executive Committee would be subject to performance conditions set by the Board of Directors on the recommendation of the Appointments and Compensation Committee.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the thirty-fourth resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE TWENTY-SECOND RESOLUTION

The twenty-second resolution concerns the powers that are necessary to carry out the filing and other legal formalities required for the ordinary and extraordinary resolutions adopted at this Meeting.

8.2.2 TEXT OF THE PROPOSED RESOLUTIONS

ORDINARY RESOLUTIONS

APPROVAL OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

TEXT OF THE FIRST RESOLUTION

Approval of the parent company financial statements for the year ended December 31, 2012

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the parent company financial statements, the shareholders approve the financial statements of the parent company for the year ended December 31, 2012 as presented – showing profit for the year of €764,947,485.13 – together with the transactions reflected in these financial statements and referred to in these reports.

Pursuant to article 223 *quater* of the French Tax Code (*Code général des impôts*), the shareholders approve the non-deductible expenses governed by article 39-4 of said Code, which totaled €120,620.66 and gave rise to a tax charge of €43,544.06.

TEXT OF THE SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2012

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements, the shareholders approve the consolidated financial statements for the year ended December 31, 2012 as presented, together with the transactions reflected in these financial statements and referred to in these reports.

APPROPRIATION OF PROFIT FOR THE YEAR AND APPROVAL OF THE RECOMMENDED DIVIDEND

TEXT OF THE THIRD RESOLUTION

Appropriation of profit for the year and approval of the recommended dividend

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, and based on the Board of Directors' recommendation, the shareholders' resolve to appropriate profit for the year ended December 31, 2012 as follows:

• Profit for 2012	€764,947,485.13
• Retained earnings ⁽¹⁾	€2,968,322.77
• Profit available for distribution	€767,915,807.90

Appropriation:

Dividend	€400,348,401.60
Retained earnings	€367,567,406.30

(1) Including €2,174,553.71 corresponding to the 2011 dividend due on shares held in treasury at the dividend payment date.

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

Year	Number of shares carrying dividend rights ⁽¹⁾	Net dividend per share	Total payout ⁽³⁾
2011	415,843,977 ⁽²⁾	€0.62	€256,383,788.99
2010	406,335,324	€0.50	€203,167,662.00
2009	402,833,124	€0.38	€153,076,587.12

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

(2) An interim dividend (€0.25) was paid on 410,086,070 shares and the balance (€0.37) was paid on 415,843,977 shares.

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

RELATED-PARTY AGREEMENTS AND COMMITMENTS

TEXT OF THE FOURTH RESOLUTION

Related-party agreements and commitments governed by articles L.225-38 and L.225-42-1 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the Statutory Auditors' special reports on related-party agreements and commitments governed by articles L.225-38 and L.225-42-1 of the French Commercial Code, the shareholders place on record that no such agreements or commitments were entered into during 2012.

Accordingly, the dividend paid will be €0.96 per share.

An interim dividend of €0.31 per share was paid on December 20, 2012. The ex-dividend date for the remaining payout of €0.65 per share will be June 3, 2013 and the dividend will be paid on June 6, 2013.

Individual shareholders domiciled for tax purposes in France are eligible for 40% tax relief on the amount of their interim dividend, as provided for under article 158, 3-2° of the French Tax Code, unless they have elected to pay the 21% dividend withholding tax provided for under article 117 *quater* of said Code.

They also qualify for this 40% tax relief on the balance of the dividend payment.

The shareholders resolve that dividends which are not payable on shares held in treasury will be credited to retained earnings.

DIRECTORS

TEXT OF THE FIFTH RESOLUTION

Re-appointment of Jean-Marc Forneri as a Director

Having noted that Jean-Marc Forneri's term of office as a Director is due to expire at the close of this Meeting, and having considered the report of the Board of Directors, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders resolve to re-appoint Jean-Marc Forneri as a Director for a five-year term as provided for in the Company's bylaws.

Jean-Marc Forneri's term of office will expire at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

TEXT OF THE SIXTH RESOLUTION**Appointment of Monique Cohen as a Director**

Having noted that Michel Lucas' term of office as a Director is due to expire at the close of this Meeting, and having considered the report of the Board of Directors, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders resolve to appoint Monique Cohen as a Director to replace Michel Lucas, for a five-year term as provided for in the Company's bylaws.

Monique Cohen's term of office will expire at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

TEXT OF THE SEVENTH RESOLUTION**Appointment of Christophe Streiff as a Director**

Having noted that Francis Mer's term of office as a Director is due to expire at the close of this Meeting, and having considered the report of the Board of Directors, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders resolve to appoint Christophe Streiff as a Director to replace Francis Mer for a five-year term as provided for in the Company's bylaws.

Christophe Streiff's term of office will expire at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

TEXT OF THE EIGHTH RESOLUTION**Appointment of four Directors representing the French State**

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Board of Directors, the shareholders place on record that (i) the terms of office of the Directors representing the French State – Christophe Burg, Astrid Millsan, Laure Reinhart and Michèle Rousseau – are due to expire at the close of this Meeting, and (ii) four Directors representing the French State will be appointed by ministerial decree for a five-year term as provided for in Article 16.1 of the Company's bylaws, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

SETTING THE AMOUNT OF ATTENDANCE FEES TO BE ALLOCATED TO THE BOARD OF DIRECTORS**TEXT OF THE NINTH RESOLUTION****Setting the amount of attendance fees to be allocated to the Board of Directors**

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Board of Directors, the shareholders set at €670,000 the total maximum amount of attendance fees to be allocated among members of the Board of Directors for 2013.

AUTHORIZATION FOR THE BOARD OF DIRECTORS TO CARRY OUT A SHARE BUYBACK PROGRAM**TEXT OF THE TENTH RESOLUTION****Authorization for the Board of Directors to carry out a share buyback program**

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Board of Directors, the shareholders grant the Board of Directors an authorization – which may be delegated in accordance with the law – to purchase, directly or indirectly, the Company's shares in accordance with the conditions set out in articles L.225-209 *et seq.* of the French Commercial Code, EC Regulation 2273/2003 dated December 22, 2003 implementing EC Directive 2003/6/EC dated January 28, 2003, the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), market practices permitted by the AMF, and any other laws and regulations that may be applicable in the future.

The authorization may be used to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity contract entered into with an investment services firm and which complies with the AMF-approved code of ethics drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI);
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Safran Group;
- to deliver shares on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery in payment or exchange for external growth transactions; and
- for cancellation in accordance with the authorization granted in the ninth resolution of the Annual General Meeting of May 31, 2012.

Shares may be purchased, sold, or transferred in one or several transactions and by any method allowed under the laws and regulations applicable at the transaction date, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, including during a tender offer for the Company's shares, subject to strict compliance with article 231-41 of the AMF's General Regulations and article L.225-209 of the French Commercial Code.

The number of shares that may be bought back under this authorization may not exceed 10% of the Company's total outstanding shares (for information purposes, 41,702,958 shares based on the issued capital at December 31, 2012). This ceiling shall be reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery in payment or exchange for external growth transactions. When shares are bought back for

market-making purposes under a liquidity contract, the number of shares included in the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the period covered by this authorization.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

The shares may not be purchased at a price of more than €45 per share and the maximum amount that may be invested in the program is €1.87 billion. However, the Board of Directors may adjust this maximum purchase price to take into account the impact on the share price of any corporate actions carried out by the Company.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to carry out this share buyback program, to set the applicable terms and conditions, make the required adjustments as a result of any corporate actions, place any and all buy and sell orders, enter into any and all agreements notably for the keeping of registers of share purchases and sales, make any and all filings with the AMF and any other organization, carry out all other formalities, and generally do everything necessary to use this authorization.

This authorization is given for a period of 18 months from the date of this Meeting. It supersedes the authorization given to the Board of Directors for the same purpose in the eighth resolution of the Annual General Meeting held on May 31, 2012.

EXTRAORDINARY RESOLUTIONS

FINANCIAL AUTHORIZATIONS

TEXT OF THE ELEVENTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with the applicable laws and regulations, and in particular articles L.225-129-2, L.225-132 and L.228-91 *et seq.* of the French Commercial Code, and having noted that the share capital has been fully paid up, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration), with pre-emptive subscription rights for existing shareholders. The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies.
2. resolve that if the Board of Directors uses this authorization:
 - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €25 million, it being specified that this ceiling (i) will be included in the blanket ceilings set in paragraphs 1 and 2 of the nineteenth resolution, and (ii) will not include the par value of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares, and
 - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.3 billion (or the euro equivalent of this amount at the issue date for issues denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in the blanket ceiling set in paragraph 3 of the nineteenth resolution, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with article L.228-40 of the French Commercial Code;
3. resolve that existing shareholders will have pre-emptive rights to subscribe for the securities issued pursuant to this authorization, in proportion to their existing holdings;
4. note that in accordance with the law, the Board of Directors may grant shareholders additional pre-emptive rights to subscribe for any securities not taken up by other shareholders exercising their pre-emptive subscription rights. Such additional rights will also be exercisable in proportion to shareholders' existing holdings and within the limits of their requests;
5. resolve that if an issue is not taken up in full by shareholders exercising their pre-emptive rights as described above, the Board of Directors may take one or more of the following courses of action, in accordance with the law and in the order of its choice:

- limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up,
- freely allocate all or some of the unsubscribed securities,
- offer some or all of the unsubscribed securities to the public, either in France or abroad;

6. resolve that Safran stock warrants may be offered for subscription on the above basis or allocated without consideration to existing shareholders. In the latter case the Board of Directors will have full powers to decide that rights to fractions of warrants will not be transferable or tradable and that the corresponding warrants will be sold;
7. resolve that the Board of Directors may suspend the exercise of rights to shares of the Company for a maximum period of three months, and make any adjustments in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares;
8. note that in the event of an issue carried out under this authorization of securities carrying rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company and the ranking of any debt securities;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the twenty-third resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE TWELFTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a public offering

