

Business highlights in 2013

AEROSPACE PROPULSION

- CFM56 engine deliveries increased 7% to 1,502 units in 2013 versus 1,406 units in 2012;
- Almost 10,800 CFM56 and LEAP engines in the backlog (firm orders and commitments), representing over seven years of production at current production rates;
- Silvercrest engine chosen by Dassault to power its new Falcon 5X business jet;
- 934 helicopter engines delivered, up from 924 in 2012;
- Acquisition of Rolls-Royce's stake in the RTM322 joint helicopter engine program.

AIRCRAFT EQUIPMENT

- Continued ramp-up of production under mature (A320, A330 and Boeing 737) and new programs (Boeing 787);
- Finalization of the Goodrich Electrical Power Systems (GEPS) acquisition;
- Agreements signed with Airbus and Air France to assess and develop an electric green taxiing system;
- Electrical power activities consolidated within a single entity, Labinal Power Systems (created January 2, 2014).

DEFENCE

- Ongoing deliveries to the French Armed Forces of FELIN infantry combat protection systems, with 14 regiments now fitted out;
- Safran chosen to modernize the inertial navigation and alignment system (SINA) on the Charles-de-Gaulle aircraft carrier;
- Delivery of the 10,000th aircraft piloting reference sensor;
- Acquisition of Colibrys SA, a Swiss firm specialized in micro-sensors.

SECURITY

- Number of Indian residents with a unique identification number tops 500 million (Aadhaar project);
- Strategic partnership signed with Interpol for the supply of innovative biometric solutions;
- 7 million identification cards supplied to voters in Mali;
- High-speed explosives detection system selected for Nice-Côte d'Azur and Narita (Japan) airports;
- Explosives detection system selected by the Canadian Air Transport Security Authority (CATSA).

2013 adjusted key figures

	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding co. and other		Total	
(in € millions)	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Revenue	7,005	7,791	3,691	4,121	1,315	1,278	1,546	1,502	3	3	13,560	14,695
Recurring operating income (loss)[1]	1,076	1,359	286	380	79	87	145	120	(142)	(158)	1,444	1,788
Profit (loss) from operations[1]	1,077	1,345	270	378	79	94	120	117	(152)	(177)	1,394	1,757
Free cash flow[2]	464	521	38	67	13	110	11	(42)	38	56	564	712
Acquisitions of property, plant and equipment	168	208	140	169	47	16	46	66	18	33	419	492
Self-funded R&D	649	790	213	254	117	126	124	129	N/A	N/A	1,103	1,299
Headcount[3]	23,271	24,511	22,874	24,495	7,182	7,195	7,727	8,403	1,504	1,685	62,558	66,289

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

(2) 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.

(3) Headcount at December 31.

2.1 COMMENTS ON THE GROUP'S PERFORMANCE IN 2013 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, along with gains or losses on remeasuring the Group's previously held interests in an entity acquired in a step acquisition;
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
  - all mark-to-market changes on foreign currency derivatives hedging future cash flows are neutralized.

Reconciliation of the consolidated income statement with the adjusted income statement

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

(in € millions)	2013 consolidated data	Currency hedges		Business combinations		2013 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	**14,490**	**205**	**-**	**-**	**-**	**14,695**
Other recurring operating income and expenses	(13,195)	(2)	13	150	127	(12,907)
Recurring operating income	**1,295**	**203**	**13**	**150**	**127**	**1,788**
Other non-recurring operating income and expenses	185	-	-	-	(216)	(31)
Profit from operations	**1,480**	**203**	**13**	**150**	**(89)**	**1,757**
Cost of debt	(42)	-	-	-	-	(42)
Foreign exchange gains (losses)	551	(203)	(374)	-	-	(26)
Other financial income and expense	(70)	-	-	-	-	(70)
Financial income (loss)	**439**	**(203)**	**(374)**	**-**	**-**	**(138)**
Income tax expense	(650)	-	110	(52)	52	(540)
Share in profit from associates	15	-	-	-	-	15
Gain on disposal of Ingenico shares	131	-	-	-	-	131
Profit from continuing operations	**1,415**	**-**	**(251)**	**98**	**(37)**	**1,225**
Loss for the period attributable to non-controlling interests	**(29)**	**-**	**(1)**	**(2)**	**-**	**(32)**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,386**	**-**	**(252)**	**96**	**(37)**	**1,193**

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows for the period.

(2) Changes in the fair value of instruments hedging future cash flows (€374 million excluding tax) and the impact of including hedges in the measurement of provisions for losses to completion (€13 million).

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

(4) Cancelation of depreciation and amortization of identifiable property, plant and equipment and intangible assets, and the impacts of remeasuring inventories in connection with acquisitions, along with gains on remeasuring the Group's previously-held interest in the RTM322 program.

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 5, "Segment information" in section 3.1.

Adjusted financial data other than the data provided in Note 5, "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 2013

Adjusted income statement

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

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

Review of operations

ADJUSTED REVENUE

For full-year 2013, Safran's revenue was €14,695 million, an 8.4% year-on-year increase (8.2% organic growth), compared to €13,560 million in 2012.

Full-year 2013 revenue increased by €1,135 million on a reported basis, notably highlighting performance in the Group's Aerospace businesses. On an organic basis, revenue increased by €1,118 million with higher Aerospace original equipment (OE) volumes, strong civil aftermarket trends, stability in the Security business and resilience in the Defence business (avionics).

ADJUSTED RECURRING OPERATING INCOME

For full-year 2013, Safran's recurring operating income increased €344 million or 23.8% compared to 2012 and stood at €1,788 million, or 12.2% of revenue (€1,444 million and 10.6% of revenue in 2012). Before taking into account the impact of currency hedging (€103 million) and of acquisitions, newly consolidated activities and disposals (€7 million), the organic year-on-year improvement was €234 million, or 16.2%.

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

(in € millions)	2012 Adjusted[1]	2013
Recurring operating income	**1,444**	**1,788**
% of revenue	10.6%	12.2%
Total non-recurring items	**(50)**	**(31)**
Capital gain on disposals	1	39
Impairment net of reversals on intangible assets	(1)	(17)
Other non-recurring items	(50)	(53)
PROFIT FROM OPERATIONS	**1,394**	**1,757**
% of revenue	10.3%	12.0%

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

ADJUSTED PROFIT FROM OPERATIONS

Adjusted profit from operations climbed 26.0% to €1,757 million versus €1,394 million in 2012. Non-recurring items represented an expense of €31 million in 2013, and include capital gains on the disposal of Globe Motors Inc. and an office building in Paris; impairment of capitalized development costs related to a legacy engine program; and other charges principally related to past service costs arising on a defined benefit supplementary pension plan for which executive managers within the Group, currently numbering around 400, are eligible.

ADJUSTED FINANCIAL INCOME (LOSS)

The Group reported an adjusted financial loss of €138 million in 2013, compared to a loss of €154 million in 2012. The financial loss chiefly reflects the cost of net debt, which was down slightly year-on-year, to €42 million from €54 million in 2012. 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 rates used, particularly to calculate provisions. The cumulative impact of these non-cash items was an expense of €50 million in 2013 and an expense of €90 million in 2012. The interest cost on post-employment benefit obligations amounted to €24 million in 2013 versus €23 million one year earlier.

ADJUSTED INCOME TAX EXPENSE

The adjusted income tax expense for the year increased from €254 million in 2012 to €540 million in 2013, reflecting a higher effective tax rate than in 2012 when the Group's tax expense had notably included the favorable impact of the absorption by Safran of subsidiaries which had been involved in loss-making activities divested several years ago. In 2013, a one-off, temporary (2013-14) tax surcharge increased the applicable corporate tax rate to 38% of taxable income in France.

ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Adjusted profit attributable to owners of the parent grew by 22% year-on-year. It was €1,193 million or €2.87 per share, compared to €979 million (€2.36 per share) in full-year 2012. In addition to the rise in recurring operating income, adjusted profit for 2013 includes:

- net financial expense of €138 million, including cost of debt of €42 million;
- tax expense of €540 million;
- capital gains on the disposal of Ingenico shares of €131 million.

2.1.3 ADJUSTED KEY FIGURES BY BUSINESS

SUMMARY OF ADJUSTED KEY FIGURES BY BUSINESS

The backlog grew 16% to €56.2 billion in 2013 compared to €48.5 billion last year.

