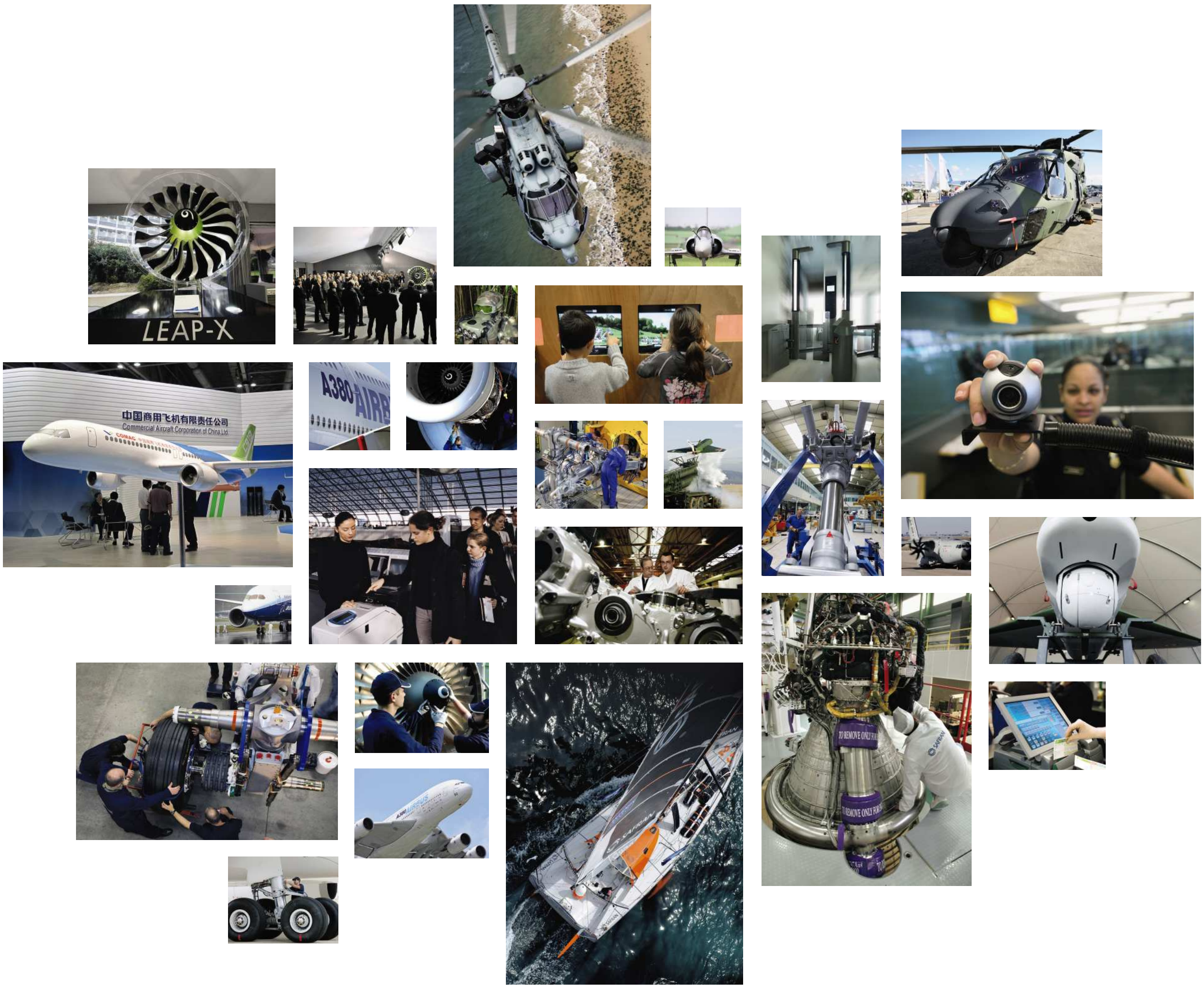


2009 Registration Document

SAFRAN

CONTENTS

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 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.

In each of its sectors, the Group differentiates itself from the competition through its technological expertise. The diversity of its businesses puts it at 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.

The Aerospace Propulsion business model is sound, and its fleet of installed engines offers significant new vistas for value creation thanks to associated maintenance and overhaul activities. Its equipment is or will be used in numerous aircraft programs, and the Group pools its expertise to provide aircraft manufacturers with new, more comprehensive offerings for propulsion or landing systems, inter alia. In Defence, the Group is renowned for its inertial navigation, 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 identification systems, secure documents such as passports and identity cards, and explosives detection systems. The Group has succeeded in cementing its positions on this high-growth market through targeted acquisitions.

Safran enjoys particularly robust fundamentals with front-ranking technical and commercial positions, high levels of investment in 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 going forward.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of this Registration Document *(document de référence)* was filed with the *Autorité des marchés financiers* (AMF) on April 23, 2010 pursuant to Article 212-13 of the AMF's General Regulation. 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.

The English language version of this Registration Document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation.

IN BRIEF

SECTION 01

01

2009 revenue (adjusted data)	R&D expenditure	2009 profit (adjusted data)	Headcount as of December 31, 2009
€10,448 million	€1,100 million	€376 million	54,872 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, testing, maintenance and repair. Group companies provide both original equipment and services to leading global aircraft and aerospace programs. 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 is a leading player in avionics, optronics, electronics and critical software for civil and defence markets.
Security	Safran's Security business offers a suite of solutions developed by the Group to increase the safety and security of travel, critical infrastructure, and individuals. It operates in the areas of biometric identification systems, explosives detection systems and smart cards.

Research and Development

Safran operates in a high-technology and high value-added arena. R&D is therefore essential to Group strategy. The total cost of R&D, over 60% of which is self-financed, was approximately €1.1 billion in 2009, representing almost 11% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

Group Human Resources policy

The Safran Group Human Resources policy focuses on four strategic areas:

- accompanying changes in the Group and preparing for the future;
- strengthening social cohesion and promoting diversity;
- attracting and retaining talent and developing career prospects;
- partnering the Group's international development.

Group Ethics and 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 ethical standards enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and partners.

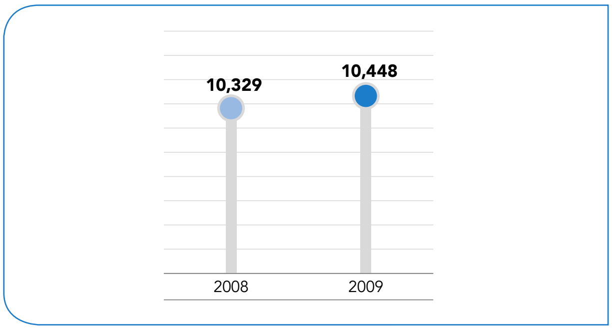
PRESENTATION OF THE GROUP

01

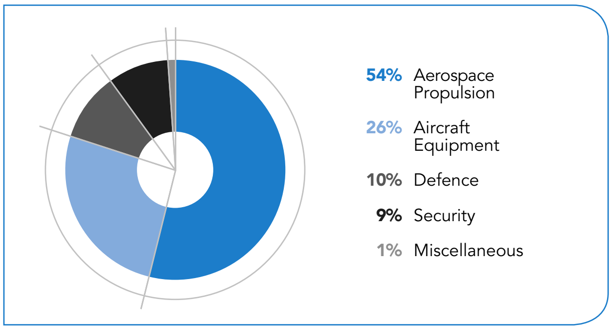
01

1.1 KEY FIGURES

Revenue (adjusted data) [1]
(in € millions)

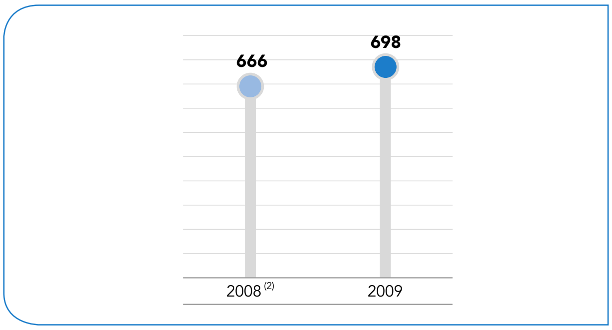


Breakdown of revenue by business



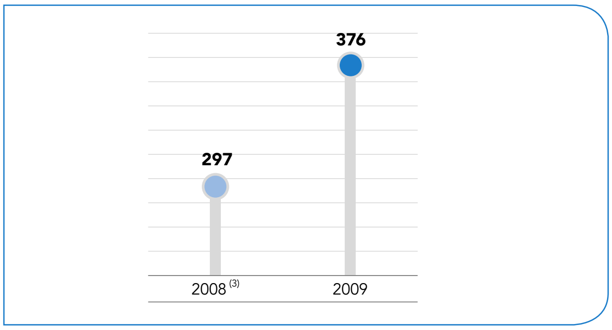
Adjusted revenue grew by 1.2%, buoyed in particular by a 38% increase in the Security business and a fine performance from the Defence segment, especially in avionics. In Aerospace, although aircraft equipment revenue retreated, service activities held firm. Non-adjusted consolidated revenue increased from €10,281 million in 2008 to €10,559 million in 2009.

Recurring operating income (adjusted data) [1]
(in € millions)



Adjusted recurring operating income represented 6.7% of revenue, up on 2008 mainly due to the combined impact of productivity gains, cost-cutting programs, translation gains and the positive impact of changes in the Group's scope of consolidation over the year.
Non-adjusted recurring operating income jumped from €471 million in 2008 to €629 million in 2009.

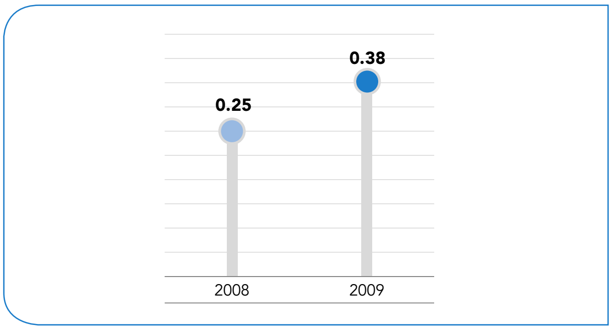
Profit attributable to owners of the parent (adjusted data) [1] *(in € millions)*



Profit attributable to owners of the parent was up 27% year-on-year, amounting to €0.94 per share compared to €0.73 per share for 2008.

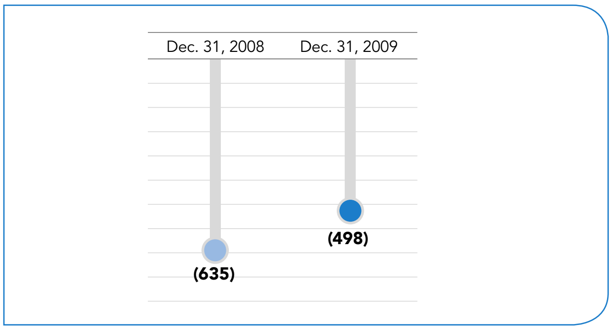
Non-adjusted profit attributable to owners of the parent came in at €641 million in 2009, compared with a negative €205 million in 2008.

Dividends *(in € per share)*



At the Annual General Meeting of May 27, 2010, the Executive Board will recommend payment of a dividend of €0.38 per share, which marks a return to 2007 levels.

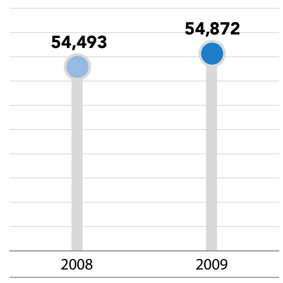
Net debt *(in € millions)*



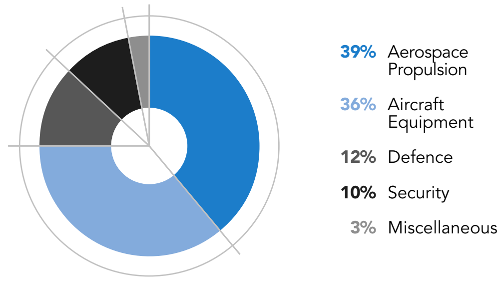
Despite the strategic acquisitions made by the Security business for over €500 million, net debt is down by €137 million, demonstrating the high level of operating profitability and the significant reduction in working capital requirements.

(1) The table reconciling the statutory consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 3.1.
(2) Recurring operating income for 2008 has been restated to take account of changes in the presentation of the financial component of employee benefit costs presented in section 3.1.1, Note 3.
(3) Profit for 2008 has been restated to reflect modifications to the rules for recording adjustments in respect of changes in the fair value of foreign exchange hedges not yet unwound at the end of the reporting period (see introduction to section 3.1).

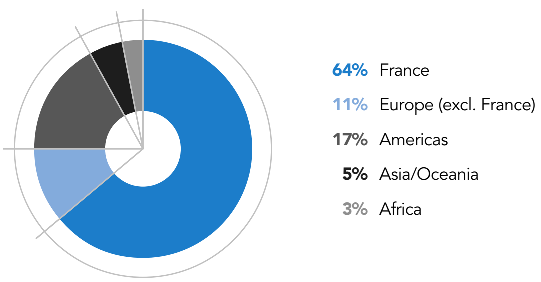
Headcount as of December 31, 2009



Breakdown of headcount by business



Breakdown of headcount by geographic area



20% of employees in France work in R&D

2009 in France

1,000 new hires

work-study contracts **1,300**

2,000 new trainees

01

1.2 OVERVIEW

1.2.1 Group history and companies

Safran is a leading international high-technology Group in the Aerospace (propulsion, equipment), Defence and Security industries, where it enjoys prime global or European market positions, either alone or in partnership with other companies.

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, while delivering fast, local service to customers around the world.

KEY DATES IN THE GROUP'S HISTORY

The Safran Group was created on May 11, 2005 from the merger of Snecma and Sagem. Safran 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. Safran is constantly seeking to adapt and reinvent itself to meet the critical technological and economic challenges of tomorrow.

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 Télécommunication (SAT). This company goes on to design the world's first infrared guidance system for air-to-air missiles.

1945: Gnome & Rhône, one of the world's leading manufacturers of aircraft engines at the end of the First World War, is nationalized and renamed Snecma. It groups together the majority of French aero-engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).

1968: Hispano-Suiza, specializing in power transmission for civil and military aircraft engines, 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 and Messier-Dowty are currently the world leaders in their respective segments of landing and braking markets.

1974: Snecma becomes a civil aircraft engine manufacturer following signature of 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: an aircraft powered by the CFM56 takes off every two seconds.

1993: Sagem purchases Morpho, a specialist in fingerprint-based biometric recognition systems. Today, Sagem Sécurité is the world leader in this sector.

1997: Snecma takes full control of SEP (Société Européenne de Propulsion) and enters the space propulsion market (Ariane launcher).

2000: 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. In the same year, aircraft wiring specialist Labinal joins Snecma and is now one of the top names in this market.

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.

2008: Safran extends its partnership with General Electric (GE) in the fields of aerospace propulsion and nacelles through to 2040. The Security business acquires Sdu-I–renamed Sagem Identification–the European leader in identity solutions.

2009: Safran acquires 81% of General Electric's Homeland Protection business, as well as Motorola's biometrics business. The latter acquisition includes the Printak brand.

1.2.2 Group businesses and main companies

The Safran Group is currently active in four main business segments. Alone or in partnership, its companies take part in the world's most important aerospace programs.

AEROSPACE PROPULSION

The Aerospace Propulsion business groups together all activities relating to propulsion systems for planes, helicopters, missiles and launch vehicles, in the civil, military and space markets. These activities include design, production, marketing, testing, maintenance and repair.

Snecma

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

Turbomeca

Turbine engines for civil and military helicopters, turbojet engines for missiles and drones. Maintenance, repair, support and related services.

Snecma Propulsion Solide

Solid propellant rocket engines for space launch vehicles and missiles, thermostructural composite materials for aerospace and industrial applications.

Techspace Aero

Major components for aerospace engines. Equipment for aerospace applications. Equipment and test cells for aerospace engines.

AIRCRAFT EQUIPMENT

The Aircraft Equipment business includes all companies providing systems and equipment for civil and military planes and helicopters.

Aircelle

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

Messier-Dowty

Landing gear and systems for civil and military aircraft and helicopters.

Maintenance, repair and overhaul (MRO) of aircraft landing systems and related hydraulic systems.

Messier-Bugatti

Carbon wheels and brakes, braking and electrohydraulic systems. MRO.

Hispano-Suiza

Engine power transmissions for civil and military planes and helicopters, electronic power controllers and electrical systems.

Labinal

Electrical wiring for civil and military aircraft. Manufacturing and services for the aerospace, Defence, auto and rolling stock industries.

DEFENCE

Sagem (1)

Solutions and services in optronics, avionics and navigation for aerospace, land and naval Defence. Electronics and critical software for aerospace and Defence applications.

SECURITY

Sagem Sécurité

Multi-biometric identification solutions for fingerprint, iris and face recognition, identity management solutions, smart cards and secure transactions; explosives and illicit substance detection solutions.

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

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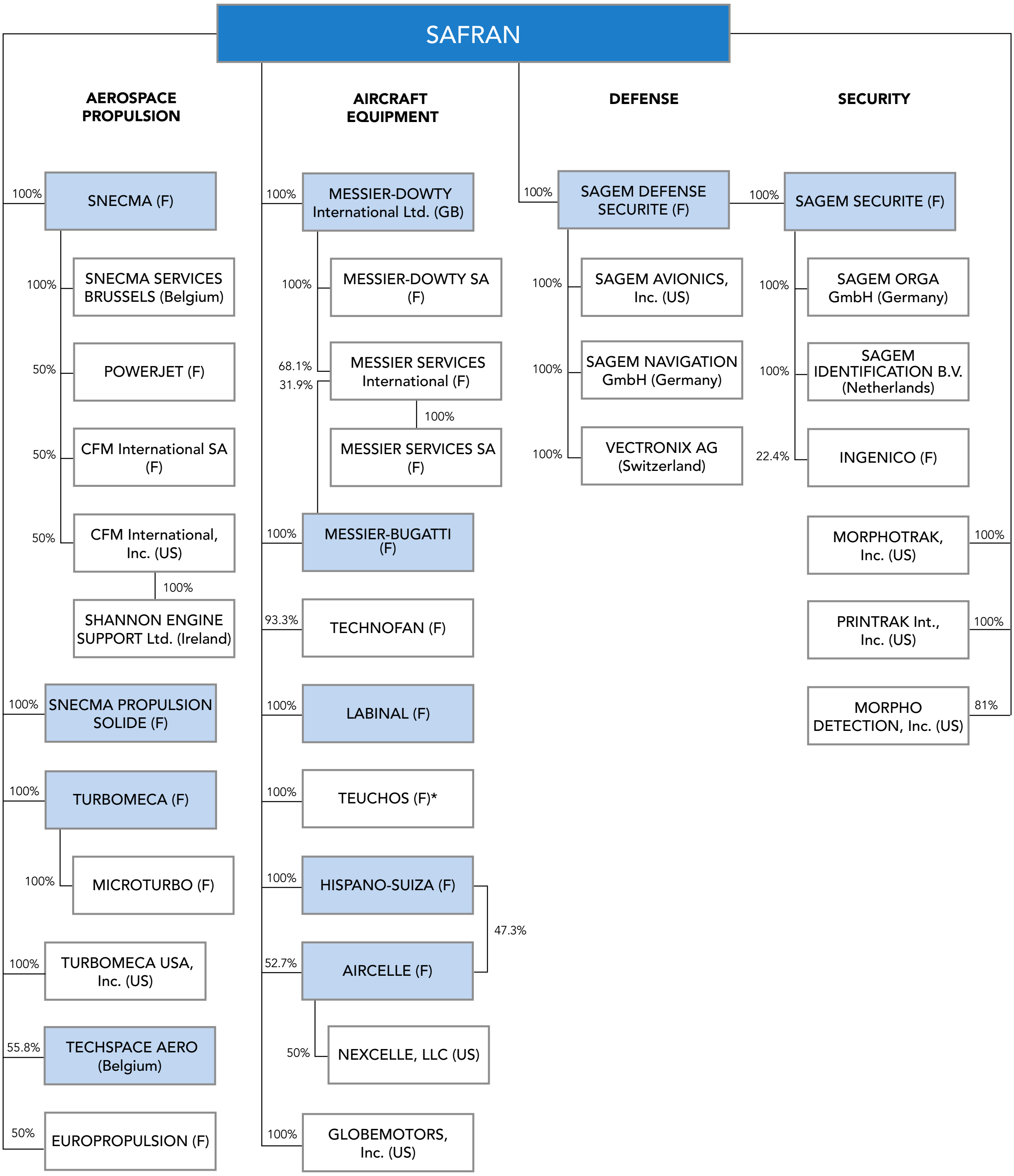
1.2.3 Group organizational chart

The simplified organizational chart as of December 31, 2009 is as follows:



** Safran Engineering Services since March 1, 2010.*

N.B. The subsidiaries identified in blue are the main subsidiaries in their business sector ("Level 1" companies) and report in greater detail on their operations to the Safran parent company (see section 6.1.3.1). The list of consolidated companies is presented in section 3.1.2, Note 38.

1.3 GROUP BUSINESSES

Safran Group is a leading components manufacturer providing critical and high-technology equipment and systems for the Aerospace (propulsion and equipment), Defence and Security markets. It forms 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 branch operates in four business sectors:

Business sector	Main products
Civil aviation	Engines, spare parts and services for civil aircraft
Military aviation	Engines, spare parts and services for military aircraft
Helicopters	Turbine engines, spare parts and services for civil and military helicopters
Ballistics and space	Engines for launch and other vehicles for the space, ballistics and missile sectors

CIVIL AVIATION

Key characteristics of the business sector

The civil aviation sector comprises four main segments:

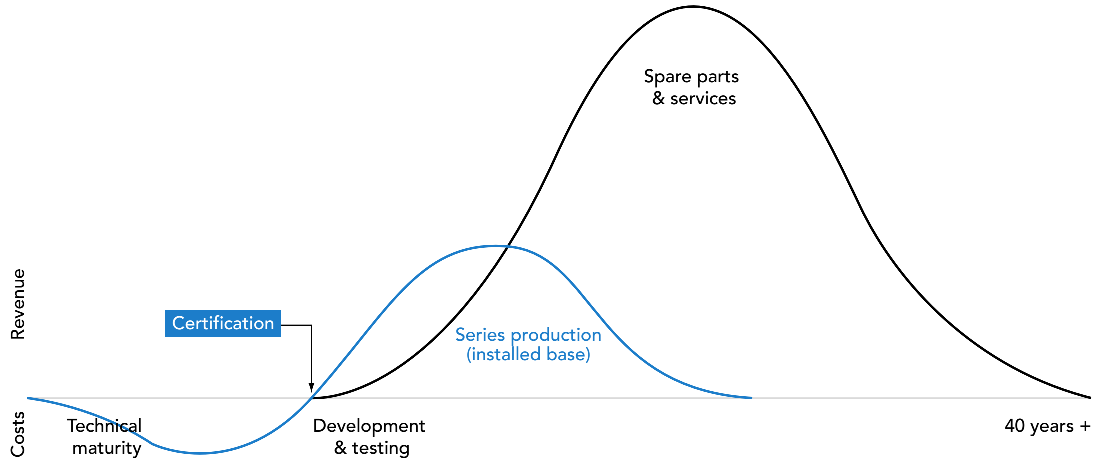
- business jets powered with engines delivering between 5,000 and 18,000 pounds of thrust;
- regional jets (30 to 100 seats) powered by engines delivering between 8,000 and 18,000 pounds of thrust;
- short-to-medium haul aircraft with 100 to 200 seats, powered by engines delivering between 18,000 and 50,000 pounds of thrust;
- high capacity 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 in new aircraft; and
- 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.

Economic life cycle of an aircraft engine



Engine manufacturers generally form alliances and partnerships for the launch of engine programs, due to the technological challenges, cost and development time involved and the risks associated with the program's commercial prospects. These alliances and partnerships may be on an equal footing, between two or more joint prime contractor engine manufacturers, or they may involve the acquisition by one party of a minority stake in a program managed by a single prime contractor engine manufacturer (risk and revenue sharing participant).

Unlike a traditional supplier, who receives a negotiated price for each part sold on delivery, the risk and revenue sharing participant receives a share of sales revenue for the final delivered product, corresponding to its share in the program. The risk and revenue sharing participant supplies spare parts for the sections of the engine under its responsibility, and receives either the sales price for these parts or a fixed-price payment relating to its percentage share in the program.

The sector has four major engine manufacturers capable of assuming prime contractor responsibility for an engine program: GE (US), Rolls-Royce (UK), Pratt & Whitney (US & Canada) and Safran.

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

Group products and programs

Safran operates in the four segments detailed above, where it is mainly represented by Snecma.

Low-thrust engines

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.

The Group is present in this engine range through its participation in General Electric's CF34-10 programs, the CF34-10 being the engine that powers COMAC's Embraer 190 and ARJ 21 regional jets.

Safran also invests in engines for business jets through its Silvercrest program, focusing on engines delivering 10,000 pounds of thrust, which have been pitched to several aircraft manufacturers for future projects.

Mid-thrust engines

The CFM56 engine program generates the largest share of Aerospace Propulsion branch revenue (approximately 50%). 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 A320 range. Competition to power the Airbus range comes from the V2500 engine developed by the IAE consortium comprising Rolls-Royce, Pratt & Whitney, MTU Aero Engines and Japanese Aero Engines Corp. and the PW6000 engine developed by Pratt & Whitney, which currently powers only a small number of A318.

The new generation of the Boeing B737-NG, like the previous version (Classic), is powered solely by CFM56 engines.

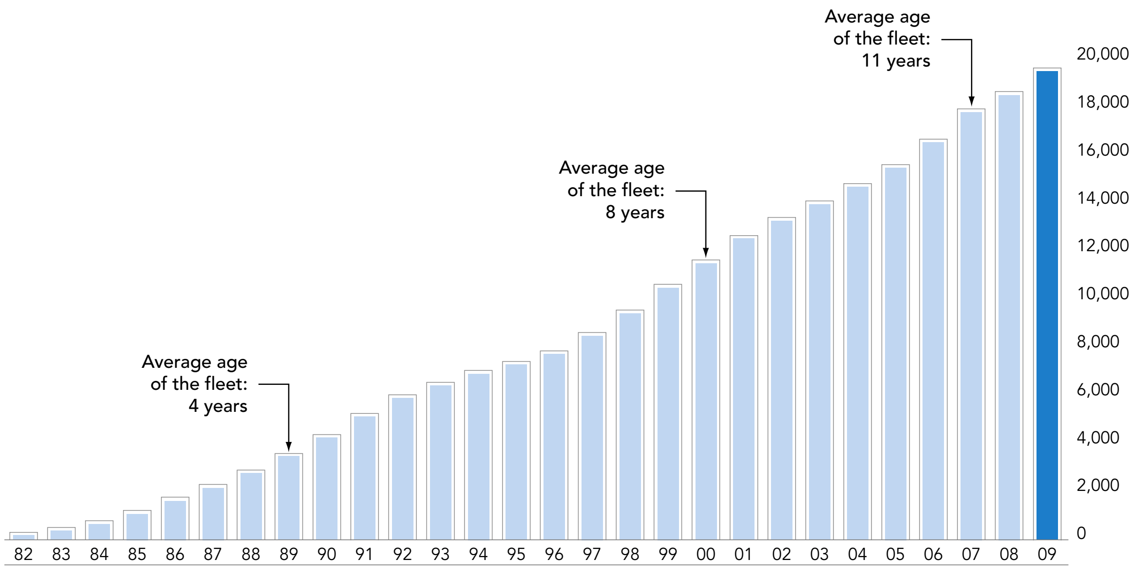
Overall, the CFM56 engine represents 73% [(1)] of the short-to-medium haul aircraft market.

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 largest engine fleet worldwide, with around 20,000 CFM56 delivered.

CFM is also developing a new generation of engine – the Leap-X – which should lead to a 16% reduction in fuel consumption in comparison with the current CFM56 versions. The first tests will be carried out in 2012 and the first version, provisionally named Leap-X1C, has been chosen as the sole Western power plant to provide the propulsion system (engine and nacelle) for Comac's C919 Chinese aircraft. The system is expected to be certified in 2014.

(1) Safran data.

Growth in the installed base of CFM56 engines



High-thrust engines

The Group operates in this engine range as a risk and revenue sharing participant with GE, with participation rates of between 8% and 24% in several major engine programs in series production. These include the CF6 powering the A330 and B747, the GE90 powering the B777 (23.5%), and the GP 7200 powering the A380 (17.5%, including 7.5% with Pratt & Whitney).

The Group is also active in programs under development, such as GE's GenX (8% stake), which has been selected to power the long-haul B787 Dreamliner and the Boeing 747-8.

Spare part and service activities

Given the increase in the installed fleet and its average age, a steady rise in spare parts and service activities can be expected in the future, notwithstanding the probable market penetration of spare parts not supplied by the original manufacturer (PMA).

MILITARY AVIATION

Key characteristics of the business sector

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

The military aviation sector comprises three main segments:

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

The nature and performance of engines varies considerably depending on the segment. Jet engines with a high weight-to-thrust 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 always involve two types of activity, namely original equipment and service, the latter comprising the sale of spare parts and maintenance and repair services.

Alliances and partnerships are formed between engine manufacturers to combine technological and commercial expertise and to spread risk.

The majority of civil engine manufacturers are present in the military aircraft engine market 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, Rolls-Royce and Safran.

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, MTU Aero Engines, Avio and ITP, 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), Rolls-Royce (the Adour in partnership with Safran powering 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 hemisphere), which powers the future 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 operates in the three business segments detailed above, where it is mainly represented by the Safran Group companies, 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 metric tons of thrust), which powers the Super-Étendard 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 Mirage 2000 jets. There are 606 engines in service with nine customers, totaling over 1.6 million hours of flight.
- The M88 engine (7.5 metric tons of thrust) powers the Rafale, with some 248 engines in service.

Training and support aircraft engines

Activity in this segment is based around the following programs:

- The Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's Alphajet training aircraft and for which series production has ceased. The Larzac engine also powers the Russian MiG-AT and Indian HJT36 training aircraft. Approximately 750 engines are in service with 14 customers worldwide, totaling over 3.4 million hours of flight.
- 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 (Safran Group) and Rolls-Royce. The Adour engine powers support and attack aircraft such as the Jaguar aircraft produced by Dassault Aviation and BAe Systems, 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 the military versions of the Boeing 707 (CFM56-2) and Boeing 737 (CFM56-7), as well as the US marine C-40 transport aircraft (military version of the Boeing 737 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 spare part and repairs business.
- The TP400-D6 engine will power the Airbus A400M European transport aircraft.

HELICOPTER TURBINE ENGINES

Key characteristics of the business sector

The helicopter turbine engine market is characterized by significant diversity in applications, manufacturers (over 20 manufacturers worldwide) and customer-users. With the exception of armed forces and certain specific civil applications, current helicopter fleets are small in size, in contrast to the civil aviation sector.

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

Overall, the Group serves:

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

This leads to significant diversity in engines and associated versions. Four main categories exist based on the developed power range: 600/800 shp (1), 900/1,300 shp, 1,500/1,800 shp and 2,000/3,000 shp.

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

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

The profile of a helicopter turbine engine program is extremely similar to that of a civil aircraft engine program as presented above.

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 RTM322 engine, which powers the NH90 and EH101) and between Rolls-Royce, Turbomeca, MTU and ITP (MTRI for the 1,100 shp MTR390 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

(1) Shaft horsepower.

manufacturers looking to enter the propulsion sector, such as HAL in India and AVIC in China. These companies become both the customer and the partner of the engine manufacturer.

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

Group products and programs

Safran is present in all four helicopter engine categories described above, primarily through Turbomeca.

600/800 shp turbine engines

The "Arrius" engine family primarily powers Eurocopter's EC120 and EC135 helicopters and AgustaWestland's A109 helicopter (Italy).

900/1,300 shp turbine engines

The "Arriel" and TM333 engine families primarily power Eurocopter's AS350 B, EC130 and EC145 helicopters, the Sikorsky S76, the AVIC Z9 and Z11 (China), and the HAL Dhruv and Chetan (India). The Arriel 1 E2 engine powers the 322 twin-engine UH-72 Lakota by Eurocopter, ordered by the US Army.

The MTR390 (produced in cooperation with Rolls-Royce, MTU and ITP) powers Eurocopter's Tiger. A special development contract has been signed with Spain for a more powerful version of the Tiger.

Development of the Ardiden engine, intended for the new generation of 5/7 metric ton helicopters, continued with the Ardiden 1. The Indian version, Shakti, developed in partnership with Indian manufacturer HAL, powers the new version of HAL's Druhv helicopter. The latest version, Ardiden 3, is aimed at powering helicopters currently under development in China, Russia and by AgustaWestland.

1,500/1,800 shp turbine engines

The "Makila" engine family primarily powers Eurocopter's "Super-Puma" EC225 helicopters.

2,000/3,000 shp turbine engines

The RTM322 engine (50/50 cooperation with Rolls-Royce) powers NH Industries' NH90 helicopter and AgustaWestland's EH101 and Apache helicopters. This engine, which is in competition with General Electric's T700 engine, has won 12 of the 14 NH90 tenders.

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.

BALLISTICS AND SPACE

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; and
- the military industry, comprising propulsion for all types of ballistic and tactical missiles.

Two types of propulsion technology are used in the civil space industry: solid propellant rocket engines and liquid propellant rocket engines. Liquid chemical propellants or electric propellants (known as plasma thrusters) are used for satellite propulsion.

European civil space activities are assigned among manufacturers in each country to ensure a fair return on the 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, which dominates the commercial market for the launch of geostationary telecommunication satellites. Safran is the main supplier of Ariane engines.

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. France is the only European 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 ESA (1) 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 the fixed-cost percentage is high.

Group products and programs

Safran is present in the civil and military space segments through the activities of Snecma Propulsion Solide and Microturbo.

(1) European Space Agency.

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Civil space propulsion

Safran is the main engine supplier for Ariane rockets. Its direct customers are EADS Astrium, which supplies series production units to Arianespace, and ESA for development activities:

- ***Series production,*** with the manufacture of solid rocket 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; production of the Vulcain cryogenic engine delivering 110 to 140 metric tons of thrust to power the main stage of the G (Vulcain 1) and ECA (Vulcain 2) versions of Ariane 5; and finally, production 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 demonstrator for the new Vinci restartable cryogenic engine, delivering 18 metric tons of thrust, planned for the upper stage of the future heavy-lift Ariane 5, or an additional future European launch vehicle. Safran is a participant in the European Vega program, in which it is notably responsible for developing the nozzle for the P80 solid propellant engine.

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.

Ballistic missile propulsion

Within the context of the G2P economic interest grouping (75% Safran—25% SME, an SNPE subsidiary), Safran provides rocket engines for the missiles of France's ocean-going strategic nuclear force, in particular for the third-generation development program (M51).

Tactical missile and target propulsion

Safran provides engines for MBDA Mistral missiles and Apache and Scalp cruise 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.

1.3.2 Aircraft Equipment

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

The Aircraft Equipment branch operates in four business sectors:

Business sector	Main products
Landing and aircraft systems	Landing gear, wheels and brakes, landing/braking systems and related services, ventilation systems and filters
Engine systems and equipment	Nacelles and thrust reversers, transmission systems and power electronics
Electrical systems and engineering	Wiring, electrical connection systems and engineering
Other equipment	Ejection seats and small electric motors

The Aircraft Equipment branch designs, manufactures and sells its various products, and also manages maintenance, repair and related services and the sale of spare parts.

The growth potential of Safran's Aircraft Equipment branch is significant, with the Group enjoying leading positions in each of its sectors in recent major short-, medium- and long-haul commercial aircraft programs by Boeing (B787, B737-NG), Airbus (A380 and A350) 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 Hamilton-Sunstrand (UTC group), Honeywell and Goodrich are present in several sectors, whereas Liebherr, Spirit, Moog, Zodiac, Thales, Meggitt, Avio, Latelec and Fokker specialize in only one or two specific sectors.

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

Market characteristics are presented individually for each business sector below.

LANDING AND AIRCRAFT SYSTEMS – LANDING GEAR, WHEELS AND BRAKES, SYSTEMS AND RELATED SERVICES

The Aircraft Equipment branch is present in the landing systems sector, primarily through Safran Group companies Messier-Dowty (landing gear), Messier-Bugatti (wheels and brakes, landing/braking systems) and Messier Services (repair services).

Key characteristics of the business sector

The sector comprises three main product lines: landing gear, wheels and brakes and landing/braking systems.

The market for commercial aircraft landing gear is shared by Safran, Goodrich (US) and Liebherr (Germany). Niche players are 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.

The current market for wheels and brakes concerns approximately 15,000 equipped aircraft and is broken down into two equal 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 progressive replacement of steel brakes. The wheels and brakes market is currently shared among four major global players: Safran, Goodrich (US), Honeywell (US) and Meggitt (UK).

The market for landing/braking systems includes braking systems, landing gear extension and retraction systems and monitoring systems. The main players are Safran, Goodrich (US), GE Aviation Systems (UK) and Crane Aerospace & Electronics (US). The market structure differs widely for each product. The market for braking systems is shared by Safran and Crane, whereas the market for extension/retraction systems is fragmented, with more than 50% of market share held by players not mentioned above.

Group products and programs

Landing gear

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 19,000 aircraft of all types. The Group's customer base comprises 33 aircraft manufacturers, including Airbus, Boeing, Bombardier and Dassault, and 2,000 military and civil operators. Among the main commercial aircraft programs is the entire Airbus range, including the A350, as well as the Boeing's B787 Dreamliner, the first contract with this US manufacturer. The Group also has a strong presence in military applications, where it equips the A400M, Rafale, EFA/Typhoon, F18 and Eurocopter helicopters, as well as in the business jet and regional jet markets (ATR, RJ, Falcon 7X, SuperJet 100, Bombardier, Hawker Beechcraft, Fokker and Piaggio, etc.).

Wheels and brakes, landing/braking systems

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 customer for wheels and brakes is Airbus, to which it provides civil applications for the A320, A300/A310 and A330/A340. In the military sector, the Group equips the A400M and the Rafale. Recent contract wins for the A350, B737 NG and B787 have strengthened the Group's relationship with Boeing and bolstered its position as leader in this sector.

The Group holds 47% [1] of the global market for wheels and carbon brakes for aircraft with over 100 seats. In 45% 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. Safran is remunerated on a per equipped-aircraft landing basis.

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.

Support services for landing gear, wheels and brakes and associated 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 50/50 partnerships in Asia, the US and France, the Group offers solutions tailored to regional and business jets.

LANDING AND AIRCRAFT SYSTEMS – VENTILATION SYSTEMS AND FILTERS

Aircraft ventilation systems

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

Filters

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

ENGINE SYSTEMS AND EQUIPMENT – NACELLES AND THRUST REVERSERS

The Aircraft Equipment branch is present in the nacelle and thrust reversers sector through the activities of Safran Group company, Aircelle.

Key characteristics of the business sector

The nacelle is comprised of 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 Goodrich and Spirit.

Group products and programs

Safran designs, manufacturers and provides after-sales services for nacelles for business jets, regional jets and commercial aircraft

(1) Safran data.

with over 100 seats. The Group also provides aerostructures, particularly those manufactured with composite materials.

A recognized expert in the manufacture of complete nacelle systems (A340-500/600 and A380) and acoustic technologies, Safran is one of three global leaders in this sector, with a market share of 25% [(1)]. The recent alliance with General Electric through its subsidiary Middle River Aircraft System for the CFM engine program, will enable the joint development of nacelles for future medium haul aircraft engines, thereby strengthening Safran's long-term position.

ENGINE SYSTEMS AND EQUIPMENT – TRANSMISSION SYSTEMS AND POWER ELECTRONICS

The Aircraft Equipment branch is present in the power transmission and power electronics sector through the activities of the Safran Group company, 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.

Safran is highly innovative in power electronics, especially with regards to ETRAS (Electrical Thrust Reverser Actuation Systems). It recently developed and deployed the world's only available electric control system for nacelles, for the A380. This is a major leap forward on the technological front which, combined with Safran's engine and electrical wiring expertise, places the Group in an excellent position to join the leading global players in onboard electric generation and distribution for tomorrow's increasingly electric generation of aircraft.

ELECTRICAL SYSTEMS AND ENGINEERING

Wiring and electrical connection systems

The Aircraft Equipment branch is present in the wiring and the electrical connection systems sectors through the activities of the Safran Group company, Labinal.

Safran supplies electrical wiring systems and provides services and engineering to the aerospace and Defence markets.

Thanks to its strong positioning with Boeing and Airbus, the Group is a global leader in the aircraft wiring market, most of which is still in the hands of aircraft manufacturer internal departments.

Engineering

The Aircraft Equipment branch is present in the engineering market through Safran Group company, Teuchos. This company provides engineering services to major customers in the aviation (EADS) and automobile (Renault, Peugeot) markets. Its expertise is also called on by various Group companies.

OTHER EQUIPMENT

Small electric motors

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

1.3.3 Defence

Safran is a major player in avionic, optronic, electronic solutions and services and critical software for the civil and Defence markets.

The Defence business comes under the Defence Security branch and can be broken down into three key sectors:

Business sector	Main products
Avionics	Gyroscopes and inertial navigation systems, captors and navigation sensors
Optronics	Optronics, sights, soldier modernization
Electronics and critical software	Onboard calculators and electronic cards

Safran is active in France and internationally in navigation assistance equipment, electronic, optical, and optronic equipment. It develops, produces or purchases, and maintains calculators and electronic cards used in all types of platforms for the civil and military aviation and defence sectors.

Safran's main partners and customers are governments, mainly within the defence sector, and European groups such as Thales, EADS, BAe Systems, MBDA, Finmeccanica, Saab AB, Alenia, Dassault or DCNS.

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, Russia, China, India, South Korea, South Africa, Canada or Brazil.

(1) Safran data.

The Defence activity is based around three divisions: avionics, optronics, and electronics and critical software.

AVIONICS

The Defence business is present in the avionics sector through Safran Group company Sagem [1] and its subsidiary Sagem Avionics Inc. (automatic pilot systems for aircraft, activators and onboard data acquisition and processing modules), and its holding in Astrac (fighter upgrade).

The avionics sector specializes in inertial navigation systems for military and civil applications and develops and manufactures a wide range of equipment and systems, such as vibrating gyroscopes, gyrolasers, automatic pilot and navigation systems (seekers, AASD munitions). The applications corresponding to this product offering are extensive and encompass all types of platform and comprehensive navigation systems, such as combat vehicles and ships, planes, helicopters, and guided weapon systems. Safran covers the full airborne avionics chain, enabling it to apply its expertise to an entire upgrade project for civil or military aircraft. Its mission preparation systems are used by a large number of armed forces.

OPTRONICS

The Defence business is present in the optronics sector through the activities of Safran Group company Sagem [1] and its subsidiaries Vectonix (optronic products, in particular Vector and Jim LR binoculars) and Optics 1 Inc. (integrated systems and optical sub-systems, electro-optical and opto-mechanical systems) and its interest in Sofradir, world leader in infra-red detection.

The optronics sector covers a wide range of equipment and systems, such as night vision goggles, periscopes for nuclear submarines, the FELIN infantry soldier system, vehicle digitization (vectronics) and air-land battle space digitization, "optronic pods" for aircraft and weapon systems and drone systems. The Group also offers a full range of infrared equipment for detection, warning, self-protection, terminal guidance, tracking and surveillance, sighting, and fire control. It recently continued the development and manufacture of highly sensitive infrared sensors for inclusion in high definition thermal cameras, targeting major European, US and Asian markets. Optronic applications cover the air-ground defence, naval-air defence, aviation and space sectors.

ELECTRONICS AND CRITICAL SOFTWARE

The Defence business brings together all Safran Group expertise in onboard electronics and critical software for aerospace applications, as well as for land and naval platforms through the activities of Safran Group company Sagem [1] and its subsidiaries Safran Electronics Asia Pte Ltd (aeronautical maintenance centre for the Asia Pacific region), Safran Electronics Canada Inc. (onboard electronics for business jets and regional aircraft), Safran Electronics USA, Inc. (onboard electronics) and a US joint venture, FADEC International LLC.

The Safran Electronics division was created in early 2009 and is comprised of electronics activities transferred mainly from Sagem [1], the landing/braking systems and monitoring systems activities transferred from Messier Bugatti and the aviation engine control systems activities transferred from Hispano-Suez. This division provides Safran Group companies with the electronic cards, calculators and software they need for their world-leading programs. It develops, produces or purchases, and provides maintenance for calculators and electronic cards for numerous systems, including landing gear, avionics, navigation and optronics.

1.3.4 Security

The Security business can be broken down into three key sectors:

Business sector	Main products
Detection	Detection systems, equipment for detecting and analyzing explosives and illegal substances
Identification	Identification systems for government agencies, social services, criminal identification, border control; road safety solutions, biometric terminals, gaming and betting terminals
Smart cards	Bank cards, SIM cards, secure identity documents

Safran is present in the security sector through Sagem Sécurité, the world leader in biometric solutions, and its subsidiaries and shareholdings. Companies of note in this sector include Morpho Detection (formerly GE Homeland Protection, detection of explosives and illicit substances), Sagem Orga (smart cards), Morpho Trak (link-up of Sagem Morpho and Printrak, acquired from Motorola–biometric recognition systems), Sagem Identification (European leader in secure documents, in particular passports).

In this sector, the Group is aiming to become a global leader in digital identity solutions, a leading player in passenger and goods flow control and a major competitor in the security of critical infrastructure. To this end, it is focusing on organic growth of around 10% to 12% per annum in the targeted markets, ongoing improvement of its technology offering, a policy of industrial and academic partnerships and, potentially, major new acquisitions in related markets.

Through these companies, Safran has perfected cutting-edge technology in areas such as detection (explosives and illicit substances), biometrics, onboard software (in particular smart card operating systems), secure terminals (speed control radars,

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

gaming terminals or biometric terminals), secure printing techniques and cryptology. 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. It is a listed supplier of the TSA (Transportation Security Administration) in the US and of numerous airports worldwide. It is also a global partner of the ACI (Airport Council International) and participates actively in the "Simplifying Passenger Travel" working group, which seeks to make air travel easier and more secure. Airport security may be endangered by internal or external attacks of a physical or data nature. Safran offers protection against each of these threats.

GROUP PRODUCTS AND PROGRAMS

Detection

Safran is present on the detection market through the US company Morpho Detection, in which Safran acquired an 81% interest from GE in 2009. Through targeted technological agreements with cutting-edge companies and major research laboratories, Sagem Sécurité also continues to play a role in the latest developments in this area, closely monitoring progress and investing in research.

Morpho Detection, with its worldwide installation and maintenance network, supplies equipment and systems for the detection of explosives and other dangerous or illicit substances (narcotics, biological and chemical agents, radioactive materials, etc.). Morpho Detection specializes in several key technologies such as 3D X-ray tomography, X-ray diffraction spectroscopy, ion mobility spectroscopy, Raman spectroscopy and quadripolar magnetic resonance.

Products run the whole gamut, from automatic detection systems such as security scanning tunnels for airports, which will soon be able to check up to 1,000 bags per hour (1), to portable trace detection and analysis systems used by a whole range of security services (inspection/screening areas at airports, prisons, and national borders, as well as for civil security and police operations, etc.). This extensive range of detectors contributes to airport and air transport security, as well as to the security required for sea or land borders, critical infrastructure (manufacturing sites, government infrastructure, etc.) and major events.

Morpho Detection has installed and provides maintenance for 1,600 tomographs for checked baggage inspection, representing more than 60% (2) of such machinery installed worldwide. The latest addition to the range, the CTX 9800, was certified by the TSA in 2009 and is ready for the new European Standard 3, which will be mandatory for new installations in the EU from 2012. It also provides unique automatic detection solutions combining tomography and X-ray diffraction, allowing better detection capacity and considerably reducing the number of false alarms.

The main competitors in tomography are US companies L3 Communication and Reveal. Morpho Detection has one of the market's most comprehensive and efficient trace detection and analysis offerings, its main competitor being UK company Smiths Detection.

Identification

Identification solutions comprise the Group's identity programs and products (identification solutions, automatic systems for processing biometric data, ID documents, etc.) and security equipment (biometric terminals, gaming terminals, road or rail safety equipment, etc.), which, by identifying 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 an individual (pin code, biometric data, etc.) that the individual is who they say they are. In general, systems security is based on the combined use of two systems: identification is used when a right of passage is issued, to verify that the individual requesting the right is not *persona non grata* and that he or she is not referenced in the system under another name. At this stage, the reference biometric information is created that will later be used to authenticate the requester when he or she exercises this right.

Safran offers numerous techniques to identify physical persons, including digital fingerprint (and potentially vein pattern) recognition, facial and iris recognition and various combinations of these techniques. The implementation of these techniques enables the following systems and solutions to function:

- major identification systems (censuses and production of ID cards, voter cards, passports, e-health cards, driving licenses, etc.);
- border control solutions, including digital fingerprint (Paris airports) or iris (UK) recognition to control passengers who have checked in online, a common European visa system for asylum seekers, and facial and electronic passport data recognition (Australia/New Zealand);
- solutions to help solve crime, such as automatic fingerprint identification systems for police or legal authorities.

The market for automated fingerprint identification systems (AFIS) is concentrated in the hands of a few players. Safran is the global

(1) TSA certification for 1,000 bags per hour expected during first-half 2010.
(2) Safran data.

leader, boasting a market share of approximately 50% [1], followed by NEC and Cogent Systems. Having reached maturity in crime-solving support applications for leading scientific police laboratories worldwide, AFIS markets are currently enjoying a significant upturn thanks to the international development of applications for the delivery and verification (mainly at border controls) of passports and other biometric identification documents (ID card, e-health card, etc.).

Sagem Sécurité's biometric algorithms considerably speed up the process for authenticating the identity of holders of these documents, which in turn speeds up the movement of travelers in airports, for example.

Markets for identification management and flow control multiple applications are highly competitive. They comprise numerous industrial players (L-1 Identity Solutions, Crossmatch, etc.) and major integrators (IBM, Unisys, etc.) in a whole host of business sectors. This offers Safran the opportunity to adopt a variety of positions through a cooperation approach. Safran is currently a major global player in identity solutions, with market share estimated by the Group at 12% [2].