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with articles L.225-129 *et seq.* of the French Commercial Code, notably articles L.225-129-2, L.225-135, L.225-136 and articles L.228-91 *et seq.*, and having noted that the share capital has been fully paid up, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions and through a public offering, ordinary shares and/or securities carrying immediate or deferred rights to shares of the Company (either with or without consideration). The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies;
2. resolve that if the Board of Directors uses this authorization:
 - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million, it being specified that this ceiling (i) will be included in the blanket ceilings set in paragraphs 1 and 2 of the nineteenth resolution of this Meeting, and (ii) will not include the par value of any shares to be issued to protect the rights of holders of securities carrying rights to the Company's shares, and
 - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1 billion (or the euro equivalent of this amount at the issue date for issues denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in the blanket ceiling set in paragraph 3 of the nineteenth resolution, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with article L.228-40 of the French Commercial Code;
3. resolve to waive shareholders' pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization. However, in accordance with paragraph 5 of article L.225-135 and article R.225-131 of the French Commercial Code, the Board of Directors may offer existing shareholders a priority right to subscribe for all or part of any

issue(s) carried out under this authorization for a period of no less than three trading days. Such priority rights will not be transferable or tradable and will be exercisable in proportion to shareholders' existing interests;

4. resolve that if an issue is not taken up in full (including by shareholders exercising their above-mentioned priority rights), the Board of Directors may take one or the other of the following courses of action, in accordance with the law and in the order of its choice:
 - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up,
 - freely allocate all or some of the unsubscribed securities;
5. note that in the event of an issue carried out under this authorization of securities carrying rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
6. resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, currently corresponding to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company and the ranking of any debt securities;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the twenty-fourth resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE THIRTEENTH RESOLUTION

Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offering initiated by the Company

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with articles L.225-129-2 to L.225-129-6, L.225-135, L.225-136, L.225-148 and L.228-91 *et seq.* of the French Commercial Code, and subject to the adoption of the twelfth resolution, the shareholders:

1. authorize the Board of Directors, on the basis of the twelfth resolution, and under the conditions provided for therein, to issue shares of the Company and/or securities carrying immediate or deferred rights to the Company's shares as payment for securities of another company listed on one of the regulated markets referred to in article L.225-148 of the French Commercial Code that are tendered to a public exchange offering initiated by the Company in France or abroad. The shareholders further authorize the Board to cancel the pre-emptive rights of existing shareholders to subscribe for the shares and/or securities issued under this authorization;
2. note that in accordance with article L.225-132 of the French Commercial Code, in the event of an issue carried out under this authorization of securities carrying rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
3. resolve that if the Board of Directors uses this authorization:
 - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million, it being specified that this ceiling (i) will be included in the €8 million ceiling set in the twelfth resolution as well as in the blanket ceilings set in paragraphs 1 and 2 of the nineteenth resolution, and (ii) will not include the par value of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares, and
 - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1 billion (or the euro equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in

(a) the ceiling set in the twelfth resolution corresponding to €1 billion (or the euro equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies) and (b) the blanket ceiling set in paragraph 3 of the nineteenth resolution, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with article L.228-40 of the French Commercial Code;

4. resolve that the Board of Directors will have full powers to carry out the public exchange offering(s) covered by this resolution and in particular to:
 - set the exchange ratio as well as any balance to be paid in cash,
 - place on record the number of securities tendered to the exchange,
 - determine the timing and other terms and conditions of the issue(s) and notably the price and cum-rights date (which may be retroactive) of the securities issued in accordance with this resolution,
 - credit the difference between the issue price of the new shares and their par value to a “contribution premium” account to which all shareholders will have equivalent rights,
 - charge all the issuance costs against the contribution premium, and more generally
 - take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), and amend the Company’s bylaws to reflect the new capital;
5. authorize the Board of Directors, within the limits that have previously been set, to delegate to the Chief Executive Officer or, in agreement with him, to one or more Deputy Chief Executive Officers, the authorization given under this resolution.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the twenty-fifth resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE FOURTEENTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by article L.411-2-II of the French Monetary and Financial Code

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors’

special report, in accordance with articles L.225-129 *et seq.* of the French Commercial Code, notably articles L.225-129-2, L.225-135, L.225-136 and articles L.228-91 *et seq.*, and article L.411-2-II of the French Monetary and Financial Code, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing shares of the Company (either with or without consideration) through a private placement that complies with the conditions set out in article L.411-2 II of the French Monetary and Financial Code. The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies;
2. resolve that if the Board of Directors uses this authorization:
 - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million. This ceiling will be included in (i) the ceiling for capital increases without pre-emptive subscription rights set in paragraph 2 of the twelfth resolution, and (ii) the blanket ceilings set in paragraphs 1 and 2 of the nineteenth resolution. However it will not include the par value of any additional shares to be issued to protect the rights of holders of securities carrying rights to the Company’s shares. Furthermore, in accordance with the law, issues of shares and/or securities carried out pursuant to this authorization may not represent over 20% of the Company’s share capital in any given year,
 - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1 billion (or the euro equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in the ceiling set in paragraph 2 of the twelfth resolution relating to the issue of debt securities without pre-emptive subscription rights as well as in the blanket ceiling set in paragraph 3 of the nineteenth resolution for issues of debt securities, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with article L.228-40 of the French Commercial Code;
3. resolve to waive shareholders’ pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization;
4. resolve that if an issue is not fully subscribed, the Board of Directors may limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up;

5. note that in the event of an issue carried out under this authorization of securities carrying rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
6. resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, currently corresponding to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company and the ranking of any debt securities;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s) and private placement(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the twenty-sixth resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE FIFTEENTH RESOLUTION

Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors, in accordance with French company law, notably articles L.225-135-1 and R.225-118 of the French Commercial Code, and subject to the adoption of the eleventh, twelfth, thirteenth and fourteenth resolutions, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights as decided by the Board of Directors pursuant to the eleventh, twelfth,

thirteenth or fourteenth resolutions, notably in order to grant an over-allotment option in accordance with standard market practices. Said additional securities will be issued at the same price as for the original issue in accordance with the conditions and ceilings specified in the applicable regulations (currently the additional securities must be issued within thirty days of the close of the original subscription period and may not represent more than 15% of the original issue amount). In the case of an issue carried out with pre-emptive subscription rights any additional securities issued pursuant to this resolution may only be offered to shareholders in proportion to their existing holdings;

2. resolve that the nominal amount of any capital increases carried out as a result of the shares or other securities issued pursuant to this resolution will be included in the ceiling provided for in the resolution under which the original issue is decided.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the twenty-seventh resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE SIXTEENTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares in payment for another company's shares and/or securities carrying rights to shares, without pre-emptive subscription rights for existing shareholders

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with articles L.225-129 *et seq.* of the French Commercial Code, notably article L.225-147 paragraph 6, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions, ordinary shares of the Company in payment for shares and/or securities carrying rights to shares of another company, provided the transaction concerned is not governed by article L.225-148 of the French Commercial Code, and resolve insofar as may be required, to cancel the pre-emptive subscription rights of existing shareholders to the ordinary shares to be issued in payment for said shares and/or securities in favor of the holders thereof;
2. resolve to set the ceiling for the nominal amount of capital increases that may be carried out pursuant to this authorization at 10% of the Company's capital on the date that the issue is decided by the Board of Directors, it being specified that the nominal amount of the capital increases carried out pursuant to this authorization will be included in the blanket ceiling applicable to capital increases set in paragraph 2 of the nineteenth resolution.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization and in particular to (i) approve the valuation of

the securities transferred to the Company, (ii) decide on the share issues to be carried out in payment for the securities transferred to the Company, (iii) where applicable, set the terms and conditions for ensuring the protection of the rights of holders of securities carrying rights to the Company's shares, (iv) charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level, and (v) more generally, take all appropriate steps and enter into all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the twenty-seventh resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE SEVENTEENTH RESOLUTION

Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital

Deliberating in extraordinary session but in accordance with the rules of quorum and majority applicable to ordinary general meetings, and having considered the report of the Board of Directors, in accordance with articles L.225-129-2 and L.225-130 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital on one or more occasions, to be paid up by capitalizing reserves, retained earnings, additional paid-in capital or other items that may be capitalized in accordance with the applicable laws and the Company's bylaws, by issuing bonus shares and/or raising the par value of existing shares. The amounts and timing of such issues will be determined at the Board's discretion;
2. resolve to set the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization at €12.5 million, it being specified that this amount will be included in the blanket ceiling applicable to capital increases set in paragraph 2 of the nineteenth resolution;
3. resolve that in the event of a bonus share issue, rights to fractions of shares will not be transferable or tradable and that the corresponding shares will be sold, with the proceeds allocated to the holders of the rights in accordance with the applicable laws.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization and to take any and all measures and carry out any and all formalities required to successfully complete the capital increase(s), as well as to place on record the capital increase(s) and amend the Company's bylaws to reflect the new capital.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the thirtieth resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE EIGHTEENTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with articles L.225-129-2, L.225-129-6 and L.225-138-1 of the French Commercial Code, and articles L.3332-18 *et seq.* of the French Labor Code, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions, ordinary shares of the Company to employees of the Company and of any French or foreign related companies within the meaning of article L.225-180 of the French Commercial Code, who are members of the Group employee savings plan or any company employee savings plan in place within the Safran Group. The amounts and timings of such issues will be determined at the Board's discretion;
2. resolve that the maximum nominal amount of any capital increases carried out under this authorization may not represent over 1.5% of the Company's capital at the date of the Board of Directors' decision to carry out the issue. This ceiling will be included in the blanket ceiling applicable to capital increases set in paragraph 2 of the nineteenth resolution;
3. resolve that the purchase price of the shares offered to employees under this authorization may not be lower than the average of the closing prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided by law at the date of the Board's decision;
4. note that this authorization automatically entails the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares offered to employees under the issue(s) carried out under this resolution.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization, and in particular to (i) set the terms and conditions of the capital increase(s), (ii) draw up the list of companies whose employees will be eligible for the share issue(s), (iii) set the conditions, particularly concerning length of service, that the beneficiaries will have to meet in order to subscribe, on an individual basis or through an investment fund, for the shares issued pursuant to this authorization, (iv) set the dates and terms and conditions of the issue(s), (v) set the start and end dates of the subscription period(s); (vi) determine the price and the cum-rights date of the shares issued, (vii) determine the method by which the shares will be paid up, (viii) charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level, and (ix) more generally, take all appropriate measures and enter into any agreements to successfully complete the share issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this Meeting. It supersedes the authorization given to the Board of Directors for the same purpose in the eleventh resolution of the Annual General Meeting held on May 31, 2012.