	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding co. and other		Total	
(in € millions)	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
Backlog[1]	29,879	35,919	14,467	16,485	2,380	2,174	1,737	1,647	N/A	N/A	48,463	56,224
Orders recorded during the year[2]	11,516	11,502	3,539	6,776	1,142	1,072	1,862	1,451	N/A	N/A	18,058	20,801
Revenue	7,005	7,791	3,691	4,121	1,315	1,278	1,546	1,502	3	3	13,560	14,695
Recurring operating income (loss)[3]	1,076	1,359	286	380	79	87	145	120	(142)	(158)	1,444	1,788
Profit (loss) from operations[3]	1,077	1,345	270	378	79	94	120	117	(152)	(177)	1,394	1,757
Free cash flow[4]	464	521	38	67	13	110	11	(42)	38	56	564	712
Acquisitions of property, plant and equipment	168	208	140	169	47	16	46	66	18	33	419	492
Self-funded R&D	649	790	213	254	117	126	124	129	N/A	N/A	1,103	1,299
Headcount[5]	23,271	24,511	22,874	24,495	7,182	7,195	7,727	8,403	1,504	1,685	62,558	66,289

(1) The backlog corresponds to orders recorded and not yet recognized in revenue. Approximately €0.8 billion of orders in the backlog relates to joint arrangements which will not contribute to Safran's revenue under IFRS 11.

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

(3) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

(4) 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.

(5) Headcount at December 31.

2.1.3.1 Aerospace Propulsion

ADJUSTED KEY FIGURES

	2012 Adjusted[1]	2013	Year-on-year change
Quantities delivered			
CFM56 engines	1,406	1,502	7%
Helicopter turbine engines	924	934	1%
(in € millions)			
Backlog	29,879	35,919	20%
Orders recorded during the year	11,516	11,502	-
Revenue	7,005	7,791	11%
Recurring operating income	1,076	1,359	26%
Profit from operations	1,077	1,345	25%
Free cash flow	464	521	12%
Acquisitions of property, plant and equipment	168	208	24%
Research and development			
Self-funded R&D	(649)	(790)	22%
% of revenue	*9.3%*	*10.1%*	*+0.8 pts*
Research tax credit	47	51	9%
Self-funded R&D after research tax credit	(602)	(739)	23%
Capitalized expenditure	342	517	51%
Amortization and impairment of R&D expenditure	(25)	(24)	-
Impact on profit from operations	(285)	(246)	-14%
% of revenue	*4.1%*	*3.2%*	*-0.9 pts*
Headcount[2]	23,271	24,511	5%

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

(2) Headcount at December 31.

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

	% of business line revenue	
Sector	**2012**	**2013**
Civil aviation	61%	64%
Military aviation	11%	10%
Helicopter turbine engines	16%	15%
Ballistics and space	12%	11%

REVIEW OF AEROSPACE PROPULSION OPERATIONS IN 2013

Full-year 2013 revenue grew by 11.2% at €7,791 million, or 11.3% on an organic basis, compared to revenue of €7,005 million in the year-ago period. Revenue growth resulted from rising civil OE deliveries, with CFM56 reaching record production rates (1,502 units, 96 units more than in 2012) and a favorable mix and pricing. Total CFM56 and LEAP orders and commitments now stand at close to 10,800 engines, more than seven years of production at current rates. Military propulsion revenue declined slightly as revenue from TP400 deliveries almost offset the decline in M88 sales. Helicopter turbine OE revenues also showed robust growth due to a favorable mix. Space and missile propulsion revenue was flat in the year. In September 2013, Safran finalized a transaction with Rolls-Royce resulting in the extension to 100% of Safran's ownership in the RTM322 helicopter engine program, which was previously jointly owned. Full ownership of the program extends Turbomeca's range into large turbines for the high-growth heavy

helicopter market, enabling growth for military applications and accelerating time to market for heavy commercial engines. Support contracts previously fulfilled by Rolls-Royce have been transferred and the internalization of Rolls-Royce's workshare has been initiated.

Aftermarket trends were particularly positive and civil aftermarket revenue grew by 19.2% in USD terms, driven by first overhauls of recent CFM56 and GE90 engines. Helicopter turbine maintenance and the military engine aftermarket both grew at a mid-single digit percentage rate. Overall service revenue in Aerospace Propulsion grew by 14% in euro terms and represents a 48.1% share of revenue.

Full-year 2013 recurring operating income was €1,359 million (17.4% of revenue), up 26.3% compared to €1,076 million in the year-ago period (15.4% of revenue). This improvement resulted from healthy activity in the civil aftermarket, as well as from increased OE volume and favorable mix and pricing on commercial engine programs. R&D costs grew in 2013, primarily due to increased LEAP and Silvercrest development spending, essentially all of which is capitalized. Currency hedging had a positive impact on profitability.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Civil aviation

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

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

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

After having been chosen by Cessna to power its new Citation Longitude business jet in 2012, Safran was selected by Dassault Aviation to supply the engine and key equipment on the company's new Falcon 5X twin-engine business jet, featuring a large cabin and long range (5,200 nautical miles, or more than 9,600km). Safran will supply the complete integrated powerplant system (IPPS), including the Silvercrest engine (Snecma), nacelle and thrust reversers (Aircelle), and the engine suspension system. The engine is also equipped with a FADEC[1] system specifically developed by Sagem. This contract marks a strategic step forward for Safran in the market for business jets.

Since ground tests began on the first engine in October 2012, Silvercrest reached – and exceeded – maximum take-off thrust. The results of the tests show the engine's excellent dynamic performance at all thrust levels, with very good operability and very low levels of noise and vibrations. The performance tests were carried out on test rigs at Snecma's Villaroche (closed test cell) and Istres (open-air test cell) plants. Tests will continue throughout 2014 with certification slated for 2015.

Alongside these tests, the assembly line for the series production of the Silvercrest engines has been set up at Villaroche.

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 Aero, powers Sukhoi's Superjet 100.

A total of 52 SaM146 engines were delivered in 2013. At the end of the year, the backlog for PowerJet stood at 202 engines. Powerjet is a joint venture set up by Snecma and NPO Saturn to manage the engine program in terms of development, production, marketing and sales, and to provide customer support, maintenance, repair and overhaul services.

At the end of 2013, PowerJet had also been awarded service contracts by Aeroflot, Interjet and Sky Aviation airlines.

Passport (10,000 – 20,000 pounds of thrust)

Through Techspace Aero, Safran has a 7% share in Passport, a new GE engine program designed for the future Bombardier, Global 7000 and 8000 business jets. Global 8000 will have a range comparable to long-haul aircraft (7,900 miles, or more than 14,600 km).

Ground testing for Passport began in June 2013 and the engine reached more than 18,000 pounds of thrust. The Passport engine is slated for certification in 2015.

SMA

The turboprop SMA SR305-230E powers Turbo Skylane JT-A, the latest aircraft in the Cessna 182 range. A total of 45 engines were delivered in 2013 and the backlog at the end of the year stood at 263 units.

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

CFM56 – LEAP

On the A320neo, the LEAP-1A model competes with the PurePower PW1000G engine made by US firm Pratt & Whitney. At December 31, 2013, LEAP-1A had a market share of 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. The LEAP-1C is the sole Western source for the propulsion system (engine plus nacelle) on COMAC's C919 Chinese aircraft. LEAP is expected to be in service by 2016.

2013 also saw a string of major commercial successes. Orders continued to grow for LEAP engines. With new orders and purchase commitments for 1,393 engines in 2013, the backlog for LEAP overtook the CFM56 backlog for the first time, to stand at over 5,700 engines under the A320neo, Boeing 737 MAX and COMAC C919 programs.

(1) Full Authority Digital Engine Control.

A record 1,502 CFM56 engines were delivered by Safran during the year, up 7% on 2012 (1,406). More than 25,700 CFM56 engines have been delivered since the launch of the program. The in-service fleet of CFM56 engines passed the 668 million flying hours mark in 2013 and the engines are used by over 530 customers and operators.

Taking into account the 1,330 orders for CFM56 engines and 1,393 orders for LEAP engines taken during the year, the overall backlog (CFM56 + LEAP) represents around 10,800 engines, or more than seven years of production at current rates. This success confirms CFM as leader in the market for 100+ seater aircraft, and guarantees the success of these programs over several decades.

The first ground tests for LEAP-1A were run in 2013 with excellent results: in almost five weeks of tests, the engine logged 310 hours of operation and over 400 cycles. These tests are part of an extensive ground and flight certification program that will encompass 60 engines and will accumulate 40,000 test cycles before entry into service.