Contributing to these solutions are Dutch subsidiary Sagem Identification, specializing in the printing of secure documents, US subsidiary MorphoTrak, created from the link-up of Sagem Morpho Inc. and Printrak, and Sagem Orga, specialized in smart cards, which provides and personalizes cards for identification applications.

The biometric detectors and sensors used for access control applications are researched and deployed within Sagem Sécurité's identification division. These applications are both physical (premises) and data-based (information systems). Products also include secure terminals for lotteries or bookmaking, or products, systems and services for transport safety:

- road safety: Safran products cover all road safety control requirements (speed limits, signaling, etc.), including manual solutions and fully automated digital solutions;
- rail safety: Safran has over fifty years experience in railway signaling, surveillance, train driving assistance, speed cameras and passenger information systems.

Cards

Through Sagem Orga and its subsidiaries, Safran is the fourth-largest [2] smart card company worldwide after Gemalto, Oberthur Card Systems and Giesecke & Devrient. Safran is present in all market segments, including mobile phones, bank and ID cards and, more recently, secure access to business networks and internet.

On the SIM card market, Sagem Orga supplies the world's largest mobile operators. Sagem Orga is a significant player in terms of both volume and value, and is renowned for its state-of-the-art supply chain, with five major production centers in Germany, Russia, Brazil, India and Mexico. In 2009, these centers delivered 340 million SIM cards across the globe.

Mobile communications are constantly evolving, and four R&D centers focus their energies on the most high-growth projects. These include NFC (near field communication), which will soon enable users to identify themselves via their mobile phone, using it to pay for purchases, for example; machine-to-machine technology capable of tracking GSM-equipped vehicles; or digital identification where a smart card becomes a means of internet user authentication, with reliability as high as for the mobile phone network.

Sagem Orga supplies the major banks across Europe, Brazil and certain regions of Asia. In addition to the production centers, the value chain depends on partner companies personalizing the cards with a maximum of reliability and confidentiality. This sector is currently benefiting from the extension of the EMV (Europay MasterCard Visa) standard, which authorizes payment by card throughout the European Union and beyond, and "contactless" payment which speeds up payment and therefore increases profitability for distributors.

Lastly, Sagem Orga contributes to Safran's leadership on the identity solutions market by supplying smart cards for driving licenses, identity cards or voter cards provided by Sagem Security. These cards, which use biometric technology, are of interest to governments for facilitating online communication between citizens and government bodies. Sagem Sécurité's proven expertise in cryptographic algorithms is a measure of its reliability in this market.

In the burgeoning identity access management sector, Sagem Orga supplies companies with authentication tokens granting employees electronic access to premises and information networks. These tokens also give internet users peace of mind when paying for purchases online.

These various market segments are highly complementary and allow the smart card division to continually nurture its industry-leading technological excellence and ensure the responsiveness required in this high-growth sector.

(1) According to the 2007 Frost and Sullivan "World AFIS Market" study.
(2) According to the 2009 Frost & Sullivan "2008 Total Smart Card Market" study.

1.4 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, the Safran Group calls on the best knowledge available in the mechanical, aerodynamics, reactive flow, technology, thermodynamics, metal or composite material and electronics, spectrometry, X-ray imaging, image processing and information processing sectors. 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.

Together, these phases are known as RTD (Research, Technology and Development) and are fundamental to the implementation of the Group's strategy. The total cost of these activities, over 60% of which is self-financed, was approximately €1.1 billion in 2009, representing almost 11% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

Research and Technology is decentralized, enabling each company to better focus on its objectives. In tandem, the Group is constantly working to develop technology synergies. Centers of excellence combining the expertise of several subsidiaries have been set up in the most transverse disciplines, such as materials and processes, acoustics, thrust electronics, monitoring and critical software.

The strategic challenges facing the Group determine the primary focus of Research and Technology activities and command the majority of the budget. These challenges are directly related to the current positions of Safran in its markets and those targeted in the long-term.

1.4.1 Major technological focuses

IMPROVING ENGINE PERFORMANCE

Propulsion performance objectives for 2020 and acceptance restrictions for future aircraft engines were defined two years ago by ACARE [1]. The targeted 20% reduction in engine consumption, 60% reduction in polluting emissions and a 50% reduction in perceived noise underpin the initiatives taken to prepare the successor to the CFM56 engine for the new generation of short-to-medium haul aircraft to be designed during the coming decade.

These initiatives incorporate two technological phases:

- the LEAP-X turbofan engine with a traditional architecture. For those modules under Snecma's responsibility, this integrates advanced technologies such as a lightweight air blower made from composite materials, a slow low-pressure turbine and higher energy extraction for the production of electricity onboard. This engine will be available in 2014 and will bring about major improvements in current performance levels, particularly in terms of fuel consumption. It is currently used for the C919 [2];
- the second phase is more innovative and in line with ACARE, whose objectives require a break with the existing engine architecture. To this end, several possibilities, such as the open rotor, are currently the subject of advanced research as part of European programs such as VITAL, the sixth FPRD [3] run by Snecma, or DREAM [4], recently launched in the context of the seventh FPRD. These concepts may be subsequently assessed by demonstrations performed as part of the "Clean Sky" Joint Technology Initiative. This program, approved by the European Council at the end of 2007, will accompany technological developments up to 2014.

Regional transport and business jets are two high-growth aerospace sectors requiring new-generation engines with lower fuel consumption and reduced noise pollution. In these sectors, Safran benefits from experience gained in low pressure modules thanks to the CFM56 and in hot sections thanks to the M88, as well as expertise gleaned from several European programs since the fifth FPRD. The SaM146 engine performed most of its in-flight tests in the first Superjet 100s, with roll-out scheduled for 2010. The Silvercrest HP core demonstrator, an engine intended for business jets, successfully completed the ground tests.

Helicopter turbine engines are subject to similar imperatives requiring reductions in fuel consumption and environmental impacts. To this end, Turbomeca launched a number of technology programs covering similar areas in order to respond to the future needs of helicopter markets. A demonstrator is currently being developed in the 800 kW range. Turbomeca is also conducting research in conjunction with customers to produce innovative new engine integration products.

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)

(1) Advisory Council for Aeronautics Research in Europe.
(2) Chinese short-to-medium haul aircraft project launched in 2009.
(3) Framework Programme for Research and Development.
(4) ValiDation of Radical Engine Architecture SysteMs.

are characterized by heavy mechanical loads and a more difficult environment than for other aircraft sections such as airframes. The Group is also developing specific technological solutions in the composite materials sector. The integration of multi-D woven composite carbon struts in the first landing gear for the B787 Dreamliner perfectly illustrates Safran's front-ranking position in technological innovation. In this sector, Snecma Propulsion Solide provides core expertise for thermostructural composites. Several projects are underway to perfect the introduction of these composites into aircraft engines.

Continued research efforts into rocket propulsion, a cutting-edge industry where technological demands are extremely high, remains a Safran priority. The most striking recent result is the qualification of three M51 propellants following four successful experimental flights, authorizing the deployment of this new-generation missile in 2010.

MORE ELECTRIC AIRCRAFT

The move towards increased use of electrical energy continues. The trend, which started with the A380 and B787 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. In France, several projects have been launched in competitiveness hubs set up by the government to encourage research and innovation. Within the Group, projects have been launched by the SPEC [(1)] Center of Excellence focusing on power electronics, while projects have also been developed under the AMPERES initiative dedicated to demonstrations of highly integrated systems. These efforts are boosted by numerous academic alliances with around 15 CNRS laboratories, which led to the signature of the POCA agreement in 2009. Technology projects are also undertaken with partners at the cutting-edge of electrotechnology in their sector, such as Alstom, Schlumberger, Schneider and Valeo.

DEFENCE SECURITY

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. In 2009, for example, this approach led to the innovative hybrid HRG [(2)] sensor, which has delivered world-leading performances.

Avionics

With the creation of Safran Electronics, the Group embarked on more structured and ambitious onboard electronics and systems engineering projects, including the harmonization of procedures. By playing a significant role in the Artemis-JU CESAR project as technical coordinator, it has positioned itself as major player in the field of technological progress in these sectors.

Security

Sagem Sécurité'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 increasing anti-fraud capabilities and information extraction in difficult environments. The acquisition of GE Homeland Protection has resulted in a new strategic focus for the Group, namely the detection of explosives and illicit substances. The Group will concentrate on the development of related technologies in the next few years.

1.4.2 Technical and scientific partnerships

In implementing its R&T strategy, Safran enjoys the support of its partners which provide it with scientific and technological expertise. Two key success factors therefore come together: the identification of known or latent market needs through customer contact and a role in an increasingly complex and multidisciplinary scientific and technological environment.

In 2009, Safran created a Scientific Council, chaired by Georges Charpak and comprising seven leading international scientists bringing proven expertise in all the scientific disciplines underlying Group businesses. One of 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 (French Aerospace Research Agency) is a close partner active in several sectors, including aerodynamics, energy and materials. However, it is the 15 laboratories and institutes with which Safran has entered into long-term partnership agreements that constitute a veritable external research division covering several sectors. The majority of these partnerships with laboratories fall under the framework agreement between Safran and CNRS (French National Center for Scientific Research), which was renewed in 2008. Overall, Safran supports the work of around 150 PhD students and provides its scientific partnerships with considerable amounts of annual funding. Safran is also building closer ties with CEA, the French atomic energy commission. Following on from the thermostructural composites laboratory, known by its French initials LCTS, a second joint research group should soon come into its own to focus on imaging and vision techniques. In addition, Safran is a founder member of FNRAE (French National Foundation for Aerospace Research) and the French Research Cooperation Foundation to which the Toulouse Aerospace RTRA is related. Safran is also a major player in several competitiveness hubs and in particular the System@tic, Aerospace Valley and ASTech centers.

(1) Safran Power Electronics Center.
(2) Hemispherical Resonator Gyroscopes.

Safran plays an active role in European Union bodies and programs. The Group participated in setting the Strategic Research Agenda (SRA) and is a member of ACARE. It has played a leading role in aviation research programs since the first FPRD and in particular in those programs focusing on noise reduction and environmental protection. It contributes actively to perfecting technology building blocks and demonstrating solutions satisfying ACARE 2020 objectives. More recently, Safran played an active role in establishing the Clean Sky Joint Undertaking, bringing together the leading players in aviation R&D, and in the European Commission in a demonstration program about airframes, engines and systems, to be completed in 2013.

Safran also works with several prestigious universities in the USA, including Stanford and Virginia Tech.

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.

1.4.3 Innovation and intellectual property

Innovation is at the heart of Safran's strategy. The competiveness 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 and hemispheric resonator gyros. The creation of cross-disciplinary teams, capitalizing on the wide range of expertise available in the Group, offers both an efficient and high-performing organizational structure that is increasingly used for innovation projects.

Methodological tools encouraging innovative research were recently piloted in several Group companies. New methods were tested to resolve complex technical problems and produce more efficient innovative architectures. The aim is to implement the tools and methods that are best suited to the wide range of needs expressed by Safran Group companies.

The development of technical expertise is also key to preparing for the technological challenges of tomorrow. The organization of experts into networks is now up and running. The first convention of experts took place in 2009 and brought together 250 specialists and senior experts in their fields.

Intellectual property is of increasing importance amid globalized markets and ever-fiercer competition. It responds to operational imperatives, while strengthening and securing the Safran commercial positions. A number of actions were recently undertaken to improve overall efficiency at Group level. An Intellectual Property Committee was set up to combine efforts and strengthen synergies. The creative and innovative ability of teams is demonstrated by the increasing number of patents filed. Over 500 patents were filed in 2009, continuing the upward trend of recent years. On a comparable structure basis, this places the Safran Group among the leading French filers of patents [1]. Overall, the Group portfolio comprises some 13,000 patents around the world, bolstering its position as international leader in a large number of areas.

Dependence

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

1.5 HUMAN RESOURCES

The Safran Group Human Resources policy focuses on four strategic areas:

- accompanying changes in the Group and preparing for the future;
- strengthening social cohesion and promoting diversity;
- attracting and retaining talent and developing career prospects;
- partnering the Group's international development.

ACCOMPANYING CHANGES IN THE GROUP AND PREPARING FOR THE FUTURE

- 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 secure the legal procedures;
  - define and negotiate the status of employees affected by these changes;
  - organize, coordinate and monitor staff mobility related to these changes.

(1) Ranked fourth by the French Industrial Property Institute at March 23, 2010.

Accompanying the Group's organizational changes also requires a good understanding of Safran's mid-term needs with regards to its businesses and expertise.

- In 2009, the Group embarked on large-scale initiatives to upgrade its management techniques and processes. Within the HR division, these initiatives involve payroll, the administrative management of staff, training, recruitment and mobility.

  A service center was set up that will ultimately take over payroll and administrative tasks for the entire Group in France.

  Towards the end of the year, a decision was made at Group level to set up two new HR departments—one for training and management development and another focusing on engineers and executives.

- The Group's business sector benchmark was created in 2007, enabling management to monitor employees per business sector, carry out forward-looking analyses (quantitative and qualitative developments in the business sectors along with strategic developments within the Group) and decide on actions to put in place, in particular with respect to recruitment, training and mobility.

  A group-level manpower planning agreement is currently under negotiation, which will round out similar agreements in the subsidiaries by providing for:

  – ways to inform employee representative bodies on the Group's medium-term strategy and outlook and on the likely consequences in terms of employment;
  – an analysis, based on the business sector benchmark and the consolidated data on employment within the Group companies, of current resources and likely changes in requirements in terms of businesses and skills-sets;
  – the identification at Group level of growing or declining businesses and businesses that are vulnerable or under threat, to determine the specific measures to put in place;
  – the development of career paths and employability within the Group; and
  – retirement planning and management.

- In the Group's high technology businesses, training is an instrumental driver of individual and collective progress. Safran invests close to 4% of total payroll costs in training. The Safran University coordinates and enhances the training programs implemented by companies, with modules dedicated to managers and future top executives of the Group.

STRENGTHENING SOCIAL COHESION AND PROMOTING DIVERSITY

- Social cohesion is a major challenge underpinning the harmonious growth of the Group.

  This objective is based on:

  – developing a common set of employee benefits for all Group employees (employee profit-sharing, Group savings plan, insurance policy, etc.);
  – encouraging the convergence of employee measures and practices (incentive and profit-sharing schemes, manpower planning, etc.);
  – establishing employer-employee relations with the creation of a Group Committee and a European Works Council.

- The promotion and management of diversity and equal opportunity are considered factors underpinning Group cohesion and performance.

  Safran's commitment to combating discrimination and guaranteeing equal opportunity involves the insertion and training of handicapped people, gender equality, outreach programs for youths from underprivileged areas and the management of older employees.

  Awareness-raising and communication initiatives, along with the specific targets in place, reflect Safran's determination to boost its social responsibility in this area.

ATTRACTING AND RETAINING TALENT AND DEVELOPING CAREER PROSPECTS

Recruiting the best profiles and offering them attractive career paths is the focus of Safran's HR policy.

In 2009, the Group pressed ahead with its communication campaign aimed both at new graduates and more experienced candidates. The objective of this campaign was to raise awareness of Safran's business lines and of internships and careers within the Group. A total of 2,000 students carried out internships in 2009.

Safran also stepped up its presence at target schools and universities in France and abroad, through career conferences, yacht sponsorship events and visits to industrial sites, and by strengthening its partnerships with and its participation in the target schools' management bodies.

To expand career prospects, the Group's career committees encourage mobility, training and retraining opportunities. The Safran University is also involved, through courses preparing managers to take over new responsibilities.

In 2009, the Group introduced a special new "career review" mechanism to assist employees at all stages of their working life.

This involves an interview with a Safran career development counselor at significant milestones (30, 40 and 50 years with the Group) to plan any potential training or retraining initiatives.

Tools to enhance talent detection and to monitor strategic populations are also being rolled out.

The Group adopts 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.

PARTNERING THE GROUP'S INTERNATIONAL DEVELOPMENT

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 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;

- rolling out international employee shareholding initiatives through an International Group Savings Plan.

The Group will continue enriching the international dimension of its teams, by employing an increasing number of international employees in its French companies and developing career opportunities in its subsidiaries outside France.

1.6 GROUP ETHICS AND 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;
- corporate citizenship.

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.

Behavior outside the Group

Compliance with laws and regulations

In all the countries in which the Group operates, its employees must uphold the laws in force. It may sometimes be difficult to understand the laws in a legal and cultural environment very different from the context in which people have previously worked. In case of doubt, employees should immediately consult a superior or the legal department. Employees working in a subsidiary jointly owned by a Group company and a foreign company must uphold the laws of the country in which the subsidiary is based, the countries in which it operates and the country or countries in which its shareholders are based.

The Group applies international agreements combating corruption of public officials.

Behavior towards customers

Each employee must uphold the principles of fairness and integrity in their dealings with customers.

Given the nature of Group products and services, absolutely no compromise is acceptable in terms of safety. Any situation that may seem questionable to an employee must immediately be referred to a superior or to the Quality manager.

Relations with shareholders

The Group regularly provides shareholders with comprehensive and transparent information. It takes particular care to implement international corporate governance standards and principles.

Relations with suppliers

The Group chooses suppliers on the basis of objective criteria in the sole interest of the Group.

The Group demands high performance and excellence from its suppliers to enable it to fully meet the expectations of its customers.

Under no circumstances will the Group use suppliers involved in child or forced labor.

Integrity

Under no circumstances may employees damage the reputation of the Group, 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.

Under no circumstances may Group employees accept gifts or benefits, except of symbolic value, from suppliers.

Similarly, Group employees may not propose or award such gifts or benefits with a view to obtaining a contract.

No one should display the slightest indulgence with respect to active or passive corruption.

Sustainable development

Today more than ever, protecting the environment is a critical concern for all Group employees from product design through to the industrial process as a whole.

Political and religious activities

The Group does not fund any political parties.

Any political activities and religious practices in which employees may be involved must be practiced exclusively outside the workplace and out of working hours.

Behavior inside the Group

Protecting the confidential nature of certain information

In the course of their duties, all employees have access to confidential information. Even if incomplete, this information represents a key asset of the Group and must not be divulged to competitors.

Similarly, employees may possess information concerning national security. It is essential to bear in mind at all times the importance of protecting such information from third parties.

Employees of each Group company must also ensure that the information required for the proper performance of their duties circulates normally inside and outside the company and that it is always accurate.

Respect for other people

The safety and health of individuals are prime objectives for all Group employees.

As a matter of principle, the Group guarantees equal opportunity for all its employees. Recruitment and promotion are based exclusively on professional qualities, without any form of discrimination. The Group undertakes to respect the dignity and private life of each of its employees.

One of the Group's core values is to create the necessary conditions for everyone to achieve fulfillment in their professional life.

Hierarchical authority may not be used for any purpose other than ensuring the proper running of the Company. It must be exercised with restraint and discretion, and must not lead to any form of abuse or harassment.

Compliance with the Ethical Guidelines

The Group brings the contents of the Ethical Guidelines to the attention of each employee and demands his or her compliance.

Should an employee have any doubts as to the appropriate conduct to be adopted, he or she must immediately consult a superior or the Group's Legal Department.

Implementation of Ethical Guidelines

In order to guarantee the application of the Ethical Guidelines, Safran has defined common supervisory requirements applicable to all Group companies. These requirements are broken down into a series of specific and detailed procedures and directives for each Group subsidiary, and are adjusted to take account of the regulations applicable to each subsidiary's specific organization, products and markets.

As part of its ongoing improvement drive, Safran regularly audits the application of these procedures together with the departments concerned, i.e., international affairs, internal audit and internal control.

The Group's approach to ethics is instrumental in the following two areas:

Prevention of corruption in commercial activities

One of the principles of Safran's Ethical Guidelines is strict compliance with the applicable laws in force and, in particular, all laws and regulations regarding international trade and standards of ethics and integrity. Safran prohibits all forms of corruption in its business transactions, at national, international, public and private sector level.

Safran and all Group companies have signed the Common Industry Standards developed by the Aerospace and Defence Industries Association of Europe (ASD), which promote and reinforce integrity among its members.

This document lays down principles enabling companies to draw up exacting standards and exchange best practices, encourage review and training programs and, in general, establish and disseminate a common ethical and anti-corruption stance throughout the industry in Europe, in accordance with national anti-corruption laws laid down in the OECD's 1997 Anti-Bribery Convention, the United Nations Convention against Corruption and any and all other laws in this respect.

To ensure that these principles are put into practice, Safran has set up a business compliance program, which serves to make employees and management aware of their responsibilities and safeguard the Group and its companies.

This compliance program has been developed under the responsibility of the Group's International Development Department (IDD), with the assistance of the Business Compliance Department. The program is coordinated by a Group Trade Compliance Officer.

The program involves:

- defining and implementing strict rules and related procedures, which are available to all employees on the Group's intranet site, with respect to the choice and management of consultants. This ensures that consultants proposed by the companies are validated independently and without commercial pressure and that any related draft agreements meet business integrity requirements. The procedure is updated each year in order to take account of any changes to anti-corruption regulations and disseminate best practices identified throughout the Group;
- a due diligence of all consultants by an external company;

- monitoring Group companies' implementation of and compliance with procedures. To this end, the IDD regularly reviews the compliance of consultants' files within the companies and audits are carried out by the Group's Audit and Internal Control Department. These audits aim to ensure that procedures are being correctly applied, that accounting procedures are being complied with (in particular that bills issued by the consultants are properly checked), that all payments made to consultants correspond to a completed service, and that the amounts paid do not exceed market rates;
- creating a network of Trade Compliance Officers (TCOs) in the companies. The IDD is responsible for providing the officers with any useful information and for assisting them with their task. The TCOs report to the Group Trade Compliance Officer. They are personally liable, by delegation of their Chairman and CEO or Director, for the compliance of their company's business transactions with all of the Group's anti-corruption procedures and instructions.

  They must ensure that the persons exposed to and concerned by such risk within their companies have received or will receive information and training on Safran's business compliance program and carry out any necessary reviews to ensure that procedures are complied with.

  The TCOs must also appoint Trade Compliance Correspondents (TCCs) in their companies if those companies have an independent business activity;
- training Executive Management, the Central Committees and all employees exposed to or concerned by risks or involved in sales (sales representatives, staff in administrative or financial roles, etc.).

  In order to keep the information provided at training sessions up to date, the Group has set up a compliance watch unit to keep track of changes in anti-corruption regulations, use and practices in all countries in which it has operations. This unit has been implemented in conjunction with the state-run organization ADIT (the French agency for the dissemination of technological information), and the updates are distributed to all employees every two months. The IDD also publishes weekly bulletins on current regulatory events in the anti-corruption field, as well as on cases of economic crime worldwide.

  Preventing corruption within the scope of its business is a fundamental priority for the Group.

Control of exports and re-exports to third countries

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, namely (i) implementation of an organizational structure; (ii) preparation of an Internal Control Program by each Group company; (iii) training and awareness-raising; (iv) identification of export authorization requirements; (v) management of export authorization requests; (vi) establishment of export authorizations; (vii) monitoring and audit of the Control Program; (viii) monitoring of technology transfers (data and software); and (ix) treatment of any cases of non-compliance. This Compliance Standard prepares the companies for obtaining "certification" in a timely manner from government bodies verifying manufacturers' compliance with regulations within the scope of the European Directive on intra-Community transfers of Defence equipment.

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:

- a Group Export Control Department, under the responsibility of the Executive Vice-President for International Development, which 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;
- an "Empowered Official" (member of the Management Committee), in all of the Group's entities that import or export products, who, by delegation of the Chairman and CEO of his/her company, is personally liable for the compliance of his/her company's with the company's commitments in this respect;
- an "Export Control Officer" (ECO), appointed in each company by the Chairman and CEO to assist the Empowered Official. This person is assisted by a network of 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.

There are now over 200 Export Control Officers and Export Control Managers worldwide.

Safran organizes targeted training sessions for project managers and buyers and provides its companies with training materials that they can adapt to the regulations applicable to their company structure, products and market. More than 2,000 employees in France and 150 in the US have already received this training.

Safran has developed a unique "Export Control" website to help raise employee awareness, bring practical assistance to employees worldwide and ensure that they comply with French, European and international regulations regarding the export of military and dual-use goods. This site provides users with information on the Group's compliance structure, as well as with the relevant legal requirements, Group procedures and instructions, reference guides on applicable regulations, training tools, and rapid access to lists of countries subject to embargoes and persons or entities with whom trade is forbidden.

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 were audited in late 2009 and improvement plans are currently being put in place.

As part of regular audits of their quality control system and transaction compliance, the Company's Audit and Internal Control Department also checks that:

- the employees concerned have adequate knowledge of the applicable laws and regulations;
- the procedures and instructions that comprise the Internal Control Program are applied and are effective.

In complex cases, Safran also ensures that its companies detect, assess and account for any suspected cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future.

As with anti-corruption measures, Safran endeavors to achieve the highest possible standards in terms of controls of exports and re-exports.

1.7 PROGRESS INITIATIVES: SAFRAN+

At the beginning of 2009, Safran decided to revisit its progress initiatives. Drawing on the methodological tools of its previous "Action V" approach, the Group's new "Safran+" program will pursue a series of more ambitious objectives.

"Safran+" gives new impetus to the Group's projects and progress initiatives amid particularly tough economic conditions. It has been designed to further improve Group performance and unlock the financial resources critical for its development going forward.

"Safran+" concerns all Group companies, businesses and functions within and outside France.

The aims of the "Safran+" initiative are to:

- deliver average annual gross productivity gains representing around 1.5% to 2% of revenue;
- reduce working capital requirements;
- identify processes generating losses or contingencies and implement the appropriate remedial action plans.

Achievement of these aims hinges on a three-pronged action plan:

- ongoing improvement initiatives throughout the Group:
  - widespread use of the Lean Sigma approach in accordance with Group standards, geared towards specific Black Belt and Green Belt certification targets,
  - interactive innovation initiatives implemented at the level of Group teams,
  - systematic optimization of the upstream supply chain;
- four ground-breaking projects acting as a link between all employees, headed up by a designated "Group" manager and rolled out across the organization in order to create a scale effect:
  - reduction in overheads,
  - upgrade of management processes,
  - decrease in working capital requirements,
  - increased effectiveness of development, research and engineering programs;
- specific Group company projects built around several key aims so that resources can be channeled appropriately.

"Safran+" is actively managed and assessed at all levels of the organization, based on:

- key progress assessment tools;
- regular reporting of progress made;
- regular reviews of Level 1 companies by the Group (at least twice a year), and of each site, division or subsidiary by Group companies.

Progress initiatives concern all staff everywhere. They are an integral part of each employee's own objectives and are embedded in projects led by dedicated teams. These projects are headed by managers for whom progress is a critical objective.

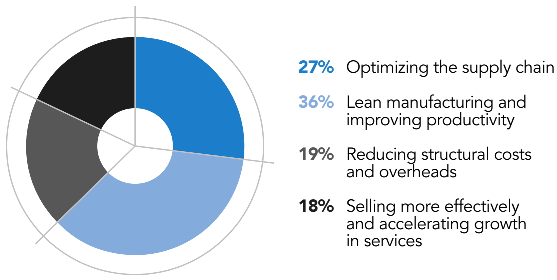
The progress initiative is managed by the corresponding division at Safran, and taken forward by each entity's Progress Initiative division.

"Safran+" testifies to the Group's determination to give:

- new impetus,
- scope and
- economic ambition to its progress initiative.

2009 PROGRESS PLANS

Initiatives in 2009 focused on:



- Optimizing the supply chain
  - Renegotiate contracts
  - Change suppliers in line with policy of favoring purchases in US dollars or low-cost countries in a bid to cut costs
- Improving productivity
  - Streamline industrial facilities in France and low-cost countries
  - Improve RTDI process to develop more effectively
  - Increase number of lean manufacturing sites to cut production costs
- Reducing structural costs and overheads
  - Reduce overheads. In 2009, overheads and other general expenses (purchases of products and services not relating to production) were cut by €100 million
  - Streamline support teams
- Selling more effectively and accelerating growth in services
  - Develop contracts based on flying hours
  - Boost sales of spare parts in a crisis-ridden environment

These initiatives were rounded out by a Group-wide project aimed at reducing working capital requirements by sharing best practices, stepping up inventory reduction programs at Group companies, developing inventory management tools, increasing the number of lean manufacturing sites and optimizing the supply chain. In 2009, working capital requirements based on a constant Group structure fell by around €400 million, representing 16 days' revenue.

1.8 REAL ESTATE AND PRODUCTION PLANTS

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

The Group carries out its activities from research, production, repair and maintenance and administrative centers based at over 500 sites across the globe. 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.

O: Owner - T: Tenant - FL: Finance lease.

Company	Site	Activity	Headcount as of Dec. 31, 2009	Occupancy
FRANCE				
Safran	Paris 15 - France	Head office	422	O
Sagem Industries	Fougères - France	Electronic subcontracting	706	O
Snecma	Évry/Corbeil - France	Aircraft parts machining and assembly, military engine sales and marketing	2,820	O
Snecma	Gennevilliers - France	Aircraft parts forging, casting and machining	1,546	O
Snecma	Vernon - France	Design and production of rocket engines	1,121	O
Snecma	Villaroche - France	Jet engine design, assembly and testing and commercial engine sales and marketing	3,276	O
Snecma	Montereau/Melun - France	Customer services	624	T
Snecma	Châtellerault - France	Maintenance of military engines, parts, devices and commercial engines	674	O
Snecma	Saint-Quentin-en-Yvelines - France	Commercial engine MRO	710	O
Snecma Propulsion Solide	Le Haillan - France	Head office, propellant-based propulsion for Ariane and missiles, thermostructural composites	1,193	O
Turbomeca	Bordes - France	Head office, gas turbine design, manufacture and testing	2,587	O
Turbomeca	Tarnos - France	Production of mechanical components and maintenance of helicopter engines	1,440	O

Company	Site	Activity	Headcount as of Dec. 31, 2009	Occupancy
Microturbo	Toulouse - France	Manufacture of low-power turbines	452	O
Aircelle	Le Havre/Gonfreville - France	Design and production of nacelles and thrust reversers	1,428	O
Hispano-Suiza	Colombes - France	Head office and research and production center for power transmission systems	706	O
Labinal	Blagnac - France	Head office, engineering and IT services	585	O
Labinal	Mérignac - France	Assembly, installation, maintenance	412	T
Labinal	Villemur-sur-Tarn - France	Production of aircraft wiring	513	O
Messier Services	Molsheim - France	Landing gear repair	458	O
Messier-Bugatti	Vélizy-Villacoublay - France	Head office, brake and equipment design	509	O
Messier-Bugatti	Molsheim - France	Production of wheels and brakes, hydraulic systems	398	O
Messier-Dowty	Vélizy-Villacoublay - France	Head office, landing gear research and testing	349	O
Messier-Dowty	Bidos/Oloron - Sainte-Marie - France	Production of landing gear	852	O
Teuchos	Montigny-le-Bretonneux - France	Head office, automobile, aerospace and defence engineering	508	T
Teuchos	Toulouse - France	Aerospace engineering, air traffic control	467	T
Sagem Défense Sécurité	Paris 15 - France	Head office	444	O
Sagem Défense Sécurité	Argenteuil - France	R&D	646	O
Sagem Défense Sécurité	Éragny - France	R&D	688	O
Sagem Défense Sécurité	Massy - France	Manufacture of optoelectronics and aircraft	1,271	O
Sagem Défense Sécurité	Montluçon - Domerat - France	Mechanical, optics and electronics manufacture and systems integration	1,268	O
Sagem Défense Sécurité	Poitiers - France	Manufacture of optoelectronic equipment	527	O
Sagem Défense Sécurité	Réau/Moissy - France	Electronic regulation and control systems	327	T
Sagem Sécurité	Osny - France	R&D	643	O
EUROPE (EXCLUDING FRANCE)				
Aircelle Ltd	Burnley - United Kingdom	Production of nacelles and thrust reversers	649	O
Messier-Dowty Ltd.	Gloucester - United Kingdom	Research, testing and production of landing gear	929	O
ALEAT	Tirana - Albania	Manufacture and distribution of ID documents	354	T
Labinal GmbH	Hamburg - Germany	Engineering, assembly, installation and maintenance	320	T
Sagem Orga GmbH	Flintbeck and Paderborn - Germany	Manufacture of smart cards	529	T
Sagem Identification B.V.	Haarlem - The Netherlands	Production, customization and sale of plastic cards, ID and security documents and related products	310	T
Hispano-Suiza Polska sp. zoo	Sedziszow Malopolski - Poland	Production of mechanical parts for various Safran Group companies	367	O
Smartinvest o.o.o. and Smartec z.a.o.	Moscow - Russia	Holding company, research	96	T
Orga Zelenograd Smart Cards and Systems, z.a.o.	Moscow - Russia	Research, production and sale of smart cards	104	O

Company	Site	Activity	Headcount as of Dec. 31, 2009	Occupancy
Techspace Aero	Herstal (Milmort) - Belgium	Head office, aerospace production, test cell design and jet engine testing	1,209	O
NORTH AMERICA				
Turbomeca Canada, Inc.	Mirabel - Canada	MRO of gas turbines and aircraft equipment and all work on helicopters	127	T
Messier-Dowty, Inc.	Montreal - Canada	Production of landing gear	227	O
Messier-Dowty, Inc.	Toronto - Canada	Production of landing gear	540	O
Safran Electronics Canada, Inc.	Peterborough - Canada	R&D, customer support and production of aircraft equipment	128	T
Snecma Mexico	Querétaro - Mexico	Production of commercial engine parts	15	T
Snecma America Engine Services SA de CV (SAMES)	Querétaro - Mexico	Commercial engine MRO	86	T
Labinal de Mexico	Chihuahua - Mexico	Production of aircraft wiring, engineering	2,268	T
Messier Dowty Mexico	Querétaro - Mexico	Production of landing gear	17	T
Messier Services Mexico, SA de CV	Querétaro - Mexico	Landing gear repair	222	T
Sagem Sécurité	Mexico City - Mexico	Sale of biometric devices	33	T
Snecma	Miami - USA	Engine parts repair	140	T
Cenco, Inc.	Minneapolis - USA	Test cell engineering	44	T
Turbomeca USA, Inc.	Grand Prairie - USA	Maintenance of delivered engines and delivery of spare parts	359	O
Turbomeca Manufacturing, Inc.	Monroe - USA	Production of helicopter engine parts	103	O
Globe Motors	Dothan - USA	Electric engines	185	O
Labinal, Inc.	Corinth - USA	Production of aircraft wiring	772	T
Labinal, Inc.	Everett - USA	Engineering	227	T
Messier-Bugatti-USA LLC	Walton - USA	Production of carbon brakes and R&D	189	O
Sagem Avionics, Inc.	Grand Prairie - USA	Marketing and customer support for aircraft product lines	84	T
Safran Electronics USA, Inc.	Everett - USA	Aircraft and electromechanical equipment maintenance	48	T
Morpho Detection, Inc.	Newark/Wilmington - USA	Research, manufacture and sale of territorial security systems	795	T
SOUTH AMERICA				
Turbomeca do Brasil Industria e Comercio Ltda	Rio de Janeiro - Brazil	Design, manufacture, purchase-sale and maintenance of turbo engines	244	O
Sagem Orga do Brasil S.A.	Taubate/São Paulo - Brazil	Research, manufacture and sale of smart cards	398	T
Sagem Sécurité	Bogotá - Colombia	Local adaptation of government solution software and hardware	81	T
AFRICA AND MIDDLE EAST				
Snecma Morocco Engine Services	Casablanca - Morocco	Commercial engine MRO	190	T
Aircelle Maroc	Casablanca - Morocco	Production and assembly of components for thrust reversers	319	T
Labinal Maroc	Temara/Ain Atiq - Morocco	Production of aircraft wiring	506	FL
Teuchos Maroc	Casablanca - Morocco	Automobile and aircraft engineering	103	FL

Company	Site	Activity	Headcount as of Dec. 31, 2009	Occupancy
Sagem Sécurité Maroc	Casablanca - Morocco	Information technologies, electronic and cryptology applications in the security sector	106	T
Sagem Sécurité	Abu Dhabi - UAE	Sale of biometric devices	33	T
Turbomeca Africa	Stanton - South Africa	Production and repair of helicopter engines	206	T
ASIA/OCEANIA				
Sagem Australasia Pty Ltd	Sydney - Australia	Sale and maintenance of Sagem Sécurité products	41	T
Snecma Xinyi Airfoil Castings Co, Ltd	Guiyang - China	Aircraft parts foundry	85	O
Sichuan Snecma Aero Eng. Maintenance	Chengdu - China	Commercial engine MRO	228	O
Snecma Suzhou Co, Ltd	Suzhou - China	Manufacture and assembly of engine modules	161	O
Messier-Dowty Suzhou Co, Ltd	Suzhou - China	Production of landing gear	298	O
Safran Aerospace India	Bangalore - India	Automobile and aeronautical engineering	447	T
Syscom Corporation Ltd	New Delhi - India	Research, manufacture and sale of smart cards	452	T
Smart Chip Ltd	Noida - India	Research, manufacture and sale of smart cards	515	O
Messier Services Pte Ltd	Singapore - Singapore	Landing gear repair	363	O

No material costs are associated with the sites listed above.

The production capacity of manufacturing sites is streamlined using subcontracting solutions, developing synergies between sites and setting up an organizational structure geared to production line flexibility.

Environmental factors likely to influence the Group's use of its property, plant and equipment are presented in section 4.4. 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.

SECTION 02

Business highlights in 2009

Aerospace Propulsion

- Deliveries of CFM56 engines stable at 1,263 engines compared with 1,268 in 2008;
- Produced the 20,000th CFM56 engine delivered in October;
- At year-end, the CFM56 backlog represented more than 6,000 engines, or over five years of production;
- Chosen as the sole western supplier of the CFM propulsion system, composed of the Leap-X1C engine and nacelle, for COMAC's C919 aircraft;
- Delivery of 1,032 helicopter engines, down from the 1,155 helicopter turbine engines delivered in 2008;
- Contracts signed for the supply of liquid and solid propulsion for 35 new Ariane 5 launch vehicles.

Aircraft Equipment

- Safran is the only player to date to have obtained certification of its carbon brakes for the Boeing B737NG;
- Production under new programs was ramped up, notably the A380 program for which deliveries of nacelles rose to 84 units for the year, up from 59 units in 2008.

Defence

- Record-high backlog attained levels corresponding to two years of revenue;
- The French Army placed an order for 16,454 Felin integrated equipment suites.

Security

- Acquisition in April of Motorola's biometrics business in the US, which merged with Sagem Morpho and was renamed MorphoTrak;
- Acquisition in September of GE Homeland Protection (renamed Morpho Detection), specialized in the detection of explosives and illicit substances;
- Operational deployment of SmartGate in Australia and New Zealand, self-processing passport control gates that integrate biometric passports and facial recognition.

2009 adjusted key figures

	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding companies and Other		Total	
(in € millions)	2008 restated	2009	2008 restated	2009	2008 restated	2009	2008 restated	2009	2008 restated	2009	2008 restated	2009
Revenue [(1)]	5,814	5,673	2,775	2,767	1,021	1,061	695	904	24	43	10,329	10,448
Recurring operating income (loss) [(2)]	594	628	62	73	40	9	34	55	(64)	(67)	666	698
Profit (loss) from operations [(3)]	594	657	62	2	40	9	180	55	(64)	(60)	812	663
Free cash flow	152	779	(226)	(113)	32	8	33	29	58	115	49	818
Acquisitions of property, plant and equipment	238	145	126	86	49	35	20	18	8	9	441	293
Self-funded R&D	382	336	166	141	114	146	44	63	-	-	708	686
Employees	21,348	21,156	21,669	19,945	5,892	6,655	4,005	5,557	1,579	1,559	54,493	54,872

(1) Revenue at end-2008 was restated to take account of the impact of internal restructuring measures initiated in early 2009 (see section 3.1.1).

(2) See definitions on page 34.

(3) Adjusted profit (loss) from operations at end-2008 was restated – see definitions on page 34.

ACTIVITIES AND RESULTS

02

Contents

DEFINITIONS

2008 restated

The 2008 income statement has been restated to reflect:

- presentational changes relating to the financial component of the pension expense (see section 3.1, Note 3);
- new rules for recording adjustments in respect of changes in the fair value of currency hedging instruments not yet unwound at the end of the reporting period (see section 3.1, Foreword).

Adjusted data

In order to reflect the actual economic performance of the Group and enable this performance to be monitored and compared, Safran's consolidated income statement has been adjusted for:

- the impact in financial income (loss) of 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,
  - the recognition of the mark-to-market of non-settled hedging instruments is neutralized until the date they are settled against commercial transactions;
- the amortization charged against intangible assets relating to aeronautical programs, remeasured at the time of the Snecma-Sagem merger in accordance with IFRS 3.

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 and 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, or changes in production processes);
- Capital gains and losses on disposals of operations;
- Other unusual and/or material items not directly related to the Group's ordinary operations.

2.1 GROUP ACTIVITIES IN 2009

Safran delivered a solid operating performance in 2009, meeting or exceeding its targets for revenue and recurring operating margin. Revenue climbed 1.2% year on year from €10,329 million [1] to €10,448 million [1], with the proportion of revenue generated by aircraft services increasing to 49% for Aerospace Propulsion and 32% for Aircraft Equipment. Recurring operating income came in at €698 million [1], representing 6.7% of revenue, outstripping the 6% target set for the year.

The 2009 financial statements were prepared and approved for issue based on the assumption of the continuation of the A400M program (see section 3.1.2, Notes 2 and 36) despite uncertainties as to the outcome of negotiations between Airbus and the government customers. In March 2010, the parties signed an agreement thereby lending credence to the assumption that this program will be continued.

In late 2009, COMAC (Commercial Aircraft Corporation of China Ltd) selected the new-generation CFM engine – Leap – X – for its new C919 aircraft as well as an integrated nacelle, marking a strategic contract win for Safran. Thanks to this program, the Group is now extremely well placed in the single-aisle jet market.

The Group has also expanded its high-technology portfolio in the Security branch, notably via the acquisition in September 2009 of GE HLP, a company specialized in the detection of explosives and illicit substances. Safran will be able to use this investment to carve out its share of the growth in public investment in secure identity solutions, access control technology and more stringent baggage screening. At the same time, a number of important new orders in the optronics sector significantly boosted the backlog of the Defence business.

At end-2009, the CFM56 backlog corresponded to 6,000 engines, or over five years of production.

(1) Adjusted data.

SUMMARY OF KEY FIGURES BY BRANCH (ADJUSTED DATA)

On a comparable Group structure basis, orders recorded during the year were down slightly by 7% year on year, from €12.8 billion to €11.9 billion.

These orders are valued at market prices.

In 2009, the Group introduced standard guidelines for recognizing and remeasuring the backlog for all subsidiaries.

For manufactured goods, orders are recognized:

- for competitive goods, upon receipt of a firm order, net of any optional orders;
- when Safran is the exclusive supplier (single source), once the customer announces that it has placed a firm order.

For service activities (repairs, contracts based on flying hours, etc.), the amount recognized corresponds to future revenue discounted over the term of the contract signed.

The standardization of order recognition procedures mainly concerns goods manufactured by the Aircraft Equipment branch for which the Group is the exclusive supplier. Until 2008, commitments of this type were only recognized in orders once a firm purchase order has been received from the customer.

The impact of the standardized order recognition procedures in 2009 can be estimated at:

- a negative amount of €1.5 billion for the Aerospace Propulsion branch;
- a positive amount of €7 billion for the Aircraft Equipment branch;
- no impact on the Defence and Security branches.

All of the data in the following table have been adjusted.

	Aerospace Propulsion		**Aircraft Equipment**		**Defence**		**Security**		**Holding companies and Other**		**Total**	
(in € millions)	**2008 restated**	**2009**	**2008 restated**	**2009**	**2008 restated**	**2009**	**2008 restated**	**2009**	**2008 restated**	**2009**	**2008 restated**	**2009**
Backlog (1)	15,755	**14,575**	4,332	**10,797**	1,439	**2,134**	378	**366**	-	-	21,904	**27,872**
Orders recorded during the year (2)	7,443	**6,705**	3,386	**2,711**	1,069	**1,766**	866	**869**	-	-	12,764	**12,051**
Revenue	5,814	**5,673**	2,775	**2,767**	1,021	**1,061**	695	**904**	24	**43**	10,329	**10,448**
Recurring operating income (loss)	594	**628**	62	**73**	40	**9**	34	**55**	(64)	**(67)**	666	**698**
Profit (loss) from operations	594	**657**	62	**2**	40	**9**	180	**55**	(64)	**(60)**	812	**663**
Free cash flow (3)	152	**779**	(226)	**(113)**	32	**8**	33	**29**	58	**115**	49	**818**
Acquisitions of property, plant and equipment	238	**145**	126	**86**	49	**35**	20	**18**	8	**9**	441	**293**
Self-funded R&D (4)	382	**336**	166	**141**	114	**146**	44	**63**	-	**-**	708	**686**
Headcount (5)	21,348	**21,156**	21,669	**19,945**	5,892	**6,655**	4,005	**5,557**	1,579	**1,559**	54,493	**54,872**

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

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

(3) After the negative €170 million impact of non-renewal of the CFM securitization program in 2008. Free cash flow is equal to cash flow from operating activities less the change in working capital requirements and purchases of property, plant and equipment and intangible assets. 2008 cash flow was restated, see section 2.2.4.

(4) Before deduction of the research tax credit.

(5) Headcount as of December 31 – Holding companies and Other includes Fougères employees in 2008 and 2009.

2.1.1 Aerospace Propulsion

ACTIVITIES AND RESULTS

In 2009, adjusted consolidated revenue for Aerospace Propulsion totaled €5,673 million, down 2.4% on the restated figure for 2008, or 5.1% like-for-like (based on a constant Group structure and exchange rates). The branch contributes 54.3% of total adjusted consolidated revenue.

Original equipment deliveries of engines for civil aircraft remained at the very high levels recorded in 2008. Deliveries of helicopter turbine engines declined by 10.6%, however. US dollar sales of spare parts for CFM civil aircraft engines came in 4.6% down for the year, hit by lower demand from fleets, especially for older models. Service revenue share increased once again in 2009, accounting for 49.2% of total Aerospace Propulsion revenue versus 46.9% one year earlier. This demonstrates both the potential of our in-service installed engine base (currently around 20,000 CFM56 engines) and the growing maturity of this fleet which generates substantial spare parts revenue.

The overall number of orders recorded during the year was well down on 2008.

Recurring operating income came to €628 million (11.1% of revenue), up 5.7% on 2008. This sharp year-on-year improvement – achieved despite a volatile aeronautical market and slightly lower business volumes – reflects (i) strong business generated by spare parts for military engines, (ii) strict containment of fixed costs and purchases, (iii) significant productivity gains and (iv) a favorable currency effect.

ADJUSTED KEY FIGURES

	2008 restated	2009	Year-on-year change
Quantities delivered			
CFM56 engines	1,268	1,263	-0.4%
Helicopter turbine engines	1,155	1,032	-10.6%
(in € millions)			
Backlog	15,755	14,575	-7.5%
Orders recorded during the year	7,443	6,705	-9.9%
Revenue	5,814	5,673	-2.4%
Recurring operating income	594	628	5.7%
Profit from operations	594	657	10.6%
Free cash flow (1)	152	779	412%
Acquisitions of property, plant and equipment	238	145	-39.1%
Self-funded R&D (2)			
Operating expenses	257	252	-1.9%
Gross capitalized expenditure	125	84	-32.8%
Total self-funded R&D	382	336	-12.0%
Headcount (3)	21,348	21,156	-0.9%

(1) After the negative €170 million impact of non-renewal of the CFM securitization program in 2008 and the positive €143 million impact of the CFM securitization program in 2009.

(2) Before deduction of the research tax credit.

(3) Headcount at December 31.

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

	% of branch revenue	
Business sector	2008	2009
Civil aviation	61%	60%
Military aviation	11%	12%
Helicopter turbine engines	17%	18%
Ballistics and space	11%	10%

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Civil aviation

Engines delivering thrust of less than 18,500 pounds (regional and business jets)

Development of the SaM146 program continued apace, in partnership with the Russian engine manufacturer NPO Saturn, and with the participation of the Italian engine manufacturer Avio. An additional 132 engines were recorded in the backlog, confirming the interest in this program beyond Russia. The engine development program has clocked over 5,000 hours of tests, including over 2,500 flight hours in three aircraft. Sukhoi Superjet 100, powered by two SaM146 engines continued tests during the year. Certification is scheduled for 2010 and the aircraft should be commissioned in the second half of the year.

CFM engines (short/medium haul aircraft)

Orders were received for 795 CFM56 engines in 2009, representing a decline after three years of high order volumes. 1,244 engines were produced during the year and the year-end backlog amounted to 6,001 engines. Boeing took delivery of its 6,000th CFM56-7 engine in July and its 20,000th CFM engine in October.

There are now almost 20,000 CFM56 engines in service and this installed engine base will generate increasing revenue over the long-term from sales of spare parts and services. In 2009, CFM spare parts business contracted 4.6% compared to 2008. The endurance and reliability of the CFM56 engine was once again demonstrated through a new world record for the time-on-wing of a CFM56-7. The engine in question was installed in February 1999 and exceeded 40,000 flight hours.

In November 2009, Snecma Suzhou celebrated delivery of the 1,000th module 13 and the 1,000th turbine shaft.

The CFM56-7BE engine was launched. It provides fuel consumption gains of 2% and is earmarked for the Enhanced B737.

CFM replied to the Request for information put out by Airbus in relation to upgrading the engines of the A320 fleet.

CFM submitted a tender to Embraer for a complete propulsion system based around a CFM56-5B3/3 engine equipped with a new nacelle for the KC390 military transport aircraft project.

COMAC selected CFM's Leap-X integrated propulsion engine, along with the Aircelle integrated nacelle – to be developed within the scope of the Nexcelle 50/50 joint venture with General Electric – for its C919 short/medium haul jet project.

High-thrust engines (long haul aircraft)

Production of high-thrust engines fell back 16% year on year, with 316 engines delivered in 2009.