TEXT OF THE NINETEENTH RESOLUTION

Blanket ceilings on authorizations to issue shares and/or other securities

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors, the shareholders resolve:

1. to set at €30 million the maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eleventh, twelfth, thirteenth and fourteenth resolutions, either directly and/or on exercise of rights to shares. This ceiling does not include the par value of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
2. to set at €50 million the maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eleventh, twelfth, thirteenth, fourteenth, sixteenth, seventeenth, eighteenth and twentieth resolutions, either directly and/or on exercise of rights to shares. This ceiling does not include the par value of any shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
3. to set at €1.3 billion the maximum aggregate principal amount of debt securities that may be issued pursuant to the authorizations given to the Board of Directors in the eleventh, twelfth, thirteenth and fourteenth resolutions. Said ceiling is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with article L.228-40 of the French Commercial Code.

TEXT OF THE TWENTIETH RESOLUTION

Authorization for the Board of Directors to grant stock options to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with articles L.225-177 *et seq.* of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to grant, on one or more occasions, to employees or certain employees of the Company or of related companies within the meaning of article L.225-180 of the French Commercial Code, stock options exercisable for:
 - new shares of the Company issued as part of a capital increase, or

- existing shares of the Company purchased under share buyback programs under the conditions provided for by law;
2. resolve that the stock options granted pursuant to this authorization may not be exercisable for a total number of shares exceeding 1.5% of the number of shares making up the Company's capital at the date on which the Board of Directors decides to grant the stock options, it being specified that the aggregate nominal amount of the capital increases resulting from the exercise of stock options exercisable for new shares will be included in the blanket ceiling applicable to capital increases set in paragraph 2 of the nineteenth resolution;
 3. resolve that the vesting of stock options granted to employees who are members of the Company's Executive Committee will be subject to performance conditions that will be set by the Board of Directors at the time of the grants based on recommendations put forward by the Appointments and Compensation Committee;
 4. resolve that the exercise price of the options will be set by the Board of Directors on the grant date, in accordance with the following terms and conditions:
 - the issue price for new shares issued on the exercise of stock options may not be lower than the average of the closing prices quoted for the Company's shares over the twenty trading days preceding the grant date, and
 - the purchase price of existing shares allocated on the exercise of stock options may not be lower than either (i) the average of the closing prices quoted for the Company's shares over the twenty trading days preceding the grant date, or (ii) the average purchase price of the treasury shares held by the Company pursuant to articles L.225-208 and L.225-209 of the French Commercial Code.

The exercise price of the options may not be amended except in the event that the Company carries out any of the corporate actions provided for by law during the option exercise period, in which case the Board of Directors will adjust the exercise price where necessary, and/or the number of shares to be allocated on exercise of the options on the basis prescribed by the applicable regulations in order to reflect the impact of said corporate action(s);

5. resolve that the options must be exercised within a maximum of ten years from the grant date but the Board of Directors may reduce this period, notably for beneficiaries residing in countries in which a shorter maximum period is provided for by law;
6. resolve that the Board of Directors may set a lock-up period for the shares acquired on exercise of the options, which may not exceed three years as from the exercise date;
7. note that this authorization entails a waiver by shareholders of their pre-emptive rights to subscribe for the shares to be issued as and when the stock options are exercised by beneficiaries of stock options exercisable for new shares.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to determine all the other terms and conditions of the stock option grants and the exercise thereof, within the limits set by the applicable laws and regulations and in particular to:

- draw up the list or categories of beneficiaries and the number of stock options granted to each of them;
- set the option exercise dates or periods, it being specified that the Board of Directors may (i) bring forward the option exercise dates or periods, (ii) maintain the exercisable nature of the options or (iii) change the dates or periods during which the shares obtained on exercise of the stock options cannot be transferred, sold or converted into bearer shares;
- where applicable, limit, suspend, restrict or prohibit the exercise of the stock options or the transfer, sale or conversion into bearer shares of the shares obtained on exercise of the stock options, during certain periods or as from certain events, and its decision may relate to some or all of the stock options or shares and concern some or all of the beneficiaries;
- set the cum-rights date of new shares issued on exercise of the stock options, place on record the resulting capital increases, amend the bylaws to reflect the new capital and more generally do everything that may be necessary.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the thirty-second resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE TWENTY-FIRST RESOLUTION

Authorization for the Board of Directors to make free grants of existing or newly-issued Safran shares to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with articles L.225-197-1 *et seq.* of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to grant, on one or more occasions, existing or new shares of the Company, free of consideration, to employees or certain categories of employees of the Company or of related companies within the meaning of article L.225-197-2 of the French Commercial Code. The amounts and timing of such grants will be determined at the Board's discretion;
2. resolve that the total number of free shares granted pursuant to this authorization may not exceed 0.5% of the number of shares making up the Company's capital at the date of the decision to grant free shares made by the Board of Directors;
3. resolve that the shares granted shall be subject to a vesting period which shall be set by the Board of Directors but may not be less than two years, followed by a lock-up period

which shall also be set by the Board of Directors but must be no less than two years from the vesting date. However:

- if the vesting period applicable to all or some of the shares granted represents a minimum of four years, the shareholders authorize the Board of Directors to reduce or waive the lock-up period for the shares concerned,
 - the shares shall vest before the expiry date of the above-mentioned vesting period, and shall be freely transferable before the expiry of the above-mentioned lock-up period in the event that the beneficiary becomes incapacitated, within the meaning of the definition set down in the second or third categories under article L.341-4 of the French Social Security Code (*Code de la sécurité sociale*);
4. resolve that this authorization may be used to grant free shares to employees who are members of the Company's Executive Committee provided that they have performance conditions attached, which will be set by the Board of Directors based on recommendations put forward by the Appointments and Compensation Committee;
 5. note that this authorization would entail the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares to be issued pursuant to this resolution in favor of the beneficiaries.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization within the limits set by the applicable laws and regulations and in particular to:

- determine whether the free shares granted will be existing or newly-issued shares;
- determine the list or categories of eligible beneficiaries;
- set the conditions and, where applicable, the eligibility criteria for the share grants, and in particular the length of the vesting period and lock-up period applicable to each beneficiary;
- provide for the possibility to provisionally suspend the beneficiaries' rights to receive the shares;
- place on record the vesting dates of the shares granted and the dates from which the shares may be freely transferred or sold, taking into account any applicable legal restrictions;
- make any adjustments required during the vesting period to the number of free shares granted in order to protect the rights of beneficiaries;
- in the event of the issue of new shares, (i) deduct, where applicable, from reserves, retained earnings or additional paid-in capital, the amounts necessary to pay up the shares, (ii) place on record the capital increases carried out pursuant to this authorization, (iii) amend the bylaws to reflect the new capital; and generally
- take all appropriate measures and enter into any and all agreements to successfully complete the share grants provided for in this resolution.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the thirty-fourth resolution of the Annual General Meeting held on April 21, 2011.

POWERS TO CARRY OUT FORMALITIES

TEXT OF THE TWENTY-SECOND RESOLUTION

Powers to carry out formalities

The shareholders give full powers to the bearer of an original, extract or copy of the minutes of this Meeting to carry out any and all filing, publication, declaration and other formalities required by the applicable laws and regulations.

8.2.3 OFFICES HELD BY DIRECTORSHIP CANDIDATES

CANDIDATE FOR RE-APPOINTMENT

JEAN-MARC FORNERI DIRECTOR – INDEPENDENT	
EXPERTISE AND EXPERIENCE	<p>Born in 1959, Jean-Marc Forneri graduated from <i>École Nationale d'Administration</i> (ENA), before obtaining a Master's in Business Law and completing the French bar (CAPA) exam, at the Aix-en-Provence School of Political Science (IEP).</p> <p>He began his career at the General Finance Inspectorate in 1984. Then in 1987, he became an Advisor to the Minister of Finance and rapporteur for the Commission on Estate Taxes (French Ministry of Finance). Between 1988 and 1994, he was Director and CEO of Skis Rossignol.</p> <p>He was then appointed Managing Partner of Worms et Cie, where he was responsible for the investment bank.</p> <p>In 1996, he was appointed Chairman of Credit Suisse First Boston France and Vice-Chairman of Credit Suisse First Boston Europe, where he was an advisor on major mergers and acquisitions projects.</p> <p>In 2004, he founded Bucéphale Finance, a corporate finance advisory services firm, where he became Chairman.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: Bucéphale Finance SAS • Member of the Supervisory Board: Grand Port Maritime de Marseille (GPMM); Société Casino Municipal d'Aix Thermal • Director: Balmain; Intercontinental Exchange, Inc. (USA)⁽¹⁾ • Manager: Perseus Participations
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Bonnasse Lyonnaise de Banque, up to May 2008

(1) Listed company.