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 2013, with 619 modules delivered compared to 567 in 2012.

GE90 family

Safran has an interest of around 23.5% in this GE program and enjoys a sole-source position on the Boeing 777, for which it delivered 212 modules in 2013 versus 187 modules in 2012.

GP7200

Safran delivered 96 high- and low-pressure compressor modules in 2013 compared to 62 in 2012, and has a 17.5% interest in this engine program which powers the A380. At the end of the year, the GP7200 was used by three airlines and has been selected for almost 55% 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. Safran has a 7.3% share in GenX-2B and a 7.7% share in GenX-1B. The US aircraft manufacturer ramped up its monthly Boeing 787 production during the year and Safran delivered 181 compressor modules, 20% more than in 2012.

CF6 – LM6000 family

A total of 130 modules were shipped in 2013. Safran's interest in this program ranges from 10% to 19.4%, depending on the engine model concerned.

Service agreements

Safran has signed service agreements with GE for its high-thrust GE90 and GP7200 engines. Service agreements for these engines were also signed with Emirates and Etihad Airways.

■ Industrial operations

Safran has developed an exclusive partnership with US-based Albany for three-dimensional weaving of carbon fiber preforms. These preforms are placed in metal molds and then injected with resin.

The ties between Safran and Albany were recently strengthened with the creation of production facilities bringing together the resources and activities of both companies. A shared facility in Rochester, New Hampshire (United States) will be used to produce woven composite parts for the LEAP engine.

A "twin" facility is currently under construction in Commercy in the Meuse region of France. This new 27,000 sq.m. facility will begin to produce blades and casings for the LEAP engine in 2014.

Military aviation

■ M88

In 2013, 20 M88 engines were delivered for the Rafale. The in-service fleet topped the 295,500 flying hours mark during the year.

India is in exclusive talks with Rafale EIG to purchase 126 aircraft. Discussions are continuing under the guidance of Dassault. Other prospective customers are also being canvassed.

■ TP400

The TP400 is the Western world's largest ever turboprop engine. Having been awarded both civil and military certification, the TP400 meets the highest safety standards of global civil aviation and provides potential export opportunities for the A400M Atlas.

A total of 36 engines were delivered in 2013 and the backlog at the end of the year stood at 674 engines for the A400M Atlas fleet ordered by Airbus Defence & Space. The two first A400M Atlas aircraft were delivered to the French Armed Forces during the year.

■ Adour

A total of 49 Adour engines were delivered in 2013. The backlog at the end of 2013 stood at 43 engines for Malaysia, Saudi Arabia and Oman.

Helicopter turbine engines

Light helicopters

This segment continued to grow throughout the year:

- the new Arriel 2 (2E) engine was certified by the European Aviation Safety Agency in January 2013. This engine will power Airbus Helicopters' twin-engine EC145T2;
- a new Arrius turbo engine model was on show at the Heli-Expo tradeshow in March 2013. The Arrius 2B2 Plus, equipped with a new FADEC system, is designed for Airbus Helicopters' future lightweight, twin-turbine EC135T3.

Safran landed another win at the Paris Air Show, when Bell Helicopter chose Arrius 2R to power its new five-seat short, light single (SLS) engine helicopter. This marks the first long-term partnership between Safran and Bell Helicopter.

Medium-weight helicopters

Safran unveiled Arrano, its brand-new turboshaft engine, at the Heli-Expo tradeshow in March 2013. The new 1,100 shp engine benefits from the technological developments resulting from Safran's R&T strategy. It incorporates the results of several upstream research projects, including products and processes validated by the Tech800 demonstrator. Arrano is expected to first run on a test cell in 2014.

At the MAKS Air Show in Moscow in August 2013, Safran unveiled its Ardiden 3G engine installed on a prototype of the Ka-62, a civilian helicopter built by Russian heli manufacturer Kamov. Illustrating the pertinence of Safran's strategic choices, Colombian operator Vertical de Aviacion ordered five Ka-62s on the opening day of the show. This order follows on from the deal signed in December 2012 with Brazilian operator Atlas Taxi Aero for 14 helicopters, and confirms Safran's successful partnership with the Russian high-tech industry.

The Ardiden 3C/WZ16 engine completed its first test bench run at the end of 2013. This turboprop engine was developed in partnership with AVIC Engines (China) for the AC352 helicopter (the Chinese name for Airbus Helicopters' EC175 program), and is the result of close cooperation between Safran and AVIC (China Aviation Industry Corporation). The test bench run marks the start of the engine's test and certification procedure.

Heavy-lift helicopters

In order to further its investment and development strategy focused on new engines for heavy-lift helicopters (3,000 shp and above), in 2013 Safran acquired Rolls-Royce's 50% stake in the joint RTM322 helicopter engine program, and has now assumed global responsibility for the design, production, product support and services for the RTM322 engine. This 2,100-2,600 shp model powers the Apache (UK fleet), EH101 Merlin and NH90 helicopters.

Services

Safran continued to expand sales of service agreements in 2013:

- a contract was signed with the UK Ministry of Defence for the maintenance of 411 RTM322 engines powering the EH101 Merlin and Apache helicopters. The six-year contract provides the UK MoD with a guaranteed level of availability for its RTM322 engines, consolidating a number of current support agreements into one overall support package;
- a contract with Avincis group was announced for the maintenance of around 180 engines operated by Inaer, Bond Air Services, Bond Offshore Helicopters and Australian Helicopters;
- at the Heli-Expo tradeshow, a contract was signed with Canada-based CHC Helicopter for the maintenance of 60 Makila 2 engines powering their EC 225 helicopters. These helicopters are used in offshore missions, mainly in the North Sea, Nigeria, Brazil and Australia;
- a partnership was sealed with Milestone Aviation group, the global leader in helicopter leasing, under which services will be provided directly to Milestone customers while expanding Turbomeca's customer base;
- an agreement was also signed for the repair, overhaul and inspection of the Makila 1A2 engines powering the 17 AS532 Cougar helicopters operated by the Dutch Royal Air Force.

Ballistics and space

The European heavy-lift launcher Ariane 5 successfully completed four lift-offs in 2013, two less than expected due to technical difficulties on the satellites. This marks the European launch vehicle's 57th consecutive success and confirms the excellent reliability of Ariane.

In the liquid propellant engine segment, six Vulcain engines for the core stage of the ES and ECA versions of Ariane 5 and four HM7 engines for the upper stage of Ariane 5 ECA were delivered in 2013.

In 2013, Safran also delivered six series of solid propellant boosters, which provide 90% of Ariane 5's lift-off thrust.

An agreement was signed in late 2013 between Airbus Defence & Space, Safran and Europropulsion[1] for the production of the cryogenic rocket engines and solid rocket motors for 18 new Ariane 5 launchers. This agreement allows Safran and its European partners to secure the continued production of Ariane 5 engines until the end of 2018.

2013 also marked the successful kick-off of a new series of tests for the Vinci engine. The continued development of this propellant intended for the upper stage of the future Ariane 5 ME (Midlife Evolution) and Ariane 6 launchers is on track to meet the technical objectives and timetable set by the European Space Agency (ESA). The first test flight for this new engine on Ariane 5 ME is scheduled for mid-2018.

Safran was awarded responsibility for the upstream solid propulsion project for Ariane 6 that led to the choice of configuration of the future launch vehicle. Four identical engines forming the first two

(1) Europropulsion: joint venture with Safran and Avio.

stages will make full use of the synergies with Vega, the future engine for the launch vehicle. The third stage will be an adapted version of the upper stage of Ariane 5 ME, fitted with a Vinci cryogenic engine developed by Snecma.

Safran is also a major contributor to Vega, the European launch vehicle. The second Vega successfully completed its lift-off from the Kourou spaceport in French Guiana on May 7, 2013. Towards the end of the year, Arianespace ordered ten new additional Vega launch vehicles. Representing more than three years' work, they will follow on from the test launch vehicle and five Vega launch vehicles ordered in 2010.

In the industrial applications sector, a new plant producing propellants for airbags was inaugurated in the Caohu business park, 80 km from Shanghai (China). This new 7,000 sq.m. plant results from the joint venture SMECQ Automotive Safety Technology Co. Ltd. set up in October 2010 by Safran and TaiHang ChangQing (THCQ), a subsidiary of China Aviation Industry Corporation (AVIC). SMECQ was set up to produce 300 metric tons of latest-generation gas generator propellants, or the equivalent of 7 million airbags by 2016, in order to meet the growing Chinese demand for automotive safety.