Maintenance contracts

In 2009, the number of shop visits recorded by Snecma for CFM engines was lower than in 2008 (272, down from 295 in 2008), amid a very uncertain air transport market. Its market share remained stable.

Military aviation

27 M88 engines powering the Rafale were delivered in 2009 and several tenders have been submitted for export contracts.

Work continued on the TP400-D6 engine development program led by the EPI consortium (ITP Group, MTU Aero Engines, Rolls-Royce and Snecma) and intended to power the European transport aircraft, the Airbus A400M, with testbed trials and, in particular, bird strike tests. The C-130 flight test bed trials were successfully completed and the A400M's maiden flight took place on December 11, 2009.

Civil and military helicopters

New orders for helicopter engines declined in 2009, mainly due to a sharp drop in orders from light helicopters manufacturers. Net new orders for the year totaled 724 units, compared with 1,029 units for 2008, and the backlog at year end stood at 1,538 engines. Deliveries of new equipment were down with 1,032 series production helicopter engines delivered, compared to 1,155 in 2008. The picture was more mixed in the after-sales support market: business with major civil operators and the military held up well, however sales to operators of small civil fleets of less than five helicopters (corporate, VIP or utility transport, taxi/tourism, etc.) dropped by almost half.

Other notable developments included:

- the continued development of emerging markets:
  - Turbomeca, Russian Helicopters and Kamov entered into an agreement to develop a new Arrius 2G1 engine for the Ka-226T which had its maiden flight in July,
  - EASA certification of the Ardiden 1H1 engine for the Indian DHRUV helicopter and first deliveries to HAL,
  - agreement to sell 68 Arriel 2C engines to upgrade the Brazilian Army's fleet of 34 Panther helicopters. Delivery of the first engines is scheduled for December 2010;
- maiden flight of the Tiger HAD, equipped with the Enhanced MTR 390 engine.

Upgrading of production facilities continued apace. The new Bordes plant was commissioned in the second half of the year and an agreement was signed relating to the future Buchelay plant which will house Turbomeca and Hispano-Suiza's engine control systems from 2011.

Ballistics and space

Seven successful Ariane 5 launches were carried out in 2009, the largest number ever in any one year.

Seven Vulcain engines and six HM7 engines were delivered in 2009.

Six solid propellant MPS engines for Ariane 5 were delivered in 2009, compared to seven in 2008.

In early 2009, new contracts were signed between Astrium and Snecma, and between Europropulsion and Snecma Propulsion Solide, for the next batch of 35 Ariane rockets.

2.1.2 Aircraft Equipment

ACTIVITIES AND RESULTS

The Aircraft Equipment branch reported full-year 2009 revenue of €2,767 million, down 0.3% on the restated figure for 2008, or 4.8% like-for-like. The branch accounts for 26.5% of total adjusted consolidated revenue.

Equipment deliveries kept pace with the programs of the major international aircraft manufacturers:

- business was brisk in the single-aisle aircraft sector: deliveries of thrust inversers climbed 5.4%, while 411 units of landing gear for the A320 fleet were delivered during the year, against 394 in 2008;
- production under new programs was ramped up, notably the A380 program for which deliveries of nacelles rose to 84 units for the year, up from 59 units in 2008;
- sales volumes for regional operators and business jets fell sharply and deliveries of small nacelles slumped by 48%.

Service revenue share rose from 31.2% to 31.8% of total Aircraft Equipment revenue, reflecting the larger installed engine base as well as growth in maintenance and repair activities.

Recurring operating income amounted to €73 million (2.6% of revenue), representing an 18% increase on 2008. This upswing stems from (i) a favorable currency impact, (ii) a strong contribution from Messier Services for landing gear, and (iii) the ramp-up of large nacelles for Airbus. However, these positive effects were partially offset by a downswing in the regional and business jets segment, which notably impacted the nacelle business. Recurring operating income also included €15 million in losses to completion on B787 landing systems.

Profit from operations for 2009 included €71 million in non-recurring impairment losses recorded on development costs for the B787 program.

ADJUSTED KEY FIGURES

	2008 restated	2009	Year-on-year change
Quantities delivered			
Landing gear	1,400	1,158	-17.3%
Carbon wheels and brakes	451	456	1.1%
Power transmission systems	1,723	1,628	-5.5%
A320 thrust reversers	461	486	5.4%
(in € millions)			
Backlog	4,332	10,797	NM
Orders recorded during the year	3,386	2,711	-19.9%
Revenue	2,775	2,767	-0.3%
Recurring operating income	62	73	17.7%
Profit from operations	62	2	-96.8%
Free cash flow	(226)	(113)	50.0%
Acquisitions of property, plant and equipment	126	86	-31.7%
Self-funded R&D (1)			
Operating expenses	83	76	-8.4%
Gross capitalized expenditure	83	65	-21.7%
Total self-funded R&D	166	141	-15.1%
Headcount (2)	21,669	19,945	-8.0%

(1) Before deduction of the research tax credit.

(2) Headcount at December 31.

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

	% of branch revenue	
Business sector	2008	2009
Landing and aircraft systems	46%	47%
Engine systems and equipment	29%	27%
Electrical systems and engineering	22%	22%
Other equipment	3%	4%

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Landing and aircraft systems

Landing gear

Safran commenced construction of a production plant for large landing gear parts in Queretaro, Mexico which opened in March 2010. This plant also houses a production plant for engine parts, enabling maximum pooling of both infrastructure and management and support functions.

A first milestone was reached in our technology demonstration program when a nose landing gear of a commercial aircraft was raised electrically at the Toulouse Aviation Testing Center in February 2009.

Work on the certification of the composite landing gear strut is well underway and the maiden flight of a B787 equipped with composite carbon struts is planned for early 2010. The use of this 3-D woven and injected material is a world first.

Wheels and brakes and landing/braking control systems

The new wheels and brakes plant in Walton, Kentucky was commissioned at the end of September. It is an extension of the carbon brake disks plant built at the end of the 1990s, providing Safran with cutting-edge production facilities in the United States.

Safran is the only market player to date to have obtained certification of its carbon brakes for the Boeing 737NG, the latest civil program to adopt this technology. The Group started fitting or re-fitting fleets with this technology worldwide. This new market potentially covers almost 50% of the fleet equipped with Safran carbon brakes currently in service.

Safran SA sold its stake in Sofrance to Messier-Bugatti, which should make it easier to unlock synergies between Messier-Bugatti's filtration and hydraulic applications and systems businesses.

Engine systems and equipment

Nacelles and thrust reversers

In early 2009, Aircelle embarked on a joint venture with General Electric/M.R.A.S – similar to the CFM agreement – for the design, manufacture and marketing of nacelles and thrust reversers to equip the CFM range of engines. The joint venture will be known as Nexcelle.

COMAC selected the Nexcelle joint venture "integrated nacelle" for the CFM Leap-X integrated propulsion engine. In combination with the industrial cooperation agreement between Nexcelle and the Chinese state-owned group AVIC, it represents a major growth vector for the Group's large nacelles business.

In services, Aircelle and Air France Industries set up a joint venture located in the Dubai Free Trade Zone to provide support for nacelles used in Airbus, Boeing and other programs operating in the Middle East.

Transmission systems and power electronics

Safran Power (a new division of Hispano-Suiza) was set up in early 2009 and brings together all of Safran's resources in the power electronics sector, including ETRAS, the thrust reverser for the Airbus A380.

Electrical systems and engineering

Electrical wiring and engineering

A decision has been taken to merge the engineering teams of Labinal and Teuchos to create a single worldwide entity comprising 3,000 engineers specialized in mechanical engineering, thermodynamics, materials and onboard electrical and electronics systems. This new structure has been operational since the beginning of 2010. It will be known as Safran Engineering Services and have lines of reporting to Labinal.

Airbus had already selected Labinal in December 2008 to carry out full fuselage wiring for its A350XWB program and in March 2009 it also entrusted Labinal with the aircrafts' engine pylon wiring. All told, Labinal will be entrusted with over three-quarters of the aircrafts' electrical wiring.

The Group continued to reorganize its worldwide wiring production capacity with the closure of the Pryor plant and the transfer of all of its production activities to Mexico.

Other equipment

Ejection seats

SEM MB, specialized in the manufacture of ejection seats for French-designed military aircraft, and 50%-owned by the UK company Martin-Baker, was proportionately consolidated for the first time in 2009.

2.1.3 Defence

ACTIVITIES AND RESULTS

The Defence reported revenue of €1,061 million, up 3.9% on the restated figure for 2008, or 3.0% like-for-like. Business was buoyant in the avionics sector, driven by higher deliveries of guidance systems (AASM armament and Mistral seekers programs) and a solid performance from services. Revenue from optronics was stable on a restated basis, with positive sales trends for infrared binoculars and land-based sight equipment.

Major new orders were received in 2009, especially in the optronics sector, swelling the backlog to the equivalent of two years of revenue at end-2009.

Recurring operating income came in at €9 million (0.8% of revenue) and included €35 million in losses to completion on the A400M navigation system, as well as the negative contribution of Safran Electronics.

ADJUSTED KEY FIGURES

	2008 restated	2009	Year-on-year change
Quantities delivered			
Inertial units	350	347	-0.9%
AASM kits	148	220	48.6%
(in € millions)			
Backlog	1,439	2,134	48.3%
Orders recorded during the year	1,069	1,766	65.2%
Revenue	1,021	1,061	3.9%
Recurring operating income	40	9	-77.5%
Profit from operations	40	9	-77.5%
Free cash flow	32	8	-75.0%
Acquisitions of property, plant and equipment	49	35	-28.6%
Self-funded R&D (1)			
Operating expenses	94	113	20.2%
Gross capitalized expenditure	20	33	65.0%
Total self-funded R&D	114	146	28.1%
Headcount (2)	5,892	6,655	12.9%

(1) Before deduction of the research tax credit.

(2) Headcount at December 31.

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

	% of defence revenue	
Business sector	2008	2009
Avionics	51%	50%
Optronics	49%	43%
Electronics and critical software (Safran Electronics)	-	7%

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Avionics

Guidance systems

Production of AASM kits (Modular Air-Ground Armament) was ramped up. The French Army confirmed its interest in this high-tech system by placing a major new order and this has in turn increased the AASM's export potential.

Seekers

Sales in seekers continued to grow.

Navigation systems

Business was brisk. Deliveries of navigation modules (inertial units) will continue, particularly following the recent confirmation of the Group's participation in the fourth tranche of the *Rafale* project.

Aeronautic information systems/flight control systems

Business was hit by the reorganization of a number of major customer programs. However, the Group bolstered its leading position in the sector with the award of a number of major contracts, including version 5 of the SLPRM (local mission planning and debriefing system).

Avionics support/services

Support and service activities expanded rapidly, particularly in aviation, with business volumes topping forecasts in both the civil and military sectors.

Optronics

Soldier of the future

The Felin infantry combat system was greeted favorably by the market and demonstrated that it is in phase with the modernization requirements of the French Army and the need to keep a tight rein on costs. A major new order was placed bringing the number of systems to be supplied to the French Army to over 22,550.

The system is also being studied closely by a number of foreign governments.

Portable optronics equipment

The Group's leading-edge technology helped it consolidate the positions built up in recent years both through organic and acquisition-led growth. Among its achievements is the growing success of JIM Long Range multifunction binoculars, in Europe, particularly through the FIST program in the UK, via the participation of Vectronix AG, a Swiss subsidiary, and in the US.

Drones

The Sperwer drone continued to be deployed in Afghanistan where it helped protect the lives of personnel present in the combat zones and won kudos from its users.

Sights

Business was vigorous, particularly in the support sector and in the Near East and Australia, with deliveries well above 2008 levels.

Gyro-stabilized gimbals/periscopes

The product range continues to be revamped and, given the technological excellence on offer, the Group secured a number of significant contract wins, including a contract to upgrade the German Army's Multiple Launch Rocket Systems (MLRS) and the selection of the Euroflir 350 optronic observation system for the French Army's EC725 Caracal helicopters.

Onboard electronics and critical software

Despite the morose business environment and the postponement of a number of major customer programs, the 1,000th FADEC3 system for CFM56-7B engines was delivered and business in the support sector held up well especially in Asia. Safran Electronics made a major contribution to obtaining certification for TP400 engine control software.

2.1.4 Security

ACTIVITIES AND RESULTS

The Security business made two key strategic acquisitions in 2009. The first of these was Motorola's biometrics business which was merged with Sagem Morpho Inc. and renamed MorphoTrak. The second corresponded to Safran's purchase of an 81% stake in a US-based business owned by General Electric that specializes in the detection of explosives and illicit substances (since renamed Morpho Detection).

The Security business generated total revenue of €904 million in 2009, up 30.1% on the restated figure for 2008, or 38.0% excluding the three-month contribution from Monetel (which was sold in April 2008). Like-for-like revenue growth was 11.4%, buoyed by identification solutions with the start-up of long-term government contracts in emerging countries, as well as by the roll-out of the biometric passport program in France.

Recurring operating income for the year was €55 million (6.1% of revenue), and included €31 million in amortization expense on intangible assets whose fair values were assigned as part of the purchase price allocation (PPA) for recent acquisitions. The recurring operating income figure for 2009 was 62% higher than the restated figure for 2008 which included an €8 million PPA amortization expense. The increase reflects a solid contribution from identification solutions in emerging countries as well as ongoing productivity gains, particularly for the manufacture of smart cards.

The recently-acquired entities (Sdu-I, Printrak and GE Homeland Protection) contributed an aggregate €204 million to revenue in 2009 as follows:

- twelve months of Sagem Identification revenue (formerly Sdu-I): €105 million;
- nine months of MorphoTrak revenue (formerly Printrak): €32 million;
- four months of Morpho Detection revenue (formerly GE Homeland Protection): €67 million.

These three entities added €21 million to recurring operating income for 2009, or €52 million before the PPA amortization expense.

In 2008, Sagem Identification, which was only consolidated for the last four months of the year, added €24 million to revenue and had a negative €1 million impact on recurring operating income.

ADJUSTED KEY FIGURES

	2008 restated	2009	Year-on-year change
Quantities delivered			
Smart cards *(millions of units)*	346	457	32.1%
Biometric terminals	149,000	142,500	-4.4%
(in € millions)			
Backlog	378	366	-3.2%
Orders recorded during the year	866	869	0.3%
Revenue	695	904	30.1%
Recurring operating income	34	55	61.8%
Profit from operations	180	55	-69.4%
Free cash flow	33	29	-12.1%
Acquisitions of property, plant and equipment	20	18	-10.0%
Self-funded R&D (1)			
Operating expenses	44	63	43.2%
Gross capitalized expenditure	-	-	-
Total self-funded R&D	44	63	43.2%
Headcount (2)	4,005	5,557	38.8%

(1) Before deduction of the research tax credit.
(2) Headcount at December 31.

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

Business sector	% of security revenue 2009
Identification systems	66%
Smart cards	26%
Detection systems (1)	8%

(1) GE HLP consolidated for four months.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Identification systems

The acquisition of Motorola's biometrics business and the Printrak brand name first announced at the end of 2008 was finalized in April 2009. These businesses were merged with Sagem Morpho into a new entity known as MorphoTrak.

Key recent developments in the various segments of this business include the following:

- policing and criminal justice: among notable US successes, we should mention the extension of the automated fingerprint identification system (AFIS) to the New York Department of Criminal Justice and the King County sheriff's office where it replaces a competitor system, and the selection of Sagem Sécurité by Lockheed Martin to replace the FBI's current finger-printing system by a new-generation AFIS;
- identity solutions: launch of major identity solutions projects for which contracts had been signed in previous years (passports and identity cards for Albania; creation of electoral lists in Côte d'Ivoire, etc.) as well as a number of new wins (AFIS for the proposed UK identity card scheme, which is set to become a benchmark for Europe as a whole, supply of passports to Croatia and Romania, etc.);
- border control systems: deployment of a program in all French departments and certain consulates abroad to collect biometric data for the preparation of secure electronic identity cards (project sponsored by the ANTS French government agency for the secure transmission at local level of files relating to passports and identity cards); deployment of self-processing passport control gates in Australia and New Zealand (Smartgate, facial recognition) or in Paris airports (gates marked "PARAFES" [Automated Fast Track Crossing at External Schengen Borders], digital fingerprinting);
- biometric terminals: the Group used the Biometrics 2009 Exhibition held in London to launch a joint presentation (along with Hitachi) of Finger VP, the first ever multi-modal finger vein and fingerprint device.

Smart cards

All segments in the Smart Cards division once again managed to outperform the market in spite of the difficult international business environment.

The division boasts state-of-the-art technology and a highly competitive offering thanks to investments in production facilities over the past three years in Europe (especially in Germany) and Asia (India). The Group's strategy of rolling this technology offering out to all of its geographical segments and customers has helped it to win a large number of new customers and to drive sustained growth, especially in Latin America and Asia.

There were notable successes in 2009 with telecoms operators in various countries, particularly the major multi-nationals at the forefront of technology (Vodafone, Orange, T-Mobile, America Movil, AT&T), as well as in India where Sagem Orga consolidated its position as market leader and the only manufacturer supplying all of India's telecoms operators.

The volume of SIM cards sold jumped by more than 15%, outperforming the market as a whole which grew by an estimated 3% (source Eurosmart – November 2009). This added one point to the Group's worldwide market share.

Growth in the bank cards segment remained strong in spite of the international economic crisis. Volumes delivered surged over 30% in a global market that grew by an estimated 9% (source Eurosmart – November 2009) adding 1.2 points to the Group's worldwide market share.

There were notable successes in Europe (particularly in France, Germany, Italy, Portugal and the UK), as well as in Brazil where migration from magnetic to EMV-compliant smart cards continued apace.

Finally, heady growth was achieved in the identity/e-health cards segment thanks to a number of major new contracts in identity solutions (most notably in Cote d'Ivoire, Albania, Kazakhstan and Morocco), and the market leader position carved out in the German e-health card market (eGK) with a backlog of more than 30 million eGKs on Sagem Orga's books.

Detection systems

In September 2009, Safran acquired 81% of GE Homeland Protection, General Electric's subsidiary specialized in the detection of explosives and illicit substances. By holding onto 19%, GE will remain a partner in the renamed entity, Morpho Detection, which will continue to benefit from the technology developed at GE Healthcare as well as from the expertise of GE's research center.

Production of the CTX 9800 tomograph, an explosives detection system certified by the TSA (Transportation Security Administration) came on stream during the year and began to generate revenue. The CTX 9800 offers unprecedented high-resolution images and the largest throughput capacity on the market (700 bags per hour; certification for 1,000 bags per hour should be obtained during the first half of 2010). Sales of these systems to the TSA were way ahead of plan at end-2009.

The US security administration, just like those in other countries, also certified the new generation of desktop trace detection products known as Itemizer DX. Worries over secure air travel, which culminated in the attempted bombing of the Amsterdam – Detroit flight at the end of the year, led the TSA and other customers to increase orders for these products.

2.2 OPERATING AND FINANCIAL REVIEW

2.2.1 Adjusted income statement

(in € millions)	2008 restated	2009	Year-on-year change
Revenue	**10,329**	**10,448**	**1.2%**
Other operating income (expenses)	(9,663)	(9,750)	
Recurring operating income	**666**	**698**	**4.8%**
Other recurring operating income (expenses)	146	(35)	
Profit from operations	**812**	**663**	
Financial income (loss)	(154)	(174)	
Share in profit from associates	10	3	
Income tax (expense) benefit	(123)	(98)	
Profit from continuing operations	545	394	
Loss from discontinued operations	(233)	(4)	
Profit for the period attributable to non-controlling interests	15	14	
Profit for the period attributable to owners of the parent	**297**	**376**	

Adjusted revenue

Adjusted revenue edged up 1.2% year on year, from €10,329 million to €10,448 million.

It fell back 2.9% at constant exchange rates and Group structure, mainly due to a dip in original aircraft equipment revenue. However, service activities grew once again and now represent 49.2% of Propulsion branch and 31.8% of Equipment branch revenue. Revenue was buoyed by double-digit growth in the Security branch and a strong performance from the Defence branch, especially the avionics sector.

Adjusted recurring operating income

Adjusted recurring operating income was up 4.8% on the previous year, from €666 million to €698 million, thanks largely to the combined impact of productivity gains, cost-cutting programs, translation gains (€95 million), the positive impact of acquisitions and newly-consolidated businesses (€35 million after PPA amortization expense), despite the negative impact of a mixed year for the civil aviation businesses.

2009 adjusted recurring operating income excludes the impact of non-recurring items with a net negative amount of €35 million comprising the following: a capital gain of €7 million on the sale of Cinch; an impairment loss of €70 million on capitalized R&D relating to the Boeing 787 landing gear systems; and the €28 million positive impact of the forgiveness of a debt by industrial partners of the Group.

Adjusted recurring operating income for 2009 includes a provision for losses to completion on the A400M navigation systems program (Defence) totaling €35 million.

Adjusted profit from operations

Adjusted profit from operations came in at €663 million for the year, down from €812 million for 2008, which included a capital gain of €146 million on the sale of the electronic payment solutions business.

Adjusted financial loss

The adjusted financial loss for 2009 was €174 million, compared to a loss of €154 million in 2008. The only major cash outflow corresponds to the cost of debt, which doubled from €19 million in 2008, to €38 million in 2009. In addition, the financial loss includes the unwinding of discounts on certain asset and liability items, mainly provisions and repayable advances, as well as any changes in the discount rate actually used, particularly for provisions. The cumulative impact of these two non-cash items was an expense for the year of €118 million, against an expense in 2008 of €35 million.

Adjusted income tax expense

The adjusted income tax expense for the year fell from €123 million in 2008 to €98 million, largely due to the slight drop in adjusted pre-tax profit, excluding the capital gain on sale of the electronic payment solutions business, which was taxed at a reduced rate of 1.72%.

Adjusted profit attributable to owners of the parent

Adjusted profit attributable to owners of the parent was €376 million, up from €297 million in 2008. In addition to the stability of adjusted profit from continuing operations, excluding the capital gain on sale of the payment solutions business in 2008, this increase also reflects the absence of the non-recurring expenses recognized in 2008 on the Group’s withdrawal from the Communications business.

2.2.2 Reconciliation of the consolidated income statement with the adjusted consolidated income statement

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

(in € millions)	2009 consolidated data	Currency hedging: Remeasurement of revenue [(1)]	Currency hedging: Deferred hedging gains (losses) [(2)]	Amortization of intangible assets [(3)]	2009 adjusted data
Revenue	**10,559**	**(111)**	**-**	**-**	**10,448**
Other recurring operating income (expenses)	(9,930)	6	16	158	(9,750)
Recurring operating income	**629**	**(105)**	**16**	**158**	**698**
Other non-current operating income and expenses	(35)	-	-	-	(35)
Profit from operations	**594**	**(105)**	**16**	**158**	**663**
Cost of net debt	(38)	-	-	-	(38)
Foreign exchange gains (losses)	479	105	(575)	-	9
Other financial income and expense	(145)	-	-	-	(145)
Financial income (loss)	**296**	**105**	**(575)**	**-**	**(174)**
Share in profit from associates	3	-	-	-	3
Income tax (expense)/benefit	(235)	-	191	(54)	(98)
Profit from continuing operations	**658**	**-**	**(368)**	**104**	**394**
Loss from discontinued operations	(4)	-	-	-	(4)
Loss for the period attributable to non-controlling interests	**(13)**	**2**	**-**	**(3)**	**(14)**
Profit for the period attributable to owners of the parent	**641**	**2**	**(368)**	**101**	**376**

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on settled options), through the reclassification of gains and losses on hedges allocated to cash flows of the period.

(2) Changes in the fair value of instruments hedging future cash flows deferred until the instruments are unwound for a negative amount of €575 million excluding tax, and impact of including hedges in the measurement of provisions for losses to completion for €16 million.

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

Only the consolidated financial statements are audited by the Group's Statutory Auditors. The consolidated financial statements include revenue and operating profit indicators set out in adjusted data in section 3.1.2, Note 5, "Segment information". Adjusted financial data other than the data provided in Note 5, "Segment information", are verified to ensure that they are consistent with the information provided in the 2009 Registration Document.

2.2.3 Consolidated income statement

(in € millions)	2008 restated [(1)]	2009	Year-on-year change
Revenue	**10,281**	**10,559**	**2.7%**
Other operating income (expenses)	(9,810)	(9,930)	
Recurring operating income	**471**	**629**	**33.5%**
Other non-current operating income and expenses	146	(35)	
Profit from operations	**617**	**594**	
Financial income (loss)	(730)	296	
Share in profit from associates	10	3	
Income tax (expense) benefit	142	(235)	
Profit from continuing operations	39	658	
Loss from discontinued operations	(233)	(4)	
Profit for the period attributable to non-controlling interests	11	13	
Profit (loss) for the period attributable to owners of the parent	**(205)**	**641**	

(1) The 2008 income statement has been restated to take account of the presentational changes relating to the interest component of the pension expense (see section 3.1.2, Note 3).

Consolidated revenue

Consolidated revenue edged up 2.7% year on year, from €10,281 million to €10,559 million.

The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of the impacts of foreign currency derivatives from the adjusted figures. In 2009, neutralizing the impact of foreign currency hedging added €111 million onto consolidated revenue, whereas in 2008 it reduced revenue by an amount of €48 million. This year-on-year change results from movements in average exchange rates vis-à-vis the effective hedged rate for the period on the portion of foreign-currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate in 2009 was 1.42, against an annual average rate of 1.39, which explains why netting out the effect of foreign-currency hedging gives a consolidated revenue figure that is greater than adjusted consolidated revenue. Year-on-year changes in revenue, excluding the impact of adjusting items, is analyzed hereinafter (see section 2.2.1).

Recurring operating income

Recurring operating income jumped 33.5%, from €471 million in 2008 to €629 million in 2009. The difference with adjusted recurring operating income, which came in at €698 million, is attributable to (i) the inclusion of amortization of intangible assets relating to the remeasurement of aeronautical programs pursuant to the application of IFRS 3 as of April 1, 2005, for a negative amount of €158 million (against a negative amount of €161 million in 2008) and (ii) a positive impact of €89 million related to foreign currency transactions (compared to a negative amount of €34 million in 2008). The year-on-year change in recurring operating income, excluding the impact of adjusting items, is analyzed hereinafter.

Profit from operations

Profit from operations came in at €594 million for the year, compared to €617 million in 2008. It comprises recurring operating income of €629 million (2008: €471 million) and a non-recurring loss of €35 million (2008: a loss of €146 million).

The non-recurring items included in profit from operations are analyzed in section 2.2.1.

Financial income (loss)

The Group generated financial income of €296 million for 2009, compared to a financial loss of €730 million in 2008.

Two items account for the difference between the consolidated financial income for 2009 and the adjusted financial loss for the year analyzed previously:

- changes in the fair value of financial instruments not yet unwound at the end of the reporting period which had a positive impact of €576 million (negative amount of €626 million in 2008). All of this amount is recognized in financial income/(loss) in the consolidated financial statements whereas this impact is neutralized in the adjusted consolidated financial statements;
- the net impact of exchange rate hedging on the portion of foreign-currency denominated flows hedged by the Group for a negative amount of €105 million in 2009 (2008: positive impact of €49 million). This impact is recognized in financial income in the consolidated financial statements, whereas it is recognized in profit (loss) from operations (mostly in revenue) in the adjusted income statement.

Share in profit from associates

The fall in the Group's share of profits from associates was due to the €3 million dip in profits generated by Ingenico (22.38%-owned by Safran) and the change in the method used to consolidate SEM MB in 2009. Last year, SEM MB contributed €4 million to the Group's share of profits from associates.

Income tax (expense) benefit

The Group's tax expense amounted to €235 million in 2009, against a tax benefit of €142 million recognized in the previous year. The increase in the tax burden was mainly driven by the marked increase in pre-tax profit, excluding the capital gain on sale of the electronic payment solutions business, which was taxed at a reduced rate of 1.72%. The increase in pre-tax profit is mainly attributable to material year-on-year differences in the amount recognized for changes in the fair value of currency hedging instruments not yet unwound at the end of the reporting period.

Consolidated profit attributable to owners of the parent

Consolidated profit attributable to owners of the parent came in at €641 million for the year. In 2008, after factoring in the non-recurring expenses recognized on withdrawal from the Communications business, the Group generated a consolidated loss attributable to owners of the parent of €205 million.

2.2.4 Simplified consolidated balance sheet as of December 31, 2009

The simplified consolidated balance sheet as of December 31, 2009 presented below is taken directly from the consolidated financial statements presented in section 3.1.2 of this document.

(in € millions)	2008	2009
Assets		
Goodwill	1,756	2,126
Non-current assets	5,219	5,418
Other non-current assets	751	722
Fair value of financial instruments and derivatives	138	63
Inventories and work-in-progress	3,673	3,382
Trade and other receivables	4,319	4,378
Cash and cash equivalents	919	2,080
Assets held for sale	61	-
TOTAL ASSETS	**16,836**	**18,169**
Equity and liabilities		
Total equity	3,874	4,501
Provisions	2,356	2,354
Borrowings subject to specific conditions	698	696
Interest-bearing liabilities	1,554	2,575
Other non-current liabilities	757	1,043
Trade and other payables	7,558	7,000
Liabilities related to assets held for sale	39	-
TOTAL EQUITY AND LIABILITIES	**16,836**	**18,169**

CHANGE IN NET DEBT

Net debt is defined as cash and cash equivalents less interest-bearing current and non-current liabilities, and including the impact of financial instruments used to hedge changes in interest rates. The Group cut its net debt by €137 million year on year, despite acquisitions in the Security sector. The high cash flow is attributable primarily to the high level of operating profitability in 2009 as well as to a sharp reduction in working capital requirements.

The change in net debt over the year breaks down as follows:

(in € millions)	2008 adjusted (1)	2009
Cash flow from operating activities	**936**	**1,042**
Changes in working capital	(216)	218
Factoring of CFM receivables	-	143
Acquisitions of intangible assets	(230)	(292)
Acquisitions of property, plant and equipment	(441)	(293)
Free cash flow	**49 ***	**818**
Financial investments and other	(313)	(608)
Dividends	(202)	(73)
Change in net debt	**(466)**	**137**
Net debt as of January 1	**(169)**	**(635)**
Net debt as of December 31	**(635)**	**(498)**

(1) Premiums paid and received on unexpired options are now included in free cash flow and 2008 data have been restated accordingly for comparative purposes.

Cash flow from operating activities is calculated by taking profit or loss before tax and adding back income and expenses with no cash impact, in particular 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, as well as any income (loss) from discontinued operations [1] (losses related to withdrawal from the Communications business totaled €308 million in 2008). The amount of working capital requirements, investments and dividends that the Group financed from operating activities rose by €106 million over the year, from €936 million in 2008 to €1,042 million in 2009.

In addition, careful working capital management generated additional cash flow of €361 million, including €143 million from the renewed use of factoring for CFM Inc.'s trade receivables. Excluding the use of factoring, the €200 million improvement in working capital is mainly due to lower inventory balances which were achieved despite the promulgation in France of the Law on Economic Modernization (LME). This resulted in shorter supplier payment deadlines and a negative impact on consolidated working capital of approximately €150 million.

Acquisitions of intangible assets during the year mostly concern capitalized research and development expenses, patents and software. The marked increase over the previous year relates mainly to the Group's additional stake in the GenX engine program. This was capitalized in 2008, but payment was deferred to 2009.

Acquisitions of property, plant and equipment were down considerably on 2008. The Group has decided to postpone certain investments and focus on improving its production facilities to adapt to the market slowdown and the rescheduling of certain programs.

Financial investments relate mainly to acquisitions funded over the year in the Security sector: Printrak, Motorola's biometrics business, renamed MorphoTrak, was acquired for €130 million; GE Homeland Protection, specialized in the tomographic detection systems, was acquired from General Electric for an amount of €416 million and renamed Morpho Detection.

The amount of dividends distributed in 2009 (€73 million) was down on 2008 (€202 million) due to (i) the drop between the 2007 dividend of €166 million and the 2008 dividend of €104 million (distributed in 2009); and (ii) the 2008 interim dividend of €32 million distributed at the end of 2008, which was not distributed in 2009.

The Group's net debt at December 31, 2009 amounted to €498 million and comprised the following: cash and cash equivalents of €2,080 million (€919 million at December 31, 2008); interest-bearing liabilities of €2,575 million (€1,554 million at December 31, 2008); and the fair value of interest rate derivatives hedging borrowings for a negative amount of €3 million at December 31, 2009. The increase in both cash and borrowings can be explained by the Group's successful €750 million bonded debt issue in November 2009 in anticipation of debt repayments scheduled for the first quarter of 2010.

The consolidated gearing ratio came out at 11% at end-2009, versus 16% one year earlier.

Undrawn confirmed credit lines totaled €1.1 billion at December 31, 2009.

(1) See section 3.1.2 "Consolidated statement of cash flows" and Note 33 for more information.

2.3 RESEARCH AND DEVELOPMENT EXPENDITURE

Over 60% of the Group's Research, Technology and Development (RTD) expenditure is self-funded. It can be broken down as follows:

- Aircraft programs (mostly Boeing B787, Airbus A350 and A400M, Sukhoi Superjet 100): 42%;
- Helicopter engines: 8%;
- Security and Defence, excluding aviation: 18%;
- R&T: 25%;
- Other: 7%.

(in € millions)	2007	2008	2009
Self-funded RTD (1)	**760**	**708**	**686**
Expensed in operating expenses	572	480	504
Capitalized (gross)	188	228	182
RTD expensed (1)	**656**	**538**	**659**
Expensed in operating expenses	572	480	504
Amortization/impairment	84	58	155
RTD capitalized	**104**	**170**	**27**
Capitalized (gross)	188	228	182
Amortization/impairment	(84)	(58)	(155)

(1) Before deduction of the research tax credit.

The drop in total self-funded expenditure is mainly attributable to the marked decrease in RTD expenditure on the SaM146 engine program for the Russian Superjet 100 regional jet and equipment for the Airbus A380. However, overall research and development expenditure actually increased, mainly under the impetus of aerospace propulsion research to develop the Leap-X engine and the future CFM. Expenditure also increased in the Defence branch on optronics and navigation systems.

Amortization and impairment expense for 2009 includes impairment losses of €71 million taken on capitalized R&D expenditure for the Boeing B787 landing gear project.

2.4 HUMAN RESOURCES

2.4.1 Headcount

BREAKDOWN BY BUSINESS

As of December 31, 2009, the Group had 54,872 employees.

The following table presents a breakdown of employees by business as of December 31, 2009:

	France	Outside France	Total
Aerospace Propulsion	17,185	3,971	21,156
Aircraft Equipment	9,201	10,744	19,945
Defence	6,005	650	6,655
Security	1,208	4,349	5,557
Holding companies and other	1,351	208	1,559
SAFRAN GROUP	**34,950**	**19,922**	**54,872**

BREAKDOWN BY COUNTRY

The Group's international expansion continued apace. As of December 31, 2009, the Group had close to 20,000 employees working outside France in more than 50 countries. The Group expanded its operations in Mexico, China, Russia and Albania and carried out two major acquisitions in the US: Printrak and GE Homeland Protection, which became MorphoTrak and Morpho Detection, respectively.

The following table presents a breakdown of employees by geographical area as of December 31, 2009:

		At December 31, 2009	% of total
Europe	France	34,950	63.69%
	United Kingdom	2,168	3.95%
	Belgium	1,449	2.64%
	Germany	1,015	1.85%
	Other European countries (1)	1,393	2.54%
	Russia	279	0.51%
North America	Mexico	3,335	6.08%
	United States	3,945	7.19%
	Canada	1,055	1.92%
South America	Brazil	642	1.17%
	South America (Uruguay, Colombia, Chile)	93	0.17%
Africa and the Middle East	Morocco	1,229	2.24%
	South Africa	245	0.45%
	Other (UAE, Lebanon, Bahrain, etc.)	75	0.14%
Asia	China	825	1.50%
	Singapore	477	0.87%
	India	1,440	2.62%
	Other (Japan, Taiwan, Vietnam, Philippines, Malaysia, Hong Kong, Thailand, Republic of Korea)	83	0.15%
Oceania	Australia	174	0.32%
TOTAL		**54,872**	**100.00%**

(1) Albania, Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Turkey, Ukraine.

OTHER INFORMATION

Close to 25% of Group employees worldwide are women.

In addition, as of December 31, 2009, there were 400 expatriates worldwide providing customers with commercial and technical services in some 55 countries, primarily in Europe (34%), North America (27%) and China (11%). The Group also employs over 60 young interns under the French VIE (International Volunteer) program.

In France, the breakdown of employees by professional category as of December 31, 2009 was as follows: 35% executives, 32% technicians, 3% supervisors, 7% office staff and 23% line workers.

Nearly 20% of French executives are women.

Over 20% of Group employees in France are involved in research and development activities. The use of fixed-term contracts remains very limited and concerns less than 1% of employees at the end of 2009.

Temporary staff represented less than 10% of the workforce in 2009, primarily in the Aircraft Equipment, Defence and Security businesses, which make use of this type of labor due to significant fluctuations in activity levels.

2.4.2 Human resources policy

RECRUITMENT AND INSERTION

Safran continued to recruit in 2009 in order to bring in the fresh skills needed to prepare for future projects involving new generations of aircraft and new technologies. But, given the morose business environment, the intake was down slightly on previous years. Of the 1,000 new hires in 2009, two-thirds were executives and over 20% were women. Young graduates accounted for approximately 40% of our executive new hires.

80% of executive new hires had a scientific or technical background, mainly in the following areas:

- mechanical engineering;
- materials;
- aerodynamics;
- electronics systems;
- software development (onboard software); and
- systems architecture.

The Group is seeking to diversify its recruitment channels and 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 a PhD.

Specific initiatives have been rolled out to encourage a greater percentage of female employees throughout the Group. Recently-hired or newly promoted engineers and executives were brought together for the two-day "Safran Discovery Days" induction session to enhance their knowledge of the Company and forge a group identity. The session includes an in-depth presentation of the Group's businesses and strategy and provides an occasion for meeting with senior management.

MOBILITY

In 2009, over 330 employees benefited from an internal transfer between two Group companies in France.

In order to enhance internal mobility, the recruitment software used in the external recruitment process was adapted to internal recruitment. It allows employees to submit applications on line or to send a mobility request to HR specifying what sectors and employment pools they are most interested in.

This software will be progressively rolled out to the entire Group.

Initiatives to develop mobility throughout the Group are currently being prepared.

In 2009, the program to encourage mobility between France and other countries in which the Group operates involved 400 employees (73 expatriations and 111 repatriations). Standard contractual arrangements and expatriation packages have been developed at Group level and deployed in all entities to facilitate this mobility.

Other mobility arrangements such as local contracts for employees wishing to gain experience abroad are currently being prepared.

TRAINING – COMPANY UNIVERSITY

Safran invests close to 4% of payroll costs in training. Over 70% of employees receive training at least once a year.

A substantial portion of training efforts are focused on developing the technological skills required by major projects.

The development of management 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.

Safran University offers an ideal means of managing change within the Group and preparing Safran managers to meet future challenges by:

- forging a corporate culture and facilitating teamwork through better mutual understanding and the exchange of best practices;
- preparing current and future senior managers to assume new responsibilities and acquire the knowledge, methods and professional skills needed to carry out their duties;
- supporting major Group projects through appropriate training;
- disseminating "state-of-the-art" management techniques.

Over 12,000 managers, engineers and executives have enrolled in Safran University courses since it was set up in 2002.

COMPENSATION TRENDS

Group companies negotiated salary plans in 2009 providing for an average increase in compensation of between 2.5% and 2.8% of payroll, depending on the company. These plans comprised general and individual increases for employees, and specific increases for executives.

In addition, several Group companies set aside budgets for promoting compensation equality between men and women as part of their annual compensation policy.

DIVERSITY AND EQUAL OPPORTUNITIES

Safran's commitment to combat discrimination and promote equal opportunities is organized around the four following objectives:

- integrating and maintaining employees with disabilities in the workforce;
- promoting professional equality between men and women;
- integrating young people from under-privileged neighborhoods;
- developing opportunities for seniors within the Group.

Integrating and maintaining employees with disabilities in the workforce

The Group has a proactive policy for integrating and maintaining employees with disabilities within the Group, which consists of:

- developing recruitment procedures for individuals with disabilities (membership of various associations, sourcing, participation in the Paris employment forum organized by Adapt, a French association that promotes the insertion of disabled workers);
- developing work-study programs for young people: as part of the "Elan" program, deployed in collaboration with the Safran Foundation to promote integration, the Group trains young people with disabilities and helps them to get apprenticeships or professional training contracts.

  The first phase of this project, rolled out between 2006 and 2008, enabled the Group to provide training to 35 people with disabilities (well ahead of the original target of 25 people). Of those trainees who sat for a diploma as part of the two-year work-study program, 74% were awarded the diploma in question – 44% of the successful candidates subsequently found jobs either inside or outside the Group – and 28% decided to continue with the work-study program and sit for the diploma again. This represents a very positive outcome.

  Buoyed by the success of this first phase, the Group decided to extend the project, now known as Elan II, to cover the period 2008 to 2010. The aim was to prepare 30 young people to sit exams ranging from the CAP (certificate of professional competence) and BTS (advanced technician's certificate) to the second year of a Master's degree program from an engineering school. This target has also been exceeded as there were 36 young people in work-study programs at end-2009.

  Safran is also a corporate partner in the "Salto" project launched in 2009 by AGEFIPH (responsible for managing funds earmarked for the professional integration of disabled people) to develop work-study programs in industry for disabled people;
- communicating with both disabled employees and the Group's wider workforce: in particular, the Group participated closely with AGEFIPH in the *"Un jour, un métier en action"* (one day, a proactive profession) initiative.

Work has also continued on developing a contractual framework for the Group's policy by negotiating a disability convention in collaboration with AGEFIPH that would cover all of the Group's French subsidiaries.

Promoting professional equality between men and women

Promoting professional equality between men and women – a key vector in social cohesion and the Group's growth – is one of the basic components of Safran's policy to sponsor diversity.

Initiatives focus mainly on preventing discrimination in compensation and hiring and the Group has signed equal pay agreements in its main subsidiaries that include objectives, progress indicators and progress reviews.

The Group's willingness to promote gender diversity in its recruitment drives, especially when hiring engineers and executives, is underpinned by a number of initiatives inter alia the Group's sponsorship since 2006 of the *"Elles bougent"* enterprise association to showcase the transport and energy sectors to female high school and university students taking technical courses and encourage them to focus on scientific sectors that are closely related to the Group's business.

Over the coming years, the Group will address the fundamental objective of promoting access for women to senior positions.

Integrating young people from under-privileged neighborhoods

On May 15, 2008, the Safran Group signed a national agreement for the professional integration of young people from under-privileged neighborhoods under the "Hope for the Suburbs Plan" launched by the French Ministry for the Economy, Finance and Employment. All Group companies have made a commitment to support this program.

The Group has undertaken to recruit 642 people under permanent or fixed-term employment contracts, internships or work-study contracts between 2008 and 2010.

By signing this commitment, the Group has affirmed its willingness to offer young people from under-privileged neighborhoods real opportunities to get to know the Company and provide them with career guidance, professional training and employment.

In 2008, 250 young men and women under 26 years of age were taken on in internships or work-study programs or hired outright. This largely exceeded the Group's target intake for 2008 of 158 young people from under-privileged neighborhoods.

In order to meet its objectives for 2009, Safran worked closely with Pôle Emploi (government employment agency) and developed partnerships with locally-based associations, notably the IMS "city enterprise" umbrella group which coordinates a network of 200 enterprises.

Prolonging the working lives of seniors

The Group intends to adopt a proactive career management policy for seniors.

In 2009, 32% of the Group's French employees were age 50 or over. Holding on to these employees, capitalizing on their vast professional experience and giving them confidence in their professional futures is a major priority for the Group.

The Group has begun to offer career reviews to each employee on key anniversaries (30, 40 or 50 years spent with the Company) to allow every employee to take stock of his or her past, current and future professional development.

Negotiations concerning the employment of seniors within the Group kicked off in the last quarter of 2009 and should lead to concrete measures to promote opportunities for seniors over a three-year period. The resulting agreement will contain both quantitative and qualitative objectives and performance indicators.

2.4.3 Employee relations

EMPLOYEE RELATIONS

On February 10, 2009, a Group top-up health insurance plan was signed with the five labor organizations that represent the Group's employees.

The implementation of the new Group health insurance plan on July 1, 2009 marked a decisive step in the development of a common set of employee benefits and provided all Group employees with comprehensive coverage in the event of work incapacity or death and for the reimbursement of medical bills.

On October 27, 2009 the Group statutory employee profit-sharing agreement was formally amended to enable an immediate payment to be made to employees.

On December 18, 2009 the Safran employee savings plan was amended to allow the two company mutual funds (FCPE) to be transformed into a *fonds solidaire* (solidarity fund), thus going beyond the minimum legal requirements.

An agreement is currently being negotiated between management and employee representative organizations concerning the employment of seniors within the Group. It forms part of the Group's "forward-looking career and skills management" program which kicked off in 2009 and will continue into 2010.

In addition, each Group company is pursuing a dynamic contract negotiation policy based on its economic and social profile.

RELATIONS WITH THE LOCAL ENVIRONMENT

The Group's entities maintain close relations with their local and regional environments and help to showcase its businesses through active participation in social and economic initiatives at local level.

It devotes considerable resources to taking on young people under work-study or apprenticeship programs and internships at various levels of qualification.

In line with changing obligations and the commitments given when it signed up to the Apprenticeship Charter in June 2005, Safran welcomed over 1,100 young people under work-study contracts in 2009 (apprenticeship and professional training contracts).

The Safran Group pools the payment of apprenticeship tax for qualification levels of five years post-high school or more 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 establishments that train individuals whose expertise match 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.

Safran is also involved in two corporate foundations: *Fondation d'entreprise Safran,* whose purpose is to fight against the exclusion of teenagers and young adults with disabilities (physical, psychological or social), and *Fondation Safran pour la musique,* whose purpose is to support young musicians.

EMPLOYEE-RELATED ACTIVITIES MANAGED BY THE WORKS COUNCIL

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.

2.4.4 Statutory and optional employee profit-sharing schemes

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. 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, enabling the payment of an identical percentage of salary to all personnel.

Total statutory profit-sharing expense recorded in the consolidated financial statements for the last two years is as follows:

(in € millions)	**Statutory employee profit-sharing**
2008	56.7
2009	**34.4**

OPTIONAL EMPLOYEE PROFIT-SHARING

All French entities have optional profit-sharing schemes based primarily on economic performance criteria supplemented, where appropriate, by other performance indicators.

The total amount of optional profit-sharing payments may not exceed 5% of payroll, although this percentage may be increased to 7% in the event of exceptional company performance.

Total optional profit-sharing payments recorded in the consolidated financial statements for the last two years are as follows:

(in € millions)	**Optional employee profit-sharing**
2008	86.2
2009	**79.5**

2.4.5 Group employee savings plan and international Group employee savings plan

GROUP EMPLOYEE SAVINGS PLAN

The Group Employee Savings Plan, implemented by an agreement signed at Group level in 2006, allows employees to:

- access several investment vehicles with diverse profiles, via five corporate mutual funds (FCPE) with different management profiles;
- invest in an employee shareholder corporate mutual fund to which their company contributes top-up payments;
- transfer balances between investment vehicles within the Group employee savings plan.

INTERNATIONAL GROUP EMPLOYEE SAVINGS PLAN

The agreement creating an International Group Employee Savings Plan, signed by the Safran Works Council in 2006, brought an international dimension to employee share ownership. It provides employer financial support to employees of foreign subsidiaries who wish to contribute to a savings plan based on Safran shares.

In 2009, 11,600 employees in some 40 Group companies in Germany, Belgium, Canada, Mexico, the United Kingdom and the United States had access to this plan, which will be progressively rolled out to other countries.

2.5 SUB-CONTRACTING

Like other industrial groups, Safran uses sub-contractors. Sub-contracting generally falls into one of three categories:

- 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.

2.6 OUTLOOK FOR 2010

In 2010, the Group expects to generate revenue on a par with the 2009 figure despite a slightly less favorable impact of foreign currency hedging and is confident that it will achieve moderate growth in recurring operating income based on a target hedging rate of USD 1.46 for €1. Free cash flow should come in at about half of recurring operating income.

The outlook for 2010 is based on the following assumptions:

- a target hedging rate of USD 1.46 for €1 (currently USD 1.47);
- a rise in worldwide air traffic of between 4% and 5%;
- stable, or slightly lower levels of business in original equipment in the commercial aviation sector;
- a slight increase in sales of services, especially in the second half of the year;
- high profitable growth for the Security branch;
- continued implementation of the Safran+ initiatives to enhance productivity and cut overheads.

Going forward from 2010, provided there is no further deterioration in the business environment, the Group's operating profitability should be buoyed by a more favorable hedging position in 2011-2013, as well as by the significant potential for growth in service activities for the most recent aviation products and in the Security business.

FACTORS WITH A POTENTIAL IMPACT ON RESULTS

Given the business environment in which the Group operates, the main external factors likely to impact Safran's businesses may be of a governmental or budgetary (change in government military and security orders), economic (change in economic conditions, cyclical aspects of the aviation market), monetary (unfavorable currency movements and particularly in the US dollar) or political nature.

2.7 2010 FIRST-QUARTER REVENUE[1]

For the first quarter of 2010, Safran's consolidated revenue (adjusted data) was €2,426 million, compared to €2,487 million in the year-ago period, a 2.5% year-over-year decrease and a 3.0% decline on a constant exchange rate and Group structure basis. Safran's first-quarter revenue for 2010 is in line with the full-year outlook for stable revenue. The Group also confirmed its full-year guidance for 2010 and its renewed confidence in the outlook for 2011 and beyond.

Acquisitions had a positive impact of €51 million on revenue in the first quarter of 2010, which mainly included the consolidation of MorphoTrak (formerly Printrak) for €8 million and Morpho Detection (formerly GE Homeland Protection) for €44 million. The adverse currency impact of €37 million for first quarter 2010 was mostly a combination of a mild deterioration in the Group's hedged rate (USD 1.46 for €1 versus USD 1.45 in the year-ago period) and a significant deterioration of the average spot rate (USD 1.38 for €1 versus USD 1.32) on sales which are naturally hedged (sales and purchases in the same currency).