CANDIDATE FOR APPOINTMENT

MONIQUE COHEN**BORN ON JANUARY 28, 1956, 57 YEARS OLD**

Business address: Apax Partners, 45 avenue Kléber, 75784 Paris Cedex 16, France

Independent Director

French national

Main position: Executive Partner of Apax Partners Midmarket SAS

EXPERTISE AND EXPERIENCE	<p>Born in 1956, Monique Cohen is a graduate of <i>École Polytechnique</i> (1976) and has a Master's degree in mathematics and business law. She started her career at Paribas as Assistant Finance Manager from 1980 to 1987.</p> <p>At BNP Paribas she successively held the positions of Administrative Officer of Courcoux Bouvet, a brokerage firm and subsidiary of Paribas between 1987 and 1990, Head of equity syndication and brokerage activities from 1990 to 1999, and Global Head of Equity Business from 1999 to 2000.</p> <p>Since 2000, she has been Executive Partner of Apax Partners France, which focuses on investments in the business and financial services sector.</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • None <p>Non-Group:</p> <ul style="list-style-type: none"> • Deputy Chief Executive Officer: Apax Partners Midmarket SAS • Member of the Supervisory Board and the Audit Committee: JC Decaux⁽¹⁾, since 2011 • Member of the Board of Directors: Altran⁽¹⁾, since 2011 • Member of the Supervisory Board: SFIL, since 2013 • Member of the Board of Directors: AMF (<i>Autorité des Marchés Financiers</i> – AMF)
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • None <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Apax Partners MidMarket SAS • Director: Financière MidMarket SAS • Director: Equalliance SA • Director: Finalliance SAS • Manager: Société Civile Equalliance SA • Member of the Supervisory Board: Global Project SAS • Director: Global Project SA • Chair: Faceomanagement SAS • Chair: Faceoteam SAS • Member of the Supervisory Board: Faceo SA • Chair of the Supervisory Board: Financière Famax SAS • Member of the Supervisory Board: Financière Famax SAS • Member of the Supervisory Board: Unilog • Director: B*Capital SA • Deputy Managing Director: Altamir Amboise Gérance • Chair of the Board of Directors: Wallet SA (Belgium) • Chair of the Board of Directors: Wallet Investissement 1 SA (Belgium) • Chair of the Board of Directors: Wallet Investissement 2 SA (Belgium) • Director: BuyWay Personal Finance Belgium SA (Belgium) • Manager (class C): Santemedia Group Holding Sarl (Luxembourg)

(1) Listed company.

CANDIDATE FOR APPOINTMENT

CHRISTIAN STREIFF BORN ON SEPTEMBER 21, 1954, 58 YEARS OLD	
Address: 1 boulevard Beauséjour, 75016 Paris, France Independent Director French national Main position: Chairman of CS Conseil	
EXPERTISE AND EXPERIENCE	<p>Born in 1954, Christian Streiff started working for the Saint-Gobain group as Department Engineer of the Pipe Division at Halbergerhütte (Germany) from 1979 to 1982. He then served as Vice President of Planning and Strategy of the Fiber Reinforcements Division from 1982 to 1985, Manager of the Herzogenrath plant between 1985 and 1988, General Manager of Vetrotex Deutschland (formerly Gevetex) (Germany) between 1989 and 1991, General Manager of Vetri SpA (Italy) from 1991 to 1994, General Manager of Saint-Gobain Emballage from 1994 to 1997, Vice-President, Pipe Division and Chairman and Chief Executive Office of Pont-à-Mousson SA from 1997 to 2001, Head of Abrasives and Ceramics & Plastics Divisions (Paris and Boston – USA), Group Chief Operating Officer from 2001 to 2004 and Deputy Chief Executive Officer from 2004 to 2005.</p> <p>In 2006, Christian Streiff was appointed Chief Executive Officer of Airbus and member of the Managing Board of EADS (European Aeronautic Defense and Space Company).</p> <p>From 2007 to 2009, Christian Streiff was Chairman of the Executive Board of PSA Peugeot-Citroën. He is the author of a novel, Kriegspiel (Editions La Nuée Bleue, 2000).</p>
CURRENT OFFICES	<p>Safran Group:</p> <ul style="list-style-type: none"> • None <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: CS Conseil • Member of the Supervisory Board: Thyssen Krupp AG⁽¹⁾ (Germany) • Director and member of the Compensation Committee: Finmeccanica SpA⁽¹⁾, Italy • Director: TI-Automotive (UK) • Director and member of the Compensation Committee: Crédit Agricole SA⁽¹⁾
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p>Safran Group:</p> <ul style="list-style-type: none"> • None <p>Non-Group:</p> <ul style="list-style-type: none"> • President: European Automobile Manufacturers' Association (<i>Association des Constructeurs Européens d'Automobiles – ACEA</i>) • Chairman of the Board of Directors: Automobiles Peugeot • Chairman and Chief Executive Officer: Automobiles Citroën • Vice-Chairman: Dongfeng Peugeot Citroën Automobiles Company Ltd (People's Republic of China) • Director: Banque PSA Finance • Director: Peugeot Citroën Automobiles • Director: Gefco • Director: Faurecia⁽¹⁾ • Director: Continental AG⁽¹⁾ (Germany) • Director: PCMA Holding B.V. (Netherlands)

(1) Listed company.

8.2.4 TABLE OF PROPOSED AUTHORIZATIONS TO BE GRANTED TO THE BOARD OF DIRECTORS

The resolutions approved by the Board of Directors on March 21, 2013, which will be submitted for approval at the Annual General Meeting held on May 28, 2013, provide for the authorizations described below to be granted to the Board of Directors.

Type of authorization	Date of authorization	Term	Ceiling (maximum nominal amount of capital increases and maximum principal amount of debt securities)
Authorization for the Board of Directors to carry out a share buyback program	May 28, 2013 AGM (tenth resolution)	18 months	€1.87 billion 10% of the Company's capital
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders	May 28, 2013 AGM (eleventh resolution)	26 months	€25 million ^{(a)(c)} €1.3 billion (debt securities) ^(b)
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a public offering	May 28, 2013 AGM (twelfth resolution)	26 months	€8 million ^{(a)(c)} €1 billion (debt securities) ^(b)
Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offering initiated by the Company	May 28, 2013 AGM (thirteenth resolution)	26 months	€8 million ^{(a)(c)(d)} €1 billion (debt securities) ^{(b)(e)}
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by article L.411-2-II of the French Monetary and Financial Code	May 28, 2013 AGM (fourteenth resolution)	26 months	€8 million ^{(a)(c)(d)} €1 billion (debt securities) ^{(b)(e)}
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights	May 28, 2013 AGM (fifteenth resolution)	26 months	15% of the original issue ^(f)
Authorization for the Board of Directors to issue ordinary shares in payment for another company's shares or securities carrying rights to shares	May 28, 2013 AGM (sixteenth resolution)	26 months	10% of the Company's capital ^(c)
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital	May 28, 2013 AGM (seventeenth resolution)	26 months	€12.5 million ^(c)
Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders	May 28, 2013 AGM (eighteenth resolution)	26 months	1.5% of the Company's capital ^(c)

(a) This amount is included in the sub-ceiling of €30 million for capital increases submitted for shareholder approval in the nineteenth resolution of the May 28, 2013 AGM.

(b) This amount is included in the sub-ceiling of €1.3 billion for debt securities submitted for shareholder approval in the nineteenth resolution of the May 28, 2013 AGM.

(c) This amount is included in the blanket ceiling of €50 million for capital increases submitted for shareholder approval in the nineteenth resolution of the May 28, 2013 AGM.

(d) This amount is included in the sub-ceiling of €8 million for capital increases without pre-emptive subscription rights submitted for shareholder approval in the twelfth resolution of the May 28, 2013 AGM.

(e) This amount is included in the sub-ceiling of €1 billion for issues of debt securities without pre-emptive subscription rights submitted for shareholder approval in the twelfth resolution of the May 28, 2013 AGM.

(f) The ceilings set in the eleventh, twelfth, thirteenth and fourteenth resolutions of the May 28, 2013 AGM still apply if the option provided for in the fifteenth resolution is used.

ANNUAL GENERAL MEETING OF MAY 28, 2013

/ PROPOSED RESOLUTIONS /

Type of authorization	Date of authorization	Term	Ceiling (maximum nominal amount of capital increases and maximum principal amount of debt securities)
Blanket ceilings on authorizations to issue shares and/or other securities	May 28, 2013 AGM (nineteenth resolution)	--	Sub-ceiling: €30 million for the eleventh, twelfth, thirteenth and fourteenth resolutions of the May 28, 2013 AGM Sub-ceiling: €1.3 billion (debt securities) for the eleventh, twelfth, thirteenth and fourteenth resolutions of the May 28, 2013 AGM Blanket ceiling of €50 million for the eleventh, twelfth, thirteenth, fourteenth, sixteenth, seventeenth, eighteenth and twentieth resolutions of the May 28, 2013 AGM
Authorization for the Board of Directors to grant stock options to employees of the Company and other companies in the Safran Group	May 28, 2013 AGM (twentieth resolution)	26 months	1.5% of the Company's capital ^(a)
Authorization for the Board of Directors to make free grants of existing or newly-issued Safran shares to employees of the Company and other companies in the Safran Group	May 28, 2013 AGM (twenty-first resolution)	26 months	0.5% of the Company's capital

(a) This amount is included in the sub-ceiling of €30 million for capital increases submitted for shareholder approval in the nineteenth resolution of the May 28, 2013 AGM.

(b) This amount is included in the sub-ceiling of €1.3 billion for debt securities submitted for shareholder approval in the nineteenth resolution of the May 28, 2013 AGM.

(c) This amount is included in the blanket ceiling of €50 million for capital increases submitted for shareholder approval in the nineteenth resolution of the May 28, 2013 AGM.

(d) This amount is included in the sub-ceiling of €8 million for capital increases without pre-emptive subscription rights submitted for shareholder approval in the twelfth resolution of the May 28, 2013 AGM.

(e) This amount is included in the sub-ceiling of €1 billion for issues of debt securities without pre-emptive subscription rights submitted for shareholder approval in the twelfth resolution of the May 28, 2013 AGM.

(f) The ceilings set in the eleventh, twelfth, thirteenth and fourteenth resolutions of the May 28, 2013 AGM still apply if the option provided for in the fifteenth resolution is used.