2.1.3.2 Aircraft Equipment

ADJUSTED KEY FIGURES

	2012 Adjusted[1]	2013	Year-on-year change
Quantities delivered			
Power transmission systems	2,019	2,200	9%
A320 thrust reversers	489	513	5%
A380 nacelles	108	108	-
(in € millions)			
Backlog	14,467	16,485	14%
Orders recorded during the year	3,539	6,776	91%
Revenue	3,691	4,121	12%
Recurring operating income	286	380	33%
Profit from operations	270	378	40%
Free cash flow	38	67	76%
Acquisitions of property, plant and equipment	140	169	21%
Research and development			
Self-funded R&D	(213)	(254)	19%
% of revenue	*5.8%*	*6.2%*	*+0.4 pts*
Research tax credit	29	38	31%
Self-funded R&D after research tax credit	(184)	(216)	17%
Capitalized expenditure	126	129	-
Amortization and impairment of R&D expenditure	(32)	(36)	13%
Impact on profit from operations	(90)	(123)	37%
% of revenue	*2.4%*	*3.0%*	*+0.6 pts*
Headcount[2]	22,874	24,495	7%

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

(2) Headcount at December 31.

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

	% of business line revenue	
Sector	**2012**	**2013**
Landing and aircraft systems	47%	46%
Engine systems and equipment	27%	29%
Electrical systems and engineering	24%	23%
Other equipment	2%	2%

REVIEW OF AIRCRAFT EQUIPMENT OPERATIONS IN 2013

The Aircraft Equipment segment reported full-year 2013 revenue of €4,121 million, up 11.6% (9.8% on an organic basis) compared to the year-ago period.

Increases in OE production rates (notably the Boeing 787, A330 and A380 programs) and the continued recovery of the regional jets market segment drove revenue increases in all activities. The nacelle activity recorded increases in A330 and A320 thrust reversers and in small nacelles. The number of A380 nacelles delivered (108) was stable compared to 2012. The harnessing and landing gear activities saw a robust performance driven by a production ramp-up in all their civil programs including the first shipments to the A350 program. Shipments began in 2013 on the A400M Atlas program to which Safran supplies landing systems.

On a full-year basis, service revenue grew by 15.2% in euro terms and represents 29.5% of segment revenue. Excluding GEPS, the increase in service revenue was 8.9%. This increase is principally driven by aftermarket growth in wheels and brakes (including carbon brakes), gearboxes and nacelles. The increase of service revenue in the sales mix has a favorable impact on profitability.

Full-year 2013 recurring operating income was €380 million (9.2% of revenue), up 32.9% compared to €286 million in the year-ago period (7.7% of revenue). This significant improvement was driven by a favorable volume impact and productivity gains. The increased service activity for wheels and brakes also contributed to this performance. Currency hedging had a positive impact on profitability.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Landing and aircraft systems

■ Landing gear

In all, 1,319 landing gear units were delivered by Safran in 2013, 128 more than in 2012.

To meet the ramp-up in monthly production on the Boeing 787, 61 units were delivered by Messier-Bugatti-Dowty in the year (42 in 2012).

Safran continued to upgrade its production facilities in 2013, chiefly in Montreal (Canada) and Bidos in the French Pyrénées-Atlantiques region.

Throughout 2013, Safran signed landing gear maintenance and repair contracts notably for the Airbus fleets operated by Alitalia, Cathay Pacific, Dragonair, Iberia, China Eastern Airlines and South African Airways. These new contracts strengthen Safran's position as a global player in the maintenance and repair of Airbus landing gear units.

■ Wheels and brakes

At December 31, 2013, more than 6,100 aircraft were equipped with Messier-Bugatti-Dowty carbon brakes, giving Safran a share of over 50% of the market for 100+ seater civilian aircraft equipped with carbon brakes.

Safran brakes had been selected for 1,185 Boeing 737NG aircraft (cumulative basis) at December 31, 2013 (891 at end-2012), including 581 aircraft in connection with retrofit projects. A total of 643 of these 1,185 aircraft are already in service. Safran's market share on Boeing 737NG aircraft fitted with carbon brakes represents 68%.

Messier-Bugatti-Dowty's electric brakes for the Boeing 787 Dreamliner continue to capture market share. After being selected by Ethiopian Airlines in 2012, in 2013 they were chosen for aircraft operated by Air Canada, Aeromexico, AviancaTaca, Royal Jordanian Airlines, Air New Zealand, Kenya Airways, Thai Airways International and Royal Brunei.

Electric green taxiing system

To meet the demand for more integrated equipment offerings from both aircraft manufacturers and airlines, in 2012 Safran and Honeywell set up a joint venture, EGTS International. This joint venture allows them to pool their complementary expertise and work together to develop and market a new electric green taxiing system, i.e., taxiing without the use of engine power. The aim is to fit both in-service and new aircraft with this system as from 2016/2017.

Electric green taxiing was demonstrated at the Le Bourget Air Show in June 2013, and led to an agreement being signed with Air France to develop the system. In December 2013, an agreement was signed with Airbus to assess electric green taxiing as a new option for A320 aircraft.

■ Filters

In 2013, Safran was selected to supply fuel filters for CFM56 engines in aircraft operated by US-based airlines US Airways and Southwest Airlines.

Engine systems and equipment

■ Nacelles and thrust reversers

In 2013, Safran delivered a total of 513 thrust reversers for the A320 and 166 thrust reversers for the A330 (489 and 146, respectively, in 2012). As in 2012, a total of 108 nacelles were delivered for the A380.

Another decisive advance was recorded in 2013 for the LEAP-1C nacelles to be used in China's future C919 aircraft, with the launch of production for the first thrust reverser parts. The LEAP-1A nacelle designed for the A320neo is developing as planned.

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. The Learjet85 nacelle was unveiled to the public at the US business aviation (NBAA) show in Las Vegas.

Services

Safran reported a 10% rise in business related to nacelle services. In 2013, it opened a parts distribution center in Beijing to serve Chinese airlines that operate aircraft with the Company's jet engine nacelle and thrust reverser products. This new facility will provide spare parts and inventory management for airline companies, with rapid response capability for urgent aircraft-on-ground service requirements. The distribution facility builds on Aircelle's already well-established presence in China, which includes an office in Beijing, along with a network of customer support managers and field service representatives.

In 2013, Safran was also selected to provide systematic preventive maintenance for Trent 700 thrust reversers installed on 50 A330s operated by Cathay Pacific and its subsidiary Dragonair. Safran landed this ten-year contract amid fierce competition, and its success confirms the development of the systematic preventive maintenance model for thrust reversers and nacelles, which have traditionally been repaired as and when needed.

■ Mechanical power transmissions

Throughout 2013, Safran continued to develop power transmission for the Trent XWB engines used in the A350 as well as for LEAP engines. During the year Safran delivered the first power transmission gearbox for initial flight testing of the LEAP-1C engine that will power the Chinese aircraft COMAC C919.

Electrical systems and engineering

■ Power generation and distribution 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.

Driven by its ambition to continue developing in this critical aerospace segment, in 2013 Safran finalized its acquisition of Goodrich Electrical Power Systems (GEPS) and in January 2014 announced that it was to create a new industrial division for the Group's electrical power activities, Labinal Power Systems. This operating division, which will soon include the power distribution solutions of Eaton Aerospace (the acquisition should be completed in the first half of 2014), covers the entire electrical energy chain and places Safran in a strong position to continue its successful breakthrough in the expanding market for "more electric aircraft". This transaction has enabled the Group to create a world leader in electrical and power transmission systems.

■ Electrical interconnection systems

Confirming its front-ranking role as engine and parts manufacturer for Dassault's Falcon 5X, Safran was also selected to provide the wiring harnesses for this new aircraft.

■ Ventilation systems and electrical engines

In 2013, the Company received the CCAR145 maintenance certificate from the Chinese civil aviation authorities. This allows it to repair all equipment fitted to aircraft registered in China.

For the past 11 years, Technofan has ranked amongst the top ten companies in Airbus' Annual Supplier Support Rating, demonstrating its superior customer service quality.