First-quarter revenue *(in € millions)*	**Q1 2009**	**Q1 2010**	**Reported change**	**Organic change**
Aerospace Propulsion	1,334	1,311	-1.7%	-0.4%
Aircraft Equipment	700	633	-9.6%	-6.5%
Defence	238	245	2.9%	3.7%
Security	204	223	9.3%	-17.5%
Holding	11	14	n.m.	n.m.
REVENUE	**2,487**	**2,426**	**-2.5%**	**-3.0%**

(1) The data in this section have been adjusted and have not been audited.

Analysis by business

AEROSPACE PROPULSION

Revenue for the first quarter of 2010 was down 1.7% at €1,311 million, but remained fairly stable on a constant exchange rate and Group structure basis (down 0.4%), compared to the year-ago period. Change in revenue was attributable to a higher pace of CFM56 and space engine deliveries, as well as fast-growing aftermarket activity in both military engines and recent high-thrust civil engines, offset by a mildly adverse currency impact, lower helicopter engine deliveries and CFM56 spare parts revenue compared to an exceptionally high first quarter last year.

OE CFM56 engine deliveries were up 8% at 324 units compared to 301 units in first quarter 2009 which represented a low volume base following the Boeing strike. CFM56 orders saw a robust first quarter 2010 at 282 units. OE high-thrust engine deliveries were up 4% driven by the commercial success of the GE115 engine that powers the B777 aircraft. OE deliveries were slightly down in both military and helicopter engines.

For the first quarter of 2010, service revenue share remained stable at 48% of Aerospace Propulsion sales, with a robust contribution from military, as well as from high-thrust recent civil engines. Worldwide CFM56 spare parts revenue was down 25% in USD terms, but compared to a very strong first quarter 2009.

With international traffic growth in the high single digits for passengers and in the mid-twenties for freight in first quarter 2010, the total number of grounded planes equipped with CFM56 engines decreased from 468 at end of December 2009 to 416 at the end of March 2010, confirming a return to active service of a significant number of CFM56-equipped aircraft during the quarter.

AIRCRAFT EQUIPMENT

The Aircraft Equipment segment reported first-quarter 2010 revenue of €633 million, down 9.6%, and 6.5% lower on a constant exchange rate and Group structure basis, compared to the year-ago period. The decline in revenue was primarily attributable to a continuing decline starting in second quarter 2009 of the business and regional jet segments which impacted the nacelle, landing system and wiring businesses. The nacelle activity recorded a significant drop in small nacelle deliveries (down 38%), as well as lower deliveries of A380 nacelles (9 units in the first quarter of 2010 compared to 19 nacelles in the year-ago period) due to aircraft delivery slippages. A volume drop of 26% in landing system deliveries, notably due to a weak business jet segment, was recorded over the period. These impacts were partially mitigated in first quarter 2010 by a solid performance in services (landing gear, brakes, wheels) in both military and civil activities.

For the first three months of 2010, service revenue share increased to 34% of Aerospace Equipment sales, benefiting from a strong contribution from landing gear and carbon-brake systems.

DEFENCE

First quarter 2010 revenue was up 2.9% at €245 million, showing 3.7% growth on a constant exchange rate and Group structure basis, compared to the same period last year. The performance was mainly driven by two-digit growth in the Optronics activity on the basis of a robust order backlog (Felin soldier integrated equipment suites, long-range infra-red goggles). This trend was partly mitigated by a mild decline in the Avionics activity with less volume in navigation programs.

SECURITY

The Security business reported three-month 2010 revenue of €223 million, up 9.3% on a reported basis, which was partly due to the consolidation of Printrak and GE Homeland Protection. Slowdown of 17.5% on a constant exchange rate and Group structure basis was registered as a result of the expected phasing of certain long-term government contracts in the Identification activity, notably the contract related to the electoral census of the population for Côte d'Ivoire and the passport contract in France. The smart cards activity recorded slightly growing revenue driven by a healthy volume increase in the banking and telecommunication market segments.

SECTION 03

Adjusted income statement for the year ended December 31, 2009

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.

These adjustments are described in the Foreword (section 3.1).

Simplified adjusted income statement

(in € millions)	2009
Revenue	10,448
Recurring operating income	698
Profit from operations	663
Profit for the period attributable to owners of the parent	376

Consolidated financial statements for the year ended December 31, 2009

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

Simplified consolidated income statement

(in € millions)	2009
Revenue	10,559
Recurring operating income	629
Profit from operations	594
Profit for the period attributable to owners of the parent	641

Parent company financial statements for the year ended December 31, 2009

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 Safran SA income statement

(in € millions)	2009
Revenue	108
Profit from ordinary activities before tax	247
Profit for the year	250

Dividend

At the Annual General Meeting of May 27, 2010, the Executive Board will propose the payment of a dividend of €0.38 per share, representing a total payout of €158 million.

(per share)	2007	2008	2009
Dividend	€0.40	€0.25	€0.38

FINANCIAL STATEMENTS

03

Note:

In accordance with Article 28 of EC Regulation no. 809/2004, the following information is incorporated by reference in this Registration Document:

- the consolidated financial statements for the year ended December 31, 2007 and the corresponding audit report as presented in section 20.5.1 of the 2007 Registration Document filed with the AMF on April 25, 2008 under number D.08-0299; these 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, 2008 and the corresponding audit reports as presented in sections 3.5.1 and 3.5.2 of the 2008 Registration Document filed with the AMF on April 24, 2009 under number D.09-0305; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Those sections of the 2007 and 2008 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 2009 Registration Document.

3.1 CONSOLIDATED FINANCIAL STATEMENTS

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 the Safran Group:

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

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

- the impact in financial income (loss) of 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,
  - the recognition of the mark-to market of unsettled hedging instruments at the closing date is neutralized;
- the amortization charged against intangible assets relating to aeronautical programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3.

In 2009, the Group decided to change the method for reporting the adjustment concerning the mark-to-market of hedging instruments that were unsettled at the reporting date. Previously, only the "effective" portion of the mark-to-market of such instruments was neutralized until settlement, with the "ineffective" portion recognized in adjusted financial income (loss). Given that the Group's hedging strategy includes optional hedging instruments and optimization measures combined with highly volatile market inputs used to mark to market, this presentation does not appear to be appropriate to reflect the Group's economic performance. Consequently, all mark-to-market changes relating to unsettled hedging instruments at the closing date are neutralized.

Reconciliation of the statutory income statement with the adjusted income statement

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

(in € millions)	Consolidated financial statements at Dec. 31, 2009	Currency hedging: Remeasurement of revenue [1]	Currency hedging: Deferred hedging gains (losses) [2]	Amortization of intangible assets [3]	Adjusted financial statements at Dec. 31, 2009
Revenue	**10,559**	**(111)**	**-**	**-**	**10,448**
Other recurring operating income and expenses	(9,930)	6	16	158	(9,750)
Recurring operating income	**629**	**(105)**	**16**	**158**	**698**
Other non-recurring operating income and expenses	(35)	-	-	-	(35)
Profit from operations	**594**	**(105)**	**16**	**158**	**663**
Cost of net debt	(38)	-	-	-	(38)
Foreign exchange gains (losses)	479	105	(575)	-	9
Other financial income and expense	(145)	-	-	-	(145)
Financial income (loss)	**296**	**105**	**(575)**	**-**	**(174)**
Share in profit from associates	3	-	-	-	3
Income tax benefit (expense)	(235)	-	191	(54)	(98)
Profit from continuing operations	**658**	**-**	**(368)**	**104**	**394**
Loss from discontinued operations	(4)	-	-	-	(4)
Attributable to non-controlling interests	**(13)**	**2**	**-**	**(3)**	**(14)**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**641**	**2**	**(368)**	**101**	**376**

(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 for €(575) million excluding tax, and impact of including hedges in the measurement of provisions for losses to completion for €16 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.

Readers are reminded that only the consolidated financial statements are audited by the Group's statutory auditors. The consolidated financial statements include revenue and operating profit indicators set out in the adjusted data section of Note 5, "Segment information".

Adjusted financial data other than the data provided in Note 5, "Segment information", are verified with respect to an overall reading of the information provided in this report.

3.1.1 Adjusted consolidated income statement and segment information

Adjusted income statement

(in € millions)	Note	2008 (1) Adjusted	2009 Adjusted
Revenue		**10,329**	**10,448**
Other income	6	148	156
Income from operations		**10,477**	**10,604**
Change in inventories of finished goods and work-in-progress		276	(268)
Capitalized production		298	242
Raw materials and consumables used		(6,478)	(5,943)
Personnel costs	6	(3,133)	(3,276)
Taxes		(221)	(238)
Depreciation, amortization and increase in provisions net of use		(432)	(435)
Asset impairment		(45)	(30)
Other recurring operating income and expenses		(76)	42
Recurring operating income		**666**	**698**
Other non-recurring operating income and expenses	6	146	(35)
Profit (loss) from operations		**812**	**663**
Cost of net debt	7	(19)	(38)
Foreign exchange gains (losses)		(59)	9
Other financial income and expense	7	(76)	(145)
Financial income (loss)		**(154)**	**(174)**
Share in profit from associates	15	10	3
Profit (loss) before tax		**668**	**492**
Income tax (expense)/benefit		(123)	(98)
Profit (loss) from continuing operations		**545**	**394**
Profit (loss) from discontinued operations	18	(233)	(4)
PROFIT (LOSS) FOR THE PERIOD		**312**	**390**
Attributable to:			
owners of the parent		297	376
non-controlling interests		15	14
Earnings per share attributable to owners of the parent *(in €)*			
Basic earnings (loss) per share		0.73	0.94
Diluted earnings (loss) per share		0.73	0.94
Earnings per share of continuing operations attributable to owners of the parent *(in €)*			
Basic earnings (loss) per share		1.31	0.95
Diluted earnings (loss) per share		1.31	0.95
Earnings per share of discontinued operations attributable to owners of the parent *(in €)*			
Basic earnings (loss) per share		(0.58)	(0.01)
Diluted earnings (loss) per share		(0.58)	(0.01)

(1) The adjusted consolidated income statement for 2008 has been adjusted for:

- *the changes in presentation described in Note 3; for 2008, this restatement led to the reclassification of the financial component of pension costs for €14 million from profit (loss) from operations to financial income (loss);*
- *the restatement of financial income (loss) described in the foreword. This restatement led to the neutralization of (i) €63 million in negative fair value adjustments within foreign exchange gains (losses); and (ii) €22 million in related deferred tax income, resulting in an overall positive impact of €41 million on adjusted profit for 2008. These changes did not affect adjusted 2008 revenue or profit (loss) from operations.*

Segment information

Operating segments and key indicators shown are defined in Note 5.

AT DECEMBER 31, 2009

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedging	Amortization of intangible assets	Total consolidated data
Revenue	**5,673**	**2,767**	**1,061**	**904**	**10,405**	**43**	**10,448**	**111**		**10,559**
Recurring operating income [(1)]	**628**	**73**	**9**	**55**	**765**	**(67)**	**698**	**89**	**(158)**	**629**
Other non-recurring operating income and expenses	29	(71)			(42)	7	(35)			(35)
Profit (loss) from operations	**657**	**2**	**9**	**55**	**723**	**(60)**	**663**	**89**	**(158)**	**594**
Free cash flow	**779**	**(113)**	**8**	**29**	**703**	**115**	**818**			**818**
Gross working capital requirement	**(119)**	**952**	**362**	**182**	**1,377**	**(135)**	**1,242**			**1,242**
Segment assets	**7,940**	**3,840**	**1,455**	**1,447**	**14,682**	**541**	**15,223**			**15,223**
(1) of which depreciation, amortization and increase in provisions net of use	*(172)*	*(169)*	*(38)*	*(50)*	*(429)*	*(6)*	*(435)*	*(12)*	*(159)*	*(606)*
of which impairment	*(11)*	*(30)*	*16*	*(6)*	*(31)*	*1*	*(30)*	*(5)*	*1*	*(34)*

AT DECEMBER 31, 2008

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedging	Amortization of intangible assets	Total consolidated data
Revenue [(2)]	**5,814**	**2,775**	**1,021**	**695** [(3)]	**10,305**	**24**	**10,329**	**(48)**		**10,281**
Recurring operating income [(1)] [(6)]	**594**	**62**	**40**	**34**	**730**	**(64)**	**666**	**(34)**	**(161)**	**471**
Other non-recurring operating income and expenses				146	146		146			146
Profit (loss) from operations [(4)] [(6)]	**594**	**62**	**40**	**180** [(5)]	**876**	**(64)**	**812**	**(34)**	**(161)**	**617**
Free cash flow [(4)]	**152**	**(226)**	**32**	**33**	**(9)**	**58**	**49**			**49**
Gross working capital requirement	**290**	**880**	**377**	**61**	**1,608**	**(162)**	**1,446**	**2**		**1,448**
Segment assets	**7,915**	**4,419**	**1,265**	**808**	**14,407**	**580**	**14,987**			**14,987**
(1) of which depreciation, amortization and increase in provisions net of use	*(214)*	*(162)*	*(23)*	*(17)*	*(416)*	*(16)*	*(432)*	*12*	*(161)*	*(581)*
of which impairment	*(11)*	*(31)*	*(1)*	*(3)*	*(46)*	*1*	*(45)*	*5*		*(40)*

(2) 2008 revenue for the Aerospace Propulsion, Aircraft Equipment and Defence segments has been adjusted to take into account the impact of internal restructuring measures initiated at the beginning of 2009.

(3) Revenue for the Security segment includes €40 million relating to the payment terminals activities, which were sold on April 1, 2008.

(4) 2008 segment profit from operations and cash flow have not been restated to take account of the impact of internal restructuring measures initiated in early 2009.

(5) Profit from operations for the Security segment includes €7 million relating to the payment terminals activities in the first quarter of 2008, and €146 million in disposal gains relating to said business.

(6) 2008 profit from operations has been adjusted to take account of the presentational changes described in Note 3.

Revenue (adjusted data)

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Aerospace Propulsion		
Original equipment	2,643	2,546
Products and services related to original equipment	96	36
Maintenance, repairs and overhauls	1,081	1,100
Spare parts	1,496	1,531
Lease and exchange fees	159	156
Sales of research and technology studies	50	47
Sales of sustaining engineering studies	189	144
Other	100	113
Sub-total	**5,814**	**5,673**
Aircraft Equipment		
Original equipment	1,501	1,477
Products and services related to original equipment	208	194
Maintenance, repairs and overhauls	333	597
Spare parts	490	259
Lease and exchange fees	16	13
Sales of research and technology studies	12	4
Sales of sustaining engineering studies	78	78
Other	137	145
Sub-total	**2,775**	**2,767**
Defence		
Sales of equipment	543	594
Maintenance, repairs and overhauls	47	45
Spare parts	167	139
Sales of studies	259	246
Other	5	37
Sub-total	**1,021**	**1,061**
Security		
Sales of equipment	638	774
Maintenance, repairs and overhauls	42	117
Other	15	13
Sub-total	**695**	**904**
Holding company and other		
Sales of equipment	6	23
Other	18	20
Sub-total	**24**	**43**
TOTAL	**10,329**	**10,448**

Information by geographical area

AT DECEMBER 31, 2009

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	Total
Revenue by location of customers (adjusted data)	2,510	2,944	2,850	1,197	947	10,448
%	*24%*	*28%*	*27%*	*12%*	*9%*	
Segment assets by location	11,589	1,735	1,572	72	255	15,223
%	*76%*	*11%*	*10%*	*0%*	*2%*	

AT DECEMBER 31, 2008

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	Total
Revenue by location of customers (adjusted data)	3,004	2,419	2,888	958	1,060	10,329
%	*29%*	*24%*	*28%*	*9%*	*10%*	
Segment assets by location	12,070	1,882	747	70	218	14,987
%	*81%*	*13%*	*5%*	*0%*	*1%*	

No individual customer accounted for more than 10% of Group revenue in 2009 or 2008.

3.1.2 Consolidated financial statements

Consolidated income statement

(in € millions)	Note	2008 (1)	2009
Revenue	**5 and 6**	**10,281**	**10,559**
Other income	6	148	156
Income from operations		**10,429**	**10,715**
Change in inventories of finished goods and work-in-progress		276	(268)
Capitalized production		298	242
Raw materials and consumables used	6	(6,478)	(5,948)
Personnel costs	6	(3,133)	(3,276)
Taxes		(221)	(238)
Depreciation, amortization and increase in provisions net of use	6	(581)	(606)
Asset impairment	6	(40)	(34)
Other recurring operating income and expenses	6	(79)	42
Recurring operating income	**5 and 6**	**471**	**629**
Other non-recurring operating income and expenses	6	146	(35)
Profit from operations	**5 and 6**	**617**	**594**
Cost of net debt		(19)	(38)
Foreign exchange gains (losses)		(635)	479
Other financial income and expenses		(76)	(145)
Financial income (loss)	**7**	**(730)**	**296**
Share in profit from associates	15	10	3
Profit (loss) before tax		**(103)**	**893**
Income tax (expense) benefit	8	142	(235)
Profit from continuing operations		**39**	**658**
Loss from discontinued operations	18	(233)	(4)
PROFIT (LOSS) FOR THE PERIOD		**(194)**	**654**
Attributable to:			
• owners of the parent		(205)	641
• non-controlling interests		11	13
Earnings per share attributable to owners of the parent *(in €)*	**9**		
Basic earnings (loss) per share		(0.51)	1.61
Diluted earnings (loss) per share		(0.51)	1.60
Earnings per share of continuing operations attributable to owners of the parent *(in €)*	**9**		
Basic earnings per share		0.07	1.62
Diluted earnings per share		0.07	1.61
Earnings per share of discontinued operations attributable to owners of the parent *(in €)*	**9**		
Basic loss per share		(0.58)	(0.01)
Diluted loss per share		(0.58)	(0.01)

(1) The consolidated income statement for 2008 has been restated to take account of the presentational changes described in Note 3.

Consolidated statement of comprehensive income

	2008	2009
Profit (loss) for the period	**(194)**	**654**
Other comprehensive income		
Available-for-sale financial assets	(42)	25
Unrealized gains and losses recognized in other comprehensive income	*(42)*	*11*
Reclassified to profit (loss) for the period following impairment		*14*
Translation differences	(12)	4
Unrealized foreign exchange gains and losses recognized in other comprehensive income	*(12)*	*4*
Income tax related to components of other comprehensive income		
Other comprehensive income for the period	**(54)**	**29**
Of which transferred to profit (loss) for the period		14
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(248)**	**683**
Attributable to:		
• owners of the parent	(259)	671
• non-controlling interests	11	12

Consolidated balance sheet

ASSETS

(in € millions)	Note	Dec. 31, 2008	Dec. 31, 2009
Goodwill	11	1,756	2,126
Intangible assets	12	3,112	3,217
Property, plant and equipment	13	2,107	2,201
Non-current financial assets	14	203	220
Investments in associates	15	244	238
Deferred tax assets	8	295	263
Other non-current assets	19	9	1
Non-current assets		**7,726**	**8,266**
Current financial assets	14	108	75
Fair value of financial instruments and derivatives	21	138	63
Inventories and work-in-progress	16	3,673	3,382
Trade and other receivables	17	3,881	3,994
Tax assets	8	127	145
Other current assets	19	203	164
Cash and cash equivalents	20	919	2,080
Current assets		**9,049**	**9,903**
Assets held for sale	18	61	-
TOTAL ASSETS		**16,836**	**18,169**

EQUITY AND LIABILITIES

(in € millions)	Note	Dec. 31, 2008	Dec. 31, 2009
Share capital		83	83
Consolidated retained earnings	22.c	3,902	3,619
Interim dividends		(32)	-
Net unrealized gains (loss) on available-for-sale financial assets		(15)	10
Profit (loss) for the period		(205)	641
Equity attributable to owners of the parent		**3,733**	**4,353**
Non-controlling interests		**141**	**148**
Total equity		**3,874**	**4,501**
Provisions	23	1,078	1,315
Borrowings subject to specific conditions	25	698	696
Interest-bearing non-current liabilities	26	418	1,208
Deferred tax liabilities	8	618	833
Other non-current liabilities	28	139	210
Non-current liabilities		**2,951**	**4,262**
Provisions	23	1,278	1,039
Interest-bearing current liabilities	26	1,136	1,367
Trade and other payables	27	6,786	6,805
Tax liabilities	8	39	53
Fair value of financial instruments and derivatives	29	577	13
Other current liabilities	28	156	129
Current liabilities		**9,972**	**9,406**
Liabilities related to assets held for sale	18	39	-
TOTAL EQUITY AND LIABILITIES		**16,836**	**18,169**

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	Consolidated retained earnings	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At December 31, 2007	**83**	**3,360**	**(101)**	**27**	**(57)**	**987**	**39**	**-**	**4,338**	**167**	**4,505**
Comprehensive income for the period				(42)	(12)		(205)		(259)	11	(248)
Acquisitions/disposals of treasury shares			(151)						(151)		(151)
Dividends						(165)			(165)	(5)	(170)
Interim dividend						(32)			(32)		(32)
Other movements						41	(39)		2	(32)	(30)
At December 31, 2008	**83**	**3,360**	**(252)**	**(15)**	**(69)**	**831**	**(205)**	**-**	**3,733**	**141**	**3,874**
Comprehensive income for the period				25	5		641		671	12	683
Acquisitions/disposals of treasury shares			5						5		5
Dividends						(68)			(68)	(5)	(73)
Other movements						(205)	205	12 (1)	12		12
AT DECEMBER 31, 2009	**83**	**3,360**	**(247)**	**10**	**(64)**	**558**	**641**	**12**	**4,353**	**148**	**4,501**

(1) Of which €9 million in bonus share grants.

Consolidated statement of cash flows

(in € millions)	See Note 33	2008	2009
I. Cash flow from (used in) operating activities			
Profit (loss) attributable to owners of the parent		(205)	641
Current taxes		131	67
Deferred taxes		(300)	173
Consolidated profit (loss) before tax		**(374)**	**881**
Tax paid		(257)	(73)
Share in profit from associates (net of dividends received)		(4)	(2)
Depreciation and amortization		540	573
Asset impairment		(10)	177
Provisions		160	25
Fair value of financial instruments and derivatives		657	(546)
Expense related to bonus share grants		-	9
Foreign exchange gains (losses)		3	(3)
Capital gains (losses) on asset disposals		(127)	6
Accrued interest		6	7
Other items		23	(24)
Profit (loss) before tax from discontinued operations		308	(1)
Profit attributable to non-controlling interests		11	13
Other income and expenses with no cash impact		**1,571**	**236**
Cash flow from (used in) operations, before changes in working capital		**936**	**1,042**
Change in inventories and work-in-progress		(337)	387
Change in operating receivables and payables		117	(45)
Change in other receivables and payables		18	(5)
Intercompany change in working capital from discontinued operations		(14)	24
Change in working capital		**(216)**	**361**
	Total I	**720**	**1,403**
II. Cash flow from (used in) investing activities			
Payments for the purchase of intangible assets, net of proceeds		(230)	(292)
Payments for the purchase of property, plant and equipment, net of proceeds		(441)	(293)
Proceeds (payments) arising from the sale (acquisition) of investments		(221)	(560)
Proceeds (payments) arising from the sale (acquisition) of financial assets		109	(9)
Cash flow from (used in) intercompany investing activities related to discontinued operations		(5)	-
	Total II	**(788)**	**(1,154)**
III. Cash flow from (used in) financing activities			
Change in share capital		-	1
Acquisitions and disposals of treasury shares		(151)	5
Repayment of borrowings and long-term debt		(93)	(218)
Repayment of repayable advances		(31)	(36)
Issuance of new loans		136	794
Repayable advances received		112	69
Change in short-term borrowings		465	381
Cash flow from (used in) intercompany financing activities related to discontinued operations		133	(30)
Dividends paid to owners of the parent		(197)	(68)
Dividends paid to non-controlling interests		(5)	(5)
	Total III	**369**	**893**
Cash flow from (used in) operating activities related to discontinued operations	**Total IV**	**(94)**	**5**
Cash flow from (used in) investing activities related to discontinued operations	**Total V**	**(7)**	
Cash flow from (used in) financing activities related to discontinued operations	**Total VI**	**2**	**(1)**
Effect of changes in foreign exchange rates	**Total VII**	**(2)**	**4**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III+IV +V+VI+VII**	**200**	**1,150**
Cash and cash equivalents at beginning of year		730	919
Cash and cash equivalents at end of year		919	2,080
Change in cash and cash equivalents		189	1,161
Cash and cash equivalents of discontinued operations and assets held for sale, at end of year		11	
Cash and cash equivalents of discontinued operations and assets held for sale, at start of year			11
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**200**	**1,150**
of which change in cash and cash equivalents from continuing operations		185	1,160
of which change in cash and cash equivalents from discontinued operations		15	(10)
of which change in cash and cash equivalents from assets held for sale		-	-

Notes to consolidated financial statements

CONTENTS

Safran SA (2, boulevard du Général-Martial-Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (corporation) incorporated in France and permanently listed in 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 and accompanying notes are drawn up in euros and all values are rounded to the nearest million unless otherwise stated.

The Supervisory Board meeting of February 24, 2010 authorized the publication of Safran's consolidated financial statements for 2009, as approved by the Executive Board on February 22, 2010. 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) adopted by the European Union (available from www.ec.europa.eu/internal_market/accounting/ias/index_en.htm) at the date the financial statements were approved by the Executive Board. They include standards approved by the International Accounting Standards Board (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).

STANDARDS, REVISED STANDARDS AND INTERPRETATIONS APPLIED AT DECEMBER 31, 2009

New and revised standards applied at January 1, 2009

- IAS 23 (revised), Borrowing Costs.

  The revised IAS 23 requires entities to capitalize any borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group previously recognized borrowing costs directly in expenses. In accordance with the transitional provisions of the revised IAS 23, the standard was applied prospectively as of January 1, 2009. Accordingly, borrowing costs relating to qualifying assets have been capitalized as part of the cost of those assets since that date.

  This standard did not have a material impact on the 2009 consolidated financial statements.

- The revised IAS 1, Presentation of Financial Statements, requires that (a) changes in equity during a period arising from transactions with owners in their capacity as owners be recorded separately from non-owner changes in equity; (b) all income and expenses recognized during a period be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income); and (c) comprehensive income be disclosed in the consolidated financial statements.

  The statement setting out the other components of comprehensive income is presented on page 67 of this report.

- IFRS 8, Operating Segments, replaced IAS 14, Segment Reporting, as of January 1, 2009. The information required for the period presented and for the comparative period is provided in Note 5 to the consolidated financial statements. Performance assessments carried out by management have led to the division of the Defence and Security segment into two separate operating segments, "Defence" and "Security". The only impact of this split is on the presentation of segment information. The application of IFRS 8 did not have any impact on the scope of the CGUs as defined in Note 1.l.

Other revised standards and interpretations published and applied by the Group

The IASB issued the following standards and interpretations prior to December 31, 2009, endorsed by the European Union and applicable as of December 31, 2009:

- IFRS 2 (revised), Share-based Payment – Vesting Conditions and Cancellations;
- IAS 32 (revised), Financial Instruments: Presentation, and IAS 1 (revised), Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation;
- Improvements to IFRS issued in May 2008 except for improvements relating to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, applicable as of July 1, 2009;
- IFRS 1 (revised), First-time Adoption of International Financial Reporting Standards, and IAS 27, Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IAS 39 (revised), Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- IFRS 7 (revised), Financial Instruments: Disclosures – Enhanced Fair Value Disclosure Amendments;
- IFRIC 9 (revised) and IAS 39 (revised), Financial Instruments: Recognition and Measurement – Embedded Derivatives;
- IFRIC 12, Service Concession Arrangements; IFRIC 15, Agreements for the Construction of Real Estate; and IFRIC 16, Hedges of a Net Investment in a Foreign Operation do not have any impact on the Group's operations.

None of these revised standards or interpretations had a material impact on the 2009 consolidated financial statements.

New standards, revised standards and interpretations published but not yet applicable or applied

- IFRS 3 (revised), Business Combinations and IAS 27 (revised), Consolidated and Separate Financial Statements, following the amendment to IFRS 3;
- Improvements to IFRS published in May 2008 concerning IFRS 5, Non-current Assets Held for Sale and Discontinued Operations;
- Improvements to IFRS published in April 2009;
- IFRS 2 (revised), Share-based Payment – Group Cash-settled Share-based Payment Transactions;
- IAS 32 (revised), Financial Instruments: Presentation – Classification of Rights Issues;
- IAS 24 (revised), Related Party Disclosures;
- IFRS 9, Financial Instruments – Classification and Measurement;
- IFRIC 17, Distributions of Non-cash Assets to Owners;
- IFRIC 18, Transfers of Assets from Customers.

Among these revised standards and interpretations, only the revisions to IFRS 3 and IAS 27 could have a material impact on the Group's future consolidated financial statements in the event the Group recognizes a large-scale business combination. These revised standards are effective for business combinations that take place in reporting periods beginning on or after July 1, 2009.

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 which are measured in accordance with 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 exercises, directly or indirectly, 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.

All subsidiaries controlled by Safran, directly or indirectly and jointly or exclusively, whose contribution to revenue, net indebtedness, workforce or operating assets is material to the consolidated Group as a whole, are consolidated.

A company effectively enters into 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.

Intra-group 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. As an exception to this general rule, transactions between fully and proportionately consolidated companies 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

Business combinations are recorded using the purchase method (IFRS 3). Identifiable assets acquired and liabilities and contingent liabilities assumed which meet the recognition criteria of IFRS 3 are recorded at fair value as determined at the acquisition date. The difference between the acquisition cost of the securities and the Group's share in the revalued net assets is classified as goodwill.

When generated by the acquisition of fully or proportionately consolidated companies, goodwill is carried in balance sheet assets under the heading "Goodwill", while 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".

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

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 (see Note 1.l).

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 group) 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 geographical 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.

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. Foreign exchange gains and losses arising from this translation are recognized in income or expenses for the period, under "Financial income (loss)".

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 uses forward currency contracts and options. These are described in Note 34, "Management of market risk and financial 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 as of July 1, 2005. Accordingly, any changes in the fair value of these derivatives are recognized in "Financial income (loss)".

The amounts recorded in shareholders' equity as of June 30, 2005, corresponding to changes in the fair value of the effective portion of foreign currency derivatives documented as cash flow hedges until June 30, 2005, were transferred to profit (loss) from operations up to December 31, 2007 in line with the underlying cash flows.

g) Income from operations

The main types of contract identified in the Safran Group are standard product sales contracts, research and development contracts, and fleet 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 cancelled 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, fleet 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.

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

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

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 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.

h) Current and deferred tax

The tax expense (tax income) is the aggregate of (i) current tax and (ii) 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 recognized 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 also 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 change in tax rate decided, unless the transactions concerned are recognized directly in equity.

Research tax credits in France are considered as operating subsidies and recognized as income over the period the related research and development costs are incurred. Accordingly, they are classified under the heading "Other income" in the income statement, and not as a decrease in income tax expense.

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 stock.

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 bonus shares is calculated using the treasury stock method taking into account the average share price for the period concerned.

j) Intangible assets

Intangible assets acquired in a business combination

These assets are recognized at fair value at the acquisition date and are amortized on a straight-line basis, as follows:

- aircraft programs (integrating the concepts of technology, backlogs and customer relations) are amortized over the residual life of the programs;
- other programs or activities (also including technologies, customer relations and other intangibles acquired) are amortized over the estimated useful life of each intangible asset identified (3 to 16 years);
- other aircraft brand names with a finite life are amortized over 20 years.

Indefinite-lived brands are not amortized.

Separately acquired intangible assets

Separately acquired intangible assets, mainly software, are recognized at acquisition cost and amortized on a straight-line basis over their useful life of between one and five years.

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.

For the aircraft and defence sectors, the program's development phase is evidenced by:

- a date for the start of development (date on which the above criteria are met), determined by:
  - the launch of the program by the customer,
  - the choice of Safran by the customer, and
  - the existence of program profitability validated by relevant internal or external sources;
- a date for the end of development determined by the certification or qualification of the product (e.g., engine or equipment) as being in working order.

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 include items such as certification costs attributable to the development period, if Safran can demonstrate the existence of identified economic benefits and its ability to control such benefits.

Capitalized expenditures are amortized using the straight-line method as from the initial delivery of the product qualified as being in working order and over a useful life not exceeding 20 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.

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 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.l.

l) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units (CGUs) [1]. Two types of CGU 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 the Group's internal operations are restructured and this restructuring 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, which is similar to the method used when an entity disposes of an activity within a CGU.

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

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

Recoverable amount is defined as the higher of an asset's or group of assets' fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, determined using a benchmark rate that reflects the Group's weighted average cost of capital.

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 time frame 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 5 to 10, 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 5 to 10, taking account of a perpetual growth rate and the benchmark 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

(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.

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) Non-listed equity investments, loans and receivables

In accordance with IAS 39, Financial Instruments, 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 amortized cost and may be written down if there is an objective indication of impairment. The write-down 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.

In the event of an objective indication of impairment (particularly a significant, prolonged reduction in the value of a financial asset), an impairment loss is recognized in profit or loss.

- 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.

o) Cash and cash equivalents

Cash and cash equivalents include available funds (cash in hand, bank accounts, etc.) and highly liquid short-term investments (less than three 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

In accordance with IFRS 2, Share-based Payment, stock purchase options granted to managers and certain Group employees as well as bonus shares are measured at fair value at their respective grant dates.

The Black & Scholes valuation model was adopted to price the Group's stock purchase options.

The fair value of bonus shares was determined by reference to the market value of the shares adjusted for future dividends and the cost of the non-transferability clause, assessed using a forward purchase/sale approach.

The overall cost of each plan is determined using a turnover rate for the employees concerned.

The value of the options and bonus shares is recognized in personnel costs and amortized using the straight-line method over the vesting period. The vesting period runs from the grant date to the final vesting date.

This personnel cost is offset in consolidated retained earnings with no impact on consolidated equity.

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 obligation (legal or constructive) as a result of a past event, it is probable that 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 to completion

A provision for losses to completion is recognized 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).

The cash flows used in this analysis are discounted to take into account their spread over time.

Estimated losses to completion are recognized as a deduction of work-in-progress for the completed portion of the contract, and in provisions for work to be completed. These losses are determined by regularly updating projected income at completion.

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 aircraft have been delivered and only if 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 contingency 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 cover, etc.) as well as other long-term benefits including long-service awards, jubilee benefits and loyalty premiums.

For its basic schemes 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 scheme.

Provisions recognized for obligations under defined benefit plans are valued by independent actuaries 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 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 consolidated balance sheet when it represents future economic benefits effectively available to the Group.

Where appropriate, the impact of changes in actuarial assumptions 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 (loss) from operations".

As from the 2009 reporting period, the Group presents interest costs and the expected return on plan assets within financial items. The impact of this change in presentation is described in Note 3.

Options used on the first-time adoption of IFRS: All actuarial gains and losses arising on post-employment benefits and other obligations previously unrecognized as of January 1, 2004 were recognized in equity as of this date.

t) Borrowings subject to specific terms and conditions

The Safran Group has received 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 estimates.

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 interest capitalized at the end of the reporting period, if any, less repayments currently due. If as a result of this analysis, the present value of estimated repayments is lower than the net carrying amount of repayable advances over three consecutive years, the repayable advances are written down to the lowest amount of the three years in which the analysis was made.

For certain contracts, the Safran Group has to pay a fee based on replacement sales 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. Borrowings are subsequently carried at amortized cost, calculated using the effective interest rate method.

v) Minority interest purchase commitments (minority puts)

In accordance with IAS 32, commitments undertaken by the Group to purchase minority (non-controlling) interests in its subsidiaries 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) Financial instruments

The Group uses derivative financial instruments primarily 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, arising on its operating and financing activities. These derivatives can include forward currency contracts and currency options or swaps. The Group's management policy is described in Note 34, "Management of market risks and financial derivatives".

The accounting principles applicable to foreign currency derivatives are set out in Note 1.f.

For a financial 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 hedging instrument.

Once these criteria are met, certain financial instruments used to hedge changes in interest rates classify as fair value hedges. Borrowings hedged by interest rate swaps are adjusted to reflect the change in fair value attributable to the hedged risk. Changes in fair value 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).

x) Sale of receivables

Some Group subsidiaries sell their trade receivables. In the case of sales with no recourse against the seller in the event the debtor defaults, substantially all of the risks and rewards associated with the asset are transferred, enabling the Group to remove the receivables from its 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 realized within the scope of the operating cycle (inventories and work-in-progress, receivables, advances and downpayments received from customers, trade and other payables, etc.), are presented on an aggregate basis with no separation between current and non-current portions. However, 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);
- 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 which was characterized by high volatility and a lack of visibility at December 31, 2009, 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 dozens of years) 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 and, for discounted future cash flows, the discount rate adopted for each contract. Cash flow forecasts, which may or may not be discounted, are used to determine the following:

- **Impairment of non-current assets:** Goodwill and assets allocated to programs (aviation programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.l. The recoverable amount of goodwill, intangible assets and property, plant and equipment is generally determined using cash flow forecasts based on the key assumptions described above.
- **Capitalization of development costs:** The conditions for capitalizing development costs are set out in Note 1.j. The Group must assess the technical and commercial feasibility of the projects and estimate the useful lives of 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.
- **Income (loss) on completion of contracts accounted for under the percentage-of-completion method:** To estimate income (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 to completion.
- **Backlog losses:** In the aviation industry, standard sales contracts may be onerous when they do not provide for spare part sales. The Group recognizes a provision for any such orders which is calculated using a number of estimates, notably as regards the term of the firm commitment and the estimated production costs.
- **Repayable advances:** The forecast repayment of advances received from the State is based on income from future sales of engines, equipment and spare parts, as appropriate. As 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.

With an uncertain climate surrounding the talks between Airbus and governments that are customers of the A400M program, Safran's consolidated financial statements have been approved on the basis that the program will be maintained.

However, the outcome of these talks could lead Safran to review the assumptions used during the current accounts closing and to measure the impact of any changes in the assumptions, as appropriate.

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

b) Provisions

Provisions are determined using information and assumptions that reflect management's best estimates based on past experience. 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 client companies concerned will default, and, where appropriate, the discount rate applied to cash flows.

The costs and penalties actually incurred or paid may differ significantly from these initial estimates, and this may have a material impact on the Group's future earnings.

At the date of this report, the Group has no information suggesting that these inputs are not appropriate taken as a whole, and is not aware of any situation that could materially impact the provisions recognized.

c) Post-employment benefits

The calculation of post-employment benefits and other obligations for which a provision is recognized at December 31, 2009 is based on actuarial calculations. These calculations are performed by an independent actuary using demographical (staff turnover rate, retirement date, mortality tables, etc.) and financial (salary increase rate, discount rate, expected return on plan assets, etc.) assumptions. The Group considers that the assumptions used to measure these commitments are appropriate and justified. However, any change in these assumptions could have a material impact on the amounts reported in the balance sheet and, to a lesser extent, on the Group's future earnings due to application of the corridor method.

d) Allocation of the cost of business combinations

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

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 may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

e) Disputes and litigation

Certain Group subsidiaries may be party to governmental, legal or arbitration proceedings that could have a material impact on the Group's financial position (see Note 36, "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 provision are based on an assessment of the risk associated with each individual case, management's estimate of the likelihood that an unfavorable decision will be issued in the proceedings in question, and the Group's ability to estimate the amount of the provision reliably.

Note 3. Change in presentation

In its previous consolidated financial statements, the Group presented the full cost of post-employment benefits and other obligations within operating items, while the cost of unwinding the discount was presented in financial items.

To bring this accounting treatment into line with the treatment applied to other liabilities, and in the absence of IAS 19 guidance concerning the classification of the various components of the total defined pension plan expense recognized in the income statement, the Group has decided to present the financial component (interest cost and income from the expected return on plan assets) of the expense within financial items as from the 2009 reporting period. For comparative purposes, the 2008 consolidated financial statements included in this report have been restated to reflect this change.

The impact of this change in presentation on the 2008 income statement is as follows:

(in € millions)	**2008**
Increase in provisions for contingencies and losses	14
Recurring operating income	**14**
Increase in provisions for financial contingencies and losses	(14)
Financial income (loss)	**(14)**
PROFIT (LOSS) FOR THE PERIOD	**-**

Profit (loss) from operations reported by each operating segment in 2008 and presented on page 63 has been restated to reflect this change in presentation.

Note 4. Scope of consolidation

CHANGES IN THE SCOPE OF CONSOLIDATION IN 2009

Acquisition of MorphoTrak

On April 7, 2009, Safran acquired the Biometrics activity previously owned by Motorola (Printrak) for a total amount of USD 181 million (€130 million).

Following the allocation of the cost of the combination to the assets acquired and liabilities assumed (including USD 30 million in technology and USD 26 million in customer relationships), goodwill totaled USD 154 million (€107 million).

This business (renamed MorphoTrak) has been fully consolidated since it was acquired by the Group. Its contribution to the Group's 2009 performance (based on a nine-month period in the Group) was:

- €32 million to revenue;
- €(3) million to profit (loss) from operations.

Profit (loss) from operations includes an expense of €4.7 million relating to (i) the amortization of intangible assets identified as part of the allocation of the cost of the business combination; and (ii) the impact of recognizing the fair value of inventories purchased and sold during the period.

Acquisition of MorphoDetection

On September 4, 2009, the Group completed its acquisition of an 81% stake in General Electric's Homeland Protection business for a total amount of USD 579 million (€416 million).

This business (renamed MorphoDetection) specializes in the tomographic detection of dangerous or illicit substances in baggage as part of its airport security solutions, and in the protection of sensitive sites and critical infrastructure.

As part of the acquisition, GE will retain an interest of 19% in MorphoDetection as well as a seat on the company's Board of Directors. The Group has granted a put option on these non-controlling interests valued at €125 million (see notes 28 and 29), which was recognized in accordance with the rules and methods set out in Note 1.v.

The allocation of the cost of the combination can be summarized below:

(in millions of USD)	
Purchase price of 81% interest	579
Earnout and acquisition costs	12
Acquisition cost of shares	**591**
Fair value of net assets based on a 100% interest:	
Net assets at acquisition date	177
Fair value of technology	110
Fair value of customer relationships	153
Fair value of other identified intangible assets	14
Remeasurement of inventories	9
Deferred tax liabilities	(114)
Sub-total	**349**
SHARE (81%) OF FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED	**283**
Goodwill before impact of minority put granted to non-controlling interests	**308**

After taking into account the difference between the value of the minority put granted and the minority (non-controlling) interest in the fair value of the assets and liabilities at the acquisition date, goodwill stands at USD 419 million (€291 million).

All entities in the Homeland Protection business, subsequently renamed MorphoDetection, have been fully consolidated since the acquisition date. Their contribution to the Group's 2009 performance (based on a four-month period in the Group) was:

- €67 million to revenue;
- €1 million to profit (loss) from operations.

Profit (loss) from operations includes an expense of €12.5 million relating to (i) the amortization of intangible assets identified as part of the allocation of the cost of the business combination; and (ii) the impact of recognizing the fair value of inventories purchased and sold during the period.

Sale of Cinch's Connectors business

At the end of 2009, the Safran Group sold its Connectors business to Bel Fuse for USD 39 million.

The sale generated a net capital gain of €7 million.

The contribution of the Connectors business to the Group's 2009 performance was:

- €29 million to revenue;
- €0.3 million to profit (loss) from operations.

Sale of Sagem Communications

At the end of 2009, the Safran Group sold the last 10% that it still held in Sagem Communications.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2008

Sale of the Electronic payment solutions business

The sale to Ingenico of the Electronic payment solutions business was finalized on March 14, 2008. This business concerned Sagem Monetel, Sagem Denmark and their subsidiaries, presented as discontinued operations in Safran's 2007 consolidated financial statements. Ingenico shares were tendered as consideration for the sale.

The capital gain, net of tax, realized on the sale of this business in 2008 was €143 million (€146 million recorded in other operating income/expenses and €3 million in income tax expense). Profit from operations reported up to the date of the sale (March 2008) amounted to €7 million.

Consolidation of Ingenico Group

On completion of this transaction, the Safran Group held 22.37% of Ingenico. Its interest has been accounted for by the equity method since March 31, 2008 (see Note 15).

Ingenico shares were tendered as consideration for the transaction at their value as of the effective date of sale (€205 million). The carrying amount of Safran's interest in the equity of Ingenico at March 31, 2008 was €110 million.

In accordance with IFRS 3, assets, liabilities and contingent liabilities were recognized at fair value.

These measurements concerned customer relations, backlogs, technology and inventories. Amounts used in the valuations were taken from analysts' reports concerning Ingenico published up to June 30, 2008.

Identified revalued intangible assets are amortized over the following periods:

- Customer relations: 10 years;
- Technology: three years;
- Backlogs: two years.

(in € millions)	**Fair value**
Customer relations and backlog	64
Technology	67
Inventories	22
Deferred tax	(53)
FAIR VALUE ADJUSTMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS ACQUIRED	**100**
Share in remeasured identifiable assets (based on a 22.37% interest)	**22**

After the allocation of fair value adjustments to identifiable assets, goodwill totaled €73 million.

The amortization expense recorded with respect to these revaluations in the 2008 reporting period totaled €7 million.

Sale of Sagem Communications

On January 25, 2008, Safran and The Gores Group finalized the sale of Sagem Communications to The Gores Group. Sagem Communications and its subsidiaries were reported on the discontinued operations line in Safran's consolidated financial statements for the year ended December 31, 2007. The Gores Group became the majority shareholder of Sagem Communications. Minority shareholders include Group executives and employees who hold a 20% interest, and Safran, which retained a 10% interest in the company.

The capital loss on disposal (net of tax) for 2008 was not material.

Acquisition of Sagem Identification

On September 1, 2008, the Safran Group, represented by its subsidiary Sagem Sécurité, acquired the entire share capital of the Dutch company SDU-Identification BV, renamed Sagem Identification.

The acquisition price was €355 million. The carrying amount of Safran's interest in the equity of Sagem Identification at September 1, 2008 was €65 million.

Identified revalued intangible assets are amortized over the following periods:

- Customer relations: 12 years or nine years depending on the contract;
- Technology: 10 years.

(in € millions)	**Fair value**
Customer relations	112
Technology	26
Inventories	4
Deferred tax	(36)
FAIR VALUE ADJUSTMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS ACQUIRED	**106**

After the allocation of fair value adjustments to identifiable assets, goodwill totaled €184 million.

The amortization expense recorded in respect of these revaluations in the 2009 reporting period totaled €13.6 million (€8 million in 2008).

Assets held for sale

Following the withdrawal of the Safran Group from the Mobile Phone business at the end of 2008, this activity was classified as held for sale at December 31, 2008.

As the Chinese Mobile Phone activities were sold in 2009, there are no longer any "held-for-sale" assets or liabilities displayed in the balance sheet.

Note 5. Segment information

SEGMENTS PRESENTED

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

The Group's operating segments are presented according to the type of products manufactured and services rendered. Each segment represents a separate area of business with specific products and markets.

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 and repair activities 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 intertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and unmanned aerial vehicles (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. Its solutions meet emerging needs for the safety and security of people, companies, critical facilities and countries. The Security business offers 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 business and certain residual activities not included in previous items.

BUSINESS SEGMENT PERFORMANCE INDICATORS

The information presented by business segment on page 63 is identical to that presented to the Executive Board, 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 business.

The assessment of each business segment's performance by the Executive Board is based on adjusted contribution figures as explained in the foreword (see page 60).

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 two restatements made in respect of adjusted data (see foreword).

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

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

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.

Segment information for 2008 and 2009 is presented on page 63 of the consolidated financial statements.

Note 6. Breakdown of the main components of profit (loss) from operations

REVENUE

(in € millions)	**2008**	**2009**
Original equipment	4,127	4,076
Sales of equipment	1,185	1,393
Products and services related to original equipment	303	234
Maintenance, repairs and overhauls	1,503	1,881
Spare parts	2,135	1,948
Lease and exchange fees	173	171
Sales of research and technology studies	63	53
Sales of sustaining engineering studies	522	471
Other	270	332
TOTAL	**10,281**	**10,559**

OTHER INCOME

Other income mainly comprises research tax credits and operating subsidies.

(in € millions)	**2008**	**2009**
Research tax credit	102	98
Other operating subsidies	41	42
Other operating income	5	16
TOTAL	**148**	**156**

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Raw materials, supplies and other	(1,964)	(1,609)
Bought-in goods	(235)	(101)
Changes in inventories	61	(118)
Sub-contracting	(2,291)	(2,393)
Purchases not held in inventory	(250)	(261)
External service expenses	(1,799)	(1,466)
TOTAL	**(6,478)**	**(5,948)**

PERSONNEL COSTS

(in € millions)	**2008**	**2009**
Wages and salaries	(2,067)	(2,168)
Social security contributions	(857)	(903)
Bonus share grants	-	(9)
Statutory employee profit-sharing	(57)	(34)
Optional employee-profit sharing	(86)	(80)
Additional contributions	(16)	(9)
Other employee costs	(50)	(73)
TOTAL	**(3,133)**	**(3,276)**

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS NET OF USE

(in € millions)	2008	2009
Net depreciation and amortization expense		
• intangible assets	(267)	(299)
• property, plant and equipment	(278)	(279)
Total net depreciation and amortization expense (1)	**(545)**	**(578)**
Increase in provisions for contingencies and losses (2)	**(36)**	**(28)**
DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS NET OF USE	**(581)**	**(606)**

(1) Of which depreciation and amortization of assets measured at fair value on the acquisition of the Snecma group, in the amounts of €158 million in 2009 and €161 million in 2008.

(2) Net additions to provisions for contingencies and losses at December 31, 2008 have been restated to take account of the presentational changes described in Note 3.