8.3

DIVIDEND PAYMENT POLICY

Year	Type of shares	Number of shares	Dividend per share	Tax credit	Net dividend		Total dividend payment
			(in €) Actual	(in €) Actual	(in €) Actual	(in €) Adjusted	
2005	Ordinary	417,029,585	0.36	-	0.36	0.36	150,130,650
2006	Ordinary	417,029,585	0.22	-	0.22	0.22	91,746,509
2007	Ordinary	417,029,585	0.40	-	0.40	0.40	166,811,834
2008	Ordinary	417,029,585	0.25	-	0.25	0.25	104,257,396
2009	Ordinary	417,029,585	0.38	-	0.38	0.38	158,471,242
2010	Ordinary	417,029,585	0.50	-	0.50	0.50	208,514,792
2011	Ordinary	417,029,585	0.62	-	0.62	0.62	258,558,343
2012⁽¹⁾	Ordinary	417,029,585	0.96	-	0.96	0.96	400,348,402

(1) For income tax purposes:

Dividend income is eligible for 40% tax relief, with no cap.

For dividends received between January 1 and December 31, 2012, at the taxpayer's option, the dividends could be subject to a 21% flat-rate income tax deducted at source (plus 15.5% social security contributions), calculated on the gross amount of the dividend payment. If the taxpayer exercised this option, the above-mentioned 40% tax relief did not apply to dividends received. The option had to be exercised by the date on which the dividend was received, and once exercised could not be canceled for the dividend payment in question.

For dividends paid as from January 1, 2013, the full amount of the dividend qualifies for the 40% tax relief provided for under article 158, 3-2° of the French Tax Code for individuals domiciled in France for tax purposes. However for such shareholders, the Company's paying agent will withhold at source from the gross amount of the dividend (i) a compulsory deduction of 21% as required in accordance with article 117 quater 1-1° of the French Tax Code (as amended by article 9 of the French Finance Act for 2013 – Act 2012-1509 of December 29, 2012), and (ii) 15.5% in social security contributions. Shareholders whose taxable income is below the ceilings set in article 117 quater 1-1° of the French Tax Code may apply for an exemption from the 21% withholding tax. In order to qualify for this exemption for the balance of the 2012 dividend to be paid in 2013, shareholders must lodge with the Company's paying agent, by March 31, 2013, a statement of honor as provided for in article 242 quater of said Code. The 21% withholding tax corresponds to a downpayment of personal income tax due on the dividend payment and is not a payment in full discharge of all of the tax that may potentially be due on the dividend income. Consequently, the tax payable on the dividend will be subject to the progressive tax scale applicable to personal income tax.

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

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

8.4 FIVE-YEAR FINANCIAL SUMMARY

(in €)	2008	2009	2010	2011	2012
Capital at December 31					
Share capital	83,405,917	83,405,917	83,405,917	83,405,917	83,405,917
Number of ordinary shares outstanding	417,029,585	417,029,585	417,029,585	417,029,585	417,029,585
Financial results					
Net profit before tax, statutory employee profit-sharing, depreciation, amortization and provisions	404,777,762	259,026,592	460,950,316	311,960,503	583,002,487
Income tax expense	(189,316,880)	(130,569,281)	(81,337,666)	(85,414,505)	(190,424,330)
Statutory employee profit-sharing for the fiscal year	-	-	-	-	-
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	151,150,969	249,519,112	497,099,621	352,862,622	764,947,485
Dividend payment	100,087,100	158,471,242	208,514,793	258,558,343	400,348,402
Per share data					
Net profit after tax, statutory employee profit-sharing, but before depreciation, amortization and provisions					
• divided by the number of shares outstanding	1.42	0.93	1.30	0.95	1.85
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions					
• divided by the number of shares outstanding	0.36	0.60	1.19	0.85	1.83
Net dividend:					
• per ordinary share outstanding	0.25	0.38	0.50	0.62	0.96
Employees					
Average number of employees during the fiscal year	403	426	475	895	1,085
Total payroll	51,314,080	52,628,948	64,261,911	87,901,591	99,864,352
Social security and other social welfare contributions	21,184,366	23,727,951	31,003,789	75,671,943 ⁽¹⁾	56,713,929

(1) Including a total expense of €27 million in respect of the April 3, 2009 free share plan, of which €26.4 million was rebilled to the French subsidiaries employing the beneficiaries.

8.5

STATUTORY AUDITORS' REPORTS

8.5.1 STATUTORY AUDITORS' SPECIAL REPORT
ON RELATED-PARTY AGREEMENTS AND COMMITMENTSSHAREHOLDERS' MEETING TO APPROVE THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report to you on certain related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved or not approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

We hereby inform you that we were not advised of any agreements or commitments authorized by the Board of Directors in the course of the year to be submitted for the approval of the Annual General Meeting in accordance with article L.225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS WHICH REMAIN IN FORCE IN 2012

In accordance with article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended December 31, 2012.

Agreement concerning a syndicated credit line entered into with a group of international banks, including **Crédit Industriel et Commercial** (**Crédit Mutuel-CIC group**)

PERSON CONCERNED

Michel Lucas, Director of Safran and Chairman and Chief Executive Officer of CIC.

NATURE AND PURPOSE

This agreement was authorized by the Supervisory Board on December 2, 2010 and signed on December 8, 2010. It concerns a €1.6 billion five-year revolving credit facility maturing in December 2015 granted by a group of thirteen banks, including five French banks (CIC, also acting as Agent, BNP Paribas, also acting as documentation agent, Société Générale, Crédit Agricole CIB and Crédit Agricole Ile-de-France), two German banks (Deutsche Bank and Commerzbank), two British banks (Royal Bank of Scotland and HSBC), one Spanish bank (Santander), one Dutch bank (ING), one Japanese bank (Bank of Tokyo-Mitsubishi) and one American bank (Citibank).

This credit facility – intended for the Group's general financing requirements – was an addition to the €800 million existing facility which expired in January 2012.

TERMS AND CONDITIONS

The expense recorded in the 2012 financial statements relating to this facility amounted to €3,404,000, corresponding to the no-use fee (split between lenders based on their respective commitments) and €20,000, corresponding to the agent's annual commission paid to CIC.

Agreement concerning a syndicated credit line entered into with a group of seven banks, including Crédit Industriel et Commercial (Crédit Mutuel-CIC group)

PERSON CONCERNED

Michel Lucas, Director of Safran and Chairman and Chief Executive Officer of CIC.

NATURE AND PURPOSE

This agreement was authorized by the Board of Directors on October 20, 2011 and signed on October 21, 2011.

It concerns a €950 million five-year revolving credit facility maturing in October 2016 granted by (i) Bank of Tokyo-Mitsubishi, CIC, Natixis and Société Générale CIB in their capacity as bookrunners and lead arrangers, (ii) BNP Paribas, Crédit Agricole CIB and HSBC France in their capacity as lead arrangers, and (iii) Crédit Agricole CIB in its capacity as facility agent.

This credit facility – intended for for the Group's general financing requirements – was an addition to the existing €1.6 billion facility put in place in 2010.

TERMS AND CONDITIONS

The expense recorded in the 2012 financial statements relating to this facility amounted to €2,054,792, corresponding to the no-use fee (split between lenders based on their respective commitments) and €20,000, corresponding to the agent's annual commission paid to Crédit Agricole CIB.

Amendments to the three-way agreement in lieu of a "golden share" entered into by Sagem SA, Snecma and the French State on December 21, 2004

When Sagem SA and Snecma merged, the French State required adequate contractual rights to be put in place to protect France's national interests, as consideration for waiving its right to take a golden share in Snecma in accordance with article 10 of Act no. 86-912 of August 6, 1986.

A three-way agreement in lieu of a golden share was therefore entered into between the French State and Sagem SA and Snecma, which have now been merged into Safran. This agreement, which was signed on December 21, 2004, remained in force during 2012 as modified by three amendments.

■ Amendment no. 1

PERSON CONCERNED

The members of the Board of Directors representing the French State (Astrid Milsan, Laure Reinhart, Michèle Rousseau and Christophe Burg).

NATURE AND PURPOSE

Following Safran's acquisition of (i) the entire interest owned by SNPE in SNPE Matériaux Énergétiques (subsequently renamed SME), except for one share held by the French State, and (ii) a 40% stake in Regulus, the French State's contractual rights concerning the protection of national interests as provided for in the December 21, 2004 agreement were extended by way of an amendment to said agreement (Amendment no. 1). This extension covers Safran's newly-acquired 40% interest in Regulus as well as a number of strategic assets held by Roxel France, in which SME holds an indirect 50% stake.

TERMS AND CONDITIONS

The signature of this amendment was authorized by the Supervisory Board on March 30, 2011. It was signed on March 31, 2011 and entered into force on April 5, 2011.

■ Amendment no. 2

PERSONS CONCERNED

The members of the Board of Directors representing the French State (Astrid Milsan, Laure Reinhart, Michèle Rousseau and Christophe Burg).

NATURE AND PURPOSE

Following its April 21, 2011 Annual General Meeting, Safran changed its corporate governance structure from a two-tier system with an Executive Board and a Supervisory Board to a single-tier system with a Board of Directors. The provisions of the December 21, 2004 agreement entered into with the French State were consequently amended for the sole purpose of harmonization with Safran's new governance structure.

TERMS AND CONDITIONS

The signature of this amendment was authorized by the Board of Directors on May 26, 2011. It was signed on June 29, 2011 and entered into force on the same date.

■ Amendment no. 3

PERSONS CONCERNED

The members of the Board of Directors representing the French State (Astrid Milsan, Laure Reinhart, Michèle Rousseau and Christophe Burg).

NATURE AND PURPOSE

Following this amendment, Herakles was added to the list of strategic subsidiaries whose shares and assets are protected by the December 21, 2004 three-way agreement.

TERMS AND CONDITIONS

The signature of this amendment was authorized by the Board of Directors on December 15, 2011. It was signed on December 16, 2011 and entered into force on the same date.