■ Engineering services

Safran Servicos de Supporte de Programas Aeronauticas Ltda (SAR), the Group's new Brazilian entity based in São José dos Campos (São Paulo state), opened for business in May 2013 and includes a new business center for Safran Engineering Services. Safran Engineering Services provides expertise in electrical systems, aerostructure, mechanical systems, avionics and electronic embedded systems. The business has landed major engineering contracts with Embraer and Helibras. A joint venture was set up by SAR with a Brazilian partner to provide engineering services for Embraer's new range of EJets E2 regional jets. Safran Engineering Services also helps to develop Safran's local Aircraft Equipment programs with Brazilian customers. Safran Engineering Services has been part of Labinal Power Systems since January 2, 2014.

Other equipment

■ Small electric motors

In October 2013, Safran completed the disposal of Globe Motors Inc., a US-based subsidiary, to Allied Motors Inc. Globe Motors designs, manufactures and distributes precision motors and motorized devices for the automotive, aerospace and weapons industries and had revenue of USD 106 million in 2012.

2.1.3.3 Defence

ADJUSTED KEY FIGURES

	2012 Adjusted[1]	2013	Year-on-year change
Quantities delivered			
Inertial units	454	494	9%
FELIN systems	4,000	4,081	2%
(in € millions)			
Backlog	2,380	2,174	-9%
Orders recorded during the year	1,142	1,072	-6%
Revenue	1,315	1,278	-3%
Recurring operating income	79	87	10%
Profit from operations	79	94	19%
Free cash flow	13	110	N/A
Acquisitions of property, plant and equipment	47	16	-66%
Research and development			
Self-funded R&D	(117)	(126)	8%
% of revenue	*8.9%*	*9.9%*	*+1.0 pts*
Research tax credit	36	39	8%
Self-funded R&D after research tax credit	(81)	(87)	7%
Capitalized expenditure	22	31	41%
Amortization and impairment of R&D expenditure	(8)	(10)	25%
Impact on profit from operations	(67)	(66)	-1%
% of revenue	*5.1%*	*5.2%*	*+0.1 pts*
Headcount[2]	7,182	7,195	-

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

(2) Headcount at December 31.

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

	% of business line revenue	
Sector	**2012**	**2013**
Optronics	53%	48%
Avionics	38%	43%
Electronics and critical software (Safran Electronics)	9%	9%

REVIEW OF DEFENCE OPERATIONS IN 2013

Full-year 2013 revenue was down 2.8% at €1,278 million, or down 2.2% on an organic basis, compared to the previous year. Avionics revenue grew on the back of higher deliveries of seeker kit modules and a solid flight control systems activity. This trend was offset by softer revenue in optronics due primarily to the continued decline in shipments of long-range infra-red goggles to the US Armed Forces. Against this backdrop, Safran continued to leverage its leadership in cutting-edge technologies in optronics: Optrolead (50/50 joint venture between Safran and Thales) signed an upstream study program (PEA) for the development of a fourth generation of airborne electro-optical gyrostabilized systems.

Full-year 2013 recurring operating income at €87 million (6.8% of revenue) was up 10.1% (up 3.8% organically) compared to €79 million (6.0% of revenue) in full-year 2012. The continued turnaround of profitability in avionics resulted from a combination of favorable volume, price and mix effect and cost reductions. Optronics continued to deliver satisfactory profits, although lower than last year, thanks to continued deliveries of the FELIN infantry combat system and the first maintenance and upgrade activity on the French Army's FELIN equipment. Budgetary constraints impacted FELIN requirements at the French Ministry of Defence. Consequently, OE deliveries will cease after 2014 instead of after 2015 as initially expected. However, export potential for soldier modernization programs remains strong.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Optronics

■ Modernizing infantry

In 2013, Safran delivered the modern FELIN infantry combat system to four regiments of the French Army, with 14 regiments now outfitted and the system covering all specialist areas of the infantry. The 2014 French Military Planning Act provides for a reduction in deliveries equivalent to 3.5 regiments out of the 21 initially planned. Safran also provides support for the systems delivered and used in active service. Together with the French Directorate General of Weapons Procurement (hereafter "DGA"), the Group is also considering the changes to be made to future FELIN models in light of the feedback received on the ground. The RIF-NG new generation soldier information network development by Safran and now accredited by the DGA is the first dynamic soldier information network in Europe. FELIN continues to attract interest outside France, with talks underway with Benelux, Canada, Algeria and Russia, for example. Good feedback from its use in overseas operations should further cement its reputation.

■ Portable optronic equipment, sight equipment and drones

Portable optronic equipment

The string of commercial successes in portable optronics this year confirms the front-ranking position of Safran technology, despite an overall decline in the market prompted by the withdrawal of armed forces from certain overseas military operations and by cuts in the defence budget in most developed countries. New orders will bring the number of JIM-LR multifunction goggles in service and on order across the globe to over 6,000 (UN, the US, Algeria, etc.)

In France, Safran received confirmation that the two conditional tranches of the JIRTTANG contract to deliver several hundred new-generation infrared goggles would go ahead.

Throughout the year Safran, *via* its subsidiary Vectronix, supplied various countries (Israel, Norway, etc.) with laser range finder (LRF) modules and took part in the program to modernize Bundeswehr infantry with the supply of Moskito and Vector rangefinders.

Optovac Mecânica e Optoelectrônica Ltda, a Brazilian subsidiary created in 2012 and specializing in optronics and night vision, continued to grow in 2013 and began to operate out of the Univap Technology Park in San Jose dos Campos. The many solutions offered to its Brazilian customers demonstrates how Optovac is increasing its exposure and activity in the country.

Onboard optronic equipment

Sagem landed a major contract with DCNS to deliver EOMS-NG (Electro-Optical Multifunction System – New Generation) systems that will be installed on four French navy amphibious and projection vessels: three Mistral-class projection and command (BPC) ships and the Siroco TCD landing craft transport vessel. The EOMS-NG provides day and night vision and offers 360° surveillance, identification, tracking and target engagement functionalities.

In the periscope business, Sagem outfitted five DCNS submarines with ten optronic surveillance masts for the Brazilian, Indian and French navies.

In the segment of gyrostabilized observation systems, Sagem received a large order from its partner Airbus Helicopters for Euroflir optronics systems in connection with several export contracts (Chile, Uzbekistan, etc.).

Through Optrolead, its joint venture with Thales, Safran takes an active role in the upstream study program for new-generation airborne gyrostabilized pods featuring numerous sensors, which offer industry-beating performances at equal mass and volumes to existing systems.

In the field of cameras for land-based applications, the SATIS device featuring a high-resolution detector made good progress in 2013. Technical advances also helped drive development and enabled the Group to start marketing its multi-function viewfinders for PASEO land platforms. On a commercial front, the progress of these programs and stronger decisive partnerships with foreign companies spell good news for export opportunities going forward.

Drones

The DGA confirmed its order for five SDTI tactical drones to round out its existing in-service capabilities.

Safran also continued to provide SDTI drone support services for the French Armed Forces throughout 2013.

During the year, Safran carried out an additional series of flight tests of its new Patroller™ tactical drone in multi-mission configuration, incorporating a communications intelligence (COMINT) system. The positioning capabilities of the drone are attracting growing interest from export customers.

Avionics

■ Navigation systems and sensors

In 2013 Safran continued to benefit from the investments made in this high-tech industry in previous years.

On a commercial front, 2013 saw the first major orders for the BlueNaute attitude and heading reference system, in particular from a US hydrographic vessel and the Indonesian Coast Guard.

Also in the shipbuilding field, Safran was chosen by the DGA to modernize the inertial navigation and alignment system on the Charles-de-Gaulle aircraft carrier.

In the aerospace field, 2013 was defined by several success stories demonstrating Safran's excellence in navigation:

- the 10,000th aircraft piloting reference sensor (APIRS) was delivered: APIRS are today fitted to a large number of civil airplanes, including Bombardier's Dash 8, Casa 295 and ATR72, Airbus Helicopters' EC135/145/155/225 and NH Industries' NH90;
- Indian airframe manufacturer Hindustan Aeronautics Ltd (HAL) ordered more than 100 Sigma 95 navigation systems for the Indian Air Force;
- Thales Alenia Space ordered Regys 20 3-axis gyros for its satellite applications. Regys 20 is made using the latest hemospherical resonator gyro (HRG) technology.

In 2013, Safran ran the first flight tests of its HRG-based navigation system prototype on an Airbus A320. This new, innovative technology yielded excellent results.