ASSET IMPAIRMENT

(in € millions)	Impairment expense		Reversals (utilizations)	
	2008	2009	2008	2009
Asset impairment				
• property, plant and equipment and intangible assets	(35)	(24)	18	24
• financial assets	(13)	(47)	14	18
• inventories	(411)	(368)	402	353
• receivables	(62)	(68)	47	78
TOTAL	**(521)**	**(507)**	**481**	**473**

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2008	2009
Capital gains/losses on asset disposals	(21)	(10)
Royalties, patents and licenses	(12)	(11)
Losses on irrecoverable receivables	(9)	(9)
Other operating income and expenses	(37)	72 (1)
TOTAL	**(79)**	**42**

(1) Of which €61 million in income relating to the review of the probability of reimbursement of borrowings subject to specific conditions (see Note 25).

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2008	2009
Impairment net of reversals on intangible assets	-	(70)
Capital gains on disposal	146	7
Other non-recurring items	-	28
TOTAL	**146**	**(35)**

Impairment losses recognized against intangible assets mainly reflect the write-down of an aviation program in the Equipment segment following an impairment test (see Note 12).

In 2008, capital gains and losses on asset disposals comprised the capital gain on the transfer of the electronic payment solutions business to Ingenico. In 2009, this caption reflected capital gains on the disposal of Cinch (see Note 4).

Other non-recurring items included a contingent amount payable to former shareholders of SMA (a non-consolidated entity) under the share purchase agreement. The shareholders of SMA agreed to waive the repayment of this debt in 2009.

Note 7. Financial income (loss)

(in € millions)	**2008**	**2009**
Financial expense on interest-bearing liabilities	(54)	(56)
Financial income on cash and cash equivalents	35	18
Cost of net debt	**(19)**	**(38)**
Gain or loss on financial instruments	(626)	576
Foreign exchange gain or loss	10	(112)
Net foreign exchange gains (losses) on provisions	(19)	15
Financial income (expense) arising on foreign currency translation	**(635)**	**479**
Net expense incurred on disposal of financial assets	-	(2)
Impairment of available-for-sale financial assets	(3)	(17)
Write-downs of loans and other financial receivables	(17)	16
Dividends received	8	6
Impairment expense [(1)]	(27)	(31)
Reversals of provisions	2	7
Impact of discounting	(35)	(118)
Other	(4)	(6)
Other financial income and expense	**(76)**	**(145)**
FINANCIAL INCOME (LOSS) [(1)]	**(730)**	**296**
of which financial expense	**(785)**	**(342)**
of which financial income	**55**	**638**

(1) Financial income (loss) for 2008 has been restated to take account of the presentational changes described in Note 3.

Note 8. Income tax

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

(in € millions)	**2008**	**2009**
Current income tax benefit (expense)	(153)	(64)
Deferred tax income (expense)	295	(171)
TOTAL TAX BENEFIT (EXPENSE)	**142**	**(235)**

Current tax expense corresponds to amounts paid or payable to tax authorities in the short term in respect of the current period, calculated in accordance with tax regulations prevailing in the various countries and with certain agreements (e.g., tax consolidation groups).

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

(in € millions)	2008	2009
Profit (loss) before tax	(103)	893
Standard tax rate applicable to the parent company	34.43%	34.43%
Tax (expense) benefit at standard rate	**35**	**(307)**
Impact of permanent differences	(4)	6
Impact of research tax credit	34	34
Impact of reduced tax rates	14	14
Impact on rate difference in Ingenico	47	-
Impact of unrecognized taxes	3	7
Impact of tax adjustments	-	9
Impact of tax credits and other items	13	2
Current income tax benefit (expense) recognized in profit or loss	**142**	**(235)**
EFFECTIVE TAX RATE	**137.86%**	**26.32%**

In 2008, the capital gain on the transfer of the electronic payment solutions business to Ingenico was taxed at a rate of 1.72%. Adjusted for the impact of this rate, the effective tax rate would have been 38%.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets in the balance sheet break down as follows:

(in € millions)	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2008	**295**	**618**	**(323)**
Deferred tax income (expenses)	(11)	159	(170)
Deferred tax income (expenses) from discontinued operations	(3)	-	(3)
Reclassifications	(24)	(24)	-
Translation adjustments	3	(4)	7
Changes in scope of consolidation	3	84	(81)
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2009	**263**	**833**	**(570)**

No deferred tax was recognized directly in equity in 2008 or 2009.

Deferred tax base

(in € millions)	2008	2009
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(2,998)	(3,237)
Inventories	121	141
Current assets/liabilities	207	(32)
Financial assets/liabilities	825	238
Provisions	1,069	1,005
Tax adjustments	(227)	(248)
Losses carried forward and tax credits	197	239
TOTAL DEFERRED TAX ASSET BASES	**(806)**	**(1,894)**
Total gross deferred tax balance (A)	**(236)**	**(482)**
Total deferred tax not recognized (B)	**87**	**88**
TOTAL NET DEFERRED TAXES RECOGNIZED (A) - (B)	**(323)**	**(570)**

Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

(in € millions)	Assets	Liabilities	Net
Net tax assets at December 31, 2008	**127**	**39**	**88**
Movements during the period	18	12	6
Changes in scope of consolidation	-	2	(2)
Reclassifications	-	-	-
Translation adjustments	-	-	-
NET TAX ASSETS AT DECEMBER 31, 2009	**145**	**53**	**92**

Note 9. Earnings per share

The Group's potentially dilutive ordinary shares correspond to share grants.

The Executive Board approved a share grant plan on April 3, 2009 (see Note 22.d).

Earnings per share break down as follows:

	Index	2008	2009
Numerator *(in € millions)*			
Profit (loss) for the period attributable to owners of the parent	(a)	(205)	641
Profit from continuing operations attributable to owners of the parent	(i)	28	645
Loss from discontinued operations attributable to owners of the parent	(j)	(233)	(4)
Denominator *(in shares)*			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	17,853,117	17,456,468
Number of shares excluding treasury shares	(d)=(b-c)	399,176,468	399,573,117
Weighted average number of shares (excluding treasury shares)	(d')	405,354,402	399,266,788
Potentially dilutive ordinary shares:			
Dilutive impact of share grants	(e)	-	1,814,551
Weighted average number of shares after dilution	(f)=(d'+e)	405,354,402	401,081,339
Ratio: earnings per share *(in €)*			
Basic earnings (loss) per share	(g)=(a*1million)/(d')	(0.51)	1.61
Diluted earnings (loss) per share	(h)=(a*1million)/(f)	(0.51)	1.60
Ratio: earnings per share from continuing operations *(in €)*			
Basic earnings per share	(k)=(i*1million)/(d')	0.07	1.62
Diluted earnings per share	(l)=(i*1million)/(f)	0.07	1.61
Ratio: earnings per share from discontinued operations *(in €)*			
Basic loss per share	(m)=(j*1million)/(d')	(0.58)	(0.01)
Diluted loss per share	(n)=(j*1million)/(f)	(0.58)	(0.01)

Note 10. Dividends paid

No dividends were paid on treasury shares. The corresponding amounts were transferred to consolidated retained earnings.

(in € millions)	2008	2009
Submitted for approval of the Shareholders' Meeting		
Dividends on ordinary shares	104	158
Net dividend per share *(in €)*	0.25	0.38
2008 interim dividend		
Dividends on ordinary shares	32	-
Net dividend per share *(in €)*	0.08	-
Voted and paid during the year		
Dividends on ordinary shares	165	68
Net dividend per share *(in €)*	0.40	0.17

Note 11. Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2008 Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments	Translation adjustments	Dec. 31, 2009 Net
Snecma	253		142				395
Turbomeca SA	225						225
Snecma Propulsion Solide	66						66
Techspace Aero	47						47
Snecma Services	46		(46)				-
Microturbo SA	12						12
Others	2						2
Total Propulsion	**651**		**96**				**747**
Aircelle	213						213
Labinal	208						208
Hispano-Suiza	96		(96)				-
Messier-Dowty SAS	94						94
Messier-Bugatti	93		(20)				73
Teuchos SA	52						52
Technofan	10						10
Globe Motors Inc.	9						9
Cinch Connectors Inc.	6	(6)					-
Sofrance	4						4
Teuchos Maroc	2						2
Total Aircraft Equipment	**787**	**(6)**	**(116)**				**665**
Sagem Défense Sécurité	41		20				61
Vectronix	24					1	25
Total Defence	**65**		**20**			**1**	**86**
Identification	184	111				(4)	291
Smart cards	69				(23)		46
Detection	-	301				(10)	291
Total Security	**253**	**412**			**(23)**	**(14)**	**628**
TOTAL	**1,756**	**406**	**-**	**-**	**(23)**	**(13)**	**2,126**

MOVEMENTS IN THE PERIOD

The main movements in this caption over the period concern the Security segment.

Additions to goodwill in 2009 arose principally in the Security branch on the acquisitions of MorphoTrak (€107 million at December 31, 2009) and MorphoDetection (€291 million at December 31, 2009) (see Note 4).

Following these recent acquisitions, the Security branch was reorganized around three activities: "Identification solutions", "Smart cards" and "Detection systems". Goodwill relating to this segment was therefore reallocated to these three cash-generating units (CGUs):

- The "Identification solutions" CGU comprises goodwill relating to Sagem Identification, acquired by the Group in 2008 (€184 million), and MorphoTrak (€107 million).
- The "Smart cards" CGU comprises goodwill relating to the Orga sub-group. In 2009, the Group also received a price adjustment (earn-out) of €23 million relating to Orga, which was recognized as a deduction from goodwill for the "Smart cards" CGU.
- The "Detection systems" CGU includes goodwill arising on the acquisition of General Electric's Homeland Protection business, subsequently renamed MorphoDetection (€291 million).

Goodwill has been reallocated between the Group's Aerospace Propulsion, Aircraft Equipment and Defence segments to reflect the internal restructuring operations launched at the beginning of 2009. This had no impact on the Group's consolidated financial statements.

The sale of the Cinch Connectors business (see Note 4) led to the derecognition of goodwill relating to this activity (€6 million).

ANNUAL IMPAIRMENT TESTS

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

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

- Operating forecasts take into account general economic data, specific inflation rates for each geographical area, a USD exchange rate based on available market information and mid- to long-term macro-economic assumptions. Expected future cash flows are determined using the mid-term plans established for the next four years and expected flows for years five to ten. The average USD exchange rate adopted is 1.43 for years 2010 to 2013 and 1.35 thereafter (2008: 1.47 for years 2009 to 2012 and 1.35 thereafter).
- Terminal values are based on a growth rate of 1.5%, with the exception of the main Aerospace Propulsion CGUs, for which a growth rate of 2% was adopted (unchanged from 2008).
- The benchmark post-tax discount rate used is 8% (unchanged from 2008) 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 branch.

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.

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.

Taken individually, the above changes in the main assumptions do not result in values in use lower than the net carrying amounts of goodwill balances.

Note 12. Intangible assets

Intangible assets break down as follows:

	Dec. 31, 2008			Dec. 31, 2009		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Programs	2,684	(736)	1,948	2,683	(916)	1,767
Development expenditures	1,008	(291)	717	1,201	(422)	779
Commercial concessions	117	(52)	65	135	(63)	72
Software	262	(205)	57	279	(233)	46
Brands	147	(5)	142	147	(7)	140
Commercial relations	131	(12)	119	274	(32)	242
Technology	26	(1)	25	123	(8)	115
Other	56	(17)	39	80	(24)	56
TOTAL	**4,431**	**(1,319)**	**3,112**	**4,922**	**(1,705)**	**3,217**

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

The weighted average remaining amortization period for the programs is approximately nine years.

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2008	**4,431**	**(1,319)**	**3,112**
Internally produced assets	223		223
Separate acquisitions	103		103
Disposals and retirements	(12)	11	(1)
Amortization		(299)	(299)
Impairment losses recognized in profit or loss		(103)	(103)
Reclassifications	44	3	47
Changes in scope of consolidation	139	2	141
Translation adjustments	(6)		(6)
AT DECEMBER 31, 2009	**4,922**	**(1,705)**	**3,217**

Research costs recognized in expenses for the period totaled €659 million including amortization and excluding discontinued operations (€536 million in 2008 excluding discontinued operations).

Development expenditures capitalized in the period totaled €182 million (€228 million in 2008).

Amortization charged against development expenditures in 2009 totaled €49 million (€42 million in 2008).

Amortization was also recognized in respect of revalued assets (allocation of the cost of the Snecma group business combination) for €158 million.

The recoverable amount of programs, projects and product families is determined based on estimated future cash flows for the term over which the program is expected to be marketed, which may span dozens of years.

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 1.43 for years 2010 to 2013 and 1.35 thereafter (2008: 1.47 for years 2009 to 2012 and 1.35 thereafter).
- The benchmark discount rate used is 8% (unchanged from 2008). 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 2008.

As a result of the impairment tests carried out in 2008, the Group recognized impairment losses for €12 million against development expenditures relating to the TP 400 program in the Aerospace Propulsion business. These impairment losses were treated as recurring operating expenses and therefore cancelled out the costs capitalized over that period.

As a result of the impairment tests carried out in 2009, the Group recognized impairment losses for €78 million against development expenditures relating to the B787 program in the Aircraft Equipment branch. An amount of €71 million, reflecting the value of the intangible asset at June 30, 2009, was treated as a non-recurring operating expense.

In the second half of 2009, following the reopening of talks with Boeing regarding the sale price of equipment: Boeing's position became clearer.

Since the talks are anticipated to be less favorable than was previously expected, the Group has tested the program's intangible assets for impairment. The impairment test led the Group to write down the intangible assets related to the development of landing gear in full.

The talks with Boeing are expected to be completed in the first half of 2010.

The Group also took an additional write-down of €41 million on development expenditures for the Aerospace Propulsion TP 400 program. Only €12 million of this amount was treated as a non-recurring operating expense. The balance was recognized as a recurring operating expense, thereby cancelling out the costs capitalized over the period.

The Group wrote back an amount of €13 million recognized against development expenditures relating to a helicopter turbine engine program, following changes to the program's economic production model. The write-back was treated as non-recurring operating income.

Note 13. Property, plant and equipment

Property, plant and equipment break down as follows:

	Dec. 31, 2008			Dec. 31, 2009		
(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**	**Gross**	**Depreciation/ impairment**	**Net**
Land	220		220	220		220
Buildings	895	(480)	415	1,059	(517)	542
Technical facilities, equipment and tooling	3,401	(2,316)	1,085	3,486	(2,358)	1,128
Assets in progress, advances	280	(21)	259	185	(22)	163
Site development and preparation costs	24	(16)	8	31	(18)	13
Buildings on land owned by third parties	46	(19)	27	65	(21)	44
Computer hardware and other equipment	372	(279)	93	390	(299)	91
TOTAL	**5,238**	**(3,131)**	**2,107**	**5,436**	**(3,235)**	**2,201**

Movements in property, plant and equipment break down as follows:

(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**
At December 31, 2008	**5,238**	**(3,131)**	**2,107**
Internally produced assets	48		48
Additions	394		394
Disposals and retirements	(245)	155	(90)
Depreciation		(279)	(279)
Impairment expenses		4	4
Reclassifications	(21)	18	(3)
Changes in scope of consolidation	13	11	24
Translation adjustments	9	(13)	(4)
AT DECEMBER 31, 2009	**5,436**	**(3,235)**	**2,201**

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

	Dec. 31, 2008			Dec. 31, 2009		
(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**	**Gross**	**Depreciation/ impairment**	**Net**
Land	3	-	3	5	-	5
Buildings	70	(32)	38	181	(31)	150
Technical facilities, equipment and tooling	42	(26)	16	48	(26)	22
Computer hardware and other equipment	19	(16)	3	18	(17)	1
TOTAL	**134**	**(74)**	**60**	**252**	**(74)**	**178**

Note 14. Current and non-current financial assets

Financial assets include:

(in € millions)	Dec. 31, 2008 Gross	Dec. 31, 2008 Impairment	Dec. 31, 2008 Net	Dec. 31, 2009 Gross	Dec. 31, 2009 Impairment	Dec. 31, 2009 Net
Non-consolidated investments [(1)]	279	(133)	146	328	(159)	169
Other financial assets	186	(21)	165	189	(63)	126
TOTAL	**465**	**(154)**	**311**	**517**	**(222)**	**295**

(1) Of which listed securities for €23 million in 2008 and €41 million in 2009.

NON-CONSOLIDATED INVESTMENTS

Non-consolidated investments include Safran Group holdings in various non-consolidated companies, including in particular:

(in € millions)	Year end	Percentage control	Shareholders' equity including profit (loss) for the period	Profit (loss)	Net carrying amount at Dec. 31, 2008	Net carrying amount at Dec. 31, 2009
Sichuan Snecma Aero-Engine Maintenance	12/31/2008	51.80	5.3	0.5	3.7	3.7
Messier Dowty Singapore Pte	12/31/2008	100.00	2.6	0.0	8.6	5.9
Arianespace Participation	12/31/2008	10.44	58.2	4.6	5.6	6.1
Embraer [(1)]	12/31/2008	1.12	2,200.0	149.1	22.8	31.4
SMA	12/31/2009	100.00	1.8	(11.1)	-	1.4
Snecma America Engine Services	12/31/2008	51.00	3.9	(4.0)	4.7	6.2
GEAM	12/31/2008	20.00	147.1	8.0	26.7	25.7
Myriad Group [(1)]	12/31/2008	6.46	49.5	(3.9)	-	9.3
Optics1	12/31/2008	100.00	1.7	0.4	-	11.3

(1) Valuations of listed securities are based on market values.

Equity investments are classified as available-for-sale and measured at fair value. Changes in fair value are recognized directly in equity. If there is an indication that the investments have suffered a prolonged decline in value, an impairment loss is recognized in "Other financial income and expenses".

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.

At the end of 2008, the Group recognized a fall in the fair value of Embraer shares (€15 million) in equity. At June 30, 2009, the Group recognized impairment losses of €13.5 million in profit or loss. These losses were primarily linked to the fall in the value of the Brazilian real against the euro. Based on a review of the market value of these shares at the end of the 2009 reporting period, the Group has written back through equity €6 million of the net impairment recognized at June 30, 2009.

At end-2009, the Group also recognized impairment losses of €1.5 million against Myriad shares. This reflects low trading volumes throughout the period and the fact that the price of the shares has remained consistently below their IPO price.

OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

Current financial assets break down as follows:

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Loans to non-consolidated companies	99	62
Loans to employees	24	24
Deposits and guarantees	10	12
Sales-financing loans	10	-
Other	22	28
TOTAL	**165**	**126**
o/w non-current	57	51
o/w current	108	75

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

Sales-financing loans correspond to loans granted on an exceptional basis to Safran's customers or Group companies as an alternative to financial guarantees (see Note 35). They are recorded in the balance sheet as loans.

The table below shows movements in financial assets (excluding non-consolidated investments):

(in € millions)	
At December 31, 2008	**165**
Increase	81
Decrease	(72)
Impairment [(1)]	(44)
Reclassifications	1
Changes in scope of consolidation	(5)
AT DECEMBER 31, 2009	**126**

(1) Including a €60 million provision relating to bonds redeemable in shares of Sagem Wireless. Otherwise, this provision is offset by the reversal of a 2008 provision.

Note 15. Investments in associates

A-Pro Inc. and Hydrep are accounted for under the equity method due to the terms of the agreements with the other partners, which give the Group significant influence over these entities but not control.

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

	Dec. 31, 2008	**Dec. 31, 2009**			
(in € millions)	**Net**	**% interest**	**Shareholders' equity**	**Share in profit (loss) from associates**	**Net**
Ingenico [(1)]	205	22.38%	207	(1)	206
Cinch SA [(2)]	10	100.00%	10	-	10
SEM MB [(4)]	9				-
A-Pro Inc.	7	50.00%	6	2	8
Sagem frozen entities [(3)]	7	100.00%	7	-	7
Hydrep	6	50.00%	5	2	7
TOTAL	**244**		**235**	**3**	**238**

(1) Due to the lack of published data for Ingenico at the date of publication of this report, the share of profit or loss for second-half 2009 was determined based on consensus forecasts provided by analysts. The stock market value totaled €185 million at December 31, 2009 (10,882,606 shares with a par value of €16.96). The value of the securities includes goodwill in an amount of €73 million.

(2) Company to be merged and whose retained earning were frozen as of January 1, 2005.

(3) Deconsolidated companies whose retained earnings have been frozen.

(4) Proportionally consolidated as from 2009.

Ingenico has been accounted for under the equity method since March 31, 2008. The value in use of this investment for the Safran Group is calculated based on an average resulting from the sum of (i) discounted future cash flows and (ii) the estimated target share price. The different assumptions used are based on recent consensus forecasts. The perpetual growth rate used to calculate discounted future cash flows is 1.5%, while the discount rate is 10.07%.

Based on these calculations, the Group considered that no write-down needed to be taken against the investment at December 31, 2009.

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

(in € millions)	
At December 31, 2007	**34**
Changes in scope of consolidation (1)	203
Share in profit from associates	10
Other movements	(3)
At December 31, 2008	**244**
Share in profit from associates	3
Other movements	(9)
AT DECEMBER 31, 2009	**238**

(1) Of which €205 million relating to the consolidation of Ingenico.

Note 16. Inventories and work-in-progress

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

	Dec. 31, 2008	Dec. 31, 2009
(in € millions)	**Net**	**Net**
Raw materials and supplies	615	466
Finished goods	1,683	1,677
Work-in-progress	1,293	1,227
Bought-in goods	82	12
TOTAL	**3,673**	**3,382**

The Group decided not to include idle capacity costs in inventories. Idle capacity represented less than 1% of the value of the Group's inventories at December 31, 2009.

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

(in € millions)	Gross	Impairment	Net
At December 31, 2008	**4,216**	**(543)**	**3,673**
Movements during the period	(427)		(427)
Net impairment expense		18	18
Reclassifications		1	1
Changes in scope of consolidation	109	(14)	95
Translation adjustments	24	(2)	22
AT DECEMBER 31, 2009	**3,922**	**(540)**	**3,382**

Note 17. Trade and other receivables

(in € millions)	Dec. 31, 2008 Net	Movements during the period	Net impairment	Changes in scope of consolidation	Reclassi-fications	Translation adjustments	Dec. 31, 2009 Net
Operating receivables	**3,777**	**42**	**4**	**82**	**(69)**	**5**	**3,841**
Debit balances on trade payables/advance payments to suppliers	227	28	-	-	-	-	255
Trade receivables	3,529	40	4	65	(72)	5	3,571
Current operating accounts	7	(19)	-	17	-	-	5
Employee-related receivables	14	(7)	-	-	3	-	10
Other receivables	**104**	**46**	**-**	**3**	**1**	**(1)**	**153**
Prepaid expenses	65	(3)	-	3	4	1	70
Other receivables	39	49	-	-	(3)	(2)	83
TOTAL	**3,881**	**88**	**4**	**85**	**(68)**	**4**	**3,994**

Note 18. Discontinued operations

The following table presents a breakdown of income and expenses relating to the Mobile Phone business sold in 2008:

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Revenue	340	40
Raw materials and consumables used	(408)	(70)
Personnel costs	(81)	(14)
Depreciation, amortization, impairment and provisions	(150)	65
Other operating income and expenses	(28)	(23)
Loss from operations	**(327)**	**(2)**
Financial income (loss)	**(10)**	**3**
Income tax expense (benefit) on discontinued operations	**110**	**(5)**
Gain (loss) on disposal of the Broadband activity	**(6)**	**-**
LOSS FROM DISCONTINUED OPERATIONS	**(233)**	**(4)**

Profit (loss) from "discontinued operations" reflects additional gains or losses arising since the sale of the Communication business in 2008, as well as gains or losses on the sale of Chinese subsidiaries from the former Mobile Phone division sold in 2009.

Since the Group's Mobile Phone business in China was sold, the balance sheet no longer reflects any discontinued operations.

The table below provides a breakdown of discontinued operations at December 31, 2008:

(in € millions)	Dec. 31, 2008 Mobile Phone business (1)	Total
Current assets	61	61
TOTAL ASSETS	**61**	**61**
Non-current liabilities	-	-
Current liabilities	39	39
TOTAL LIABILITIES	**39**	**39**

(1) Business in China classified as held for sale.

Note 19. Other current and non-current assets

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
VAT receivables	177	156
State aid, and other State receivables	26	8
Receivables on disposal of property, plant and equipment	7	-
Receivables relating to early retirement of employees	2	1
TOTAL	**212**	**165**
o/w non-current	9	1
o/w current	203	164

Movements in this caption during the period were as follows:

(in € millions)	
At December 31, 2008	**212**
Decrease	(50)
Reclassifications	(3)
Changes in scope of consolidation	5
Translation adjustments	1
AT DECEMBER 31, 2009	**165**

Note 20. Cash and cash equivalents

Cash and cash equivalents consist of highly liquid items maturing less than three months from the trade date with no interest rate risk, readily convertible into cash.

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Negotiable debt securities	566	450
Money-market funds	5	24
Short-term investments	180	1,191
Sight deposits	168	415
TOTAL	**919**	**2,080**

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2008	**919**
Movements during the period	1,145
Changes in scope of consolidation	12
Translation adjustments	4
AT DECEMBER 31, 2009	**2,080**

Note 21. Summary of financial assets

FAIR VALUE OF FINANCIAL ASSETS

The table below presents the net carrying amount and fair value of the Group's financial assets at December 31, 2009 and December 31, 2008:

	Carrying amount					Fair value
	At amortized cost		At fair value		Total	
At December 31, 2008 *(in € millions)*	**Loans and receivables (a)**	**Assets held to maturity (b)**	**Financial assets at fair value (through profit or loss) (c)**	**Financial assets available for sale (through equity) (d)**	**=a+b+c+d**	
Non-current financial assets						
Non-consolidated investments				146	146	146
Other non-current financial assets	57				57	57
Sub-total non-current financial assets	**57**	**-**	**-**	**146**	**203**	**203**
Current financial assets	108				108	108
Derivative financial instruments – assets			138		138	138
Trade receivables	3,529				3,529	3,529
Current operating accounts and other receivables	46				46	46
Cash and cash equivalents			919		919	919
Sub-total current financial assets	**3,683**	**-**	**1,057**	**-**	**4,740**	**4,740**
TOTAL FINANCIAL ASSETS	**3,740**	**-**	**1,057**	**146**	**4,943**	**4,943**

	Carrying amount					Fair value
	At amortized cost		At fair value		Total	
At December 31, 2009 *(in € millions)*	**Loans and receivables (a)**	**Assets held to maturity (b)**	**Financial assets at fair value (through profit or loss) (c)**	**Financial assets available for sale (through equity) (d)**	**=a+b+c+d**	
Non-current financial assets						
Non-consolidated investments				169	169	169
Other non-current financial assets	51				51	51
Sub-total non-current financial assets	**51**	**-**	**-**	**169**	**220**	**220**
Current financial assets	75				75	75
Derivative financial instruments – assets			63		63	63
Trade receivables	3,571				3,571	3,571
Current operating accounts and other receivables	88				88	88
Cash and cash equivalents			2,080		2,080	2,080
Sub-total current financial assets	**3,734**		**2,143**		**5,877**	**5,877**
TOTAL FINANCIAL ASSETS	**3,785**		**2,143**	**169**	**6,097**	**6,097**

Safran uses the following hierarchy of inputs to determine the fair value of its financial assets:

- 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 at the measurement date;
- level 3: unobservable inputs.

The Group's financial assets at December 31, 2009 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments	41		128	169
Derivative instruments – assets		63		63
Marketable securities: money-market funds and equivalent	2,080			2,080
TOTAL	**2,121**	**63**	**128**	**2,312**

In 2009, no items were transferred between level 1 and level 2, and none were transferred from or to level 3.

MATURITY OF FINANCIAL ASSETS

The table below provides a breakdown of financial assets by maturity:

(in € millions)	Carrying amount at December 31	Neither past due nor impaired	Past due but not impaired (in days) <30	31-90	90-180	181-360	>360	Total past due but not impaired	Past due and impaired
At December 31, 2008									
Current financial assets	108	108	-	-	-	-	-	-	-
Non-current financial assets (1)	57	57						-	-
Trade receivables	3,529	2,918	166	235	69	76	35	581	30
Current operating accounts and other receivables	46	42	2	-	-		1	3	1
At December 31, 2009									
Current financial assets	75	73	-	-	-	-	2	2	-
Non-current financial assets (1)	51	51						-	-
Trade receivables	3,571	3,176	146	84	42	91	28	391	4
Current operating accounts and other receivables	88	87	-	-	-	-	1	1	-

(1) Excluding non-consolidated investments.

FINANCIAL ASSETS BY TYPE OF INTEREST RATE

The table below provides a breakdown of financial assets by type of interest rate (fixed or floating):

	Dec. 31, 2008		Dec. 31, 2009	
(in € millions)	Base	Interest rate	Base	Interest rate
Non-current financial assets (1)	57	0.22%	51	0.60%
Current financial assets	108	5.19%	75	1.49%
Financial assets	**165**	**3.47%**	**126**	**1.06%**
Cash and cash equivalents	**919**	**Eonia/Fed**	**2,080**	**Eonia/Euribor/Fed**
TOTAL	**1,084**		**2,206**	

(1) Excluding non-consolidated investments.

Note 22. Consolidated shareholders' equity

a) Share capital

At December 31, 2009, 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

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights. The 17,456,468 treasury shares have no voting rights.

Changes in the breakdown of share capital and voting rights are as follows:

December 31, 2008

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights
Private investors	153,952,241	36.92%	166,856,292	30.94%
French State	125,940,227	30.20%	150,706,249	27.95%
Employee shareholders	88,511,055	21.22%	162,364,050	30.11%
Areva	30,772,945	7.38%	59,363,695	11.00%
Treasury shares	17,853,117	4.28%	-	-
TOTAL	**417,029,585**	**100.00%**	**539,290,286**	**100.00%**

December 31, 2009

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights (1)
Private investors	159,071,928	38.14%	172,289,765	32.07%
French State	125,940,227	30.20%	150,752,222	28.06%
Employee shareholders	83,788,017	20.09%	154,825,295	28.82%
Areva	30,772,945	7.38%	59,363,695	11.05%
Treasury shares	17,456,468	4.19%	-	-
TOTAL	**417,029,585**	**100.00%**	**537,230,977**	**100.00%**

(1) Exercisable voting right.

c) Consolidated retained earnings

Movements in consolidated retained earnings are as follows:

(in € millions)	
Consolidated retained earnings at December 31, 2008 (1)	**3,870**
Allocation of 2008 profit to consolidated retained earnings	(205)
Dividend distribution	(68)
Treasury shares	5
Translation adjustment	5
Share grants	9
Other	3
CONSOLIDATED RETAINED EARNINGS AT DECEMBER 31, 2009	**3,619**

(1) Including interim dividends of €32 million.

d) Share-based payment

On May 28, 2008, the Shareholders' Meeting authorized the Executive Board to buy and sell Company shares. Pursuant to this authorization, the Company purchased 1,036,775 shares on the stock market for €11 million, and sold 1,433,424 shares for €17 million. These transactions were carried out under the liquidity agreement in force.

On May 28, 2009, the Shareholders' Meeting renewed the authorization granted to the Executive Board to buy and sell shares in the company.

Shares grants

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

- **Terms and conditions of the bonus share plan**

Shares granted to employees of Group companies headquartered in France vest fully after a period of two years. The shares are also subject to a two-year minimum 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, but are not subject to a lock-up period.

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

All shares granted by Safran are equity-settled.

- **Measurement of rights to 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 that are not paid to employees during the vesting period, and (ii) the cost to the Group's French employees of the minimum lock-up period.

Shares granted in 2009	**France**	**Outside France**
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	100
Total number of shares granted	3,678,500	556,000
Expected dividend rate	3.17%	3.17%
Risk-free rate at the grant date	2.675%	2.675%
Market value of shares at the grant date	€7.54	€7.54
Fair value per share	€6.75	€6.64

The expense recognized in respect of these shares at December 31, 2009 totaled €9 million.

Stock purchase options

The Group granted its employees stock purchase options under the following plans:

	2003 plan	**2004 plan**
Date of Shareholders' Meeting	04/23/2003	04/21/2004
Date of Executive Board Meeting (Board of Directors meeting prior to April 24, 2001)	04/23/2003	04/21/2004
Earliest date options may be exercised	04/23/2005	04/21/2008
Latest date options may be exercised	04/23/2008	04/21/2009
Strike price *(in €)* (1)	10.63	17.26
Number of options granted (1)	1,050,435	750,000
Number of beneficiaries	173	96

(1) Adjusted to take into account the share grants in December 2003 and the five-for-one stock split in December 2004.

All of these plans had expired at December 31, 2009.

Changes in the number of options and the average strike price are as follows:

Figures adjusted to take into account the share grants in December 2003 and the five-for-one stock split in December 2004	Number of options	Weighted average strike price
Number of options outstanding at December 31, 2007	1,205,230	14.76
Number of options available for exercise at December 31, 2007	455,230	10.63
Number of options granted in 2008	-	-
Number of options exercised in 2008	(284,877)	10.63
Number of options expired in 2008 and not exercised	(170,353)	10.63
Number of options outstanding at December 31, 2008	750,000	17.26
Number of options available for exercise at December 31, 2008	750,000	17.26
Number of options granted in 2009	-	-
Number of options exercised in 2009	-	-
Number of options expired in 2009 and not exercised	(750,000)	17.26
Number of options outstanding at December 31, 2009	0	0

Only those plans granted after November 7, 2002 that had not yet vested at January 1, 2006 are measured and recognized. Plans granted prior to November 7, 2002 are not recognized. Pursuant to these rules, two stock purchase option plans (2003 and 2004 plans) were measured and recognized using the Black & Scholes model.

At December 31, 2008, a total of 750,000 options remained outstanding under the 2004 stock purchase option plan. These options had a weighted average strike price of €17.26. None of the options had been exercised when they expired on April 21, 2009.

The expense recognized in 2008 for €0.3 million related to the 2004 plan.

No stock purchase options were granted in 2008 or 2009.

	2004 plan
Valuation of stock option plans *(in € millions)*	4.00
Share price at the grant date *(in €)* (1)	18.10
Option subscription price *(in €)* (1)	17.26
Volatility	30%
Risk-free interest rate	3.2%-3.32%
Vesting period	4 years
Exercise period	5 years
Dividend distribution rate	1.07%

(1) Figures adjusted to take into account the share grants in December 2003 and the five-for-one stock split in December 2004.

The expected volatility corresponds to the volatility of the share over the past two years.

Note 23. Provisions

Provisions break down as follows:

(in € millions)	Dec. 31, 2008	Impairment expense	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus provisions	Other	Dec. 31, 2009
Performance warranties	429	225	(124)		(80)	1	451
Financial guarantees	79	22			(24)		77
Services to be rendered	422	269	(227)		(30)	(6)	428
Employee-related commitments	42	10	(23)		(1)	1	29
Post-employment benefits	385	38	(65)	(1)	(2)	3	358
Sales agreements and long-term receivables	205	73	(25)	(4)	(35)	(16)	198
Losses to completion and on backlog	525	320	(70)	(168)	(11)	26	622
Disputes and litigation	36	34	(6)		(1)	(1)	62
Negative equity of non-consolidated companies	12		(5)		(1)		6
Other	221	35	(56)	(59)	(21)	3	123
TOTAL	**2,356**	**1,026**	**(601)**	**(232)**	**(206)**	**11**	**2,354**
Non-current	**1,078**						**1,315**
Current	**1,278**						**1,039**

No significant provisions were recognized during the period to cover environmental risks.

The Group makes a number of reclassifications when provisions initially recognized in liabilities – namely provisions for losses to completion or provisions for backlog losses (see Note 2.a) – are subsequently recognized in assets, for example in provisions for the impairment of inventories and work-in-progress.

Note 24. Post-employment benefits

The Group has various commitments in respect of defined benefit pension plans, retirement termination payments and other commitments within and outside France. The accounting treatment applied to these commitments is detailed in Note 1.s and Note 3.

The Group's financial position with respect to these commitments is as follows:

(in € millions)	Dec. 31, 2008	Dec. 31, 2009	France	United Kingdom	Other European countries	Americas
Gross commitments	557.6	682.1	313.5	282.5	62.5	23.6
Fair value of plan assets	195.3	269.1	6.9	211.9	32.0	18.3
Unrecognized items	(22.0)	55.3	(7.8)	57.8	3.6	1.7
PROVISION RECOGNIZED IN THE ACCOUNTS	**384.3**	**357.7**	**314.4**	**12.8**	**27.0**	**3.5**
• *Defined benefit retirement plans*	*73.0*	*46.5*	*11.4*	*12.8*	*21.1*	*1.2*
• *Retirement termination payments*	*285.9*	*284.8*	*276.8*	*-*	*5.6*	*2.4*
• *Other employee benefits*	*25.4*	*26.5*	*26.2*	*-*	*0.3*	*-*

The cost of the Group's pension commitments in 2008 and 2009 can be analyzed as follows:

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Pension expense		
Current service cost	28	24.2
Recognized actuarial gains and losses	(3.8)	(0.9)
Plan curtailments and modifications	(1.1)	(8.3)
Recognized past service cost	0.4	0.3
Other	(0.6)	-
Total operating component of the pension expense	**22.9**	**15.3**
Interest cost	33.6	34
Expected return on plan assets	(19.3)	(13.7)
Total financing component of the pension expense	**14.3**	**20.3**
TOTAL PENSION EXPENSE	**37.2**	**35.6**

Main assumptions used to calculate commitments:

(in € millions)		Eurozone	United Kingdom
Discount rate	*12/31/2008*	*6.00%*	*6.50%*
	12/31/2009	**5.25%**	**5.50%**
Inflation rate	*12/31/2008*	*2.00%*	*3.00%*
	12/31/2009	**2.00%**	**3.50%**
Expected return on plan assets	*12/31/2008*	*5.00%*	*6.75%-7.50%*
	12/31/2009	**4.50%**	**6.95%**
Rate of future salary increases	*12/31/2008*	*1.50%-5.00%*	*4.25%*
	12/31/2009	**1.50%-5.00%**	**4.25%**
Retirement age	Managerial	63/65	
	Non-managerial	61/65	65

The discount rates are determined by reference to the yield of investment grade bonds (AA), i.e., 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, 2009:

Sensitivity *(basis points)*	-1%	+1%
Change in gross benefit obligation at December 31, 2009 *(in € millions)*	+87	-87

The impact of a change in the discount rates on consolidated profit for 2009 and on the provision at end-December 2009 would not have been material. The change in the value of the gross benefit obligation would have mainly affected unrecognized actuarial gains and losses.

The allocation of plan assets and the expected return on these assets are shown below:

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2009	Expected return on plan assets in 2010	% allocation at Dec. 31, 2009	Expected return on plan assets in 2010
Shares	64.07%	7.97%	16.61%	6.02%
Bonds and borrowings	28.25%	4.73%	51.33%	3.99%
Property	4.80%	8.59%	3.05%	4.50%
Cash and cash equivalents	0.15%	0.25%	7.58%	1.73%
Other	2.73%	3.31%	21.43%	4.27%

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2008	Expected return on plan assets in 2009	% allocation at Dec. 31, 2008	Expected return on plan assets in 2009
Shares	72.02%	8.07%	15.63%	5.70%
Bonds and borrowings	23.22%	5.02%	54.52%	3.38%
Property	1.34%	7.20%	12.07%	4.13%
Cash and cash equivalents	1.80%	5.04%	7.73%	1.74%
Other	1.62%	7.20%	10.05%	4.97%

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 remained unchanged) would have the following impacts on consolidated profit for 2009:

Sensitivity *(basis points)*	-1%	+1%
Increase/(decrease) in expected return on plan assets	-2.1	+2

Five-year summary of commitments

(in € millions)	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009
Gross commitments	674.2	721.4	663.1	557.6	682,1
Fair value of plan assets	248.9	281.3	293.5	195.3	269,1
Provision recognized in the accounts	403,5	416.5	392.9	384.3	357.7
Experience adjustments	NA	15.1	28.7	67.0	(15.0)
as a % of commitments		*2%*	*4%*	*12%*	*-2%*

DEFINED BENEFIT PENSION PLANS

a) Presentation of benefits

France

A supplemental 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.

Eligible employees who were at least 60 years of age on July 1, 1995 had their previous time with the company bought at a rate of 2% for each year in which contributions were paid, in the form of capital. Eligible employees who were between 45 and 55 years of age on July 1, 1995 had their potential benefits frozen at July 1, 1995 and calculated at a rate of 1.86%, provided that they stayed with the company until the close-out of their retirement. Eligible employees who were between 55 and 60 years of age on July 1, 1995 benefited from the incremental benefit based on their actual and total years of service, at a rate of 1.86%.

With the exception of employees aged 55 to 60, executive staff (cadres) were then moved to a new supplemental defined contribution retirement plan. Group companies affected by this change were Safran (for Snecma employees), Snecma, Snecma Services, Snecma Propulsion Solide, Hispano-Suiza, Messier-Bugatti, Messier-Dowty, Messier Services, Aircelle and Turbomeca.

The plan is funded by contributions paid into the insurance company which then manages payment of the pensions. On January 1, 2005, the insurance company was changed.

At December 31, 2009, 288 claimants remain in active service and the last retirement is planned for 2013.

Other countries

• United Kingdom

There are two pension funds involving Messier-Dowty/Messier Services Ltd and Aircelle Ltd. These pension funds have been contracted out, which means they replace the mandatory supplemental retirement plan. The plans are managed by trusts. Employees participate in the funding through salary-based contributions. The breakdown of contributions between the employer and the employee is 85% and 15%, respectively.

• Other European countries

The Group's main commitments in 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. The benefit is funded in full by employer contributions.

In Switzerland, Vectronix AG set up a mutualized retirement plan with Leica, the former shareholder of Vectronix AG. 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 assets 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.

• Americas

The main commitments concern Canada.

Two pension plans exist within Messier-Dowty Inc. and Hispano-Suiza Canada (spin-off of Messier-Dowty Inc.): one plan for employees and a second plan for executives and top management. These plans are financed by employer (82%) and employee (18%) contributions.

b) Financial position

(in € millions)	Dec. 31, 2008	Dec. 31, 2009	o/w France	o/w other countries (excl. France)
Gross commitments	279.8	374.1	13.7	360.4
Fair value of plan assets	195.3	269.0	6.9	262.1
Provision recognized in the accounts	73.0	46.5	11.4	35.1
Unrecognized items	11.5	58.6	(4.6)	63.2
• *Actuarial gains and losses*	*10.4*	*57.7*	*(4.6)*	*62.3*
• *Past service cost*	*1.1*	*0.9*	*0.0*	*0.9*
• *Unrecognized assets*	*0.0*	*0.0*	*0.0*	*0.0*

(in € millions)	Gross commitments (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provisions = (a)-(b)-(c)
Position at January 1, 2009	**279.8**	**195.3**	**11.5**	**73.0**
A. Pension expense				
Current service cost	8.7			
Interest cost	17.9			
Expected return on plan assets		13.7		
Recognized actuarial gains and losses			0.6	
Plan curtailments and modifications	(10.3)		(1.9)	
Recognized past service cost			(0.3)	
Total pension expense	**16.3**	**13.7**	**(1.6)**	**4.2**
B. Employer expense				
Employer contributions		33.0		
Benefits paid	(16.8)	(16.8)		
Total employer expense	**(16.8)**	**16.2**	**-**	**(33.0)**
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation				
Translation adjustments	16.1	12.6	1.2	
Reclassification to assets held for sale				
Total other recognized items	**16.1**	**12.6**	**1.2**	**2.3**
Change in provision	**15.6**	**42.5**	**(0.4)**	**(26.5)**
D. Other unrecognized items				
Employee contributions	4.4	4.4		
Actuarial gains and losses for the period	74.3	26.8	47.5	
Past service cost for the period				
Total other unrecognized items	**78.7**	**31.2**	**47.5**	**0.0**
POSITION AT DECEMBER 31, 2009	**374.1**	**269.0**	**58.6**	**46.5**

The Group expects to pay a total of €37 million into its defined benefit pensions plans in 2010.

RETIREMENT TERMINATION PAYMENTS

a) Presentation of benefits

- In France, this heading includes commitments in respect of statutory termination payments due on retirement.
- Outside France, this heading includes commitments under early retirement plans at Sagem Orga GmbH, Snecma Services Brussels and Vectronix AG.

b) Financial position

(in € millions)	Dec. 31, 2008	Dec. 31, 2009	France	Other countries (excl. France)
Gross commitments	252.4	281.7	273.7	8.0
Fair value of plan assets	0.1	0.1	0.1	-
Provision recognized in the accounts	285.8	284.8	276.8	8.0
Unrecognized items	(33.5)	(3.2)	(3.2)	-
• *Actuarial gains and losses*	*(36.6)*	*(6.1)*	*(6.1)*	*0.0*
• *Past service cost*	*3.1*	*2.9*	*2.9*	*0.0*
• *Unrecognized assets*	*0.0*	*0.0*	*0.0*	*0.0*

(in € millions)	Gross commitments (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provision recognized in the accounts = (a)-(b)-(c)
Position at January 1, 2009	**252.4**	**0.1**	**(33.5)**	**285.8**
A. Pension expense				
Current service cost	12.5			
Interest cost	14.9			
Expected return on plan assets				
Recognized actuarial gains and losses			1.2	
Plan curtailments and modifications	(0.2)		(0.1)	
Recognized past service cost			(0.2)	
Total pension expense	**27.2**	**-**	**0.9**	**26.3**
B. Employer expense				
Employer contributions				
Benefits paid	(26.7)			
Total employer expense	**(26.7)**	**-**	**-**	**(26.7)**
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation	0.1		0.8	
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	**0.1**	**-**	**0.8**	**(0.7)**
Change in provision	**0.6**	**0.0**	**1.7**	**(1.1)**
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period	28.7		28.7	
Past service cost for the period				
Total other unrecognized items	**28.7**	**-**	**28.7**	**0.0**
POSITION AT DECEMBER 31, 2009	**281.7**	**0.1**	**(3.1)**	**284.7**

OTHER EMPLOYEE BENEFITS

a) Presentation of benefits

France

This heading mainly comprises commitments in respect of long-service awards, loyalty premiums and executive bonuses granted at Sagem Défense Sécurité, Sagem Sécurité and Safran Informatique.

b) Financial position

(in € millions)	Dec. 31, 2008	Dec. 31, 2009	France	Other countries (excl. France)
Gross commitments	25.4	26.4	26.2	0.2
Fair value of plan assets	0.0	0.0	0.0	0.0
Provision recognized in the accounts	25.4	26.4	26.2	0.2
Unrecognized items	NA	NA	NA	NA

	Gross commitments	Fair value of plan assets	Unrecognized items	Provision recognized in the accounts
(in € millions)	(a)	(b)	(c)	= (a)-(b)-(c)
Position at January 1, 2009	**25.4**	**0.0**	**0.0**	**25.4**
A. Pension expense				
Current service cost	3.0			
Interest cost	1.2			
Expected return on plan assets				
Recognized actuarial gains and losses	0.9			
Plan curtailments and modifications	0.0			
Recognized past service cost				
Total pension expense	**5.1**	**-**	**-**	**5.1**
B. Employer expense				
Employer contributions				
Benefits paid	(3.6)			
Total employer expense	**(3.6)**	**-**	**-**	**(3.6)**
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation	(0.5)			
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	**(0.5)**	**-**	**-**	**(0.5)**
Change in provision	**1.0**	**0.0**	**0.0**	**1.0**
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period				
Past service cost for the period				
Total other unrecognized items	**0.0**	**-**	**-**	**0.0**
POSITION AT DECEMBER 31, 2009	**26.4**	**0.0**	**0.0**	**26.4**

CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

The expense for the period in respect of defined contribution plans amounted to €258 million. The expense is broken down into contributions paid into standard retirement plans and contributions paid into Art. 83 supplemental retirement plans [1].

INDIVIDUAL TRAINING ENTITLEMENT

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and 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, 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.

(1) Plan set up within the main French companies of the former Snecma group.

Note 25. Borrowings subject to specific conditions

This caption includes mainly repayable advances granted by the French State.

Movements in this item during the year break down as follows:

(in € millions)	
At December 31, 2008	**698**
New advances received	69
Advances repaid	(39)
Cost of borrowings	51
Translation adjustments	6
Other [(1)]	(28)
Adjustments to the probability of repayment of advances	(61)
AT DECEMBER 31, 2009	**696**

(1) See Note 6, "Other non-recurring operating income and expenses".

Note 26. Interest-bearing liabilities

BREAKDOWN OF INTEREST-BEARING LIABILITIES

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Bond issue	-	744
Finance lease liabilities	61	179
Other long-term borrowings	357	285
Total interest-bearing non-current liabilities (portion maturing >1 year at inception)	**418**	**1,208**
Finance lease commitments	8	11
Other long-term borrowings	177	215
Accrued interest not yet due	6	4
Current liabilities bearing long-term interest at inception	**191**	**230**
Treasury bills	568	454
Short-term bank facilities and equivalent	377	683
Current liabilities bearing short-term interest at inception	**945**	**1,137**
Total interest-bearing current liabilities (<1 year)	**1,136**	**1,367**
TOTAL INTEREST-BEARING LIABILITIES	**1,554**	**2,575**

Movements in this caption break down as follows:

(in € millions)	
Total at December 31, 2008	**1,554**
Increase in borrowings	891
Decrease in borrowings	(229)
Movements in short-term bank facilities	350
Changes in scope of consolidation	15
Foreign exchange differences	(4)
Reclassifications	(2)
TOTAL AT DECEMBER 31, 2009	**2,575**

Main long-term borrowings at inception:

- Safran five-year bonds: €750 million issued to French and international investors on November 26, 2009. The bonds mature on November 26, 2014 and pay fixed-rate interest of 4%.

  The funds raised by the bond issue allow 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.

  Bond debt at December 31, 2009 totaled €744 million, less the costs and impact of hedging (floating-rate swap at December 31, 2009 based on 3-month Euribor).

- European Investment Bank (EIB) borrowings: €133 million (€200 million at December 31, 2008). This borrowing consists of four draw-downs with average fixed-rate interest of 3.1%, repayable in six-monthly equal installments of the principal, with the final payment due July 2012. Amount falling due within one year: €66.7 million.

  For certain draw-downs, the EIB may request that a reserve account pledged in its favor be credited in an amount equal to the annual debt service charge if, upon publication of the interim and annual financial statements, the financial covenants are not complied with (see Note 34).

- Employee savings financing under the Group Employee Savings Plan: €300 million (€235 million at December 31, 2008).