AGREEMENTS AND COMMITMENTS AUTHORIZED IN PRIOR YEARS BUT NOT APPROVED BY THE ANNUAL GENERAL MEETING

We hereby report to you on the related-party agreements or commitments, authorized in the course of the year 2011, included in our special report on related-party agreements and commitments to the shareholders' meeting to approve the financial statements for the year ended 31 December 2011, not approved by this shareholders' meeting, and whose implementation continued during the year ended December 31, 2012.

With Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers

■ Continuation of personal risk insurance benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

NATURE AND PURPOSE

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously covered by the personal risk insurance plan set up for all Safran Group employees.

TERMS AND CONDITIONS

At its meeting of July 27, 2011 the Board of Directors decided to authorize, in accordance with article L.225-42-1 of the French Commercial Code, Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by this plan. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

The expense recorded in the 2012 financial statements relating to the contribution to these personal risk insurance plans amounted to €25,897.

■ Continuation of supplementary pension benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

NATURE AND PURPOSE

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously covered by supplementary defined contribution pension plans for managerial-grade staff.

TERMS AND CONDITIONS

At its meeting of July 27, 2011 the Board of Directors decided to authorize, in accordance with article L.225-42-1 of the French Commercial Code, Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by these supplementary pension plans. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

The expense recorded in the 2012 financial statements relating to the contribution to these supplementary pension plans amounted to €126,203.

Courbevoie and Paris-La Défense, March 27, 2013

The statutory auditors

French original signed by:

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

8.5.2 STATUTORY AUDITORS' REPORT ON THE ISSUE, WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS, OF SHARES OF COMMON STOCK OR OTHER SECURITIES

EXTRAORDINARY GENERAL MEETING OF MAY 28, 2013 - 11TH, 12TH, 13TH, 14TH AND 16TH RESOLUTIONS

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

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with articles L.228-92 and L.225-135 and seq. of the French Commercial Code (*Code de commerce*), we hereby report on the proposed delegation to the Board of Directors of various issues of shares of common stock or other securities, an operation on which you are called to vote.

Your Board of Directors proposes, on the basis of its report:

- delegating them, with the ability to sub-delegate, for a maximum period of 26 months starting on the date of this meeting, the ability to decide on the following transactions and set the final conditions for these issues and proposes, where necessary, to cancel your preferential subscription right:
 - issuing ordinary shares or securities, that give access to the company's capital without cancellation of the preferential subscription right (11th resolution),
 - issuing ordinary shares or securities, that give access to the company's capital with cancellation of the preferential subscription right by way of public offering (12th resolution),
 - issuing ordinary shares or securities that give access to ordinary shares, in the event of a public exchange offer initiated by your Company (13th resolution), on the grounds of and under the conditions of the 12th resolution,
 - issuing ordinary shares or securities, that give access to the company's, within the scope of an offering set out in II of article L.411-2 of the French Financial and Monetary Code (*Code monétaire et financier*), with cancellation of the preferential subscription right (14th resolution) and up to 20% of the share capital each year,
- delegating them, for a maximum period of 26 months starting on the date of this meeting, the ability to determine the final conditions of the issue of ordinary shares or securities that give access to ordinary shares, with the aim of repaying contributions in kind granted to the company comprising capital securities or other securities that give access to the capital (16th resolution), up to 10% of the share capital.

The global nominal amount of the increase in capital likely to be performed immediately or eventually may not exceed €30 million under the 11th, 12th, 13th and 14th resolutions, within the limit of the cap of €25 million set out in the 11th resolution, €8 million set out in the 12th, 13th and 14th resolutions. The global nominal amount of the increase in capital likely to be performed immediately or eventually may not exceed €50 million under the 11th to 14th, 16th to 18th and 20th resolutions.

The global nominal amount of the debt instruments likely to be issued may not exceed €1.3 billion under the 11th, and €1 billion under the 12th, 13th and 14th resolutions. These amounts will be deducted from the global cap of €1.3 billion set out in the 19th resolution.

Those caps take into account the number of shares to be created within the scope of the implementation of the delegations referred to in the 11th, 12th, 13th and 14th resolutions, in accordance with the legal and regulatory provisions governing commercial companies, notably those of article L.225-135-1 of the French Commercial Code (*Code de commerce*), if you vote the 15th resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R.225-113 *et seq.* of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating the issues provided in the report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation and the methods used to determine the issue price of the capital securities.

Subject to a subsequent examination of the conditions for the proposed issues, we have no matters to report as to the methods used to determine the issue price of the capital securities provided in the Board of Directors' report in respect of the 12th, 13th and 14th resolutions.

Further, as this report does not specify the conditions for determining the issue price of the capital securities to be issued within the scope of the implementation of the 11th and 16th resolutions, we cannot report on the choice of constituent elements used to determine the issue price.

As the issue price of the capital securities has not yet been determined, we cannot report on the final conditions for the issue, and, consequently, on the cancellation of preferential subscription rights proposed in the 12th, 13th and 14th resolutions.

In accordance with article R.225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report if necessary when your Board of Directors has used the delegations in the event of issues of ordinary shares or securities that give access to company's capital with cancellation of preferential subscription right.

Paris La Défense and Courbevoie, March 27, 2013

The Statutory Auditors

French original signed by:

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

8.5.3 STATUTORY AUDITORS' REPORT ON SHARE CAPITAL INCREASE RESERVED FOR EMPLOYEES WHO ARE MEMBERS OF THE SAFRAN GROUP EMPLOYEE SAVINGS PLANS

EXTRAORDINARY GENERAL MEETING OF MAY 28, 2013 - 18TH RESOLUTION

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

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with articles L.225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report on the proposed delegation of authority to the Board of Directors to decide an increase in capital by means of the issue of ordinary shares with cancellation of preferential subscription rights, reserved for employees of the Company and of the French or foreign companies that are related to it within the meaning of article L.225-180 of the French Commercial Code (*Code de commerce*), who are members of the Group savings scheme or of any company savings scheme existing within the Group, an operation on which you are called to vote.

The maximum nominal amount of any capital increase(s) carried out under this authorization may not represent over 1.5% of the Company's capital at the date of the Board of Directors' decision to carry out the issue. This ceiling shall be included in the blanket ceiling applicable to capital increases of €50 million of the 19th resolution of this Annual General Meeting.

This increase in capital is submitted for your approval in accordance with articles L.225-129-6 of the French Commercial Code (*Code de commerce*) and L.3332-18 *et seq.* of the French Labor Code (*Code du travail*).

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of 26 months starting on the date of this meeting, to decide on whether to proceed to one or more increases in capital and proposes to cancel your preferential subscription rights. If necessary, the Board of Directors will determine the final conditions of this operation.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R.225-113 and R.225-114 of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the share issue contained in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation and the methods used to determine the issue price.

Subject to a subsequent examination of the conditions for the increase in capital that would be decided, we have no matters to report as to the methods used to determine the issue price for the ordinary shares to be issued provided in the Board of Directors' report.

As the final conditions of the capital increase have not yet been determined, we cannot report on the final conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Paris La Défense and Courbevoie, March 27, 2013.

The statutory auditors,
French original signed by:

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

8.5.4 STATUTORY AUDITORS' SPECIAL REPORT ON THE GRANT OF STOCK SUBSCRIPTION OPTIONS OR SHARE PURCHASE OPTIONS

EXTRAORDINARY GENERAL MEETING OF MAY 28, 2013 - 20TH RESOLUTION

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

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L.225-177 and R.225-144 of the French Commercial Code (*Code de commerce*), we hereby report on the stock options or share purchase plans reserved for the employees or certain employees of the company and the companies related to it within the meaning of article L.225-180 of the French Commercial Code (*Code de commerce*), an operation on which you are called to vote.

The global nominal amount of the increases in capital resulting from the exercise of the stock subscription or share purchase options may not grant entitlement to a total number of shares exceeding 1.5% of the number of shares making up the Company's share capital on the date of the decision by the Board of Directors, it being specified that the nominal amount of the capital increases resulting from the exercise of stock subscription options will be deducted from the global cap on capital increases of €50 million set in the 19th resolution of this Annual General Meeting.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of 26 months starting on the date of this meeting, to decide on whether to attribute stock subscription options or share purchase options.

It is the responsibility of the Board of Directors to prepare a report on the reasons for the stock options or share purchase plans and on the proposed methods used to determine the subscription or purchase price. Our role is to report on the proposed methods to determine the share subscription or purchase price.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the methods proposed to determine the share subscription or purchase price are included in the Board of Directors' report, are in accordance with legal requirements.

We have no matters to report as to the proposed methods to determine the share subscription or purchase price.

Paris La Defense and Courbevoie, March 27, 2013

The Statutory Auditors

French original signed by:

MAZARS

Thierry Colin

ERNST & YOUNG et Autres

Gaël Lamant

Vincent de La Bachelerie

Jean-Roch Varon

8.5.5 STATUTORY AUDITORS' SPECIAL REPORT ON THE FREE GRANTS OF EXISTING SHARES OR SHARES TO BE ISSUED

EXTRAORDINARY GENERAL MEETING OF MAY 28, 2013 - 21ST RESOLUTION

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

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L.225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed free grant of existing shares or shares to be issued, reserved for the employees or for certain categories of employees of the company Safran and the companies related to it within the meaning of article L.225-197-2 of the French Commercial Code (*Code de commerce*), an operation on which you are called to vote.

This authorization may not grant entitlement to a total number of shares exceeding 0.5% of the number of shares making up the Company's share capital on the date of the grant decision by the Board of Directors.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of 26 months starting on the date of this meeting to grant, free of charge, existing shares or shares to be issued. It is the responsibility of the Board of Directors to prepare a report on the proposed operation. Our role is to report on any matters relating to the information regarding the proposed operation.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted mainly in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed free grant of shares.

Paris La Défense and Courbevoie, March 27, 2013.