In cockpit avionics, Dallas-based Sagem Avionics Inc. in the US supplied several helicopter operators with its multifunction Integrated Cockpit Display System (ICDS). The display suite is an intuitive and particularly user-friendly system that is very popular among helicopter crews.

Safran, the European leader in navigation systems, acquired the Swiss company Colibrys SA in January 2013. Colibrys has around 70 employees and is specialized in the design and production of high-performance micro-sensors based on silicon MEMS[1] technology. Through this acquisition, Safran expands its range of technological expertise, particularly in inertial sensors and accelerometers.

Seekers and guidance systems

Safran's AASM Modular air-to-ground weapons system confirmed its excellent performance capabilities, particularly during operations in Mali. Following the successful completion of firing tests for the new laser-guided missile on the Rafale, Safran received an order for over 200 AASM suites from the DGA.

Building on its expertise in weapons guidance systems, Safran was selected to supply infrared seekers for MMP medium-range missiles for the Army and FASGW[2] light anti-ship missiles as part of a joint project with the British. Safran was also chosen by the DGA to conduct a design study contract for inertial navigation systems for new-generation tactical missiles.

Flight control systems

Several important events occurred in 2013 in the field of electric flight control systems:

- Safran was chosen by Bell Helicopter to supply certain actuators for the B525;
- the horizontal stabilizer trim system which Safran is producing for Embraer's KC 390 program continued to develop;
- the Detail Design Review (DDR) phase was completed and the first simulation bays for the nacelle's electrical thrust reverser actuation system (ETRAS) on the C919 were delivered to COMAC.

Safran also worked on projects for a more electric helicopter, proposing a fly-by-wire flight control system featuring a sidestick, an altitude and heading reference system and quadruplex flight computers.

Onboard information systems/data management

In 2013, Safran leveraged synergies between two of its subsidiaries, Snecma and Sagem, to offer airline companies an innovative service allowing them to optimize operating costs. The use of flight data combined with an onboard information system (Cassiopée) allows Safran to provide a responsive, flexible solution and reduce aircraft consumption.

Electronics and critical software

Fadec Alliance Inc., a joint venture set up by GE Aviation and Fadec International (itself a joint venture between Sagem and BAE) is to supply next-generation Fadec 4 devices to be fitted to the LEAP and Passport engines. In 2013, Fadec 4 successfully completed several milestones enabling the first engine rotations for CFM's LEAP and GE's Passport.

Also in the year, Fadec International celebrated its successful 10-year partnership, which has seen it deliver over 9,900 engine control systems representing more than 600 million flying hours.

Numerous in-progress projects have also successfully completed important milestones:

- the first functional tests for the A350's remote braking control units were completed;
- the Detail Design Review (DDR) phase was completed on the brake control system for Embraer's KC390.

Aerospace Embedded Solutions GmbH (AES), a joint venture set up in 2012 by Safran and MTU in Germany, delivered the first series engine control software for the A400M Atlas.

(1) Micro Electro Mechanical Systems.
(2) Future Anti-Surface Guided Weapon.

2.1.3.4 Security

ADJUSTED KEY FIGURES

	2012 Adjusted[1]	2013	Year-on-year change
Quantities delivered			
Smart telco and bank cards (millions of units)	630	621	-1%
CTX equipment	65	79	22%
(in € millions)			
Backlog	1,737	1,647	-5%
Orders recorded during the year	1,862	1,451	-22%
Revenue	1,546	1,502	-3%
Recurring operating income	145	120	-17%
Profit from operations	120	117	-2%
Free cash flow	11	(42)	N/A
Acquisitions of property, plant and equipment	46	66	43%
Research and development			
Self-funded R&D	(124)	(129)	4%
% of revenue	*8.0%*	*8.6%*	*+0.6 pts*
Research tax credit	12	12	-
Self-funded R&D after research tax credit	(112)	(117)	4%
Capitalized expenditure	14	17	21%
Amortization and impairment of R&D expenditure	(3)	(6)	N/A
Impact on profit from operations	(101)	(106)	20%
% of revenue	*6.5%*	*7.1%*	*+0.6 pts*
Headcount[2]	7,727	8,403	9%

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

(2) Headcount at December 31.

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

	% of business line revenue	
Sector	**2012**	**2013**
Identification	63%	62%
E-documents	22%	22%
Detection	15%	16%

REVIEW OF SECURITY OPERATIONS IN 2013

The Security activity reported full-year 2013 revenue of €1,502 million, down 2.8% compared to the year-ago period. Stable revenue on an organic basis reflects a mixed situation in identification, slow growth in detection and stability in e-documents. In identification, MorphoTrust continued its robust growth, driven by US Federal activities. A tough market for Morpho's biometric activities (excluding MorphoTrust) offset this growth as governmental contracts were subject to budgetary constraints or political instability. The e-documents activity has been significantly impacted in its smartchip telco and banking segments due to intensified price pressure and late introduction of NFC technology. Nevertheless, Safran regained traction in the telco and banking market as deliveries of NFC and LTE technology-enabled devices commenced. Detection ended 2013 with strong momentum, notably delivering CTX tomographic detection systems to the TSA (US), CATSA (Canada) and other export markets.

Full-year 2013 recurring operating income decreased by 17.2% to €120 million compared to €145 million in the year-ago period. The decline is principally due to the run-off of a few biometric identification projects which had been profitable in their latter years, not yet offset by new contracts. In e-documents, cost reductions did not entirely offset margin declines due to pricing pressure. Detection margins improved on higher CTX volumes.

Management and organizational changes in the second half of 2013 will result in the adaptation of the cost base and refocusing resources on significant growth prospects characteristic of the Security business.

In March 2013, Safran divested part of its stake in Ingenico, generating around €130 million in profit after tax. Safran nevertheless remains a major shareholder of the company, with 10.2% of its capital and around 17% of its voting rights.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Identification systems

Major identity management systems

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 (Arizona, Illinois, Alabama, Connecticut) renewed their commitment to Safran in 2013 for the replacement and upgrade of their driving license issuance systems. Safran also provides biometric identification solutions to the FBI, the Department of Defense and the State Department. In 2013, Safran became the first operator to be awarded the highest security certification by the North American Security Product Organization (NASPO) for a facility that produces driving licenses and ID cards.

In Albania, the concession awarded in 2008 to manage the entire production process (enrollment, personalization, issue and distribution) of secure biometric identity cards and passports was renewed for a further ten years and extended to include a platform giving access to e-Services in order to help improve and make safer public and private transactions carried out online by Albanian citizens.

In Egypt, the one-millionth identity card was issued in March under the country's new (color) ID system.

In Mali, Safran supplied and personalized – within an extremely short timeframe – seven million electoral ID cards used in the July and August presidential elections.

India's Unique Identification Authority (UIDAI) had delivered over 500 million unique identification numbers at the end of December from its Aadhaar biometric system which uses Morpho technology. Following on from the Aadhaar project, alternate usages have been confirmed for the technology, in particular biometric identification for the banking industry.

Border control

Following orders for gates and kiosks for Perth, Sydney and Brisbane airports as part of the Australian border control system, tests of the latest generation automated border control solution, SmartGate Plus, were successfully completed in actual operating conditions at Auckland airport in New Zealand.

Criminal identification

Building on its long-standing relationship, in 2013 Safran entered into a strategic partnership to supply Interpol with a range of innovative biometric solutions and other technical support to enhance international security. Under the five-year partnership, Safran's cutting-edge facial recognition technology will also be provided to Interpol. The two organizations, along with other key partners, will also collaborate on developing global standards and best practices.

The latest improvements to the FBI's new-generation identification solutions have made searches using digital fingerprints far more effective and further increased the rate of crimes solved. Boasting enhanced capacity, speed and accuracy for comparing fingerprints and other prints left at crime scenes, the system meets the public security needs of over 18,000 police, government, tribal and federal organizations across the country.

Police forces in several US states including Missouri and Arizona are using MorpholDent, a portable fingerprint device which can now be used to make simultaneous searches in several AFIS systems regardless of the system provider, thanks to a software platform that can interface with local, federal, or central AFIS systems.

The US Department of Defense has chosen Safran to provide maintenance services for the platform used as its main biometric identification system, while the French Interior Ministry has renewed its contract for Safran to provide maintenance services for the FAED[1] system used by French police.