  The maximum maturity is five years and the amount falling due within one year is €130 million.

  The interest rate is set annually and indexed to the five-year Treasury bill rate: 3.82% for 2009 and 4.85% for 2008 (NB: the interest rate adopted for 2010 is 3.37%).

- Messier-Bugatti Inc. lease: USD 45 million (€31 million) [USD 49 million (€35 million) at December 31, 2008], bearing fixed-rate interest of 5.2%. This lease is guaranteed by the parent company, Messier-Bugatti SA.

- Turbomeca real estate lease financing contract: €56 million bearing fixed-rate interest of 4.7%. Amount due in less than one year: €4 million. Final maturity: November 2021.

- Sagem Défense real estate lease pre-financing arrangement: €53 million bearing floating-rate interest indexed to 3-month Euribor. Final maturity: January 2022.

The Group's other long- and medium-term borrowings are comprised of immaterial amounts.

Main short-term borrowings:

- Treasury bills: €454 million (€568 million at December 31, 2008). This amount comprises several draw-downs made under market terms and conditions, with maturities of less than three months.

- CIC facility: €500 million. Draw-down on the short-term credit line maturing on January 15, 2010 (Euribor +15 basis points).

- Société Générale facility: €100 million. Draw-down on the short-term credit line maturing on February 1, 2010 (Euribor).

- Financial current accounts with non-consolidated subsidiaries: €38 million (€28 million at December 31, 2008). Interest indexed to the overnight rate of the account currency (EUR, GBP or USD).

Other short-term borrowings are comprised of immaterial amounts.

ANALYSIS BY MATURITY

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Maturing in		
1 year	1,136	1,367
2 to 5 years	375	1,087
Beyond 5 years	43	121
TOTAL	**1,554**	**2,575**

ANALYSIS BY CURRENCY

	Dec. 31, 2008		Dec. 31, 2009	
(in millions of currency units)	Currency	EUR	Currency	EUR
EUR	1,045	1,045	2,301	2,301
USD	499	359	139	96
CAD	107	63	127	84
GBP	60	63	50	56
Other	NA	24	NA	38
TOTAL		**1,554**		**2,575**

ANALYSIS BY TYPE OF INTEREST RATE (FIXED/FLOATING), BEFORE HEDGING

	Non-current				Current			
	Dec. 31, 2008		Dec. 31, 2009		Dec. 31, 2008		Dec. 31, 2009	
(in € millions)	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	225	3.64%	947	4.05%	87	3.36%	94	3.79%
Floating rate	193	4.45%	261	3.03%	1,049	3.27%	1,273	1.30%
TOTAL	**418**	**4.01%**	**1,208**	**3.83%**	**1,136**	**3.27%**	**1,367**	**1.47%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Cash and cash equivalents	919	2,080
Interest-bearing current and non-current liabilities	1,554	2,575
Fair value of interest rate derivatives hedging borrowings	-	(3)
TOTAL	**(635)**	**(498)**

At end-2008, the Group's net debt position included short-term financing resulting from the assignment of trade receivables (non-deconsolidating securitization transaction) totaling USD 150 million, or €108 million (i.e., USD 300 million at 100% bearing average floating-rate interest of 4.1%, indexed to USD Libor). It also included a loan from General Electric set up in December 2008 for USD 50 million, or €36 million (i.e., USD 100 million at 100%, granted at market conditions).

These two short-term borrowings have been replaced by two facilities set up in the fourth quarter of 2009 resulting from the assignment of trade receivables without recourse:

- confirmed 24-month facility for USD 200 million granted in October 2009 by General Electric Capital Corp, on which USD 79.4 million has been drawn down to date (i.e., USD 40 million at 50%);
- confirmed 364-day facility for USD 870 million granted in December 2009 by a syndicate of seven banks led by BNP Paribas, on which USD 827.4 million has been drawn down to date (i.e., USD 414 million at 50%).

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Net debt	635	498
Total equity	3,874	4,501
GEARING	**16%**	**11%**

Note 27. Trade and other payables

(in € millions)	Dec. 31, 2008	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2009
Operating payables	**6,284**	**(15)**	**44**	**12**	**(67)**	**6,258**
Credit balances on trade receivables	832	(21)	(1)		(15)	795
Advance payments from customers	2,823	224	15	5	(50)	3,017
Trade and other operating payables	1,882	(200)	23	6	2	1,713
Current operating account	6		3		(4)	5
Employee-related liabilities	741	(18)	4	1		728
Other liabilities	**502**	**64**	**12**	**2**	**(33)**	**547**
Other liabilities	197	5	3	2	(6)	201
Deferred income	305	59	9		(27)	346
TOTAL	**6,786**	**49**	**56**	**14**	**(100)**	**6,805**

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:

(in € millions)	<12 months	>12 months
Operating payables	5,621	637
Other payables	354	193
TOTAL	**5,975**	**830**

Note 28. Other current and non-current liabilities

(in € millions)	Dec. 31, 2008	Movements during the period	Changes in scope of consolidation	Impact of currency translation	Reclassifications	Dec. 31, 2009
Payables on purchases of property, plant and equipment and intangible assets	117	(46)				71
Payables relating to early retirement of employees	7	(5)				2
Payables on purchases of investments	15	(1)	127	(4)		137
State aid, accrued payables	22	(2)				20
State – other taxes and duties	134	(25)	3		(3)	109
TOTAL	**295**	**(79)**	**130**	**(4)**	**(3)**	**339**
Non-current	**139**					**210**
Current	**156**					**129**

Note 29. Summary of financial liabilities

The fair value of these financial liabilities is calculated based on the future cash flows associated with each borrowing, discounted at the market interest rate.

At December 31, 2008	Carrying amount			
(in € millions)	Financial liabilities at amortized cost	Financial liabilities at fair value	Total	Fair value
Borrowings subject to specific conditions	698		698	698
Interest-bearing non-current liabilities	418		418	402
Interest-bearing current liabilities	1,136		1,136	1,136
Trade and other operating payables	1,882		1,882	1,882
Current operating accounts	6		6	6
Derivative instruments – liabilities		577	577	577
TOTAL FINANCIAL LIABILITIES	**4,140**	**577**	**4,717**	**4,701**

At December 31, 2009	Carrying amount			
(in € millions)	Financial liabilities at amortized cost	Financial liabilities at fair value	Total	Fair value
Borrowings subject to specific conditions	696		696	696
Interest-bearing non-current liabilities	1,208		1,208	1,207
Interest-bearing current liabilities	1,367		1,367	1,367
Trade and other operating payables	1,713		1,713	1,713
Minority put granted to non-controlling interests (1)		125	125	125
Current operating accounts	5		5	5
Derivative instruments – liabilities		13	13	13
TOTAL FINANCIAL LIABILITIES	**4,989**	**138**	**5,127**	**5,126**

(1) Included in payables on purchases of investments.

The Group uses the input hierarchy described in Note 21 to measure the fair value of its financial liabilities.

The Group's financial liabilities carried at fair value as of December 31, 2009 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Derivative liabilities		13		13
Committments to buy out non-controlling interests			125	125
TOTAL		**13**	**125**	**138**

In 2009, no items were transferred between level 1 and level 2, and none were transferred from or to level 3.

Note 30. Workforce

The Group's average workforce over the period by business segment breaks down as follows:

	France	Other countries	Total
Aerospace Propulsion	17,742	3,637	21,379
Aircraft Equipment	9,240	10,797	20,037
Defence	6,184	524	6,708
Security	1,181	3,867	5,048
Holding company and other	1,350	389	1,739
TOTAL	**35,697**	**19,214**	**54,911**

The Group's total workforce at December 31, 2009, including employees of non-consolidated companies, is 55,710.

These figures do not include employees of equity-accounted associates.

The breakdown of the workforce of French companies by socio-professional category is as follows:

Managerial personnel and executives	12,185
Supervisors	972
Technicians	11,381
White-collar employees	2,604
Blue-collar employees	8,555
TOTAL	**35,697**

Average figures include the workforce of the following proportionately consolidated companies (based on the percentage of consolidation):

Shannon Engines Support	16
Europropulsion	44
Sofradir	144
Ulis	48
Famat	219
SEMMB	23
Matis Aerospace	159
CFAN	185
TOTAL	**838**

The average workforce employed by discontinued operations is 337 (Sagem Mobiles France and Sagem Mobiles Ningbo China).

Note 31. 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.

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

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Current assets	219	269
Non-current assets	392	386
Current liabilities	355	362
Non-current liabilities	38	40
Operating income	254	279
Operating expenses	(206)	(234)
Financial income (loss)	(6)	(9)
Income tax expense	(12)	(4)
Profit (loss) for the period	29	32
Cash flows from (used in) operating activities (1)	(86)	237
Cash flows from (used in) investing activities	(105)	(3)
Cash flows from (used in) financing activities (1)	186	(198)

(1) See Note 26 on the sale of trade receivables by CFM Inc.

Note 32. Related parties

In accordance with IAS 24, the Group's related parties are considered to be its shareholders (including the French State), companies controlled by these shareholders, and management executives.

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Sales to related parties	1,850	2,455
Purchases from related parties	(141)	(138)

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Receivables from related parties	654	879
Payables to related parties	885	1,302

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Financial guarantees granted to related parties (off-balance sheet)	328	457

Transactions with related parties primarily concern the delivery of aviation products to the Directorate General of the French Armed Forces.

MANAGEMENT COMPENSATION

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Short-term benefits	8.6	8.8
Post-employment benefits	0.6	0.5
Other long-term benefits	-	-
Termination payments	1.2	0.6
Share-based payment	-	-

Management comprises the members of Safran's Supervisory Board, Executive Board and Executive Management team. Compensation data with respect to short-term benefits are provided on a gross basis, and include fixed compensation costs for the current year as well as costs relating to the variable portion payable in the following year.

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 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 33. Consolidated statement of cash flows

The statement of cash flows is prepared using the indirect method, whereby cash flow from operating activities is determined by adjusting profit or loss. The effect of changes in foreign exchange rates shows the impact of exchange rate fluctuations between the beginning and the end of the year and the impact of these fluctuations on cash and cash equivalents at January 1.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise term and sight deposits.

Cash and cash equivalents have a term of less than three months and are readily convertible into known amounts of cash.

These amounts are analyzed in Note 20.

PURCHASES AND SALES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

These items break down as follows:

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Acquisitions of intangible assets	(286)	(269)
Acquisitions of property, plant and equipment	(467)	(354)
Change in payables on purchases of intangible assets	54	(24)
Change in payables on purchases of property, plant and equipment	(9)	(14)
Change in receivables on disposals of property, plant and equipment	-	-
Proceeds from disposals of intangible assets	2	1
Proceeds from disposals of property, plant and equipment	35	75
TOTAL	**(671)**	**(585)**

MATERIAL NON-CASH TRANSACTIONS

Certain transactions carried out by the Group did not have any impact on cash and cash equivalents.

These mainly concern:

(in € millions)	
• depreciation, amortization, impairment and provision expenses	775
• impact of changes in the fair value of financial instruments [(1)]	(545)
• capital gains on asset disposals	6
• elimination of profit before tax paid relating to discontinued operations	(1)
• other	1
TOTAL	**236**

(1) This impact is primarily the result of the Group's decision to apply so-called speculative accounting as of July 1, 2005 and therefore to recognize the change in fair value of its financial instruments from that date in "Financial income (loss)".

DIVIDENDS AND INTEREST

The Group classifies dividends received and interest paid or received in net debt under operating activities.

Note 34. Management of market risks and financial derivatives

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.

	Dec. 31, 2008		Dec. 31, 2009	
(in € millions)	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	-	-	-	*(4)*
Floating-for-fixed interest rate swaps	-	-	-	(1)
Fixed-for-floating interest rate swaps	-	-	-	(3)
Foreign currency risk	*138*	*(577)*	*63*	*(9)*
Currency swaps	19	-		(4)
Buy and sell forward currency contracts	-	(476)	50	(2)
Currency options	119	(101)	13	(3)
Other derivatives	-	-	-	-
TOTAL	**138**	**(577)**	**63**	**(13)**

FOREIGN CURRENCY RISK MANAGEMENT

Most revenue in the Aerospace Propulsion and Aircraft Equipment branches is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. Accordingly, the net excess of revenues over operating expenses for these activities totaled USD 4.23 billion for the year (USD 5.18 billion in 2008).

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.

Hedging policy

Two basic principles underscore the foreign currency risk management policy, defined by the holding company 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 three-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. However, these measures 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 sales of options (USD call/EUR put).

Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2008				Dec. 31, 2009			
(in millions of currency units)	Fair value	Notional amount	<1 year	1 to 5 years	Fair value	Notional amount	<1 year	1 to 5 years
Forward exchange contracts	**(476)**				**48**			
Short USD position	(476)	11,251	5,214	6,037	52	11,274	5,692	5,582
Of which against EUR	*(331)*	*10,146*	*4,636*	*5,510*	*88*	*10,282*	*5,076*	*5,206*
Long USD position	(1)	(35)	(28)	(7)	(1)	(12)	(12)	-
Of which against EUR					-	-	-	-
Short GBP position against EUR					(5)	26	26	-
Long SGD position against EUR	-	(6)	(6)	-			-	-
Buy PLN position against EUR					2	33	11	22
Short CHF position against EUR					-	(23)	(11)	(12)
Currency swaps	**19**				**(4)**	**-**	**-**	**-**
Of which against USD	*4*	*196*	*196*	-	*(1)*	*22*	*22*	-
Currency option contracts	**18**				**10**	**-**	**-**	**-**
Puts purchased	*119*	*4,788*	*2,764*	*2,024*	*20*	*2,024*	*2,024*	-
Puts sold					*(20)*	*(2,024)*	*(2,024)*	-
Calls sold	*(101)*	*2,688*	*1,664*	*1,024*	*(3)*	*1,024*	*1,024*	-
Accumulators – sell USD					*(1)*	*7,617*	*4,117*	*3,500*
Accumulators – buy USD					*14*	*(1,921)*	*(1,921)*	-
Accumulators – sell GBP (buy EUR)						*(71)*	*(71)*	
TOTAL	**(439)**				**54**			**-**

Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.

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 financial instruments in "Financial income (loss)". Accordingly, all changes in the fair value of its financial instruments over the period have been recognized in profit or loss for a total amount of €575 million.

At the same time, in order to reflect the economic effects of its currency hedging policy, the Group 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).

Balance sheet exposure and sensitivity to foreign currency risk

The exposure of the Group's balance sheet to foreign currency risk can be summarized as follows:

	Dec. 31, 2008						Dec. 31, 2009					
(in millions of currency units)	USD/ EUR	USD/ GBP	USD/ CAD	**Total USD**	GBP/ EUR	CAD/ EUR	USD/ EUR	USD/ GBP	USD/ CAD	**Total USD**	GBP/ EUR	CAD/ EUR
Total assets excluding financial derivatives	1,434	87	58	**1,579**	138	110	1,273	70	80	**1,423**	28	21
Total liabilities excluding financial derivatives	1,337	47	44	**1,427**	64	105	1,719	67	21	**1,807**	50	127
Financial derivatives	(419)	(152)	(59)	**(631)**	-	-	130	(50)	4	**84**	(5)	-
NET BALANCE SHEET EXPOSURE AFTER FINANCIAL INSTRUMENTS	**(322)**	**(112)**	**(45)**	**(479)**	**74**	**5**	**(315)**	**(47)**	**63**	**(299)**	**(27)**	**(106)**

The above table is presented in foreign currencies.

Balance sheet sensitivity to an increase or decrease of 5% in the EUR/USD exchange rate is as follows:

Impact on balance sheet positions	Dec. 31, 2008		Dec. 31, 2009	
(in € millions)	USD		USD	
Closing rate	**1.39**		**1.44**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.32	1.46	1.37	1.51
Net impact of exposure after financial derivatives	(422)	400	(401)	394

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.).

At December 31, 2009, the Group had contracted interest rate swaps for terms of three to five years for a total of €1,400 million, breaking down as:

- €750 million in "receive fixed/pay floating" interest rate swaps for terms of three and five years, taken out as hedges of the fixed coupon payable on the bonds and eligible for fair value hedge accounting;
- €650 million in "receive floating/pay fixed" interest rate swaps for a term of five years, taken out as pre-hedging for the bond issue and not eligible for hedge accounting.

	Dec. 31, 2008				Dec. 31, 2009			
(in € millions)	Fair value	Notional amount	<1 year	1 to 5 years	Fair value	Notional amount	<1 year	1 to 5 years
Interest rate swaps	-				-	-	-	-
Fixed-for-floating – fair value hedge					(3)	750		750
Floating-for-fixed – not eligible for hedge accounting					(1)	650	-	650
TOTAL					**(4)**	**1,400**	**-**	**1,400**

Debt in respect of employee savings is at floating rates, but resets only yearly. The Group's remaining long-term debt is mostly at fixed rates. However, the Group's €750 million hedge of the fixed coupon payable on its bonds was mostly at floating rates at December 31, 2009. A 1% rise in interest rates would therefore increase the cost of debt by €6 million, compared to €1.3 million in 2008.

MANAGEMENT OF COMMODITY RISK

In 2009, the Group put in place a policy designed to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). 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 three years. To hedge commodity prices, the Group uses forward sales of commodities on the London Metal Exchange (LME).

These forward sales 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 flows are determined based on the backlog and budget fore-casts.

The notional amount of nickel forward purchase contracts at end-2009 represents 1,189 tons of nickel, including 305 tons maturing in less than one year and the remainder between three and five years. The fair value of these instruments was €0.3 million at December 31, 2009.

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 €2 million on equity (compared to a negative impact of €1.1 million at end-2008).

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk from the following transactions:

- short-term investments;
- derivatives;
- customer accounts;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks rated at least "AA".

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

Counterparty risk related to customer accounts is limited due to the large number of customers in the portfolio and their wide geographical spread.

At December 31, 2009, no material counterparty risk had been identified by the Group that had not been provided for in the financial statements.

The financial asset maturity schedule is set out in Note 21.

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 used, Safran is relatively insensitive to liquidity risk.

A number of financial covenants apply to the EIB borrowings set up in 2003 and 2005 (see Note 26).

The following two ratios apply:

- Net debt/EBITDA <2.5
- Net debt/total equity (gearing) <1

The terms "net debt", "EBITDA" and "total equity" are English translations of the French terms, defined as follows:

- Net debt: borrowings (excluding repayable advances) 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.

Undrawn confirmed liquidity resources as of December 31, 2009 totaled €1,100 million; they comprised a €800 million syndicated credit line and a €300 million long term loan agreement with the European Investment Bank (EIB) still undrawn (€1,200 million at end-2008).

Note 35. Off-balance sheet commitments

ENDORSEMENTS, GUARANTEES AND OTHER COMMITMENTS

Commitments in respect of ordinary activities

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

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Employee-related commitments	17	17
Commitments given to customers (completion warranties, performance bonds)	269	257
Commitments given to third parties by Safran on behalf of its subsidiaries	571	651
Commitments given to customs authorities by Safran on behalf of its subsidiaries	102	79
Vendor warranties given	122	117
Actuarial adjustments	(22)	55
Other commitments	216	169
TOTAL	**1,275**	**1,345**

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

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Commitments received from banks on behalf of suppliers	18	15
Completion warranties	15	17
Endorsements and guarantees received	8	1
Vendor warranties received	121	223
Other commitments received	48	9
TOTAL	**210**	**265**

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:

	Dec. 31, 2008	Dec. 31, 2009	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	From 1 to 5 years	Beyond 5 years
Long-term borrowings at inception	540	504	219	281	4
Finance lease commitments	69	190	11	62	117
Operating lease commitments	206	190	44	108	38
Non-cancelable purchase commitments	-	-			
Bond issue	-	744		744	
Other long-term commitments		-			
TOTAL	**815**	**1,628**	**274**	**1,195**	**159**

Lease payments recognized in profit or loss for the year amounted to €105 million.

VENDOR WARRANTIES

Vendor warranties are given or received on the acquisition or sale of companies. At December 31, 2009, no such warranties had been called and none required the recognition of a provision in the Group's consolidated financial statements.

CAPITAL EXPENDITURE COMMITMENTS

At December 31, 2009, capital expenditure commitments totaled €104 million (excluding discontinued operations), versus €250 million at end-2008.

FINANCIAL GUARANTEES GRANTED ON THE SALE OF GROUP PRODUCTS

These guarantees generate risks which represented a total gross amount of USD 237 million at December 31, 2009. 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, the full amount of the net risk as calculated using the valuation model is covered by a provision in the financial statements.

Note 36. 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. To the Group's knowledge, no such proceedings are contemplated by governmental authorities or third parties. 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 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.

- Turbomeca's liability has been cited within the scope of legal proceedings introduced by the public prosecutor of Turin concerning a helicopter accident which took place in April 2003 in the Italian Alps, the causes of which are still unknown. Compensation payable to the complainants and falling within the scope of Turbomeca's liability was covered by the Group's insurance policy.
- Turbomeca's liability was also cited in legal action introduced by the public prosecutor of Nice in April 2009 following a helicopter accident that occurred on June 8, 2004 between Nice and Monaco. The causes of this accident are still unknown. The costs and financial consequences of this claim are covered by the Group's insurance policy.
- A supplier filed legal action against Sagem Défense Sécurité for the alleged abrupt and wrongful termination of commercial relations, claiming compensation of €30 million. In a ruling dated July 23, 2008, Sagem Défense Sécurité was ordered to pay a total of €1 million in damages. The supplier has appealed this decision. The estimated financial consequences of this dispute are significantly lower than the amounts claimed and are more than covered by the corresponding provisions set aside by Sagem Défense Sécurité at December 31, 2009.
- A supplier filed legal action against Messier-Bugatti in 2004 for the alleged wrongful termination of a joint development contract, supposedly having led to the misappropriation of know-how in favor of a competitor. The decision of the lower court, which dismissed the supplier's claim, was overruled by a Versailles Court of Appeal decision dated April 30, 2009. The Court found that Messier-Bugatti had wrongfully terminated the contract. However, it did not hand down a decision with respect to the measure of damages suffered by the supplier, and ordered an expert opinion. Messier-Bugatti has meanwhile taken its appeal to the Court of Cassation. The estimated financial consequences of this dispute – considerably lower than the amount of €33 million initially claimed and the amount of €7.3 million to which it was subsequently reduced by the claimant on appeal – are more than covered by the corresponding provisions set aside by Messier-Bugatti at December 31, 2009.
- 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 minimum sum of USD 260 million according to the claimant, and for which the group of manufacturers may be jointly liable with regard to the claimant. This request relates to the performance of past contracts entered into by these manufacturers and in which Snecma's participation was approximately 10%. All the manufacturers concerned contested this claim. An agreement was signed, whereby the manufacturers concerned by the arbitration request waived their right to invoke the legal statute of limitations, and the claimant withdrew its request for arbitration in June 2003. However, it reserved the right to submit a new claim for a greater amount. Safran has not yet recognized a provision in this respect.
- EPI Europrop International, the joint company in which Snecma is shareholder and guarantor along with its fellow shareholders, develops engines for the A400M aircraft. Airbus Military, a client of EPI, has bought a number of claims against the company. No adequate substantiation has been provided in respect of these claims – formally contested by EPI – enabling the Group to assess the relevance of the claims or any impact they may have on EPI. In any case, in view of the provisions already booked by Snecma, these claims are not expected to result in significant losses for the Group. Airbus Military is currently in talks with the governments that are customers of the program. To date, the outcome of these talks is uncertain. The Group is therefore unable to determine the conditions under which the program may be pursued, or the potential impact of these claims on EPI and on the Group companies that have developed other products for the A400M.
- 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 alleged aim of being awarded the State's electronic ID card contract. Safran was also charged in connection with this case in February 2009, due to the fact that Safran was formed from the merger of Sagem and Snecma. In September 2009, a tax collection notice was issued for €11.7 million, further to an adjustment notified at the end of 2006. Since the amount of this adjustment has been challenged, no changes have been made to the provision set aside for part of the amount in question in 2006.
- At the end of an inquiry launched in March 2007, the AMF informed Safran on July 10, 2009 that in its press release dated February 14, 2007 on the 2006 financial statements, it had failed to explain the exact origin of the accounting impact (estimated at €134.5 million) caused by "unexplained entries", or the reasons for the increase in said amount compared with the amount of €100 million disclosed in the December 8, 2006 press release. Safran has since provided all requisite information to the AMF's Enforcement Committee to prove that the complaint is unfounded.
- Safran has recently received a request for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA and that are no longer part of the Safran Group. At this point in time, Safran has no information as regards the next stage in these proceedings.
- 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. No provision has yet been set aside in respect of this risk.

Note 37. Subsequent events

None.

Note 38. List of consolidated companies

		2008			2009		
Corporate name, Legal form, Registered office	**Siren registration No. or country**	**Consolidation method**	**% interest**	**% control**	**Consolidation method**	**% interest**	**% control**
Safran SA	**Parent company**						
Direct Safran SA subsidiaries							
Sagem Télécommunications 75015 Paris	480 108 158	FC	100.0	100.0	FC	100.0	100.0
Sagem Défense Sécurité 75015 Paris	480 107 911	FC	100.0	100.0	FC	100.0	100.0
Safran Informatique – 92240 Malakoff	480 107 143	FC	100.0	100.0	FC	100.0	100.0
Snecma – 75015 Paris	414 815 217	FC	100.0	100.0	FC	100.0	100.0
Hispano-Suiza SA – 92700 Colombes	692 015 217	FC	100.0	100.0	FC	100.0	100.0
Aircelle – Gonfreville-l'Orcher 76700 Harfleur	352 050 512	FC	100.0	100.0	FC	100.0	100.0
Techspace Aero – B4041 Milmort	Belgium	FC	55.78	100.0	FC	55.78	100.0
Établissements Vallaroche SA 75015 Paris	542 028 154	FC	100.0	100.0	FC	100.0	100.0
Snecma Propulsion Solide 33187 Le Haillan	434 021 028	FC	100.0	100.0	FC	100.0	100.0
Labinal – 31700 Blagnac	301 501 391	FC	100.0	100.0	FC	100.0	100.0
Safran USA Inc. – Wilmington/ Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Turbomeca SA – 64510 Bordes	338 481 955	FC	100.0	100.0	FC	100.0	100.0
Technofan SA – 31700 Blagnac	710 802 547	FC	90.64	100.0	FC	93.32	100.0
Sofrance – 87800 Nexon (5)	757 502 240	FC	100.0	100.0	FC	100.0	100.0
Messier-Bugatti SA 78141 Vélizy-Villacoublay	712 019 538	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty International Ltd Gloucester	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Europropulsion – 92150 Suresnes	388 250 797	PC	50.0	50.0	PC	50.0	50.0
SEM MB – 95815 Argenteuil	592 027 312	EQ	50.0	50.0	PC	50.0	50.0
Teuchos 78180 Montigny-le-Bretonneux	352 876 197	FC	100.0	100.0	FC	100.0	100.0
Safran UK Ltd	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Eurofog (1)	340 574 540	NC*	-	-	-	-	-
Subsidiaries of Sagem Télécommunications							
Sagem Mobiles – 75015 Paris (2) (3)	440 349 181	FC	100.0	100.0	FC	100.0	100.0
Sagem Industries – 35300 Fougères (4)	440 293 637	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Sagem Mobiles (3)							
Sagem Mobiles Ningbo Co. Ltd (1)	China	FC	100.0	100.0	-	-	-
Sagem Communication Poland Sp Zo.o	Poland	NC*	-	-	NC*	-	-
Sagem Industria e Comércio de Comunicações Lda	Portugal	NC*	-	-	NC*	-	-
Sagem Communication Schweiz AG	Switzerland	NC*	-	-	NC*	-	-
Sagem Comunicaçoes SA	Brazil	NC*	-	-	NC*	-	-

*FC: Full consolidation – PC: Proportional consolidation – EQ: Equity method – NC: Not consolidated – *: frozen retained earnings.*

(1) Sold in 2009.

(2) Created in 2007 following the spin-off of Sagem Communication.

(3) Classified within assets held for sale.

(4) Created in 2008 following the spin-off of Sagem Mobiles.

(5) Sold to Messier-Bugatti in 2009.

Corporate name, Legal form, Registered office	Siren registration No. or country	2008 Consolidation method	2008 % interest	2008 % control	2009 Consolidation method	2009 % interest	2009 % control
Subsidiaries of Sagem Défense Sécurité							
Sagem Sécurité – 75015 Paris	440 305 282	FC	100.0	100.0	FC	100.0	100.0
Sagem Avionics Inc.	United States	FC	100.0	100.0	FC	100.0	100.0
Sofradir 92290 Châtenay-Malabry	334 835 709	PC	40.0	40.0	PC	40.0	40.0
Vectronix AG	Switzerland	FC	100.0	100.0	FC	100.0	100.0
Safran Electronics Canada, Inc. (formerly Hispano-Suiza Canada, Inc.)	Canada	-	-	-	FC	100.0	100.0
Sagem Navigation GmbH	Germany	NC*	-	-	NC*	-	-
Subsidiaries of Sagem Sécurité							
Sagem Orga GmbH	Germany	FC	100.0	100.0	FC	100.0	100.0
Morpho Trak Inc. (formerly Sagem Morpho Inc.) (1)	United States	FC	100.0	100.0			
Ingenico	317 218 758	EQ	22.37	19.41	EQ	22.38	19.35
Sagem Identification BV	Netherlands	FC	100.0	100.0	FC	100.0	100.0
Sagem Australasia Pty Ltd	Australia	FC	100.0	100.0	FC	100.0	100.0
Sagem Sécurité Maroc	Morocco	-	-	-	FC	100.0	100.0
Aleat	Albania	-	-	-	FC	75.0	75.0
Confidence – 75015 Paris	404 401 887	NC*	-	-	NC*	-	-
Sagem Xelios – 75015 Paris	437 782 535	NC*	-	-	NC*	-	-
Sagem Security International Trading (Shanghai) Co, Ltd	China	NC*	-	-	NC*	-	-
Subsidiary of Confidence							
Positive – 75015 Paris	339 650 335	NC*	-	-	NC*	-	-
Subsidiaries of Sagem Orga GmbH							
Orga Carte et Systèmes SARL – 93290 Tremblay-en-France	400 337 432	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga (Singapore) Pte Ltd	Singapore	FC	100.0	100.0	FC	100.0	100.0
Orga Zelenograd Smart Cards and Systems, Zao	Russia	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga do Brasil S.A.	Brazil	FC	100.0	100.0	FC	100.0	100.0
Smart Chip Ltd	India	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga USA, Inc.	United States	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga UK Ltd	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
OrgaCard Portugal – Cartões e sistemas inteligentes Lda	Portugal	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga SA Pty Ltd	South Africa	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga FZ LLC	United Arab Emirates	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga SRL	Romania	FC	100.0	100.0	FC	100.0	100.0

*FC: Full consolidation – PC: Proportional consolidation – EQ: Equity method – NC: Not consolidated – *: frozen retained earnings.*

(1) Sold to Safran USA Inc. in 2009.

		2008			2009		
Corporate name, Legal form, Registered office	**Siren registration No. or country**	**Consolidation method**	**% interest**	**% control**	**Consolidation method**	**% interest**	**% control**
Subsidiary of Sofradir							
ULIS – 38113 Veuvrey-Voroize	440 508 331	PC	34.01	40.0	PC	34.01	40.0
Subsidiary of Vectronix AG							
Vectronix Inc.	United States	FC	100.00	100.0	FC	100.00	100.0
Subsidiaries of Snecma							
Snecma Services SA – 75015 Paris (1)	562 056 408	FC	100.0	100.0			
CFM International SA 75015 Paris	302 527 700	PC	50.0	50.0	PC	50.0	50.0
CFM International Inc. City of Dover, Co Kent Delaware 19901	United States	PC	50.0	50.0	PC	50.0	50.0
Famat 44600 Saint-Nazaire Cedex	321 853 798	PC	50.0	50.0	PC	50.0	50.0
Snecma Participations 75015 Paris	440 291 888	FC	100.0	100.0	FC	100.0	100.0
Snecma Services Participations SA 75015 Paris	414 815 399	FC	100.0	100.0	FC	100.0	100.0
Fan Blade Associates, Inc.	United States	-	-	-	FC	100.0	100.0
Subsidiary of Snecma Participations							
Snecma Suzhou Co. Ltd	China	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Fan Blades Associates		**-**	**-**	**-**			
CFAN	United States	-	-	-	PC	50.0	50.0
Subsidiaries of Hispano-Suiza							
Hispano-Suiza Canada, Inc.	Canada	FC	100.0	100.0			
Hispano-Suiza Polska, S.p.z.o.o.	Poland	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Snecma Services Participations							
Snecma Services Brussels 1200 Woluwé-Saint-Lambert	Belgium	FC	100.0	100.0	FC	100.0	100.0
Snecma Morocco Engine Services Casablanca	Morocco	FC	51.0	100.0	FC	51.0	100.0
Snecma Services Participation Inc. Cincinnati, Ohio 45242	United States	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of CFM International Inc.							
Shannon Engine Support Ltd Co Clare, Shannon	Ireland	PC	50.0	50.0	PC	50.0	50.0
Subsidiary of Snecma Services Participation Inc.							
Propulsion Technologies International Miramar, Florida 33027	United States	FC	51.0	100.0	FC	51.0	100.0
Subsidiaries of Aircelle							
Aircelle Ltd – Burnley, Lancashire	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
SLCA – 57190 Florange	317 401 065	FC	100.0	100.0	FC	100.0	100.0
Aircelle Maroc – Casablanca	Morocco	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Techspace Aero							
Techspace Aero Inc. Cincinnati, Ohio 45246	United States	FC	55.78	100.0	FC	55.78	100.0

*FC: Full consolidation – PC: Proportional consolidation – EQ: Equity method – NC: Not consolidated – *: frozen retained earnings.*

(1) Merged with Snecma in 2009.

Corporate name, Legal form, Registered office	Siren registration No. or country	2008 Consolidation method	2008 % interest	2008 % control	2009 Consolidation method	2009 % interest	2009 % control
Subsidiary of Techspace Aero Inc.							
Cenco Inc. – Minnesota 55112	United States	FC	55.78	100.0	FC	55.78	100.0
Subsidiaries of Établissements Vallaroche							
Soreval – L2633 Senningerberg	Luxembourg	FC	100.0	100.0	FC	100.0	100.0
Lexvall 2 – 75015 Paris	428 705 438	FC	100.0	100.0	FC	100.0	100.0
Lexvall 13 – 75015 Paris	440 291 938	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Labinal							
Labinal GmbH – 21129 Hamburg	Germany	FC	100.0	100.0	FC	100.0	100.0
Labinal Maroc SA – Ain Atiq, Temara	Morocco	FC	74.92	100.0	FC	74.92	100.0
Matis Aerospace – Casablanca	Morocco	-	-	-	PC	33.33	33.3
Subsidiaries of Safran USA Inc.							
Labinal Inc. – Wilmington/ Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Safran Electronics USA Inc. Wilmington/Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Cinch Connectors Inc. Wilmington/Delaware 19808 (1)	United States	FC	100.0	100.0			
Globe Motors Inc. – Wilmington/ Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Labinal de Mexico SA de CV Chihuahua	Mexico	FC	100.0	100.0	FC	100.0	100.0
Labinal Corinth Inc. – Corinth/ Texas 76210 (2)	United States	FC	100.0	100.0			
Turbomeca USA Inc. Wilmington/Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Manufacturing Inc. Monroe/North Carolina	United States	FC	100.0	100.0	FC	100.0	100.0
Labinal Investments Inc. Grand Prairie/Texas 75052	United States	FC	100.0	100.0	FC	100.0	100.0
Safran Employment Services Inc. Grand Prairie/Texas 75052	United States	FC	100.0	100.0	FC	100.0	100.0
MorphoTrak Inc. Wilmington/Delaware 19808	United States	-	-	-	FC	100.0	100.0
Morpho Detection Inc. Wilmington/Delaware 19808	United States	-	-	-	FC	81.00	81.00
Subsidiaries of Globe Motors Inc.							
Globe Motors Portugal – Modivas Vila do Conde 4485-595	Portugal	FC	100.0	100.0	FC	100.0	100.0
Globe Motors de Mexico, SA de CV – Reynosa, Mexica	Mexico	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Cinch Connectors Inc.							
Cinch Connectors de Mexico, SA de CV (1) – Reynosa, Mexica	Mexico	FC	100.0	100.0	-	-	-

*FC: Full consolidation – PC: Proportional consolidation – EQ: Equity method – NC: Not consolidated – *: frozen retained earnings.*

(1) Sold in 2009.

(2) Merged with Labinal in 2009.

Corporate name, Legal form, Registered office	Siren registration No. or country	2008 Consolidation method	2008 % interest	2008 % control	2009 Consolidation method	2009 % interest	2009 % control
Subsidiaries of Turbomeca SA							
Microturbo SA – 31200 Toulouse	630 800 084	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Africa Pty Ltd Bonaero Park 1622	South Africa	FC	51.0	100.0	FC	51.0	100.0
Turbomeca Australasia Pty Ltd NSW 2200 Bankstown	Australia	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Canada, Inc. – Mirabel	Canada	FC	100.0	100.0	FC	100.0	100.0
Turbomeca do Brasil Industria e commercio Ltda Duque de caxias	Brazil	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Germany GmbH Hamburg	Germany	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Asia Pacific Pte Ltd Singapore	Singapore	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Sud Americana SA	Uruguay	FC	100.0	100.0	FC	100.0	100.0
Turbomeca America Latina	Uruguay	-	-	-	FC	100.0	100.0
Turbomeca Beijing Helicopter Engines Trading Cie Ltd	China	-	-	-	FC	100.0	100.0
Subsidiary of Safran UK Ltd							
Turbomeca UK	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Messier-Bugatti							
Messier-Bugatti USA Walton Kentucky 41094	United States	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Messier-Dowty International Ltd							
Messier-Dowty SA – 78140 Vélizy	552 118 846	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty Ltd Gloucester GL29QH	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty Inc. – Ajax Ontario	Canada	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty (Suzhou) Co. Ltd	China	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty Suzhou Co. Ltd	China	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Teuchos SA (formerly Teuchos Holding)							
Teuchos Ingénierie – 78990 Élancourt (merged at end-2008)	440 294 452	FC	100.0	100.0			
Teuchos Maroc	Morocco	FC	100.0	100.0	FC	100.0	100.0
Safran Aerospace India Pvt Ltd	India	FC	90.47	100.0	FC	100.0	100.0
Jointly-held subsidiary of Messier-Dowty Int. and Messier-Bugatti							
Messier Services International – 78140 Vélizy	434 020 996	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Messier Services International							
Messier Services SA 78140 Vélizy	439 019 485	FC	100.0	100.0	FC	100.0	100.0
Messier Services Inc. Sterling Virginia 20166-8914	United States	FC	100.0	100.0	FC	100.0	100.0
Messier Services Pte Ltd Singapore 508985	Singapore	FC	100.0	100.0	FC	100.0	100.0
Messier Services Ltd Gloucester GL29QH	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Messier Services Americas	Mexico	FC	100.0	100.0	FC	100.0	100.0
Messier Services Mexico	Mexico	FC	100.0	100.0	FC	100.0	100.0

Corporate name, Legal form, Registered office	Siren registration No. or country	2008 Consolidation method	2008 % interest	2008 % control	2009 Consolidation method	2009 % interest	2009 % control
Subsidiary of Orga Smart Chip Ltd							
Orga Syscom Corporation Ltd	India	FC	100.0	100.0	FC	100.0	100.0
Interest in Messier Services International							
Hydrep – 35800 Saint-Lunaire	381 211 184	EQ	50.0	50.0	EQ	50.0	50.0
Interest in Messier Services Inc.							
A-Pro Inc. – 33442-3011 Deerfield Beach Florida	United States	EQ	50.0	50.0	EQ	50.0	50.0
Subsidiary of Messier Services Pte Ltd							
Messier Services Asia Pte Ltd Singapore 508985	Singapore	FC	60.0	100.0	FC	60.0	100.0
Subsidiary of Labinal Investments Inc.							
Labinal de Chihuahua, SA de CV	Mexico	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Morpho Detection Inc.							
Morpho Detection International Inc.	United States	-	-	-	FC	81.0	81.0
Quantum Magnetics Inc.	United States	-	-	-	FC	81.0	81.0
Morpho Detection GmbH	Germany	-	-	-	FC	81.0	81.0
Morpho Detection UK	United Kingdom	-	-	-	FC	81.0	81.0
Morpho Detection Hong Kong	China	-	-	-	FC	81.0	81.0

*FC: Full consolidation – PC: Proportional consolidation – EQ: Equity method – NC: Not consolidated – *: frozen retained earnings.*

3.2 PARENT COMPANY FINANCIAL STATEMENTS

Safran SA balance sheet at December 31, 2009

(in € millions)	Dec. 31, 2008	Dec. 31, 2009		
ASSETS	**Net**	**Gross**	**Deprec., amort. and provisions**	**Net**
Non-current assets				
Intangible assets:				
• Purchased goodwill (Note 2)	3,268.2	3,268.2		3,268.2
• Other intangible assets (Note 2)	0.7	3.8	2.5	1.3
• Payments on account	0.0	2.5		2.5
Sub-total	**3,268.9**	**3,274.5**	**2.5**	**3,272.0**
Property, plant and equipment (Note 2)				
Sub-total	**15.6**	**40.1**	**25.5**	**14.6**
Financial assets:				
• Equity investments (Note 2)	3,052.6	3,269.9	247.9	3,022.0
• Other financial assets (Note 2)	365.6	1,397.6	0.0	1,397.6
Sub-total	**3,418.2**	**4,667.5**	**247.9**	**4,419.6**
TOTAL I	**6,702.7**	**7,982.1**	**275.9**	**7,706.2**
Current assets				
• Payments on account	2.9	0.8		0.8
Accounts receivable (Note 3)				
• Trade receivables	5.2	16.7		16.7
• Other receivables	292.8	233.7		233.7
• Group cash current accounts	1,535.2	1,539.8	179.4	1,360.4
Marketable securities				
• Treasury shares (Note 6)	80.5	99.6	36.4	63.2
• Other securities (Note 6)	730.0	1,631.6		1,631.6
Cash at bank and in hand	76.4	262.9		262.9
Prepayments (Note 5)	4.5	1.0		1.0
TOTAL II	**2,727.5**	**3,786.1**	**215.8**	**3,570.3**
Redemption premiums (Note 7)		0.2		0.2
Unrealized foreign exchange losses	62.0	64.6		64.6
TOTAL ASSETS	**9,492.2**	**11,833.0**	**491.7**	**11,341.3**

EQUITY AND LIABILITIES	Dec. 31, 2008	Dec. 31, 2009
Equity (Note 8)		
Share capital (fully paid up) (Note 8)	83.4	83.4
Additional paid-in capital	3,288.6	3,288.6
Reserves:		
• Legal reserves	8.3	8.3
• Tax-driven reserves	302.0	302.0
• Other reserves	886.6	934.7
Retained earnings	1.6	4.1
Profit for the year	**151.2**	**249.5**
Interim dividends	(32.2)	0.0
Tax-driven provisions (Note 9)	2.9	3.1
TOTAL I	**4,692.4**	**4,873.7**
Provisions for contingencies and losses		
Provisions for contingencies (Note 9)	44.7	49.0
Provisions for losses (Notes 9 and 10)	640.3	774.2
Total II	685.0	823.2
Liabilities		
Bonds (Note 11)	0.0	750.0
Loans and borrowings	1,159.9	1,495.1
Payments received on account	0.2	0.0
Group cash current accounts	2,532.4	3,013.3
Trade payables	30.9	24.6
Due to suppliers of non-current assets	13.5	10.5
Other liabilities	355.1	333.6
TOTAL III	**4,092.0**	**5,627.1**
Unrealized foreign exchange gains	22.8	17.3
TOTAL EQUITY AND LIABILITIES	**9,492.2**	**11,341.3**

Safran SA income statement

(in € millions)	2008	2009
Revenue (Note 13)	**96.1**	**107.6**
Other operating income	1.7	11.3
Expense reclassifications (Note 14)	18.0	18.0
Reversal of depreciation, amortization and provisions (Note 9)	1.6	2.2
Operating income	**117.4**	**139.1**
Non-group cost of goods sold	(81.8)	(92.1)
Taxes and duties other than income tax	(4.7)	(4.8)
Payroll costs	(72.5)	(76.4)
Depreciation, amortization and increase in provisions:		
Depreciation and amortization of non-current assets	(2.3)	(2.5)
Increase in provisions for contingencies and losses (Note 9)	0.0	(10.8)
Other expenses	(1.0)	(1.3)
Operating expenses	**(162.3)**	**(187.9)**
Profit (loss) from operations	**(44.9)**	**(48.8)**
Income from equity investments	455.0	273.2
Income from other marketable securities and long-term loans	24.3	47.6
Other interest and similar income	81.5	32.4
Reversal of provisions and expense reclassifications	13.0	68.1
Foreign exchange gains	23.2	0.0
Net proceeds from sales of marketable securities	0.1	0.0
Financial income	**597.1**	**421.3**
Increase in provisions	(256.3)	(75.3)
Interest and similar expenses	(133.2)	(43.6)
Foreign exchange losses	0.0	(7.0)
Net losses on sales of marketable securities	0.0	0.0
Financial expenses	**(389.5)**	**(125.9)**
Net financial income (Note 15)	**207.6**	**295.4**
Profit from ordinary activities before tax	**162.7**	**246.6**
Non-recurring income from non-capital transactions	0.0	1.5
Non-recurring income from capital transactions	15.7	28.3
Reversal of provisions and expense reclassifications	0.5	5.5
Non-recurring income	**16.2**	**35.3**
Non-recurring expenses on non-capital transactions	(2.4)	(0.7)
Non-recurring expenses on capital transactions	(15.3)	(35.1)
Increase in provisions	(5.5)	(2.0)
Non-recurring expenses	**(23.2)**	**(37.8)**
Net non-recurring expense (Note 16)	**(7.0)**	**(2.5)**
Employee statutory profit-sharing (Note 18)	0.0	0.0
Income tax benefit arising from tax consolidation (Note 18)	189.3	130.6
Movements in income tax provisions of loss-making subsidiaries (Note 18)	(193.8)	(125.2)
PROFIT FOR THE YEAR	**151.2**	**249.5**

Safran SA statement of cash flows

(in € millions)	2008	2009
Cash flow from (used in) operating activities		
Profit for the year	151.2	249.5
Elimination of non-cash items and income and expenses not relating to operations		
• Net charge to depreciation, amortization and provisions	442.9	140.1
• Capital gains/losses on asset disposals	0.0	7.1
Dividends received in the form of securities	(15.3)	0.0
Net cash from operations before changes in working capital	**578.8**	**396.7**
Changes in working capital (1)	(529.3)	348.2
Net cash from operating activities	**49.5**	**744.9**
Cash flow from (used in) investing activities		
Purchases of intangible assets and PP&E	(1.0)	(4.6)
Increase in financial assets	(102.0)	(4.8)
Loans granted	(12.4)	(700.1)
Loan repayments	119.7	3.2
Sales of intangible assets and PP&E	0.1	0.0
Sales of financial assets	0.0	27.9
Net cash from (used in) investing activities	**4.4**	**(678.4)**
Cash flow from (used in) financing activities		
Dividends paid to shareholders	(165.9)	(68.4)
Interim dividends	(32.2)	0.0
Bond issue	0.0	750.0
Repayments of borrowings	(72.2)	(66.7)
Change in share capital	0.0	0.0
Change in short-term borrowings	534.0	401.8
Net cash from financing activities	**263.7**	**1,016.7**
INCREASE IN CASH AND CASH EQUIVALENTS	**317.6**	**1,083.2**
Opening cash and cash equivalents	612.8	930.4
Treasury shares reclassified as financial assets		(19.5)
Increase in cash and cash equivalents	317.6	1,083.2
Closing cash and cash equivalents (2)	930.4	1,994.1

(1) In view of the Company's activity this line includes changes in cash current accounts.

(2) Closing cash and cash equivalents	2008	2009
Treasury shares	124.0	99.6
Other	730.0	1,631.6
Cash at bank and in hand	76.4	262.9
Short-term bank facilities and bank overdrafts	0.0	0.0
Closing cash and cash equivalents	**930.4**	**1,994.1**
Closing cash and cash equivalents	930.4	1,994.1
Provisions for impairment of treasury shares	(43.5)	(36.4)
NET CASH AND CASH EQUIVALENTS RECORDED IN THE BALANCE SHEET	**886.9**	**1,957.7**

Notes to the parent company financial statements

Note 1. Accounting policies

a) Accounting rules and methods

The parent company financial statements for the year ended December 31, 2009 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.

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 net book values 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, without adjusting their carrying amounts in the accounts of Safran. It is not amortizable and is therefore tested annually for impairment. In the event that any of the underlying assets (brand, equity investments) 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.

Property, plant and equipment purchased before December 31, 1976 which were included in the 1976 legal revaluation are stated at revalued cost. Property, plant and equipment purchased subsequent to 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.

Property, plant and equipment purchased in a foreign currency are translated into euros at the exchange rate prevailing on the transaction date.

Property, plant and equipment 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 and fixtures and fittings 10 years
- Office furniture 6 years and 8 months
- Office equipment 6 years and 8 months
- Vehicles 4 years

Property, plant and equipment are depreciated on a straight-line basis. Increases in standard depreciation rates authorized by the tax authorities to encourage investment are considered as "accelerated tax depreciation" and are recorded in tax-driven provisions in equity.

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 five 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: the gross carrying amount of equity investments purchased after this date comprises the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of five years.

Provisions

The fair value underlying the calculation of provisions corresponds to value in use.

The value in use of securities is determined based on either (i) the Company's share of the net assets of the entity concerned, as adjusted for any material unrealized capital gains net of the corresponding taxes, or (ii) the entity's earnings outlook.

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 recorded for receivables where their recoverable amount is less than their carrying amount.

Foreign-currency denominated receivables and payables

Foreign-currency denominated receivables and payables 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 set aside 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, based on their value in use and their probable trading value, is less than their purchase price. The fair value of listed securities is determined based on their average stock market price for the month preceding the period end.