The Statutory Auditors

French original signed by:

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

ADDITIONAL INFORMATION

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PERSONS RESPONSIBLE

Person responsible for the Registration Document

Jean-Paul Herteman

- Chairman and Chief Executive Officer

Person responsible for the financial information

Ross McInnes

- Deputy Chief Executive Officer, Finance

STATUTORY AUDITORS

Statutory Auditors

Mazars

61, rue Henri-Régnault
92400 Courbevoie

Ernst & Young et Autres

1-2, place des Saisons – Paris la Défense 1
92400 Courbevoie

The terms of office of the Company's Statutory Auditors will expire at the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2015.

CROSS-REFERENCE TABLES

- Board of Directors' management report cross-reference table;
- EC Regulation No. 809/2004 cross-reference table;
- Annual Financial Report cross-reference table;
- Labor, environmental and social information cross-reference table;
- Annual General Meeting information cross-reference table.

9.1 PERSONS RESPONSIBLE

9.1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Jean-Paul Herteman

Chairman and Chief Executive Officer of Safran

9.1.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

"I hereby declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings in the consolidation taken as a whole, and that the management report (the cross-reference table for which is shown in section 9.4.1) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings in the consolidation taken as a whole, and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the Statutory Auditors, in which they state that they have audited the information contained in this document relating to the financial position and the financial statements contained herewithin, and that they have read this document in its entirety.

Statutory Auditors' reports have been issued in respect of the historical financial information presented in this Registration Document.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2010 presented in the Registration Document filed on March 31, 2011 under the number D.11-0202 and incorporated by reference as stated in the foreword to section 3 of this Registration Document. The report on the consolidated financial statements contained an observation regarding the application of new International Financial Reporting Standards.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2011 presented in the Registration Document filed on April 13, 2012 under the number D.12-0340 and incorporated by reference as stated in the foreword to section 3 of this Registration Document.

An unqualified audit report was issued in respect of the annual and consolidated financial statements for the year ended December 31, 2012 presented respectively in sections 3.2 and 3.4 of this Registration Document."

Paris, March 28, 2013

Chairman and Chief Executive Officer,

Jean-Paul Herteman

9.1.3 PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Ross McInnes

Deputy Chief Executive Officer, Finance

Tel.: +33 (0)1 40 60 83 32

Fax: +33 (0)1 40 60 83 92

Email: ross.mcinnnes@safran.fr

9.2 STATUTORY AUDITORS

For the period covered by the historical financial information, Safran's Statutory Auditors are as follows:

STATUTORY AUDITORS

Mazars

Represented by:

Thierry Colin and Gaël Lamant

61, rue Henri-Régnault
92400 Courbevoie

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

Ernst & Young et Autres

Represented by:

Vincent de La Bachelerie and Jean-Roch Varon

1-2, place des Saisons – Paris la Défense 1
92400 Courbevoie

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

ALTERNATE AUDITORS

Gilles Rainaut

60, rue du Général-Leclerc
92100 Boulogne-Billancourt

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

Auditex

1-2, place des Saisons – Paris la Défense 1
92400 Courbevoie

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

NEW TERMS OF OFFICE AND NON-RENEWAL

None.

9.3 DOCUMENTS ON DISPLAY

9.3.1 AVAILABILITY OF DOCUMENTS AND INFORMATION CONCERNING THE COMPANY

Safran's legal documents that must be made available to shareholders, in accordance with the applicable regulations, may be consulted at the registered office located at 2, boulevard du Général Martial-Valin, 75015 Paris.

Safran provides its shareholders with a wide range of tools for the frequent communication of transparent and accessible information

on the Group, its businesses and its results. The Group website (www.safran-group.com) contains information for the public, such as presentations to analysts, financial press releases, and Registration Documents (last five years).

9.4 CROSS-REFERENCE TABLES

9.4.1 BOARD OF DIRECTORS' MANAGEMENT REPORT CROSS-REFERENCE TABLE

This Registration Document includes the information contained in the Board of Directors' management report provided for by articles L.225-100 and L.225-100-2 of the French Commercial Code.

The table below lists the references to excerpts of the Registration Document corresponding to the various sections of the management report as approved by the Board of Directors:

	Board of Directors' management report headings	2012 Registration Document section(s)
1	Group activities in 2012	Profile and 2.1
	Summary of key figures by branch	Profile and 2.1.3
2	Human resources	
2.1	Headcount	5.3.2
2.2	Human resources policy	5.3.3
2.3	Labor relations	5.3.5
2.4	Statutory and discretionary profit-sharing schemes	5.3.4
2.5	Group employee savings plan and international Group employee savings plan	5.3.4
2.6	The importance of subcontracting	5.5.2
2.7	Group ethics and values	5.2
3	Research and development	
3.1	Major technological focuses	1.5.1
3.2	Technical and scientific partnerships	1.5.2
3.3	Innovation and intellectual property	1.5.3
4	Operating and financial position	
4.1	Consolidated income statement	2.1.2 and 3.1
4.2	Consolidated balance sheet as of December 31, 2012	2.2.2 and 3.1
4.3	Research and development expenditure	1.5.4
4.4	Parent company financial statement	2.3 and 3.3
4.5	Non-deductible expenses	8.2.2
4.6	Proposed appropriation of net profit	8.2.1 and 8.2.2
5	Risk factors	
5.1	Identified risk factors	4.1
5.2	General risk management policy	4.2
5.3	Insurance	4.3
5.4	Health, safety and environmental risks	5.4
6	Investments	7.1.3

ADDITIONAL INFORMATION

/ CROSS-REFERENCE TABLES /

	Board of Directors' management report headings	2012 Registration Document section(s)
7	Share capital and share ownership	
7.1	Breakdown of share capital and voting rights	7.3.1 and 7.3.2
7.2	Shareholder agreements	7.3.5
7.3	Agreement with the French State	7.1.4.2
7.4	Undertaking to hold securities	7.3.6
7.5	Stock options	7.3.7.3
7.6	Free share grants	7.3.7.1
7.7	Share buyback programs	7.2.7
7.8	Safran share	7.5
8	Corporate officers	
8.1	Terms of office and duties	6.1
8.2	Compensation and benefits	6.2
8.3	Transactions in the Company's shares	6.3
9	Outlook for 2013 and significant subsequent events	2.4 and 3.1 – Note 32
10	Principal provisions of the bylaws	7.1.2
Appendices		
Appendix 1	List of subsidiaries and associates	3.1 – Note 33
Appendix 2	Five-year financial summary	8.4
Appendix 3	Authorizations and powers granted by the AGM to the Board of Directors with respect to share capital increases	7.2.2.1
Appendix 4	Dividends paid over the past three years	8.3

9.4.2 EC REGULATION NO. 809/2004 CROSS-REFERENCE TABLE

This Registration Document includes the information to be included in the Registration Documents as set out in Annex 1 of EC Regulation No. 809/2004.

The following table presents the cross-references between the two documents.

	EC Regulation No. 809/2004 Annex 1 headings	2012 Registration Document section(s)
1	Persons responsible	
1.1	Name and positions of the persons responsible	9.1.1
1.2	Declaration by the persons responsible	9.1.2
2	Statutory Auditors	
2.1	Names and addresses of the issuer's auditors	9.2
2.2	Change in auditors, where applicable	9.2
3	Selected financial information	
3.1	Historical financial information	Profile
3.2	Financial information for interim periods	N/A
4	Risk factors	4.1
5	Information about the issuer	
5.1	Selected history and development of the issuer	
5.1.1	Legal and commercial name of the issuer	7.1.1
5.1.2	Place of registration of the issuer and its registration number	7.1.1
5.1.3	Date of incorporation and the length of life of the issuer	7.1.1
5.1.4	Domicile and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	7.1.1
5.1.5	Important events in the development of the issuer's business	1.1.1
5.2	Investments	
5.2.1	Past principal investments	1.1.1, 1.5.4, 1.6.2 and 1.7
5.2.2	Principal investments in progress	1.6.2
5.2.3	Future principal investments	1.5
6	Business overview	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and its principal activities	1.1.4 and 1.3
6.1.2	New products	1.3 and 2.1.3
6.2	Principal markets	1.3, 2.1.3 and 3.1 – Note 4 (Segment information)
6.3	Exceptional factors	N/A
6.4	Extent to which the issuer is dependent on patents or licenses, industrial contracts or manufacturing processes	1.5.3 and 4.1.3
6.5	Competitive position	1.4
7	Organizational structure	
7.1	Brief description of the Group	1.1.2 and 1.1.3
7.2	List of significant subsidiaries	1.1.3 and 3.1 – Note 33
8	Property, plant and equipment	
8.1	Material property, plant and equipment	1.7
8.2	Environmental issues	1.7, 4.1.9 and 5.4

ADDITIONAL INFORMATION
/ CROSS-REFERENCE TABLES /

EC Regulation No. 809/2004 Annex 1 headings		2012 Registration Document section(s)
9	Operating and financial review	
9.1	Financial position	2.1 and 2.2
9.2	Operating results	
9.2.1	Significant factors materially affecting the issuer's income from operations	2.1
9.2.2	Explanation of material changes in net sales or revenue	2.1
9.2.3	Policies or factors that have materially affected, directly or indirectly, the issuer's operations	2.1
10	Capital resources	
10.1	Issuer's capital resources	3.1 – Notes 18 and 19
10.2	Source and amounts of cash flows	3.1 (including the statement of cash flows)
10.3	Borrowing requirements and the funding structure of the issuer	3.1 – Note 23
10.4	Restrictions on the use of capital resources	N/A
10.5	Information regarding the anticipated sources of funds	2.2.3, 2.4 and 3.1 – Notes 17 and 23
11	Research and development, patents and licenses	1.5
12	Trend information	
12.1	Most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	N/A
12.2	Information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current fiscal year	2.4
13	Profit forecasts or estimates	N/A
14	Administrative, management, and supervisory bodies and Executive Management	
14.1	Members of the administrative and management bodies	6.1
14.2	Administrative and management bodies conflicts of interest	6.1
15	Compensation and benefits	
15.1	Compensation paid and benefits in kind	6.2
15.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	6.2
16	Board practices	
16.1	Date of expiration of the current terms of office	6.1
16.2	Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	6.1
16.3	Information about Board committees	6.1
16.4	Statement of compliance with the corporate governance regime in force	6.5.3
17	Employees	
17.1	Number and breakdown of employees	5.3.2
17.2	Shareholdings and stock options	6.1 and 6.2
17.3	Arrangements for involving the employees in the capital of the issuer	5.3.4 and 7.3.7
18	Major shareholders	
18.1	Major shareholders	7.3.1
18.2	Breakdown of voting rights	7.3.1
18.3	Controlling shareholder	7.3.5
18.4	Change in control	7.3.6
19	Related-party transactions	7.1.4