Biometric enrollment services

Biometric enrollment is particularly developed in the US and Safran provides enrollment services through various representative offices throughout the country. Enrollment records user's biometric and biographical data and performs background checks and other ID services. Biometric enrollment is used to deliver accreditations and access documents meeting the security requirements demanded by the partners concerned. These can be national (e.g., the TSA[2]) or local government bodies.

In 2013, Safran announced that it had enrolled 1.5 million drivers in the year as part of TSA's Hazardous Materials Endorsement Threat Assessment Program (HTAP). This program is in the final phase of integration within the TSA's Unique Enrollment Service featuring all enrollment and registration functions introduced by

(1) Automated Fingerprint Identification System (Fichier automatisé des empreintes digitales).
(2) Transportation Security Administration.

the TSA in order to verify biometric and background data for individuals seeking access to critical premises or segments of the transportation system.

Biometric equipment

Safran is the world's first company to achieve Common Criteria certification[1] for fingerprint spoof detection in a biometric device: the MorphoSmartTM Optic 301 fingerprint reader was certified by an independent German certification body and means that the device meets the industry's highest standards for spoof detection.

In 2013, Safran also launched its IAD™ (Iris-at-a-Distance) technology, which can simultaneously capture the iris and face of a person at a distance of one meter in just one second. Combining iris and face capture, IAD is suited to a wide range of applications requiring fast and accurate imaging technology such as border and access control.

Other businesses

In 2013, the first ELITE games terminals began to be rolled out for La Française des Jeux. These latest-generation terminals use new on-the-fly imaging technology, making them easy to use and increasing bulletin design possibilities.

E-documents

Buoyed by the acquisitions carried out in December 2012, Safran strengthened its positions on the banking market in Europe, where the business grew 60% in value terms over the year. The migration from stripe cards to smart cards in line with the Europay MasterCard Visa (EMV) standard and the growing trend towards Dual Interface Contactless/Contact technology in Western Europe continued to drive growth in the banking market, even though the pace of growth has slowed in certain regions such as Brazil which has completed the migration. The sharp fall in the value of the Brazilian real and Indian rupee had a significant impact on the business's performance in euro terms.

In the telecoms market, the roll-out of LTE (4G) technology – particularly in North America – and the significant inroads made by a large South American telecoms group spurred considerable growth in value terms in the Americas region, despite the adverse currency impact. India saw a sharp decline in value terms prompted by regulatory changes affecting telecoms operators as from end-2012 and by the depreciation of the rupee. However, Safran increased its market share and strengthened its leadership on this market. Business in other regions remained stable overall, amid fierce downward pressure on prices and a lower-than-expected roll-out of Near Field Communication (NFC) technology.

At the beginning of 2013, Orange and Safran created the world's first mobile identity management system for the healthcare sector. This healthcare data mobility system enables doctors to securely access patient files via a tablet or mobile device using strong SIM authentication.

December saw the launch of mobile payment solutions using Samsung smartphones by the Commonwealth Bank of Australia in partnership with Mastercard. Safran's Trusted Services Management (TSM) technology means that the mobiles can be personalized remotely and used for secure contactless payments.

Detection

Tomography and diffraction-based detection systems

The high-throughput CTX 9800 device was chosen for in-hold baggage screening at Japan's Narita airport, which acquired 13 of the new systems, bringing the number of devices installed at Narita to around 40.

Similarly, the Nice-Côte d'Azur airport in France, where four of these devices came into service in 2013, became the first airport in the continental EU to screen all passenger checked baggage – referred to as Level 1 screening – with an advanced explosives detection system (EDS).

The US TSA had already chosen CTX 9800 in 2012. In 2013, it also awarded Safran a contract to provide reduced-size CTX 5800 explosives detection devices for a fixed price of up to USD 130 million over the next five years.

In Canada, CATSA[2] also ordered these two devices under a five-year fixed-price contract worth up to USD 100 million. Safran delivered 20 systems to CATSA in 2013.

Spectrometry-based trace detection equipment

Over 200 Itemiser® DX explosives trace detectors (ETD) were deployed by global air carriers in 2013 to meet new regulatory mandates for enhanced cargo screening. Early in the year Morpho Detection launched an online store where US customers can directly order consumables to optimize the maintenance and operation of their trade detection systems.

Infraero, Brazil's national airport operator, has selected Safran's desktop explosives trace detection system, the Itemiser DX. Ahead of the 2014 FIFA World Cup and 2016 Olympic Games, the Itemiser DX provides Infraero with the highest level of passenger and baggage screening security across Brazilian airports.

(1) Common Criteria are internationally recognized criteria (ISO 15408) which define a common framework for evaluating and certifying security features and capabilities of Information Technology products.
(2) Canadian Air Transport Security Authority.

2.2 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 CONSOLIDATED INCOME STATEMENT

(in € millions)	2012 Adjusted[1]	2013	Year-on-year change
Revenue	**13,615**	**14,490**	**+6.4%**
Other operating income and expenses	(12,372)	(13,195)	
Recurring operating income	**1,243**	**1,295**	**+4.2%**
Other non-recurring operating income and expenses	(56)	185	
Profit from operations	**1,187**	**1,480**	**+24.7%**
Financial income	533	439	
Income tax expense	(433)	(650)	
Share in profit from associates	19	15	
Gain on disposal of Ingenico shares	-	131	
Profit from continuing operations	1,306	1,415	
Loss for the period attributable to non-controlling interests	(24)	(29)	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,282**	**1,386**	

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

Consolidated revenue

Consolidated revenue climbed 6.4% year-on-year, to €14,490 million from €13,615 million in 2012.

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 decreased consolidated revenue in 2013 by €205 million while it increased consolidated revenue by €55 million in 2012. 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 2013 was 1.28, against an annual average rate of 1.33, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is lower than adjusted consolidated revenue.

Year-on-year changes in revenue excluding the impact of adjusting items are analyzed below (see section 2.1.2).

Recurring operating income

Recurring operating income rose 4.2% to €1,295 million in 2013 from €1,243 million in 2012. The difference between recurring operating income and adjusted recurring operating income, which came in at €1,788 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for business combinations, representing €150 million versus €156 million in 2012 for the May 2005 Sagem-Snecma business combination. The adjustment related to other business combinations includes amortization charged against intangible assets measured when allocating the purchase price in the amount of €100 million (€97 million in 2012) and a cancellation of the impact of inventory remeasurement in the amount of €27 million;
- a negative €216 million impact resulting from foreign currency transactions (positive impact of €52 million in 2012).

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 24.7% higher at €1,480 million for the year, compared to €1,187 million in 2012. Profit from operations includes recurring operating income of €1,295 million in 2013 (€1,243 million in 2012) and non-recurring income of €185 million (a non-recurring loss of €56 million in 2012). Profit from operations differs from profit from operations as adjusted (€1,757 million), since as well as recurring operating items, it also includes a net gain of €216 million on the remeasurement of the Group's previously-held interest in the RTM322 project (see Scope of consolidation, section 3.1, Note 4).

Changes in profit from operations based on adjusted figures are analyzed below along with non-recurring items (see section 2.1.2).

Financial income (loss)

The Group reported financial income of €439 million in 2013 and €533 million in 2012.

Two items account for the difference between consolidated and adjusted financial income for 2013 (see section 2.1.2):

- changes in the fair value of currency instruments hedging future cash flows, which had a positive impact of €374 million in 2013 (€742 million in 2012). This amount is recognized in full in financial income (loss) in the consolidated financial statements. However, the impact of changes in financial instruments hedging future cash flows is neutralized in the adjusted financial statements;
- the net positive impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by the Group, totaling €203 million in 2013 (net negative impact of €55 million in 2012). 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 2013 came in at €650 million compared to €433 million in 2012. The increase in this caption chiefly results from the €199 million rise in profit before tax between 2012 and 2013 which itself results from growth in the Group's business (increase of €293 million in profit from operations – see section 2.1.2).

The increase in income tax expense is also related to an increase in the corporate income tax rate introduced by the amending French Finance Law (*Loi de finances rectificative*) for 2013 (adopted in late 2013) and to the 3% tax on dividend payouts introduced by the amending French Finance Law for 2012 which is recognized in income tax expense in the year in which dividends are paid.

Consolidated profit attributable to owners of the parent

This caption amounted to €1,386 million for 2013 and €1,282 million for 2012.

2.2.2 SIMPLIFIED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2013

The simplified consolidated balance sheet at December 31, 2013 presented below is taken directly from the consolidated financial statements included in section 3.1 of this document.