Treasury shares

Treasury shares are recorded at purchase price. Fair value is equal to the lower of purchase price and the average stock market price for the month preceding the period end. A provision for impairment is recorded when the purchase price exceeds the average stock market price. However, the following specific accounting rules apply for stock option plans and share grant plans:

- 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 share grant 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 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 and cash equivalents

Foreign-currency denominated liquid assets and current liabilities held at the balance sheet date are translated at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded under net financial income/(expense).

h) Tax-driven provisions

Investment provisions were recorded in prior years for statutory employee profit-sharing.

Provisions for accelerated tax depreciation are also recorded.

i) Provisions for contingencies and losses

Contingencies and losses identified up to the date the financial statements are approved are covered by provisions, particularly for retirement bonus obligations and top-hat retirement plans.

Employee benefit obligations

The Company has a number of different retirement benefit obligations.

The Company's obligations for retirement bonuses payable pursuant to the metal industry collective bargaining agreement and company agreements are covered by provisions.

The amount set aside is determined using the projected unit credit method which consists of calculating the present value of the projected benefit obligation for each employee.

Depending on their age brackets, executive staff are also covered by a supplementary defined contribution scheme as well as a deferred benefit top-hat retirement plan. The benefit obligations under the latter plan, which was closed in 1995, are covered by a specific provision net of the value of funds placed with the insurance company responsible for paying the related retirement benefits. These obligations are measured by an independent actuary.

The impact of changes in actuarial assumptions underlying the calculation of vested benefits of active employees is spread over the expected average remaining working lives of employees in accordance with the corridor method. Any liabilities not covered by a provision are recorded in off-balance sheet commitments.

j) Financial instruments

Foreign currency hedges

Given the high number of foreign-currency denominated transactions performed by certain subsidiaries, Safran manages foreign currency risk on behalf of these companies by hedging forecast commercial transactions using forwards and options. Safran does not trade financial instruments for speculative purposes.

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 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 are recorded as foreign exchange gains and losses.

Interest rate hedges

Safran uses interest rate swaps to hedge its exposure to changes in interest rates.

Commodity hedges

Safran enters into forward purchases of commodities to hedge its subsidiaries' exposure to fluctuations in the prices of certain listed commodities such as nickel and platinum.

k) Revenue

Revenue comprises sales of services and income from related activities.

l) Non-recurring items

Safran 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 2009, the tax consolidation group included the following companies:

- Safran (head of the tax group)
- Aircelle
- Aircelle Europe Services
- Confidence
- Établissements Vallaroche
- Hispano-Suiza
- Javel
- Labinal
- Lexsa
- Lexvall 2
- Lexvall 13
- Lexvall 21
- Lexvall 22
- Lexvall 23
- Lexvall 24
- Lexvall 25
- Messier Services International SA
- Messier Services SA
- Messier-Bugatti
- Messier-Dowty
- Messier-Dowty International Limited
- Microturbo
- Positive
- Safran Conseil
- Safran Informatique
- Safran International Resources
- Safran Sixty
- Sagem Télécommunications
- Sagem Mobiles
- Sagem Défense Sécurité
- Sagem Sécurité
- Sagem Xélios
- Sagem Industries
- Société Lorraine de Constructions Aéronautiques
- Société de Motorisations Aéronautiques
- Snecma
- Snecma Participations
- Snecma Propulsion Solide
- Snecmasat
- Snecma Services Participations
- Sofrance
- SSI
- Teuchos
- Turbomeca
- Vallaroche 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 from the tax losses of companies in the tax 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 and depreciation and amortization

a) Non-current assets

(in € millions)	Opening gross carrying amount	Increase	Decrease	Closing gross carrying amount
Intangible assets				
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	2.9	0.9		3.8
Purchased goodwill/(merger deficit) (1)	3,268.2			3,268.2
Payments on account	0.0	2.5		2.5
TOTAL	**3,271.1**	**3.4**		**3,274.5**
Property, plant and equipment				
Land	2.9			2.9
Buildings	30.4	0.5	0.1	30.8
Technical installations, equipment and industrial tools	0.1			0.1
Other property, plant and equipment	5.7	0.7	0.1	6.3
TOTAL	**39.1**	**1.2**	**0.2**	**40.1**
Financial assets				
Equity investments (2) (3)	3,294.6	1.8	26.5	3,269.9
Loans to equity investments (4)	294.1	1,130.2	124.2	1,300.1
Loans	2.7	0.2	0.2	2.7
Other financial assets (5)	83.7	19.5	8.4	94.8
TOTAL	**3,675.1**	**1,151.7**	**159.3**	**4,667.5**

(1) The merger deficit was allocated – 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 – €185 million; Messier Dowty and Messier Services – €58 million; Messier Bugatti – €114 million after reallocation of €31 million to Sagem Défense Sécurité(*); Labinal and Teuchos – €214 million; Snecma SA – €2,098 million, after reallocation of €79 million from Hispano-Suiza(*); Techspace Aéro – €164 million; Snecma Propulsion Solide – €143 million; Turbomeca and Microturbo – €205 million).

(*) Reallocation carried out following an internal restructuring.

(2) Increases consisted of purchases of Technofan shares on the stock market. Decreases related to the divestment of shares in (i) Sofrance to Messier Bugatti, (ii) Eurofog to Sagem Navigation GmbH, and (iii) Gores Broadband.

(3) The 1.12% stake in Embraer, considered of strategic interest and a long-term investment, was included in equity investments for a gross amount of €38.4 million. The average stock market value in December 2009 was €29.2 million. A €9.2 million impairment loss has been recorded on this asset (see Note 9 – Provisions).

(4) Increases in this item included loans granted to Safran USA (€543.3 million) and Sagem Sécurité (€316.7 million). The impact of the loan to Sagem Sécurité was partly offset by a €250 million decrease in the subsidiary's cash current account.

(5) The increase in this item reflects the fact that following the Executive Board's decision on April 3, 2009 to grant approximately 4 million shares free of consideration, 1,496,000 (representing €19.5 million) of the 5,696,000 shares held at December 31, 2008 for the purpose of employee share grants and recorded in marketable securities, were reclassified to "Other financial assets" for the purpose of exchange or payment as part of acquisition transactions.

The decrease in this item relates to the sale of Gores Broadband SA convertible bonds.

b) Depreciation and amortization

(in € millions)	Accumulated opening balance	Charge	Release	Accumulated closing balance
Intangible assets				
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	2.2	0.3		2.5
TOTAL	**2.2**	**0.3**		**2.5**
Property, plant and equipment				
Land	0.0			0.0
Buildings	19.3	1.8	0.1	21.0
Technical installations, equipment and industrial tools	0.0			0.0
Other property, plant and equipment	4.2	0.4	0.1	4.5
TOTAL	**23.5**	**2.2**	**0.2**	**25.5**

Note 3. Maturities of receivables and liabilities

(in € millions)	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	1,300.1	753.9	546.2	
Loans	2.7	0.1	2.6	
Other financial assets	94.8		94.6	0.2
Sub-total	**1,397.6**	**754.0**	**643.4**	**0.2**
Current assets				
Payments on account	0.8	0.8		
Trade receivables	16.7	16.7		
Prepaid and recoverable taxes	127.6	115.9	11.7	
Other receivables	106.1	106.1		
Group cash current accounts	1,539.8	1,539.8		
Prepayments	1.0	1.0		
Sub-total	**1,792.0**	**1,780.3**	**11.7**	
TOTAL – RECEIVABLES	**3,189.6**	**2,534.3**	**655.1**	**0.2**
Liabilities				
Loans and borrowings	2,245.1	1,428.4	816.7	
Payments received on account	0.0	0.0		
Group cash current accounts	3,013.3	3,013.3		
Trade payables	24.6 (1)	24.6		
Due to suppliers of non-current assets	10.5	10.5		
Other liabilities	333.6	216.0	10.5	107.1
TOTAL – LIABILITIES	**5,627.1**	**4,692.8**	**827.2**	**107.1**

(1) The balance of trade payables comprises 50% payable in 30 days and 50% payable in 60 days (contractual payment period).

0

Note 4. Accrued income

In accordance with the accruals principle, accrued income is recorded in the following asset headings:

(in € millions)	Dec. 31, 2008	Dec. 31, 2009
Trade receivables	0.3	12.8
Loans	1.6	12.4
Group cash current accounts	0.5	0.1
TOTAL	**2.4**	**25.3**

Note 5. Prepayments and deferred income

Prepayments mainly comprise financial expenses, subscriptions to professional bodies and professional fees.

The Company did not have any deferred income at end-2009 or end-2008.

Note 6. Marketable securities

TREASURY SHARES

(number of shares)	
Opening treasury shares	**14,594,010**
Acquisitions	1,036,775
Disposals	(1,433,424)
Closing treasury shares	**14,197,361**
o/w recorded in “Marketable securities” (gross: €99.6 million, net: €63.2 million)	
• Shares earmarked for stock option plans	0
• Shares previously earmarked for expired plans	2,245,918
• Shares earmarked for share grant plans	4,200,000
• Shares held under a liquidity agreement	0
	6,445,918
o/w recorded under “Financial assets” (see Note 2.a) (gross: €94.6 million, net: €94.6 million)	
• Shares held for the purpose of payment or exchange in external growth transactions	**7,751,443**

OTHER SECURITIES

Other securities comprise short-term money market investments whose carrying amount is the same as their market 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. Fees paid to the arrangers of the bond issue were recorded as an expense in 2009.

Note 8. Equity

Equity breaks down as follows:

(in € millions)	Opening balance	Appropriation of 2008 profit	Increase	Decrease	Other movements	Closing balance
Share capital	83.4					83.4
Additional paid-in capital	3,288.6					3,288.6
Legal reserves	8.3					8.3
Tax-driven reserves	302.0					302.0
Other reserves (1)	886.6	48.0				934.6
Retained earnings	1.6	2.5				4.1
2008 profit	151.2	(82.7)		68.5 (3)		0
2009 profit			249.5			249.5
Interim dividends (2)	(32.2)	32.2				0
Tax-driven provisions	2.9		0.3	0.1		3.1
TOTAL	**4,692.4**	**0**	**249.8**	**68.6**	**0**	**4,873.7**

(1) Including €199.0 million in reserves hedging treasury shares held at December 31, 2009.

(2) An interim dividend of €0.08 per share was paid on December 15, 2008.

(3) Dividends paid, after deducting the interim dividend paid on December 15, 2008.

SHARE CAPITAL

At December 31, 2009 the Company's share capital comprised 417,029,585 ordinary shares with a par value of €0.20 each, listed in Compartment A of NYSE Euronext Paris, under ISIN code FR0000073272 (SAF).

Share ownership at December 31, 2009

	Shares		Voting rights (1)	
	Number	%	Number	%
Private investors	159,071,928	38.14	172,289,765	32.07
French State	125,940,227	30.20	150,752,222	28.06
Employee shareholders	83,788,017	20.09	154,825,295	28.82
Areva	30,772,945	7.38	59,363,695	11.05
Treasury shares	17,456,468	4.19	-	-
TOTAL	**417,029,585**	**100.0**	**537,230,977**	**100.0**

(1) Exercisable voting rights.

Note 9. Provisions

(in € millions)	Opening balance	Charge	Reversals (1)	Reclassifications	Closing balance
Tax-driven provisions					
Investment provisions	2.5				2.5
Accelerated tax depreciation	0.4	0.3	0.1		0.6
Sub-total	**2.9**	**0.3**	**0.1**	**0.0**	**3.1**
Contingency provisions					
Foreign exchange losses	39.3	47.2	39.3		47.2
Litigation	5.4	1.8	5.4		1.8
Sub-total	**44.7**	**49.0**	**44.7**	**0.0**	**49.0**
Loss provisions					
Retirement benefits and similar obligations	9.5	1.0	2.0		8.5
Subsidiary tax losses carried forward	622.9	138.3	13.1		748.1
Other loss provisions (2)	7.9	9.8	0.1		17.6
Sub-total	**640.3**	**149.1**	**15.2**	**0.0**	**774.2**
Provisions for impairment					
On financial assets (3)	256.9	11.6	28.8	8.2	247.9
On other receivables (4)	164.1	15.3			179.4
On marketable securities	43.5	1.1		(8.2)	36.4
Sub-total	**464.5**	**28.0**	**28.8**	**0.0**	**463.7**
TOTAL	**1,152.4**	**226.4**	**88.8**	**0.0**	**1,290.0**
Breakdown in the income statement:					
• Operating income and expenses		10.8	2.1		
• Financial income and expenses		75.3	68.1		
• Non-recurring income and expenses		2.0	5.5		
• Income tax		138.3	13.1		

(1) Including €33.2 million in reversals of surplus provisions (€8.7 million relating to income taxes of subsidiaries and €24.5 million concerning financial assets).

(2) The €9.8 million charge relates to employee share grants.

(3) Including a €9.2 million charge relating to Embraer shares and a €22.9 million reversal of provisions for treasury shares.

(4) The €15.3 million charge concerned the impairment of the Sagem Mobiles current account.

Note 10. Retirement benefit obligations

The main assumptions used to calculate the Company's retirement benefit obligations were as follows:

	2008	2009
Discount rate	6.00%	5.25%
Inflation rate	2.00%	2.00%
Expected return on plan assets	5.00%	4.50%
Rate of future salary increases	1.50%-5.00%	1.50%-5.00%
Probable retirement age of managerial staff	63/65	63/65
Probable retirement age of non-managerial staff	61/65	61/65
Mortality table used	TV/TD 2003-2005	(1)

(1) Tables showing data for men and women by generation, approved in August 2006 and applicable from January 1, 2007.

Top-hat retirement plans *(in € millions)*	**2008**	**2009**
Benefit obligations		
Vested rights	3.3	3.3
Fair value of plan assets	(1.1)	0
Funding shortfall	**2.2**	**3.3**
Actuarial gains and losses	1.6	(0.1)
Benefit obligations covered by a provision in the balance sheet	**3.8**	**3.2**
Breakdown of net benefit obligation expense		
Contributions paid	0	0
Service cost	0	0
Other movements (actuarial gains and losses)	0	0
Interest cost	0.1	0.1
Amortization of actuarial gains and losses	(0.6)	(0.6)
Expected return on plan assets	0	0
Provision charge/(reversal)	**(0.5)**	**(0.5)**

Statutory retirement bonuses *(in € millions)*	**2008**	**2009**
Benefit obligations		
Vested rights	8.7	9.2
Unrecognized actuarial gains and losses	(2.9)	(4.0)
Benefit obligations covered by a provision in the balance sheet	**5.8**	**5.2**
Breakdown of net benefit obligation expense		
Service cost	0.4	0.4
Interest cost	0.5	0.6
Expense	**0.9**	**1.0**
Benefits paid	(1.9)	(1.6)
Provision charge/(reversal)	**(1.0)**	**(0.6)**

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%. 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 12. Accrued expenses

Accrued expenses are included in the following headings on the liabilities side of the balance sheet:

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Loans and bank borrowings	3.4	5.1
Trade payables	24.7	12.2
Taxes and payroll costs/(other liabilities)	21.4	23.6
TOTAL	**49.5**	**40.9**

Note 13. Breakdown of revenue

(in € millions)	**2008**	**2009**
General assistance	76.9	70.8
Real estate income	2.7	3.1
Seconded employees	11.3	12.3
Group projects	0.7	16.5
Other	4.5	4.9
TOTAL	**96.1**	**107.6**

Note 14. Expense reclassifications

Expense reclassifications totaled €18.0 million and mainly concerned the rebilling of expenses to Group subsidiaries.

Note 15. Financial income and expenses

Dividends received totaled €273.2 million in 2009, versus €455.0 million in 2008. A breakdown of dividends received is presented in the table of subsidiaries and associates.

The increase in provisions, amounting to €75.3 million, mainly concerned (i) the €9.2 million and €15.4 million respective write-downs of Embraer shares and the Sagem Mobiles current account, and (ii) €47.2 million in additions to the provision for foreign exchange losses. Reversals totaled €68.1 million, primarily breaking down as (i) €39.3 million from the provision for foreign exchange losses, (ii) €22.9 million from provisions for impairment of treasury shares, (iii) reversals of provisions for impairment of shares in Etablissements Vallaroche (€1.1 million), Eurofog (€1.1 million), Sagem Télécommunications (€3.0 million) and Arianespace Participations (€0.5 million), and (iv) €0.2 million from provisions for impairment of loans.

For the purpose of providing meaningful comparisons, foreign exchange gains and losses are presented on a single line of the income statement for the same fiscal year.

Note 16. Non-recurring items

Non-recurring items on non-capital transactions mainly corresponded to €1.5 million in proceeds received from a legal dispute and €0.7 million in late payment penalties for taxes.

Non-recurring items from capital transactions break down as follows:

- Income: (i) proceeds from disposals of shares in Sofrance (€14.7 million), Gores Broadband (€12.6 million), Eurofog (€0.6 million), and (ii) a €0.4 million gain on the sale of treasury shares;
- Expenses: write-downs of shares in Sofrance (€21.2 million), Gores Broadband (€12.0 million) and Eurofog (€1.7 million).

Movements in provisions comprise the following:

(in € millions)	
A charge relating to a legal dispute	(1.7)
A reversal of a provision relating to a legal dispute	5.4
Net changes in provisions for accelerated tax depreciation	(0.2)
Net charges	**3.5**

Note 17. Related-party transactions

The following items concern fully-consolidated companies as well as other entities in which Safran SA holds an equity investment.

Postes	**Related-party amounts**
Equity investments	3,269.6
Loans to equity investments	1,300.1
Trade receivables	15.1
Other receivables	1,548.1
Other liabilities	3,143.8
Investment income	273.2
Other financial income	68.4
Financial expenses	11.8

Note 18. Income tax and statutory employee profit-sharing

INCOME TAX BENEFIT ARISING FROM TAX CONSOLIDATION

2009 group relief

Income tax due to Safran SA by subsidiaries included in the tax consolidation group totaled €49.9 million after deducting tax credits (mainly research tax credits) and represented a tax benefit for Safran SA.

The tax consolidation group's overall income tax expense came to €30.3 million. After offsetting €100.4 million in tax credits, Safran SA recorded a net tax benefit of €70.1 million.

The total income tax benefit for Safran SA arising from group relief in 2009 therefore amounted to €120.0 million.

Other impacts

In 2009, Safran SA recorded (i) net proceeds of €7.2 million as the tax rebates obtained following tax audits exceeded the additional tax reassessments, and (ii) an additional tax benefit of €3.4 million relating to 2008 group relief.

Provisions set aside to cover income taxes of loss-making subsidiaries

The net increase in provisions recorded to cover the risk of Safran having to repay to its loss-making subsidiaries the tax savings recognized by the Company totaled €125.2 million.

No statutory employee profit-sharing expense was incurred either in 2009 or 2008.

INFORMATION ON EXPENSES DISALLOWABLE FOR TAX PURPOSES

Expenses disallowable for tax purposes primarily include the portion of automobile depreciation not deductible for tax purposes and the portion of attendance fees exceeding the tax ceiling. These expenses totaled €0.1 million.

Note 19. Average headcount and management compensation

BREAKDOWN OF AVERAGE EMPLOYEE NUMBERS

	2008	2009
Supervisors	1	1
Technicians	23	22
White-collar employees	73	74
Engineers and managerial staff	306	329
TOTAL	**403**	**426**

MANAGEMENT COMPENSATION

Management comprises the members of Safran's Supervisory Board, Executive Board and Executive Management team. Compensation relating to "short-term benefits" is presented gross and includes fixed compensation paid in 2009 and the provision for variable compensation that will be paid in 2010.

(in € millions)	**2008**	**2009**
Short-term benefits	8.6	8.8
Post-employment benefits	0.6	0.5
Other long-term benefits	-	-
Severance pay	1.2	0.6
Share-based payments	-	-

Note 20. Off-balance sheet commitments

COMMITMENTS GIVEN

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Completion warranties given to customers	2.1	2.1
Joint and several guarantees given to customers	432.7	594.2
Loan collateral	0.1	0.1
Vendor warranties	30.0	30.0
Customs bonds	65.4	66.3
Actuarial gains and losses on obligations on statutory retirement bonus obligations	2.9	4.0
Financing of civil programs	185.0	172.0
Other	0.6	3.4
TOTAL	**718.8**	**872.1**
Of which related parties.	*309.8*	*597.9*

COMMITMENTS RECEIVED

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2009**
Financing of civil programs	185.0	172.0

FOREIGN CURRENCY DERIVATIVES

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 backlog and budget forecasts and (ii) the net balance sheet position made up of trade receivables and payables of Group subsidiaries denominated in foreign currencies.

The financial instruments portfolio breaks down as follows:

	Dec. 31, 2008				Dec. 31, 2009			
(in millions of foreign currency units)	**Fair value**	**Notional amount**	**<1 year**	**1 to 5 years**	**Fair value**	**Notional amount**	**<1 year**	**1 to 5 years**
Forward currency contracts	**(476)**				**48**			
Sell USD	(476)	11,251	5,214	6,037	52	11,274	5,692	5,582
o/w buy USD sell EUR	*(331)*	*10,146*	*4,636*	*5,510*	*88*	*10,282*	*5,076*	*5,206*
Buy USD	(1)	(35)	(28)	(7)	(1)	(12)	(12)	-
o/w buy USD sell EUR					-	-	-	-
Sell GBP buy EUR					(5)	26	26	-
Buy SGD sell EUR	-	(6)	(6)	-			-	-
Buy PLN sell EUR					2	33	11	22
Sell CHF buy EUR					-	(23)	(11)	(12)
Currency swaps	**19**				**(4)**	**-**	**-**	**-**
o/w sell USD buy EUR	*4*	*196*	*196*	-	*(1)*	*22*	*22*	-
Currency options	**18**				**10**	**-**	**-**	**-**
Purchases of puts	*119*	*4,788*	*2,764*	*2,024*	*20*	*2,024*	*2,024*	-
Sales of puts					*(20)*	*(2,024)*	*(2,024)*	-
Sales of calls	*(101)*	*2,688*	*1,664*	*1,024*	*(3)*	*1,024*	*1,024*	-
Accumulated boosted forwards (USD seller position)					*(1)*	*7,617*	*4,117*	*3,500*
Accumulated boosted forwards (USD buyer position)					*14*	*(1,921)*	*(1,921)*	-
Accumulated boosted forwards (sell GBP buy EUR)						*(71)*	*(71)*	
TOTAL	**(439)**				**54**			**-**

Fair value amounts are expressed in millions of euros while notional amounts are expressed in millions of the original currency.

As mentioned in Note 1, only premiums paid and received on options are recorded in Safran SA's balance sheet. Safran SA does not recognize any other instruments or the fair value of these instruments in its balance sheet, except for 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.

FINANCIAL INSTRUMENTS SPECIFIC TO FIXED INCOME MARKETS

At December 31, 2009, the Company had contracted interest rate swaps for terms of three to five years for a total of €1,400 million, breaking down as:

- €750 million in "receive fixed/pay floating" interest rate swaps for terms of three and five years, taken out as hedges of the fixed coupon payable on the Company's bond debt;
- €650 million in "receive floating/pay fixed" interest rate swaps with a term of five years, taken out as pre-hedging of the bond debt.

CREDIT LINES

Confirmed, undrawn credit lines totaled €1,100 million at December 31, 2009. They comprised an €800 million syndicated credit facility and €300 million in undrawn amounts under the long-term loan granted by the EIB (€1,200 million at December 31, 2008).

Note 21. 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 likely to have or that have had, in the recent past, a significant effect on the financial position or profitability of Safran and/or the Safran Group. To the best of the Company's knowledge, no such proceedings are contemplated by governmental authorities or third parties. 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 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 2002, a group of French manufacturers including the former Snecma Group was collectively the subject of a request for arbitration by a joint 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 relates to the performance of past contracts entered into by these manufacturers and in which Snecma's participation was approximately 10%. All the manufacturers concerned contested this claim. An agreement was signed, whereby the manufacturers concerned by the arbitration request waived their right to invoke the legal statute of limitations, and the claimant withdrew its request for arbitration in June 2003. However, it reserved the right to submit a new claim for a greater amount. Safran has not recorded a provision at this stage.
- 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 alleged aim of being awarded the State's electronic ID card contract. Safran was also investigated in connection with this case in February 2009. In September 2009, a tax collection notice was issued for €11.7 million, further to an adjustment notified at the end of 2006. Since the amount of this adjustment has been challenged, no changes have been made to the provision set aside for part of the amount in question in 2006.
- At the end of an inquiry launched in March 2007, the AMF informed Safran on July 10, 2009 that in its press release dated February 14, 2007 on the 2006 financial statements, it had failed to explain the exact origin of the accounting impact (estimated at €134.5 million) caused by "unexplained entries", or the reasons for the increase in said amount compared with the amount of €100 million disclosed in the December 8, 2006 press release. Safran has since provided all requisite information to the AMF's Enforcement Committee to prove that the complaint is unfounded.
- Safran has recently received a request for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA and that are no longer part of the Safran Group. At this point in time, Safran has no information as regards the next stage in these proceedings.
- In 2007, the tax adjustment notified in respect of the rules governing the allocation of the tax expense between the Snecma parent company and its consolidated subsidiaries up to the end of 2004, of €14 million, was contested. No provision has been set aside in respect of this risk to date.

Note 22. 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 2009 financial statements totaled €1,054 thousand and fees billed for audit-related work came to €136 thousand.

Note 23. Subsequent events

None.

Detailed financial information on subsidiaries and associates

Disclosures provided in accordance with Decree 83.1020 of November 29, 1983 – Article 24-11

Company	Branch	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					
• Lexsa (formerly Connecteurs Cinch)	Holding company	13.5	0.5	100.0	100.0
• Établissements Vallaroche	Holding company	15.6	2.8	100.0	100.0
• Aircelle	Equipment	41.2	(466.6)	52.7	52.7
• Hispano-Suiza	Equipment	36.8	21.9	100.0	100.0
• Labinal	Equipment	19.3	10.3	100.0	100.0
• Messier-Bugatti	Equipment	33.6	131.2	100.0	100.0
• Safran Informatique	Holding company	7.2	3.8	100.0	100.0
• Sagem Télécommunications (1)	Communications	300.3	(560.5)	100.0	100.0
• Sagem Défense Sécurité	Defence Security	372.9	46.6	95.5	95.5
• Snecma	Propulsion	154.1	143.1	97.4	97.4
• Snecma Propulsion Solide	Propulsion	20.0	11.8	100.0	100.0
• SnecmaSat	Holding company	0.2	0.0	100.0	100.0
• Teuchos	Equipment	0.1	3.2	100.0	100.0
• Turbomeca	Propulsion	38.8	132.0	100.0	100.0
• Technofan	Equipment	1.4	35.4	93.4	85.8
b) Foreign companies					
• Messier-Dowty Int. Ltd	Equipment	83.4	308.1	100.0	100.0
• Safran UK Ltd	Holding company	18.3	0.2	100.0	100.0
• Safran USA, Inc.	Holding company	87.9	77.2	100.0	100.0
• Techspace Aero (Belgium)	Propulsion	54.9	122.0	55.8	55.8
2. Associates (10% to 50%-owned)					
a) French companies					
• Arianespace Participation (2)	Holding company	21.9	31.7	10.4	10.4
• Corse Composites Aéronautiques (2)	Aeronautical equipment	1.7	5.5	24.8	24.8
• Eurotradia International (2)	Aeronautical equipment	3.0	31.1	11.0	11.0
• FCPR Aerofund II	Investment fund	75.0		20.0	20.0
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					

For foreign companies, share capital, equity, revenue and profit amounts were translated into euros at the official exchange rate prevailing at December 31, 2009.

(1) A €260.7 million contingency provision has been recorded on the liabilities side of the balance sheet in relation to this investment in addition to the provision for impairment of securities.

(2) As at December 31, 2008.

Carrying amount of investments		Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2009 revenue	2009 profit (loss)	Dividends received by Safran in 2009	Receivables	Liabilities
gross	net							
11.3	11.3			1.2	(1.7)	0.6	0.0	11.9
62.8	19.4			0.0	0.5		0.0	8.3
224.2	224.2		237.1	715.2	(85.6)		869.9	4.9
163.8	163.8	18.7	39.0	200.7	12.9		14.3	0.0
185.6	185.6		138.8	357.1	17.9	15.7	2.0	74.5
180.3	180.3		0.4	423.9	5.3	21.0	28.8	6.1
8.7	8.7			76.4	0.3	0.2	0.4	12.4
301.0	162.8			13.2	(17.1)		42.0	0.0
595.0	595.0			1,007.7	43.8		2.4	142.8
199.4	199.4		52.3	4,341.5	330.0	174.0	23.2	2,239.7
23.9	23.9			276.7	22.5	19.2	1.8	128.2
9.3	0.2			0.0	0.0		0.0	0.2
14.4	14.4			93.0	(0.3)	6.5	9.1	0.6
539.0	539.0	40.1	4.7	952.4	(22.5)	25.5	38.8	10.6
32.5	32.5			45.1	1.2	0.6	0.1	25.3
380.2	380.2			19.7	2.4		25.0	0.0
40.0	18.5			0.1	0.0		0.0	3.0
129.0	129.0	543.3	125.6	0.0	(2.1)		4.8	0.5
79.1	79.1			318.3	17.1	4.2	0.3	166.6
31.7	6.1			0.0	4.6			
1.0	1.0			30.9	0.6			
2.1	2.1			54.1	3.1	0.3		
15.0	15.0							
0.5	0.5					4.8		4.9
0.5	0.5					0.2		
0.8	0.0							

3.3 PROPOSED APPROPRIATION OF PROFIT

Safran reported €249,519,111.96 in profit for 2009. Retained earnings brought forward from the prior year totaled €4,115,005.96, breaking down as follows:

- Prior year retained earnings: €467,770.29;
- Dividend on treasury shares held by Safran at the dividend payment date: €3,647,235.66

Distributable profit therefore totaled €253,634,117.91. At the Annual General Meeting on May 27, 2010, the Board will recommend appropriating the profit as follows:

(in €)	
Dividend payable pursuant to the bylaws (417,029,585 shares at €0.01 per share)	4,170,295.85
Additional dividend (417,029,585 shares at €0.37 per share)	154,300,946.45
Optional reserves	94,000,000.00
Retained earnings	1,162,875.61
TOTAL	**253,634,117.91**

The resulting dividend per share is €0.38, representing a total payout of €158,471,242.30. The dividend payment date would be June 4, 2010.

Dividends relating to treasury shares held by the Company on the dividend payment date shall be added to retained earnings, resulting in a net dividend payout of €153,076,245.12, based on the number of treasury shares held at December 31, 2009 (see Note 6 to the parent company financial statements).

Dividend payment policy

Fiscal year		Number of shares	Dividend per share (in €) Actual	Tax credit [2] (in €) Actual	Net dividend (in €) Actual	Net dividend (in €) Adjusted [3]	Total dividend payout (in €)
2000	OS	28,917,162	0.90	0.30	0.60	0.10	17,350,297
	PS	8,973,360	1.05	0.35	0.70	0.12	6,281,352
2001	OS	27,262,516	0.90	0.30	0.60	0.10	16,357,510
	PS	8,973,360	1.05	0.35	0.70	0.12	6,281,352
2002	OS	34,762,448	1.35	0.45	0.90	0.15	31,286,203
2003	OS	36,405,229	1.41	0.47	0.94	0.19	34,220,915
2004 [1]	OS	417,029,585	0.22	/	0.22	0.22	91,746,509
2005	OS	417,029,585	0.36	/	0.36	0.36	150,130,650
2006	OS	417,029,585	0.22	/	0.22	0.22	91,746,509
2007	OS	417,029,585	0.40	/	0.40	0.40	166,811,834
2008	OS	417,029,585	0.25	/	0.25	0.25	104,257,396
2009	**OS**	**417,029,585**	**0.38**	**/**	**0.38**	**0.38**	**158,471,242**

Note 1: It was decided in connection with the merger of Sagem and Snecma that an interim dividend of €0.10 per share would be paid on the profit for the 2004 fiscal year to all shareholders, including Snecma shareholders who accepted the public share exchange offer. The shares issued for the public share exchange offer and the shares issued following the Sagem/Snecma merger carried dividend rights from January 1, 2004.

Consequently, as all of the Company's shares conferred entitlement to the same dividend (€0.22 per share), the shares conferring entitlement to the interim dividend in March 2005 received a final dividend less the interim dividend, which was paid after the Shareholders' Meeting of May 11, 2005.

Note 2: In accordance with the provisions of the 2004 French Finance Act, no special dividend tax credits apply to dividends received after January 1, 2005. For income tax purposes:

- a total annual amount can be deducted from dividends received, corresponding to (i) €3,050 per married couple filing a joint tax return and civil partners who have registered their civil partnership pursuant to Article 515-1 of the French Civil Code (*Code civil*) and (ii) €1,525 for single, widowed or divorced or married persons who file separate tax returns;
- 40% of the amount received is tax-deductible. This deduction is not capped, and applies before deduction of the above-described €1,525 or €3,050. Furthermore, the dividends are eligible for a standard tax credit of 50% of the amount of the dividends received, before the above deductions, capped at €115 per annum for single, widowed, divorced or married persons filing separate tax returns and €230 for married couples filing a joint tax return or civil partners filing a joint tax return who have registered their civil partnership pursuant to Article 515-1 of the French Civil Code. This tax credit can be charged against the total income tax due for the year in which the dividend was paid, and will be refunded by the Treasury if it exceeds the amount of tax due.
- in accordance with the provisions of the 2008 French Finance Act, at the taxpayer's option, dividends received after January 1, 2008 may be subject to a flat-rate income tax deducted at source of 30.1% since January 1, 2009 (18% income tax and 12.1% social security contributions), calculated on the gross amount (i.e., before deducting purchase and holding costs and expenses).

If the taxpayer exercises this option, the two deductions and the tax credit detailed in the preceding paragraphs are not applied to dividends received.

The option must be exercised by the date on which the dividend is received, and once exercised may not be cancelled for the dividend payment in question.

Note 3: Adjusted to take into account the allocation of share grants on the basis of one new share for six existing shares in December 2003 and the five-for-one stock split approved at the Extraordinary Shareholders' Meeting on December 20, 2004.

N.B.: as approved at the Shareholders' Meeting held on March 7, 2003, the Company's preference shares were converted into ordinary shares on April 3, 2003.

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 Executive Board or Supervisory Board.

3.4 STATUTORY AUDITORS' REPORTS

3.4.1 Statutory auditors' report on the consolidated financial statements (Year ended December 31, 2009)

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the 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 captions or on information taken outside of the consolidated financial statements.

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, 2009, 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 Executive Board. 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 at December 31, 2009 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. Without qualifying our opinion, we draw your attention to the matter set out in Note 1 to the consolidated financial statements regarding the impact from January 1, 2009 of applying new accounting standards and interpretations that entered into force as of that date, and in particular IAS 1 (revised), Presentation of Financial Statements and IFRS 8, Operating Segments.

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 2 to the consolidated financial statements, the preparation of the Group's consolidated financial statements require that Safran's Management make assumptions to determine the estimates which impact the carrying amounts of assets and liabilities, and income and expenses recorded in the consolidated financial statements and on the disclosures in the notes thereto.

We have determined that asset impairment tests, measurement of certain provisions for contingencies and losses and purchase price allocation were among the items affected by significant estimates and qualifying for a justification of our assessments.

Impairment of non-current assets

At the end of each reporting period, the Group tests goodwill and assets with definite useful lives (development expenses, property, plant and equipment used in the production process) for impairment if there is an indication of loss in value. These tests are based on the discounting of the future cash flows expected from the subsidiaries or the projects, programs or product families to which the dedicated assets relate, as set out in Note 1.l) to the consolidated financial statements. We have examined the procedures implemented in these impairment tests and verified the consistency of the assumptions and projected data used. We also verified that the disclosures in Notes 11 and 12 to the consolidated financial statements are appropriate.

Provisions for contingencies and losses

Safran records provisions for losses to completion, provisions for financial guarantees on sales and provisions for performance warranties, as described in Note 1.r) to the consolidated financial statements. Our procedures notably consisted in assessing the assumptions, the contractual and projected data, and the technical and statistical bases for such estimates, in verifying, on a test basis, the Group's calculations and in examining Management approval procedures of these estimates. We also assessed the reasonableness of those estimates.

Purchase price allocation

The identifiable assets and liabilities of companies acquired during business combinations are recognized at fair value at the acquisition date in accordance with the methods described in Note 1.c) to the consolidated financial statements. We ensured that the fair value of assets acquired and liabilities assumed was determined by independent experts using appropriate methods and assumptions, and that Notes 2.d) and 4 to the consolidated financial statements contained 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 and in accordance with professional standards applicable in France, we have also verified in 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.

Paris and Courbevoie, April 20, 2010
The statutory auditors

Constantin Associés	Mazars
Member of Deloitte Touche Tohmatsu	
Thierry Benoit	Jean-Marc Deslandes

3.4.2 Statutory auditors' report on the financial statements (Year ended December 31, 2009)

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the 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 captions or on information taken outside of the financial statements.
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, 2009, on:

- the audit of the accompanying financial statements of Safran;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Executive Board. 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 at December 31, 2009 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 Company determines provisions for impairment of long-term investments, including equity investments, on the basis of their value in use. Value in use is assessed based on each entity's net equity, adjusted for significant unrealized capital gains net of taxes and the profitability outlook. Our procedures consisted in assessing the data and assumptions on which the estimates are based and in reviewing the Company's calculations. As part of our assessment of the estimates used in the accounts closing process, we verified 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

In accordance with professional standards applicable in France, we have also performed 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 Executive Board, 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 relating to compensation and benefits received by corporate officers 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 it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris and Courbevoie, April 20, 2010

The statutory auditors

Constantin Associés Member of Deloitte Touche Tohmatsu	Mazars
Thierry Benoit	Jean-Marc Deslandes

IN BRIEF

SECTION 04

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 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 aircraft)

Technological risks

Partnership risks

Commodity risks

Acquisition and restructuring risks

Market and financial instrument risks
- Foreign exchange risk
- Liquidity risk

Legal risks

04

General risk management

Safran adopts a "Comprehensive Risk Management" approach which has been validated by the Group Risk Committee composed of members of the Executive Board.

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.

Health, safety and environmental risks

59 *sites certified ISO 14001 (environmental management systems)*

At December 31, 2009

10 *sites certified OHSAS 18001 (Occupational Health and Safety Assessment Series)*

At December 31, 2009

51 *internal audits carried out in 2009 based on ISO 14001, OHSAS 18001 and Safran's internal database*

RISK FACTORS

04

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 at the date of this 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 the Executive Board, branch management and the Group Risk Committee.

Should the economic climate further deteriorate, the assumptions and action plans would be adjusted as appropriate in line with a defined process. Specific steering committees have been set up covering customers, suppliers and the market. These committees meet regularly and constantly reassess the action plans in light of the prevailing economic climate.

A difficult economic climate would have a negative impact on the level of Group business. Changes in global GDP 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.

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 equipment decisions and financial capacity of airline companies. Safran believes that these cycles could impact business levels and therefore its future financial position.

Exceptional events such as terrorism, pandemics and aviation disasters could prompt a temporary but sharp drop in air traffic and hence impact the civil aircraft engine and equipment market.

In 2009, approximately two-thirds of adjusted consolidated revenue was generated by civil aviation activities. Safran has a large fleet of installed engines, including more than 20,000 CFM56 engines which have equipped most of the single-aisle aircraft with over 100 seats delivered to airline companies for more than 15 years. The increase in the age of the fleet enabled the Group to generate service revenue representing 49% of Aerospace Propulsion branch revenue and 32% of Aircraft Equipment branch revenue. In theory, a turnaround in the aviation cycle would impact OEM revenue before it affected service revenue.

Uncertainty regarding returns on investments

Safran's Aerospace Propulsion and Aircraft Equipment businesses require considerable investment, in particular as regards research and development. 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 program reassessments) recognized in the balance sheet at December 31, 2009 total approximately €800 million after amortization.

Changes in military orders

Government spending, especially 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 or delays in certain programs could impact Safran's business.

In 2009, approximately 21% of adjusted consolidated revenue was derived from military activities.

Competition, program delays and development

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 leadership 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.

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 aviation 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 and A400M aircraft, as well as to Boeing for the B787. In December 2009, Safran became a partner of Comac (Commercial Aircraft Corporation of China) for its C919 aircraft. Comac expects the C919 to be brought into service in 2016.

In order to maximize the benefit of feedback and experience, the Group carried out a "Product Development Experience" study that has led to the launch of two major projects aimed at strengthening program process.

Political uncertainties

Certain aerospace and Defence contracts are closed to foreign competition or are awarded based on national 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.

Defective products (excluding aircraft)

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.

4.1.2 Technological risks

Aerospace and Defence markets typically undergo swift, far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their innovative and technological superiority. The Group's policy is to develop the requisite technical capabilities but it may temporarily fail to source the skills required to complete its projects successfully.

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 (see section 1.4).

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.

A substantial proportion of Safran's revenue – particularly in the aviation sector – depends on certain key products developed and produced in cooperation with GE. Safran estimates that these programs account for around 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 single-aisle jets.

Safran is also involved in a number of partnerships (Powerjet, 50/50 owned by Snecma and NPO Saturn [Russia]; Rolls Royce Turbomeca) with other aircraft engine manufacturers. If these programs were suspended or if Safran's partners ceased to fulfill their role in the development or marketing of the engines in question, the Group's aviation 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 and composite fibers. The Group manages commodity risks by negotiating medium-term procurement contracts with suppliers, building up its inventories (see section 4.1.6) or hedging exposure to changes in the price of certain listed commodities.

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 and/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 labor relations within the acquired entities following changes in management or control.

4.1.6 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.

Exposure to foreign currency risk

Most revenue in the Aerospace Propulsion and Aircraft Equipment branches 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 4.3 billion for the year under review (USD 5.18 billion in 2008). Net exposure is regularly reviewed for each year covered by the foreign currency risk management policy.

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.

Hedging policy

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

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

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

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 (except when expressly approved). For specified maximum amounts, the Group may also agree not to take advantage of a further improvement in the underlying exchange parity below a given level for a defined period.

This strategy chiefly involves the use of forward purchases, accumulators and sales of options (USD call/EUR put).

The Group has hedged its entire USD exposure for 2010 and 2011, and has also launched portfolio optimization measures for the same period designed to improve the minimum threshold.

After having set the minimum threshold for 2010 at 1.52 at the end of 2008, the Group lowered it to 1.48 for the publication of its 2009 interim financial statements, and is now confident that it will achieve an exchange rate parity of 1.46 announced in its press release accompanying the publication of its 2009 annual financial statements (a rate of 1.47 has already been reached).

Few changes are expected in the minimum threshold for 2011, set at 1.39.

The Group also set up a progressive hedging strategy for its forex exposure in 2012 and 2013.

At March 31, 2010, on top of an existing portfolio of USD 2.4 billion in forward hedges at an average rate of 1.33, the Group set up USD 1.9 billion in accumulators for 2012, enabling it to supplement its day-to-day hedging operations at an average rate of 1.35, provided that the EUR/USD exchange rate parity remains below 1.65. If the EUR/USD exchange rate parity were to go above 1.65, the positions contracted at 1.35 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 1.35 (accumulator rate), the Group would not benefit from the improvement in the exchange rate parity and would be obliged to continue accumulating short USD positions at 1.35 (for these products only).

Based on the performance of these products, and given that the level at which accumulators are no longer effective (provisionally set at 1.65) is significantly above the current market exchange rate, the Group considers that it can reasonably expect to achieve a hedging rate of 1.35 in 2012.

As the portfolio for 2013 did not yet exist, at the beginning of 2010 the Group contracted a hedge for USD 1 billion at a rate of 1.29. This hedge may double to USD 2 billion at a rate of 1.29 depending on changes in the EUR/USD exchange rate parity through to that date. The Group's policy is to take advantage of the current EUR/USD exchange rate of around 1.35 to supplement its 2013 hedging portfolio. The target hedging rate for 2013 has therefore been set at 1.35, which is the rate used to assess the Group's long-term projects.

For the record, the estimated annual exposure of between USD 4.5 billion and USD 4.8 billion depends on budgeted sales figures, and is regularly reviewed for each year covered by the foreign currency risk management policy.

Any one-cent change in the EUR/USD exchange rate parity on the hedging rate has an impact of €22 million on adjusted profit (loss) from operations.

Statement of financial position exposure and sensitivity to foreign currency risk

The exposure of the Group's statement of financial position to foreign currency risk can be summarized as follows:

	Dec. 31, 2008						**Dec. 31, 2009**					
(in millions of currency units)	USD/ EUR	USD/ GBP	USD/ CAD	**Total USD**	GBP/ EUR	CAD/ EUR	USD/ EUR	USD/ GBP	USD/ CAD	**Total USD**	GBP/ EUR	CAD/ EUR
Total assets excluding financial derivatives	1,434	87	58	**1,579**	138	110	1,273	70	80	**1,423**	28	21
Total liabilities excluding financial derivatives	1,337	47	44	**1,427**	64	105	1,719	67	21	**1,807**	50	127
Financial derivatives	(419)	(152)	(59)	**(631)**	-	-	130	(50)	4	**84**	(5)	-
Net statement of financial position exposure after financial instruments	**(322)**	**(112)**	**(45)**	**(479)**	**74**	**5**	**(315)**	**(47)**	**63**	**(299)**	**(27)**	**(106)**

The above table is presented in foreign currencies.

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

Impact on positions in the statement of financial position (in € millions)	**Dec. 31, 2008**		**Dec. 31, 2009**	
	USD		**USD**	
Closing exchange rate	**1.39**		**1.44**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.32	1.46	1.37	1.51
Net impact of exposure after financial derivatives	(422)	400	(401)	394

The sensitivity of the main income statement aggregates to a 5% increase or decrease in the average EUR/USD exchange rate is as follows for the adjusted consolidated financial statements:

Adjusted data (in € millions)	**2008**		**2009**	
	-5%	+5%	-5%	+5%
Average monthly exchange rate	1.47		1.38	
Average exchange rate used for sensitivity analysis	1.40	1.54	1.31	1.45
Closing exchange rate	1.39		1.44	
Closing exchange rate used for sensitivity analysis	1.32	1.46	1.37	1.51
Revenue	86	(73)	61	(76)
Profit (loss) from operations	6	0	(24)	0
Financial income (loss)	(13)	12	(17)	16
Profit (loss) before tax	(7)	12	(41)	16

The same sensitivity analysis would have the following impacts on the consolidated financial statements:

Non-adjusted consolidated data (in € millions)	**2008**		**2009**	
	-5%	+5%	-5%	+5%
Average monthly exchange rate	1.47		1.38	
Average exchange rate used for sensitivity analysis	1.40	1.54	1.31	1.45
Closing exchange rate	1.39		1.44	
Closing exchange rate used for sensitivity analysis	1.32	1.46	1.37	1.51
Revenue	246	(223)	253	(229)
Profit (loss) from operations	166	(150)	169	(153)
Financial income (loss)	(578)	546	(593)	547
Profit (loss) before tax	(412)	396	(424)	394

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.).

At December 31, 2009, the Group had contracted interest rate swaps for terms of three to five years for a total of €1,400 million, breaking down as:

- €750 million in "pay floating/receive fixed" interest rate swaps for terms of three and five years, taken out as hedges of the fixed coupon payable on the bonds and eligible for fair value hedge accounting;
- €650 million in "receive floating/pay fixed" interest rate swaps for a term of five years (maturing November 25, 2014), taken out as pre-hedging for the bond issue and not eligible for hedge accounting.

The fair value of these interest rate derivatives was a negative €4 million at December 31, 2009.

The Group had no interest rate derivatives at December 31, 2008.

Debt in respect of employee savings is at floating rates, but resets only yearly. The Group's remaining long-term debt is mostly at fixed rates. However, as a result of the Group's €750 million hedge swapping the fixed coupon payable on its bond issue for floating rates, the bulk of the Group's long-term debt was at floating rates at December 31, 2009. A 1% rise in interest rates would therefore increase the cost of debt by €6 million, compared to €1.3 million at end-2008.

Management of commodity risk

In 2009, the Group put in place a policy designed to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). 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 three years. To hedge commodity prices, the Group uses forward sales of commodities on the London Metal Exchange (LME).

These forward sales 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 flows are determined based on the order backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at end-2009 represents 1,189 tons of nickel, including 305 tons maturing in less than one year and the remainder between three and five years. The fair value of these instruments was €0.3 million at December 31, 2009.

Equity risk management

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, the only listed shares held by the Group.

A 5% decrease in the price of these shares would have a net negative impact of €2 million on equity, compared to a negative impact of €1.1 million at end-2008.

Counterparty risk management

The Group is exposed to counterparty risk from the following transactions:

- short-term investments;
- derivatives;
- customer accounts;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks rated at least "AA".

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

Counterparty risk related to customer accounts is limited due to the large number of customers in the portfolio and their wide geographical spread.

At December 31, 2009, no material counterparty risk had been identified by the Group that had not been covered by provisions in the financial statements.

Financial assets are analyzed by maturity in Note 21 to the consolidated financial statements.

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.

At December 31, 2009, the Group's exposure to liquidity risk was not material due to the availability of undrawn liquidity lines and a cash surplus.

The EIB loans and borrowings set up in 2003 and 2005 are subject to a number of covenants (see Note 26 to the consolidated financial statements).

The following two ratios apply:

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

The terms "net debt", "EBITDA" and "total equity" are English translations of the French terms, defined as follows:

- Net debt: borrowings (excluding repayable advances) 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.

The Group had confirmed, undrawn liquidity lines totaling €1,100 million at December 31, 2009, consisting of a syndicated line of credit for €800 million and a long-term loan for €300 million granted by the EIB (€1,200 million at December 31, 2008).

4.1.7 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 export regulations and anti-trust law.

The main risks identified in this respect are disclosed in the litigation section of this document (see section 3.1.2, Note 36). Based on an analysis of the legal risks to which the Group is exposed, no other probable or material risks were identified.

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 members of the Executive Board.

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 on two occasions in 2009.