EC Regulation No. 809/2004 Annex 1 headings		2012 Registration Document section(s)
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1	Historical financial information	3.1 and 3.3
20.2	Pro forma financial information	N/A
20.3	Financial statements	3.1 and 3.3
20.4	Auditing of historical annual financial information	
20.4.1	Statement that the historical financial information has been audited	3.2, 3.4 and 9.1.2
20.4.2	Indication of other financial data that has been audited by the auditors	6.6 and 8.5
20.4.3	Indication of the source of the data and the absence of verification of the financial data appearing in the Registration Document that is not taken from the issuer's audited financial statements	N/A
20.5	Date of the latest financial information	December 31, 2012 and 3.2 and 3.4
20.6	Interim and other financial information	
20.6.1	Quarterly or half-yearly financial information	N/A
20.6.2	Interim financial information	N/A
20.7	Dividend policy	
20.7.1	Amount of dividend	8.3
20.8	Disputes and litigation	3.1 – Note 31
20.9	Significant change in the issuer's financial or trading position	3.1 – Note 32
21	Additional information	
21.1	Share capital	
21.1.1	Amount of issued capital	7.2.1
21.1.2	Shares not representing capital	7.2.3.1
21.1.3	Shares held by the issuer	7.2.6
21.1.4	Convertible securities, exchangeable securities or securities with warrants	7.2.3.2
21.1.5	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	N/A
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	N/A
21.1.7	History of share capital	7.2.4
21.2	Bylaws	
21.2.1	Corporate purpose	7.1.1
21.2.2	Provisions of the issuer's bylaws with respect to administrative, management and supervisory bodies	7.1.2.1
21.2.3	Rights, preferential rights and restrictions attached to shares	7.1.2.3
21.2.4	Change in shareholder rights	7.1.2.4
21.2.5	Notice of meeting and admission to shareholders' meetings	7.1.2.2
21.2.6	Change in control	7.1.2.6
21.2.7	Share ownership thresholds	7.1.2.5 and 7.3.4
21.2.8	Description of conditions imposed by the bylaws governing changes in capital, where such conditions are more stringent than is required by law	7.1.2.4
22	Material contracts	7.1.4.2
23	Third party information, statements by experts and declarations of interest	
23.1	Statement or report attributed to a person as an expert	N/A
23.2	Information sourced from a third party	N/A
24	Documents on display	9.3
25	Information on investments	7.1.3 and 3.1 – Note 33

9.4.3 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

This Registration Document includes the information contained in the annual financial report mentioned in paragraph 1 of article L.451-1-2 of the French Monetary and Financial Code and article 222-3 of the AMF's General Regulations.

The following table presents the cross-references between the two documents.

Annual financial report headings	2012 Registration Document section(s)
Declaration by the person responsible	9.1.2
Board of Directors' management report	See the cross-reference table, 9.4.1
Operating, financial and risk analysis of the parent and the Group (art. L.225-100 and L.225-100-2 of the French Commercial Code)	2.1, 4 and 5.4
Information concerning the breakdown of share capital and material that could have an effect in the event of a public offering (art. L.225-100-3 of the French Commercial Code)	7.1.2.2, 7.1.2.6, 7.2.6 and 7.3.1
Information concerning share buybacks (art L.225-211, paragraph 2 of the French Commercial Code)	7.2.7
Report of the Chairman of the Board of Directors	6.5
Financial statements and reports	
Parent company financial statements	3.3
Consolidated financial statements	3.1
Disputes and litigation	3.1 – Note 31
Significant change in the issuer's financial or trading position	3.1 – Note 32
Statutory Auditors' reports	3.2, 3.4, 6.6 and 8.5
Audit fees	6.4

9.4.4 LABOR, ENVIRONMENTAL AND SOCIAL INFORMATION CROSS-REFERENCE TABLE

This Registration Document includes the labor, environmental and social information contained in the Board of Directors' management report in accordance with article R.225-105-1 of the French Commercial Code.

The following table presents the cross-references between the two documents.

	Headings from article R.225-105 of the French Commercial Code	2012 Registration Document section(s)
1	Labor information	
1.1	Employment	
1.1.1	Total headcount and breakdown of employees by gender, age and geographic area	5.3.2 and 5.8.1
1.1.2	New hires and layoffs	5.3.2 and 5.8.1
1.1.3	Compensation and changes in compensation	5.3.4
1.2	Working hours	
1.2.1	Organization of working time	5.3.5
1.2.2	Absenteeism	5.8.1
1.3	Labor relations	
1.3.1	Organization of social dialog, in particular procedures for informing, consulting and negotiating with employees	5.3.5
1.3.2	Collective bargaining agreements	5.3.5
1.4	Health and safety	
1.4.1	Occupational health and safety conditions	5.4.1.2 and 5.4.2
1.4.2	Bargaining agreements signed with trade unions and employee representatives concerning occupational health and safety	5.4.2
1.4.3	Work-related accidents, in particular frequency and severity, and occupational illnesses	5.4.2 and 5.8.2
1.5	Training	
1.5.1	Training policies	5.3.3
1.5.2	Total number of training hours	5.3.3 and 5.8.1
1.6	Equal treatment	
1.6.1	Measures taken to promote gender equality	5.3.6 and 5.8.1
1.6.2	Measures taken to promote the employment and integration of persons with disabilities	5.3.6 and 5.8.1
1.6.3	Policy concerning the fight against discrimination	5.3.6
1.7	Promotion of and compliance with the core conventions of the International Labour Organization as regards:	
1.7.1	the respect for the freedom of association and the right to collective bargaining	5.3.1
1.7.2	the elimination of discrimination in respect of employment and occupation	5.3.1
1.7.3	the elimination of forced and compulsory labor	5.3.1
1.7.4	the effective abolition of child labor	5.3.1

Headings from article R.225-105 of the French Commercial Code		2012 Registration Document section(s)
2	Environmental information	
2.1	General environmental policy	
2.1.1	Organization of steps taken by the Company to address environmental issues and, where applicable, environmental assessment and certification procedures	5.4.1 and 5.4.3
2.1.2	Initiatives taken to train and raise awareness among employees on environmental protection	5.4.2.2 and 5.8.1
2.1.3	Resources assigned to the prevention of environmental risks and pollution	5.4.3
2.1.4	Amount of provisions set aside for environmental risks, provided that this information is not likely to cause serious prejudice to the Company in the context of ongoing proceedings	5.4.3.7 and 5.4.3.12
2.2	Pollution and waste management	
2.2.1	Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant impact on the environment	5.4.3
2.2.2	Measures taken to prevent, recycle and eliminate waste	5.4.3.9
2.2.3	Steps taken to address noise pollution and any other form of pollution relating to a specific activity	5.4.3
2.3	Sustainable use of resources	
2.3.1	Water consumption and supply of water in accordance with local regulations	5.4.3.10
2.3.2	Raw materials consumption and measures taken to promote more efficient use	5.4.3.1 and 5.4.3.2
2.3.3	Energy consumption and measures taken to improve energy efficiency and use of renewable energy	5.4.3.11
2.3.4	Land use	5.4.3.15
2.4	Climate change	
2.4.1	Greenhouse gas emissions	5.4.3.3 and 5.4.3.4
2.4.2	Adapting to the consequences of climate change	5.4.3.5
2.5	Protection of biodiversity	
2.5.1	Measures taken to protect and develop biodiversity	5.4.3.14
3	Information on social commitments to promote sustainable development	
3.1	Community, economic and social impact of the Company's activities on:	
3.1.1	Employment and regional development	5.3.5 and 5.5.1
3.1.2	Local residents	5.3.5
3.2	Relationships with people and organizations who benefit from the Company's activities, in particular integration associations, educational institutions, environmental protection associations, consumer and local residents' associations	
3.2.1	Status of dialog conditions with these people and organizations	5.3.3, 5.3.5 and 5.3.6
3.2.2	Partnership and sponsorship initiatives	5.6
3.3	Sub-contracting and suppliers	
3.3.1	Incorporation of social and environmental issues in purchasing policies	5.5.1
3.3.2	Scale of outsourcing and steps taken to raise awareness among suppliers and sub-contractors with respect to corporate social responsibility	5.2.1 and 5.5
3.4	Fair practices	
3.4.1	Steps taken to fight against corruption	5.2
3.4.2	Measures taken to promote consumer health and safety	5.4
3.5	Other action taken, pursuant to paragraph 3 of article R.225-105, to promote human rights	5.2.1 and 5.3.1

9.4.5 ANNUAL GENERAL MEETING INFORMATION CROSS-REFERENCE TABLE

This Registration Document includes the main information mentioned in article R.225-83 of the French Commercial Code.
The following table presents the cross-references between the two documents.

Headings from article R.225-83 of the French Commercial Code	2012 Registration Document section(s)
Executive management, supervisory and control bodies	6.1
Annual General Meeting agenda	8.1
Board of Directors' management report	See the cross-reference table, 9.4.1
Board of Directors' report on the resolutions	8.2.1
Report of the Chairman of the Board of Directors	6.5
Parent company financial statements	3.3
Consolidated financial statements	3.1
Draft resolutions	8.2.2
Statutory Auditors' reports	3.2, 3.4, 6.6 and 8.5

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