(in € millions)	Dec. 31, 2012 Adjusted[1]	Dec. 31, 2013
Assets		
Goodwill	3,078	3,495
Property, plant and equipment and intangible assets	6,476	7,381
Other non-current assets	818	734
Derivatives (positive fair value)	647	864
Inventories and work-in-progress	4,131	4,135
Trade and other receivables	5,025	5,102
Other current assets	597	590
Cash and cash equivalents	2,193	1,672
TOTAL ASSETS	**22,965**	**23,973**
Equity and liabilities		
Share capital	5,997	6,814
Provisions	2,887	2,975
Borrowings subject to specific conditions	670	670
Interest-bearing financial liabilities	3,175	2,730
Derivatives (negative fair value)	225	186
Other non-current liabilities	1,062	1,412
Trade and other payables	8,767	8,920
Other current liabilities	182	266
TOTAL EQUITY AND LIABILITIES	**22,965**	**23,973**

(1) The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see section 3.1, Note 3).

2.2.3 CHANGE IN NET DEBT

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

(in € millions)	2012	2013
Cash flow from operations	**1,702**	**1,984**
Change in working capital	(85)	155
Acquisitions of property, plant and equipment	(419)	(492)
Acquisitions of intangible assets	(634)	(935)
Free cash flow	**564**	**712**
Dividends paid	(300)	(481)
Divestments/acquisitions of securities and other	(199)	(388)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**65**	**(157)**
Net debt at January 1	(997)	(932)
Net debt at December 31	**(932)**	**(1,089)**

Cash flow from operations 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 financial instruments hedging future cash flows[1]. The Group's ability to finance working capital needs, acquisitions of property, plant and equipment and intangible assets and dividends out of operating activities rose by €282 million over the year, from €1,702 million in 2012 to €1,984 million in 2013.

Operations generated €712 million of free cash flow (40% of adjusted recurring operating income in 2013), €148 million more than in 2012. The net debt position was €1,089 million at December 31, 2013 compared to €932 million at December 31, 2012.

Free cash flow generation of €712 million results from cash from operations of €1,984 million, a decrease in working capital needs of €155 million – obtained despite the rise in production volumes – and rising R&D and capital expenditure in preparation for future growth. During the year there had been some uncertainty on year-end free cash flow. However, continuous and consistent management of working capital needs and low customer payment delays at year-end contributed to a satisfactory level of cash generation.

Dividends paid in the year include the final dividend payment of €0.65 per share in respect of 2012 and an interim dividend of €0.48 per share in respect of 2013, representing a total payout of €471 million.

Acquisitions of securities relate mainly to the acquisition of Goodrich Electrical Power Systems for €301 million, and to the acquisition of Rolls-Royce's 50% stake in the RTM322 program (previously jointly held with Group subsidiary Turbomeca) for €293 million. Safran's sale of 6.6 million Ingenico shares brought proceeds of €287 million, and the disposal of Globe Motors Inc. was completed for a cash consideration of €68 million.

As of December 31, 2013, Safran had cash and cash equivalents of €1.7 billion and €2.55 billion of secured and undrawn facilities available.

2.3 COMMENTS ON THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements of Safran SA for the year ended December 31, 2013 were prepared using the same accounting principles as those used for the 2012 parent company financial statements.

Safran decided that the assets and liabilities of its subsidiary Lexsa SA would be transferred to Safran SA with effect from December 23, 2013, based on their net carrying amount. This transaction generated a €1 million surplus which was recognized in additional paid-in capital within equity.

2.3.1 SAFRAN SA INCOME STATEMENT

(in € millions)	2012	2013
Revenue	314	388
Other operating income and expenses	(443)	(547)
Loss from operations	(129)	(159)
Financial income	732	473
Non-recurring items	(5)	(26)
Income tax benefit	167	40
PROFIT FOR THE PERIOD	**765**	**328**

Revenue came in at €388 million in 2013 versus €314 million in 2012 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 €74 million year-on-year increase in revenue in 2013 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 €547 million in 2013 and €443 million in 2012. The increase in net other operating expenses in 2013 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 €159 million in 2013 and €129 million in 2012.

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

Safran SA reported financial income of €473 million in 2013 and €732 million in 2012. This figure mainly includes dividends received from subsidiaries for €502 million (€574 million in 2012), net interest expense of €4 million (net interest income of €39 million in 2012), foreign exchange losses amounting to €21 million (foreign exchange gains of €72 million in 2012), and net additions to provisions for impairment of financial assets or exchange losses totaling €5 million (net reversals of €47 million in 2012).

The Company reported a non-recurring loss of €26 million in 2013 and €5 million in 2012, due mainly to the net €21 million impact of accelerated depreciation and amortization charged against non-current assets.

The income tax line represented a benefit of €50 million under the Group's tax consolidation regime (benefit of €191 million in 2012, resulting mainly from the merger of Sagem Télécommunications into Safran). 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 €10 million.

On account of the above, profit for the year came in at €328 million, compared to €765 million in 2012.

2.3.2 SAFRAN SA SIMPLIFIED BALANCE SHEET AT DECEMBER 31, 2013

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Assets		
Non-current assets	9,462	9,843
Cash and cash equivalents and marketable securities	1,861	1,359
Other current assets	2,144	2,157
TOTAL ASSETS	**13,467**	**13,359**
Equity and liabilities		
Share capital	5,758	5,636
Provisions	677	707
Borrowings	2,814	2,565
Other payables	4,218	4,451
TOTAL EQUITY AND LIABILITIES	**13,467**	**13,359**

The decrease in share capital reflects profit for the year of €328 million, dividends paid in 2013 for a total of €471 million (€271 million for the remaining 2012 dividend balance and €200 million in 2013 interim dividends paid in December 2013), and a net charge to tax-driven provisions amounting to €21 million.

The increase in non-current assets primarily results from subscriptions to the share capital increase carried out at (i) Safran Power UK in relation to the acquisition of Goodrich Electrical Power Systems (€275 million), and (ii) Safran USA (€60 million).

The increase in this caption also results from having subscribed to the share capital of Aerofund III in an amount of €30 million.

Net cash from operating activities came in at €604 million. The net cash position (cash and cash equivalents less borrowings and debt) was affected by the share capital increase at several foreign subsidiaries for €335 million, and by the €248 million decrease in borrowings – mainly in the form of commercial paper.

2.3.3 INFORMATION CONCERNING SUPPLIER PAYMENT PERIODS

		Amounts not yet due		
(in € millions)	Amounts due	Amounts due in 0-30 days	Amounts due in 30-60 days	Total trade payables
December 31, 2013	4.2	16.8	77.5	98.5
December 31, 2012	7.9	4.5	67.4	79.8

2.4 OUTLOOK FOR 2014

Safran expects on a full-year basis:

- adjusted revenue to increase by a percentage rate in the mid-single digits compared to 2013 revenue restated for IFRS 11 (at an estimated average rate of USD 1.30 to the euro);
- adjusted recurring operating income to increase by low double digits compared to 2013 recurring operating income restated for IFRS 11 (at a hedged rate of USD 1.26 to the euro);
- free cash flow to represent close to 40% of adjusted recurring operating income, subject to usual uncertainties on the timing of advance payments.

The full-year 2014 outlook is based on the following underlying assumptions:

- restatements of slightly more than (€300) million to 2013 revenue and slightly less than (€10) million to 2013 adjusted recurring operating income related to IFRS 11;
- healthy increase in Aerospace OE deliveries;
- civil aftermarket increase by a percentage in the low to mid-teens;
- stable level of self-funded R&D with a lower level of capitalization compared to 2013;
- stable level of tangible capex;
- 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

Acquisition of Eaton Aerospace's Power Distribution and Integrated Cockpit Solutions business

On January 20, 2014, Safran announced that it had signed a definitive agreement to acquire the Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions business of Eaton.

The acquisition of the Aerospace Power Distribution Management Solutions business brings key contactor and circuit breaker technologies to Safran. As the continuation of Safran's strategy addressing the market for "more electric aircraft", it reinforces Labinal Power Systems, which consolidates the Group's electrical power activities.

The acquisition of the Integrated Cockpit Solutions business allows Safran to bolster Sagem's offering and North-American presence in avionics and flight controls, bringing recognized expertise in panels and displays, including illuminated switches and cockpit controls.

The transaction, which is expected to close in the first half of 2014, is subject to regulatory approvals and satisfaction of other customary closing conditions.