4.2.2 Risk and Insurance Department

The Group Risk and Insurance Department reports to the Executive Vice-President in charge of Quality Assurance, Audit and Group Risk and member of the Executive Board. 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 to the Group Risk Committee 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:

Level 1 companies

Each Level 1 company appoints a Risk Manager, who prepares a risk map for his/her entity that is subsequently reviewed during Management/Risk Committee meetings. In all instances, risk management draws on a common methodology using risk analysis as the starting point. A risk owner is appointed for each risk identified, who is responsible for preparing an action plan and enforcing its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

Each quarter, the Risk Manager of each Level 1 company 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 company concerned. The Risk Department also meets with the Risk Manager of each Level 1 company in order to assess the maturity of risk management in that company.

The Risk and Insurance Department coordinates the Risk Manager network. Meetings are held regularly to facilitate the sharing of best practices and the identification of emerging risks. Working groups are organized to consider issues validated annually by the Group Risk Committee.

Functional departments/processes

The Risk Department has drawn up a map charting major risks by functional department based on individual meetings. These maps are validated by the functional departments. A risk owner is appointed for each risk identified, who is responsible for preparing an action plan, which is subsequently presented to the Group Management Committee.

Risk management is also supported by the Audit and Internal Control departments.

3) Developing risk management guidance, analyzing and recommending improvements to the risk management system

The Risk and Insurance Department develops methodological tools that ensure the risks arising in the Group's entities are treated consistently, provides implementation guidance 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 training course launched in 2007 and organized jointly by the Risk Department and Group Risk Managers in connection with Safran University has promoted risk awareness among more than 400 managers within the Group.

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 Products & Services 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.

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 covers all Group entities for damage to industrial installations (buildings, machines, inventories, etc.), resulting from fire, theft, water damage, machine breakdown or operating losses.

The overall payout under the policy is €400 million, and up to €800 million for certain claims.

"Product third-party liability" policies cover 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 1.5 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 €150 million per annum that can be used during the year.

Total premiums paid by the Group under all policies in 2009 represented 0.20% of adjusted consolidated revenue for that year.

Soreval, a captive reinsurance company based in Luxembourg, participates in the risk coverage scheme. Soreval bears marginal risks not covered by Group insurance policies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

4.4 HEALTH, SAFETY AND ENVIRONMENTAL RISKS

4.4.1 Occupational health and safety and environmental policy

As an international leader in technology, the Safran Group 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 close to its operations.

The objectives defined in this policy, put forward by the Sustainable Development Department and validated by the Chairman of the Executive Board, are in line with the continual improvement drive that seeks to:

- preserve the health and safety of the men and women who contribute to the Group's activities;
- guarantee the safety of industrial installations and respect for the environment;
- design and provide products and services that take into account occupational health and safety and environmental imperatives.

In 2009, the Group's Sustainable Development Department continued to spearhead the Group's Occupational Health and Safety and Environmental (HSE) policy and the policy fundamentals defined in 2008. These cover:

- management of risks and the corresponding impacts;
- compliance with Group HSE requirements;
- integration of HSE in managerial actions;
- demonstration of HSE leadership;
- consideration of HSE issues in any changes made;
- measurement of HSE performance;
- experience sharing;
- shared supervision.

4.4.2 Organization

At Group level, the Executive Vice-President in charge of Sustainable Development supervises the overall management of HSE issues in each Group company in conjunction with other departments, via a network of HSE Coordinators.

At company level, an HSE Coordinator supervises a network of site HSE Prevention Officers to ensure that objectives are rolled out correctly, management system components are consistent, and experience is shared.

At local or site level, HSE Prevention Officers, in conjunction with the departments, ensure that improvement measures are implemented to reduce HSE risks, and also oversee employee training and awareness-raising programs.

Each company has a Product Environment Correspondent, whose role is to facilitate the implementation of measures in response to growing environmental imperatives applicable to products and, in particular, the REACh (1) regulations on hazardous substances.

Since 2008, a "REACh group" project team draws on the Product Environment Correspondent network to coordinate all the Group initiatives in this area. This Group-wide project is supervised by the Group's Industrial Management Department as well as the Sustainable Development Department. This dual supervision gives the project greater operational scope.

4.4.3 Objectives

The Group's HSE policy is underpinned by three key challenges linked to the rollout of Safran HSE risk management programs and guidelines across the globe:

- implementing common HSE objectives for all entities spanning several years, aimed at reducing risks and reinforcing operational control;
- coordinating and improving HSE synergies, which requires the commitment and involvement of Group and company departments;
- contributing to the Group's sustainable development ambitions in the area of HSE.

The Group's multi-year HSE objectives are validated by the Management Committee and are rolled out across Group entities by the operating divisions, advised and assisted by their HSE Coordinator and HSE Prevention Officers.

The 2009 objectives focused mainly on:

- improving the management of HSE risks based on Safran's risk management database. The database was updated with five new standards on ergonomics, crisis management, regulatory management, documentation management and training;
- measuring the carbon footprint of all of the Group's major sites for 2008; this will serve as the basis for the action plan for the next three years;
- continuing to roll out across the Group in France an application supervising and verifying compliance with applicable regulations. This tool, known as CORP (2), is developed by Gifas (3);
- rolling out across all French-speaking sites the Group's IT tool, called TESSE, for monitoring HSE risk exposure and improving the methods used to identify and mitigate employees' exposure to hazardous substances;
- implementing ergonomic analyses of all workstations;
- continuing to assess psychosocial risks at all sites based on a four-step approach: commitment, training, diagnostic review and action plan;
- applying the EVREST (4) health observatory program at 25 sites in France and Belgium, representing 62% of Safran's total employees in these countries;
- continuing to scale back the consumption of non-renewable energy and the production of industrial waste.

(1) REACh: Registration, Evaluation and Authorization of Chemicals.

(2) CORP: Customized Regulatory Compliance.

(3) GIFAS: French Aerospace Industrial Grouping.

(4) EVREST: Assessment of Occupational Health.

Each company organizes an annual HSE review, during which its Chairman and the Sustainable Development Executive Vice-President review the objectives met and the progress of improvement strategies. These reviews are based on a presentation of the situation of each company by its Chief Operating Officer.

The Sustainable Development Department submits a quarterly HSE management report to the Management Committee, company Chairman and managers, based on data provided by Group sites or entities.

Several specific management initiatives were also undertaken in 2009:

- six sessions provided training to 62 executives on the ongoing HSE improvement drive;
- six one-day forums for HSE Prevention Officers provided a platform for sharing experience among HSE professionals.

4.4.4 Certification

At December 31, 2009, the environmental management systems of 59 Group facilities had been certified to ISO 14001 (1), representing 63% of total Group employees. Four Safran sites are aiming for ISO 14001 certification in 2010 or 2011.

Twenty-three facilities – mainly focused on research and development – whose environmental management systems have already been certified, have also been certified to ISO 14001 for their design processes.

At the end of 2009, the health and safety management systems of 10 facilities had been certified to OHSAS 18001 (2).

Fifty-one inter-company internal audits were carried out in 2009 based on ISO 14001, OHSAS 18001 and the Group's internal HSE database comprising 23 different standards. These audits enabled the facilities to improve the effectiveness of their HSE management systems by sharing experience.

Forty-three HSE auditors, whose internal certification is kept up to date by the Sustainable Development Department, undertake reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year. In 2009, 42 auditors were certified to ISO 14001, including 11 for environmental consideration in design, while 27 were certified to OHSAS 18001.

4.4.5 Scope

The scope of reporting includes all sites whose businesses and products may present HSE risks and related impacts in 2009, and is virtually identical to the scope adopted in 2008.

A single site was removed from the scope of reporting in 2009, consisting of the SLCA headquarters employing some 50 staff.

Three new sites were added:

- Grand Prairie (United States) and Reau (France) - Sagem;
- Everett (United States) - Labinal.

4.4.6 Environment and sites

4.4.6.1 SEVESO FACILITIES

Two of Safran's facilities in France fall within the high-hazard threshold of the Seveso Directive in 2009 (Snecma Vernon [France] and Europropulsion Kourou [French Guiana]).

4.4.6.2 GREENHOUSE GAS EMISSIONS

Three Safran Group companies, classified as combustion facilities (boilers for industrial use and heating installations, cracking furnaces) with a rated thermal input exceeding 20 MW, were concerned by the allocation of greenhouse gas emissions allowances for the period 2008-2012.

Compagny	Location	Activity	CO_2 emissions reported in 2008 *(tons)*	2008-2012 annual allowance *(tons)*
Snecma	Villaroche (France)	Manufacture of engines	9,887	27,918
Snecma	Gennevilliers (France)	Manufacture of engines	0	16,773
Messier-Bugatti	Villeurbanne (France)	Manufacture of carbon brakes	16,663	22,720
TOTAL			**26,550**	**67,411**

(1) ISO 14001: Environmental management systems: requirements with guidance for use.

(2) OHSAS 18001: Occupational Health and Safety Assessment Series: implementation guidance.

The decline in emissions at Villaroche (France) reflects the reduced use of its co-generation facility and the closure of the Gennevilliers (France) facility which did not certify any emissions allowances in 2008.

Messier Bugatti's CO_2 emissions relate directly to its carbon-based materials manufacturing processes and not chiefly to combustion processes as is the case for other facilities.

In accordance with its aim of combating global warming, Safran measures its carbon footprint.

In 2009, the Group measured the carbon footprint of 65 key facilities. The results are used as a basis for the three-year action plan (2009 through 2011).

4.4.6.3 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 also covered non-friable materials, thereby anticipating future legal requirements.

All risks identified have been treated by either direct removal or are subject to monitoring programs, in accordance with regulations in the countries in which the facilities are located.

This issue is subject to planned supervision based on "HSE Standards" appraisal questionnaires that have been rolled out across the Group.

4.4.6.4 CONDITION OF SOIL AND GROUNDWATER

The Group has undertaken systematic studies and analyses to assess the risk of soil and groundwater pollution at its industrial facilities. Preventive or rehabilitation measures are implemented wherever necessary.

The Sustainable Development Department carries out environmental reviews of buildings, activities, soil and groundwater on the lease, divestment or acquisition of assets. These reviews also encompass the HSE risk appraisal procedure.

4.4.6.5 PCB [1]/PCT [2] POLLUTION

In 2002, the Group launched an electric transformer replacement program for ten of its companies in France. At the end of 2009, 196 out of a total of 199 transformers had been replaced. The plan, scheduled to be finalized in 2010, is therefore 98% complete. The remaining three transformers will be replaced in 2010.

No transformers have been identified for the rest of the Group.

4.4.6.6 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 improvement in the Group's HSE policy.

A specific structure and resources were put in place to ensure compliance with REACh regulations, applicable since June 2008.

The measures taken in 2009 enabled the Group to identify the areas of its business impacted by REACh and to draw up a corresponding action plan. The main goals of the action plan are to:

- set up a database of all substances used by the Group, to allow HSE Prevention Officers and design engineers direct access to information in data files on safety and to the classification of substances in lists such as Appendix XIV of REACh;
- ask the Group's suppliers for information concerning the chemical content of products they deliver to Safran;
- ask suppliers of chemical products to register the chemical components found in their products with the European Chemical Agency;
- identify the most important substances for Safran and prepare replacements when these substances are at risk of becoming obsolete;
- launch an analysis of emerging requirements in terms of technical data management resulting from regulatory imperatives regarding information that should be available throughout the supply chain.

To address the threat of chemical product obsolescence, Safran has set up a group of experts to provide technical support in research and in the certification of replacements for hazardous substances. This group is supervised by the Materials and Procedures Department.

In conjunction with numerous professional federations and government institutions, Safran supports GIFAS in its work on determining the application and consequences of REACh. An initiative was set up together with other industrial GIFAS partners to provide documentary oversight of substances at risk of obsolescence.

4.4.6.7 FIRE PROTECTION AND PREVENTION

Since 2007, the Sustainable Development Department has been responsible for updating the Group's fire risk map in conjunction with an international fire protection and prevention firm. The contract with this firm has been renewed for the period 2010-2012.

Since 2007, 93 audits have been scheduled throughout Safran under this multi-year plan. Twenty-nine audits were carried out in 2009.

(1) PCB: Polychlorinated biphenyl.

(2) PCT: Polychlorinated terphenyl.

Safran sites receive technical assistance from the Group in terms of fire prevention. The Group has addressed more than 300 requests for assistance, representing some 200 hours per year.

The IT application in place for managing this risk allows each site, company and the Group via consolidation, to:

- identify, assess and understand potential risks and damages;
- identify and assess the remedial and preventive measures taken to manage these risks;
- address any recommendations made;
- manage improvements;
- define the strategy for mitigating potential risks.

4.4.6.8 ENVIRONMENT AND PRODUCTS

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. These risks are assessed at every stage of the products' lifecycle.

In 2009, Safran launched a project to harmonize its processes and the associated substances in a bid to streamline methods and replace its most dangerous substances as far as technically possible.

Rules governing the choice and use of chemical substances have been defined and are reiterated in a new edition of Group procedures.

In conjunction with the Quality Assurance, Purchasing and Materials and Procedures departments, a chemical substances committee bans certain substances used in production that endanger health and/or the environment.

4.4.7 Occupational health, safety and environmental data

Since 2006, the Sustainable Development Department consolidates the HSE data provided by the Group's main facilities using the SCORE [(1)] reporting tool.

In 2009, 82% of the Group's total employees were covered by the data compiled on occupational health and safety, while 80% of employees were covered by the environmental data collected.

4.4.7.1 OCCUPATIONAL HEALTH AND SAFETY

The number of serious occupational accidents recorded in 2009 was down 9% on 2008, based on 89 Group facilities (45,281 employees). This confirms the downtrend observed since 2000.

	2008	2009
Frequency rate	6.5	6.1
Severity rate	0.15	0.19

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.

In 2007, the Safran Group approved a tool to appraise workstation risk and track employee exposure at its Gennevilliers site. This application was rolled out to an additional 25 sites in 2007-2008, and represents a major advance in the understanding, analysis, use and traceability of HSE data. In 2009, this application was rolled out to a further 20 sites, bringing the total number of sites using the application to 60 at the end of the year.

In 2010, an English version of the application will be available, and the tool will be implemented in Canada, the United Kingdom and Morocco, for example.

After implementing tools to analyze the ergonomics of workstations, Safran offers the sites the training necessary to their roll-out, in order to increase the importance placed on ergonomics in the analysis of workstation risks.

There was a slight rise in the total number of occupational illnesses reported in 2009. The number of occupational illnesses based on employee numbers was 1.7 per thousand in 2009, versus 1.4 in 2008. The number of occupational illnesses linked to prior exposure to asbestos remained stable at fewer than twenty cases in 2009.

Group expatriate employees benefit from strengthened health monitoring.

Safran drafted a health crisis management plan, which included detailed guidelines on the risk of a flu pandemic. The Group was able to update its crisis scenarios and business continuity plans in its crisis handbooks in the wake of the swine flu scare. It also raised awareness of crisis management. The whole exercise was considered of significant value to the Group.

The Group's occupational health units stepped up the roll-out of the EVREST health observatory program. EVREST allows the Group to compile data on employee occupational health over time.

In 2004, the Group introduced a four-step approach to analyze psychosocial risks (stress). This approach consists of:

1/ Setting up an analysis of ways to prevent psychosocial risks at work, securing the involvement of site and line managers as well as trade unions, and setting up a steering committee to supervise this initiative.

2/ Training the steering committee on psychosocial risks, raising employee awareness, performing studies of expectations and feasibility.

(1) SCORE: Safran Corporate Reporting.

3/ Performing diagnostic reviews: a framework agreement was signed with the University of Liège, a pioneering figure in this area and the brains behind the Working Conditions and Control Questionnaire© (WOCCQ) used to assess psychosocial risks. 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.

4/ Performing analyses and implementing action plans: this includes a study of aggregate findings on a sector-by-sector basis, creating a focus group, drawing up an action plan by sector and/or on a cross-functional basis, and reviewing action plans.

After four years, this approach is implemented by 14 sites at seven different companies, representing almost 14,000 employees (36% of the employees concerned). Efforts will continue apace and other sites are preparing to start their evaluation process as from 2010.

4.4.7.2 ENVIRONMENTAL DATA

Water consumption

Most of the Group's facilities mainly use drinking water. Nineteen sites pump water from rivers and underground pools.

	2008	2009
TOTAL SAFRAN GROUP *(M³/EMPLOYEE)*	**109**	**106**

Large volumes of water are used to produce carbon/carbon brake disks and pads, resulting in high ratios for Messier-Bugatti Villeurbanne and Walton.

In 2009, Turbomeca Bordes remained the Group's largest water user at more than 1.8 million cubic meters, of which 70% was surface water extracted from the Baniou canal and used chiefly for cooling engine testcells.

Energy consumption

Electricity is the prime energy source, representing 46% of total energy consumption, followed by natural gas (40%). Premises are mainly heated by natural gas. Hydrocarbons are used less and less for heating and are now reserved for engine trials and backup equipment.

The energy impact of transporting goods is not currently taken into account.

	2008	2009
Electricity *(metric tons of oil equivalent/employee)*	1.43	1.37
Gas *(metric tons of oil equivalent/employee)*	1.33	1.17
Electricity *(metric tons of oil equivalent/employee)*	0.38	0.36
TOTAL SAFRAN GROUP *(METRIC TONS OF OIL EQUIVALENT/EMPLOYEE)*	**3.14**	**2.90**

Gas consumption has dropped considerably, falling 12% in 2009, due mainly to a gas-saving measures and a slowdown in activity at two of the Group's largest consumers, Messier-Bugatti Villeurbanne and Walton (down 44 GWh), and a decrease in consumption at Snecma Évry – Corbeil and Snecma Propulsion Solide Le Haillan (down 24 GWh in total).

The conversion factor used for electricity consumption (1 MWh = 0.086 metric tons of oil equivalent) is taken from "The new methodology for preparing energy consumption reports in France" published in February 2002.

Atmospheric emissions

	2008	2009
Carbon dioxide *(metric tons)*	202,126	177,102
Nitrogen oxides *(metric tons)*	210	184
Sulfur oxides *(metric tons)*	74	67

These emission levels reflect gas and hydrocarbons used to heat and operate engine testcells.

Each Group facility has an emissions monitoring plan which ensures optimum performance and tracks emissions of boilers used in heating installations and manufacturing.

Other emissions relate mainly to solvents and arise from industrial activities. The facilities have drawn up plans to manage solvents as part of Group-wide efforts to scale back emissions of volatile organic compounds.

Waste

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary non-hazardous industrial waste and hazardous industrial waste.

	2008	2009
Ordinary waste excluding metallic chips *(metric tons/employee)*	0.39	0.37
Hazardous industrial waste excluding metallic chips *(metric tons/employee)*	0.40	0.41

Waste is either recycled and transformed or stored.

	2008	2009
Percentage recycled *(% of total processed)*	42%	42%
Percentage transformed into energy *(% of total processed)*	40%	42%
Percentage sent to landfill *(% of total processed)*	18%	16%

Aqueous discharges

The majority of Safran sites and industrial processes 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. When this is not the case, they are collected and treated as industrial waste.

4.4.7.3 MEDIUM-TERM ENVIRONMENTAL OBJECTIVES

As part of its multi-annual HSE objectives, the Group defined the following three-year environmental goals in 2008 (taking 2008 as the reference year):

- 5% reduction in energy consumption or replacement with renewable energies;
- 10% reduction in waste deposits, excluding metallic chips;
- 10% reduction in waste sent to landfill;
- 15% reduction in greenhouse gas emissions.

In 2008 and 2009, efforts towards achieving these objectives prompted reductions in energy consumption (down 0.14 metric tons of oil equivalent), industrial waste produced (down 0.01 metric ton/employee) and industrial waste stored as landfill (down 2%).

SECTION 05

Safran is a French *société anonyme* (corporation) with an Executive Board and a Supervisory Board.

Executive Board (at December 31, 2009)

The Executive Board comprises seven members.

Jean-Paul Herteman
Chairman of the Executive Board

Olivier Andriès
Executive Vice-President, Defence Security branch

Dominique-Jean Chertier
Executive Vice-President, Social, Institutional and Legal Affairs

Xavier Lagarde
Executive Vice-President, Quality, Audit and Risk

Yves Leclère
Executive Vice-President, Aircraft Equipment branch

Ross McInnes
Executive Vice-President, Economic and Financial Affairs

Marc Ventre
Executive Vice-President, Aerospace Propulsion branch

Supervisory Board

Members of the Supervisory Board are appointed by the Ordinary Shareholders' Meeting for six-year terms.

Francis Mer
Chairman of the Supervisory Board

Michel Lucas
Vice-Chairman and independent member

Areva
represented by **Luc Oursel**

Pierre Aubouin
Member representing the French State

Christophe Burg
Member representing the French State

Mario Colaiacovo

François de Combret
Independent member

Armand Dupuy

Jean-Marc Forneri
Independent member

Patrick Gandil
Member representing the French State

Yves Guéna
Independent member

Christian Halary
Member representing employee shareholders

Shemaya Levy
Independent member

Michèle Monavon
Member representing employee shareholders

Jean-Bernard Pène
Member representing the French State

Jean Rannou
Independent member

Michel Toussan

Bernard Vatier
Independent member

18 members

representatives of the French State **4**

7 independent members

representatives of employee shareholders **2**

Committees

Strategy Committee

Six members – Chairman: Francis Mer

The role of the Strategy Committee is to express its opinion on the Group's major strategic orientations and development policy as presented to the Supervisory Board by the Executive Board.
It examines external growth transactions and transactions that impact Group structure and, in particular, plans to acquire assets, set up subsidiaries and acquire or dispose of major shareholdings.

Audit Committee

Five members – Chairman: Shemaya Levy

The role of the Audit Committee is to examine the accounts and accounting procedures. It also analyzes authorization requests submitted by the Executive Board to the Supervisory Board concerning major investment or divestment transactions or capital increases.

Appointments and Compensation Committee

Six members – Chairman: Michel Lucas

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

GOVERNANCE AND INTERNAL CONTROL

05

5.1 EXECUTIVE BOARD

General information on the Executive Board and its work is set out in section 6.1.2.1.1.

Members of the Executive Board

Pursuant to a decision made by the Supervisory Board on July 29, 2009, the number of the members of Safran's Executive Board was increased from three to seven, the maximum number set by French law and the Company's bylaws.

Since September 3, 2007, the Executive Board consisted of Jean-Paul Herteman (Chairman), Dominique-Jean Chertier and Xavier Lagarde.

On the recommendation of Jean-Paul Herteman and in the light of the report by the Appointments and Compensation Committee, the Supervisory Board appointed four new members of the Executive Board effective as from July 29, 2009: Olivier Andriès, Yves Leclère, Ross McInnes and Marc Ventre.

Since July 29, 2009, the members of Safran's Executive Board are as follows:

Members of the Executive Board	Duties at Safran	Date of first appointment Term of office end date	Number of Safran shares held as of December 31, 2009
Jean-Paul Herteman 59 years old	**Chairman of the Executive Board** CEO, Defence Security branch up to September 30, 2009	September 3, 2007 2011 AGM	18,803 via units in the Safran Group Corporate Mutual Fund (FCPE) (*)
Olivier Andriès 48 years old	**Member of the Executive Board** Executive Vice-President, Defence Security branch since October 1, 2009	July 29, 2009 2011 AGM	1,653 via units in the Safran Group Corporate Mutual Fund (FCPE) (*)
Dominique-Jean Chertier 59 years old	**Member of the Executive Board** Executive Vice-President, Social, Institutional and Legal Affairs	January 1, 2007 2011 AGM	3,554 via units in the Safran Group Corporate Mutual Fund (FCPE) (*)
Xavier Lagarde 62 years old	**Member of the Executive Board** Executive Vice-President, Quality, Audit and Risk since June 1, 2009	January 1, 2007 2011 AGM	129,588 shares held directly and 53,908 via units in the Safran Group Corporate Mutual Fund and Club Sagem units (*)
Yves Leclère 59 years old	**Member of the Executive Board** Executive Vice-President, Aircraft Equipment branch	July 29, 2009 2011 AGM	18,593 via units in the Safran Group Corporate Mutual Fund (FCPE) (*)
Ross McInnes 56 years old	**Member of the Executive Board** Executive Vice-President, Economic and Financial Affairs since June 1, 2009	July 29, 2009 2011 AGM	388 via units in the Safran Group Corporate Mutual Fund (FCPE) (*)
Marc Ventre 59 years old	**Member of the Executive Board** Executive Vice-President, Aerospace Propulsion branch	July 29, 2009 2011 AGM	8,958 via units in the Safran Group Corporate Mutual Fund (FCPE) (*)

(*) Conversion based on the Safran share price as of December 31, 2009.

Information on members of the Executive Board

Jean-Paul Herteman

Expertise and experience

Born in 1950, Jean-Paul Herteman is a graduate of *École Polytechnique* (1970) and *École nationale supérieure de l'aéronautique et de l'espace* (French Aerospace School of Engineering) (1975). He began his career with the *Délégation générale pour l'armement* (the French Defence Procurement Agency) in 1975, where he was firstly a test engineer then head of the Materials department in the Toulouse Aviation Testing Center.

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 Gifas (French aerospace industries association) from 1990 to 1993.

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.

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 December 2006, he became Executive Vice-President, responsible for the Defence Security branch.

He was appointed as Chairman of the Safran Executive Board in July 2007 and took up his duties in September of that year.

On July 9, 2009, he was elected as President of Gifas and in that capacity, has been Chairman of CIDEF (the French Defence industries advisory council) since January 1, 2010.

On November 1, 2009, he was appointed as a member of the Board of Directors of the CNRS.

Chief weapons engineer (reserve corps) and former pilot of the technical corps, Jean-Paul Herteman is a member of the Steering Board of the Corac (Civil Aviation Research Council) created in 2008 by the French Minister of Ecology, Energy, Sustainable Development and Territorial Development and of the ESRIF (European Security Research and Innovation Forum). He has been Vice-Chairman of the *Conseil général de l'armement* (advisory authority on French Defence agency issues) since March 2010.

Current offices

Safran Group:

- *Chairman of the Executive Board:* Safran
- *Director:* Snecma

Non-Group:

- *Chairman:* Gifas, since July 2009; CIDEF, since January 2010
- *Vice-Chairman: Conseil général de l'armement,* since March 2010
- *Director:* CNRS, since November 2009

Offices that expired during the last five years

Safran Group:

- *Chairman and CEO:* Sagem Défense Sécurité, up to September 2007
- *Director and Chairman of the Board:* Sagem Avionics Inc. (United States), up to December 2007; Safran Sixty, up to September 2007
- *Director:* Sagem Sécurité, up to October 2009; Sagem Morpho, Inc. (United States), up to May 2008; Snecma Propulsion Solide, up to September 2007; Snecma Services, up to February 2007; Techspace Aero (Belgium), up to February 2007; Société de Motorisations Aéronautiques (SMA), up to October 2006; Snecma (formerly Snecma Moteurs), up to February 2005
- *Member of the Supervisory Board:* Sagem Orga GmbH (Germany), up to July 2007
- *Permanent representative on the Board of Directors (company represented: Safran):* Sagem Défense Sécurité, up to February 2010; Europropulsion SA, up to March 2007; Snecma Propulsion Solide, up to February 2007; Turbomeca, up to January 2007; Snecma, up to December 2006; (company represented: Sagem Défense Sécurité): Sagem Sécurité, up to September 2007

Non-Group:

- *Director and Chairman of the Board:* EPI Europrop International GmbH (Germany), up to March 2005

Olivier Andriès

Expertise and experience

Born in 1962, Olivier Andriès is a graduate of *École Polytechnique* (1981) and the *École des Mines de Paris* (1984). After holding various positions with the French Ministry of Industry and in the French Treasury Department, he was appointed to the private staff of the French Minister of Economy and Finance as industrial advisor in 1993. After joining the Lagardère Group as Deputy Director of Strategy in 1995, he led various merger and acquisition projects. In 1998, he became the personal advisor to Jean-Luc Lagardère and played a decisive role in the launch of the Airbus A380 program.

After joining Airbus in 2000 as Director of Product Policy, Olivier Andriès served as Senior Vice-President Marketing, then head of the A330/A340 Program, and as from 2005, Director of Strategy and Cooperation and member of the Executive Committee. In this capacity, he initiated the A350 XWB project and negotiated the A320 assembly line project in China. In July 2007, he was appointed as Director of Strategy at EADS.

He joined the Safran Group on March 1, 2008 as Executive Vice-President, Strategy and Development. On July 29, 2009, he became a member of the Executive Board and took up the position of Executive Vice-President, Defence Security branch as from October 1, 2009.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran, since July 2009
- *Director:* Sagem Sécurité, since October 2009; Morpho Detection Inc. (United States), since September 2009
- *Member of the Supervisory Board:* Sagem Identification BV (Netherlands)
- *Permanent representative on the Board of Directors (company represented: Safran):* Sagem Défense Sécurité, since February 2010

Non-Group: None

Offices that expired during the last five years

Safran Group:

- *Director:* Sagem Défense Sécurité, up to February 2010

Non-Group:

- *Director:* Aéroports de Paris, up to July 2009; Dassault Aviation, up to February 2008; MBDA, up to February 2008

Dominique-Jean Chertier

Expertise and experience

Born in 1950, Dominique-Jean Chertier has a post-graduate degree (DEA) in the arts and is a graduate of CELSA (School of Information Sciences and Communication). He started his professional career in 1976 as Assistant to the Director, Administration Services and Personnel at Renault International, where he conducted in particular audit assignments in the subsidiaries outside France and assignments regarding the establishment of Renault in the United States and Portugal.

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. Director General of the *Unedic* (the French national association for employment in trade and industry) between 1992 and 2002, during this period Dominique-Jean Chertier managed a large number of transformations: 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 *Assedic* (unemployment authorities) networks.

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 Jean-Pierre Raffarin on social affairs. He returned to Snecma in October 2003 as Executive Vice-President, responsible for Social and Institutional Affairs, where he coordinated the drafting 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 has been a member of the Executive Board since 2007.

Dominique-Jean Chertier is also the Chairman of the Board of Directors of the *Pôle Emploi* (the new French unemployment agency resulting from the merger of the *Assedic* and the ANPE), a member of the Economic and Social Council (CES) and the Employment Policy Council (COE).

Current offices

Safran Group:

- *Member of the Executive Board:* Safran
- *Chairman and CEO:* Établissements Vallaroche, since March 2009
- *Director and Chairman of the Board:* Safran Employment Services, Inc. (United States); Safran Human Resources Support, Inc. (United States)
- *Permanent representative on the Board of Directors (company represented: Établissements Vallaroche):* Vallaroche Conseil, since July 2009; Safran Conseil, since November 2009

Non-Group:

- *Chairman of the Board of Directors: Pôle Emploi* (agency resulting from the merger of ANPE and ASSEDIC)
- *Director:* Air France

Offices that expired during the last five years

Safran Group:

- *Chairman and CEO:* Safran Human Resources Support, Inc. (United States), up to May 2006
- *Chairman of the Board of Directors:* Safran Conseil, up to December 2005
- *Director:* Safran Conseil, up to November 2009; Messier-Dowty International Ltd (UK), up to November 2007; Safran Sixty, up to December 2006

Non-Group: None

Xavier Lagarde

Expertise and experience

Born in 1948, Xavier Lagarde is an engineer from ENSICA, *École nationale supérieure d'ingénieurs de constructions aéronautiques* (1972), which became the *Institut supérieur de l'aéronautique et de l'espace* (ISAE) in 2007 following its link-up with Suparéo. He also obtained a Master of Sciences in Aeronautics from Caltech (California Institute of Technology) in 1973.

He joined Sagem in 1974. Initially, a study engineer at the Avionics R&D Unit in the Center in Pontoise, he participated in particular in the development of weapon systems for the Super-Étendard aircraft. He was then responsible for the development of 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.

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, while acting, from 1999 to 2000, as Executive Director of SFIM (Société de Fabrication d'Instruments de Mesure), which he restructured and integrated into Sagem.

In 2001, Xavier Lagarde became the Quality Director of the Sagem group, and in 2003 was appointed Industrial and Quality Director, in charge of the production centers in France and internationally. 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, and has been a member of the Executive Board since 2007. In June 2009, he was appointed as Executive Vice-President, Quality, Audit and Risk within the Group.

Alongside these duties performed for the Group, Xavier Lagarde has held a large number of terms of office as director in pension and welfare institutions and has served on the Industrial Tribunal in Paris since 2005.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran
- *Chairman and CEO:* Sagem Télécommunications
- *Chairman of the Board of Directors:* Soreval (Luxembourg), since January 2010
- *Director:* Aircelle; Safran Conseil, Sagem Mobiles
- *Permanent representative on the Board of Directors (company represented: Sagem Télécommunications):* Sagem Industries

Non-Group: None

Offices that expired during the last five years

Safran Group:

- *Chairman of the Board of Directors:* Safran Conseil, up to May 2008
- *Director:* Sagem Communications, up to January 2008
- *Member of the Supervisory Board:* Sagem SA, now Safran, up to December 2006

Non-Group:

- *Chairman:* Club Sagem SAS, up to June 2007
- *Member of the Supervisory Board:* Gores Broadband SA, up to January 2010

Yves Leclère

Expertise and experience

Born in 1950, Yves Leclère is a graduate of the *École nationale supérieure de l'aéronautique* (commonly known as Supaéro, 1973), which became the *Institut supérieur de l'aéronautique et de l'espace* (ISAE) in 2007. He also graduated from the CPA Paris (*Centre de perfectionnement aux affaires* (business skills center) – HEC) in 1982.

Yves Leclère has carried out most of his professional activities in the Snecma group in the area of aircraft landing and braking systems. In particular, he managed the procurement department of Messier-Bugatti from 1983 to 1988. Yves Leclère then became Chief Executive Officer of Eram, a subsidiary of the Snecma group specialized in landing gear, with the task of restructuring this business segment. In 1992, he was appointed Vice-President of the Wheels and Brakes division of Messier-Bugatti, then Chairman and CEO of that company in 1994. Yves Leclère also holds the duties of director of Messier-Dowty International, a Messier-Dowty subsidiary. In 2006, he was appointed as Executive Vice-President of the Aircraft Equipment branch of Safran. On July 29, 2009, he was appointed as a member of the Executive Board.

Yves Leclère has been a member of the Board of Gifas (French aerospace industries association) since 1999.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran, since July 2009
- *Chairman of the Board of Directors:* Globe Motors, Inc. (United States)
- *Director:* Messier Services International; Sagem Défense Sécurité; Technofan; Labinal Investments, Inc. (United States); Messier-Dowty International Ltd (UK); Messier Services Asia Pte Ltd (Singapore); Singapore Precision Repair and Overhaul Pte Ltd (Singapore)
- *Permanent representative on the Board of Directors (company represented: Safran):* Aircelle; Hispano-Suiza; Labinal; Messier-Bugatti

Non-Group: None

Offices that expired during the last five years

Safran Group:

- *Chairman and Chief Executive Officer:* Messier-Bugatti, up to September 2006; Messier-Goodrich, up to September 2006
- *Director and Vice-President:* Goodrich-Messier, Inc. (United States), up to September 2006
- *Chairman of the Board of Directors:* Cinch Connectors, Inc. (United States), up to January 2010; Messier-Bugatti Systems Pte Ltd (Singapore), up to December 2006; Messier-Bugatti, Inc. (United States), up to September 2006
- *Director:* Aircelle, up to September 2009; Messier-Bugatti, up to July 2009; Sofrance, up to February 2007; Cinch Connectors Ltd (UK), up to January 2010; Technofan, Inc. (United States), up to June 2008; Matis Aerospace (Morocco), up to February 2008; Messier-Bugatti USA, LLC (United States), up to September 2006

Non-Group: None

Ross McInnes

Expertise and experience

Born in 1954, Ross McInnes has dual French and Australian nationality. He studied in France 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.

In 1989, he chose to move to large multinational corporations and became Chief Financial Officer of Ferruzzi Corporation of America. This corporation owns, in particular, Eridania Beghin-Say, of which he was appointed Chief Financial Officer in 1991 and 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 from March to June 2007. He then held the duties of Vice-Chairman of Macquarie Capital Europe, specialized in particular in infrastructure investments.

In June 2009, Ross McInnes joined Safran as Executive Vice-President, Economic and Financial Affairs and became a member of the Executive Board as from July 29, 2009.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran, since July 2009
- *Director:* Messier-Bugatti, since February 2010; Sagem Défense Sécurité, since February 2010; Sagem Sécurité, since April 2010; Snecma, since April 2010; Vallaroche Conseil, since June 2009; Safran USA, Inc., since February 2010
- *Permanent representative on the Board of Directors: (company represented: Safran):* Établissements Vallaroche, since July 2009; (company represented: Établissements Vallaroche): Soreval (Luxembourg), since January 2010

Non-Group:

- *Director:* Faurecia; Financière du Planier; Limoni SpA (Italy), since July 2009
- *Member of the Supervisory Board:* Santé SA (Luxembourg); Générale de Santé SA

Offices that expired during the last five years

Safran Group: None

Non-Group:

- *Chairman of the Executive Board:* Générale de Santé SA, up to June 2007
- *President:* Chartreuse & Mont-Blanc SAS, up to May 2009
- *Vice-President:* Macquarie Capital Europe Ltd (UK), up to May 2009
- *Director:*

  Macquarie Autoroutes de France SAS, up to May 2009; Eiffarie SAS, Société des Autoroutes Paris-Rhin-Rhône, AREA – Société des Autoroutes Rhône-Alpes, Adelac 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

Thales Systèmes Aéroportés SA, Thales International, Thales Air Defence SA, up to May 2005

ADI Group Holding Pty Ltd (Australia), ADI Group Pty Ltd (Australia), ADI Munitions Pty Ltd (Australia), Australian Defence Industries – ADI (Australia), up to May 2005

Bienfaisance Holding, up to June 2009; Électro Banque, up to February 2007; CFAO, up to December 2005; Rexel, up to February 2005; Camelot Group Plc (UK), up to May 2005

- *Member of the Supervisory Board:* Pisto SAS, up to May 2009; Gucci Group NV (Netherlands), up to December 2005
- *Permanent representative on the Board of Directors (company represented: Établissements Vallaroche):* La Financière de Brienne, up to January 2010
- *Permanent representative on the Supervisory Board (company represented: Santé Sarl):* Générale de Santé SA, up to March 2007

Marc Ventre

Expertise and experience

Born in 1950, Marc Ventre is a graduate of the *École centrale de Paris* 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 held a position at the headquarters of 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. From 1981 to 1988, after an assignment on the site in Villaroche, Marc Ventre took responsibility for the Quality department at the Snecma plant in Gennevilliers.

Starting from 1988, he became Deputy Director of Production at Snecma, a position he held up to 1991. At that time, 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 period of ramp-up of production of the CFM56 engine.

In 1998, he became Chairman and Chief Executive Officer of Hispano-Suiza, then of Snecma Services from 2000 to 2004, before becoming Chairman and Chief Executive Officer of Snecma. In 2006, he joined the head office of Safran as Executive Vice-President of the Aerospace Propulsion branch including the activities of Snecma, Turbomeca, Microturbo, Snecma Propulsion Solide and Techspace Aero.

On July 29, 2009, he became a member of the Executive Board.

Marc Ventre is also a member of the Board of Gifas (French aerospace industries association), Chairman of the Governing Board of Clean Sky, President of the Alumni Association of the *École centrale de Paris* and director of *École centrale de Paris.*

Current offices

Safran Group:

- *Member of the Executive Board:* Safran, since July 2009
- *Director:* Techspace Aéro (Belgium)
- *Permanent representative on the Board of Directors (company represented: Safran):* Europropulsion; Snecma; Snecma Propulsion Solide; Turbomeca

Non-Group:

- *Permanent representative on the Board of Directors (company represented: Safran):* Arianespace Participation; Arianespace SA

Offices that expired during the last five years

Safran Group:

- *Chairman and Chief Executive Officer:* Snecma, up to November 2006
- *Director:* Snecma Services, up to February 2009; Société de Motorisations Aéronautiques (SMA), up to November 2007; Turbomeca, up to February 2007; Snecma HAL Aerospace PLT (India), up to December 2006
- *Vice-Chairman of the Board:* Sichuan Snecma Aero-Engine Maintenance Co. Ltd (China), up to October 2006
- *Permanent representative on the Board of Directors (company represented: Snecma):* in various Group companies

Non-Group: None

5.2 SUPERVISORY BOARD

General information on the Supervisory Board and its work is set out in section 6.1.2.1.2 and information on the Supervisory Board's work in 2009 is set out in section 5.6.

Members of the Supervisory Board

The Supervisory Board of Safran has eighteen members – including four representatives of the French State and two representatives of employee shareholders – appointed by the Ordinary Shareholders' Meeting.

The Board consists of the following members since April 15, 2009:

Members of the Supervisory Board	Duties on the Supervisory Board	Date of first appointment Term of office end date	Number of Safran shares held at December 31, 2009	Main position Address
Francis Mer 70 years old	**Chairman of the Supervisory Board** Chairman of the Strategy Committee	December 12, 2006 (Board member) January 16, 2007 (Chairman) 2011 AGM	1,500 (direct holding)	Chairman of the Supervisory Board of Safran, 2, bd du Général-Martial-Valin, 75015 Paris
Michel Lucas 70 years old	**Vice-Chairman of the Supervisory Board** *(independent)* Chairman of the Appointments and Compensation Committee, member of the Audit Committee	October 30, 2002 (Board member) April 15, 2009 (Vice-Chairman) 2011 AGM	1,500 (direct holding)	Chairman of the Executive Board of CIC, 6, avenue de Provence, 75009 Paris
Areva Permanent representative: **Luc Oursel** 50 years old	**Member of the Supervisory Board** Member of the Strategy Committee	April 15, 2009 2011 AGM	30,772,945 (direct holding)	33, rue La Fayette, 75009 Paris
Pierre Aubouin 39 years old	**Member of the Supervisory Board representing the French State** Member of the Strategy Committee, the Audit Committee, and the Appointments and Compensation Committee	July 30, 2008 2011 AGM	None	Head of Services, Aerospace & Defence Investments at the State Investments Agency APE, 139, rue de Bercy, 75012 Paris
Christophe Burg 46 years old	**Member of the Supervisory Board representing the French State** Member of the Strategy Committee and the Appointments and Compensation Committee	September 12, 2006 2011 AGM	None	Director, Department of Industrial Affairs and Economic Intelligence at the French Defence Procurement Agency, DGA, 7-9, rue des Mathurins, 92220 Bagneux
Mario Colaiacovo 68 years old	**Member of the Supervisory Board** Member of the Strategy Committee	April 24, 2001 2011 AGM	390,015 shares held directly and 31,036 via units in the Safran Group Corporate Mutual Fund (FCPE) and Club Sagem units (1)	20, rue Weber, 75116 Paris
François de Combret 68 years old	**Member of the Supervisory Board** *(independent)* Member of the Appointments and Compensation Committee	October 30, 2002 2011 AGM	1,500 (direct holding)	Senior Advisor to Crédit Agricole CIB, 9, quai du Président-Paul-Doumer, 92400 Courbevoie

Members of the Supervisory Board	Duties on the Supervisory Board	Date of first appointment Term of office end date	Number of Safran shares held at December 31, 2009	Main position Address
Armand Dupuy 61 years old	**Member of the Supervisory Board**	April 24, 2001 2011 AGM	78,240 shares held directly and 53,787 via units in the Safran Group Corporate Mutual Fund (FCPE) and Club Sagem units (1)	2, rue Boucicaut, 75015 Paris
Jean-Marc Forneri 50 years old	**Member of the Supervisory Board** *(independent)* Member of the Appointments and Compensation Committee	March 17, 2005 2011 AGM	2,312 (direct holding)	Chairman of Bucéphale Finance, 17, avenue George-V, 75008 Paris
Patrick Gandil 54 years old	**Member of the Supervisory Board representing the French State**	February 13, 2008 2011 AGM	None	Director General of Civil Aviation DGAC, 50, rue Henry-Farman, 75015 Paris
Yves Guéna 87 years old	**Member of the Supervisory Board** *(independent)*	April 21, 2004 2011 AGM	1,500 (direct holding)	13, rue René-Bazin, 75016 Paris
Christian Halary 56 years old	**Member of the Supervisory Board representing employee shareholders**	May 12, 2006 2011 AGM	13,450 shares held directly and 2,978 via units in the Safran Group Corporate Mutual Fund (FCPE) (1)	Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité, 21, av. du Gros-Chêne, 95610 Éragny-sur-Oise
Shemaya Levy 62 years old	**Member of the Supervisory Board** *(independent)* Chairman of the Audit Committee	March 17, 2005 2011 AGM	1,500 (direct holding)	Company director 170, rue de la Pompe, 75116 Paris
Michèle Monavon 52 years old	**Member of the Supervisory Board representing employee shareholders**	May 12, 2006 2011 AGM	33 shares held directly and 3,210 via units in the Safran Group Corporate Mutual Fund (FCPE) (1)	External Relations Manager for employee shareholders at Safran, 2, bd du Général-Martial-Valin, 75015 Paris
Jean-Bernard Pène 56 years old	**Member of the Supervisory Board representing the French State**	March 17, 2005 2011 AGM	None	Army Inspector General – Weapons, *Inspection générale des armées,* 1, place Saint-Thomas-d'Aquin, 75007 Paris
Jean Rannou 67 years old	**Member of the Supervisory Board** *(independent)* Member of the Strategy Committee and the Audit Committee	March 17, 2005 2011 AGM	5,195 (direct holding)	4, rue du Sommet-des-Alpes, 75015 Paris
Michel Toussan 70 years old	**Member of the Supervisory Board** Member of the Audit Committee	April 24, 2001 to May 11, 2006 and as from January 1, 2007 2011 AGM	169,360 shares held directly and 24,330 via Club Sagem units (1)	Judge at the Paris Commercial Court 61, rue de Sannois, 95120 Ermont
Bernard Vatier 62 years old	**Member of the Supervisory Board** *(independent)* Member of the Appointments and Compensation Committee	April 24, 2001 2011 AGM	1,626 (direct holding)	Attorney at the Paris Court of Appeals Vatier & Associés, 12, rue d'Astorg, 75008 Paris

(1) Conversion based on the Safran share price as of December 31, 2009.

Two Board advisors *(censeurs),* Pierre Moraillon and Georges Chodron de Courcel, as well as a Government Commissioner also attended Supervisory Board meetings in an advisory capacity.

During the 2009 fiscal year, the following changes took place in the membership of the Supervisory Board:

- Anne Lauvergeon resigned from her duties as Vice-Chair and member of the Supervisory Board effective as of April 15, 2009.
- The Supervisory Board meeting of April 15, 2009 co-opted Areva as a new member of the Board. Areva appointed Luc Oursel as its permanent representative, who appointed Michel Lucas as Vice-Chairman of the Board.

The co-optation of Areva was ratified by the Annual General Meeting of May 28, 2009.

No change has been made to the membership of the Supervisory Board between January 1, 2010 and the date of filing of this Registration Document.

Information on members of the Supervisory Board

Francis Mer

Expertise and experience

Graduate of École Polytechnique – Graduate of the Corps des Mines engineering school

1974-1978	CEO of Saint-Gobain Industries
1978-1982	Executive Vice-President of Saint-Gobain responsible for industrial policy
1982-1986	Chairman and CEO of Pont-à-Mousson SA; Director of the Pipe and Engineering Division of Saint-Gobain
1986-2002	Chairman and CEO of Usinor-Sacilor
1988-2002	Chairman of the French Steel Federation (FFA)
1990-1997	Chairman of Eurofer (Association of European Steel Manufacturers)
1991-2002	Chairman of the National Association of Technical Research (ANRT)
1997-1998	Chairman of the International Iron and Steel Institute (IISI)
2002	Co-Chairman of Arcelor Group
2002-2004	French Minister of Economy, Finance and Industry
2004-2005	Chairman of the Foundation for Political Innovation

Current offices

Safran Group:

- *Chairman of the Supervisory Board:* Safran

Non-Group:

- *Director:* LFB SA, since July 2009 ; Rhodia; Adecco (Switzerland)

Offices that expired during the last five years

Safran Group: None

Non-Group:

- *Chairman of the Supervisory Board:* Oenoholding, up to April 2008
- *Director:* Alstom, in 2005 and 2006; Inco (Canada) in 2005 and 2006

Michel Lucas

Expertise and experience

Engineer, Centrale Lille, France – Degree in mathematical and physical science – Certified member of the French Institute of Actuaries, Paris – Graduate of the Institut des hautes finances, Paris

With Crédit Mutuel since 1971:

- Advisor to the Chairman (1971-1985)
- Head of the IT Department (1973-1998)

Current positions:

- Chairman of the CIC Executive Board
- CEO of Confédération Nationale du Crédit Mutuel
- CEO of the Fédération du Crédit Mutuel Centre Est Europe
- CEO of Caisse Fédérale du Crédit Mutuel Centre Est Europe
- CEO of de la Banque Fédérative du Crédit Mutuel

Current offices

Safran Group:

- *Vice-Chairman of the Supervisory Board:* Safran

Non-Group:

- *Chairman of the Executive Board:* Crédit Industriel et Commercial (CIC)
- *Chairman and CEO:* Carmen Holding Investissement
- *Executive Vice-President:* Confédération Nationale du Crédit Mutuel
- *Chairman:* Crédit Mutuel Cartes de Paiement SAS; Europay France SAS
- *Chairman of the Board of Directors:* 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
- *Chairman of the Supervisory Board:* Citicorp Deutschland GmbH (Germany); Citicorp Management AG (Germany); Citibank Privatkunden AG (Germany); Cofidis; Cofidis Participations; Euro Information Production; Fonds de Garantie des Dépôts
- *Vice-Chairman of the Supervisory Board:* CIC Interbanco; Banque de Luxembourg (Luxembourg)
- *Director, Executive Vice-President:* Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale du Crédit Mutuel Centre Est Europe; Banque Fédérative du Crédit Mutuel
- *Director:* ACMN Iard; Astrée (Tunis); Banque de Tunisie (Tunis); Banque Marocaine du Commerce Extérieur (Casablanca); Banque Transatlantique Belgium (Brussels); Caisse de Crédit Mutuel Grand Cronenbourg; CIC Banque Transatlantique; CIC Finance; CIC Investissements; CIC Lyonnaise de Banque; CRCM Midi-Atlantique; Crédit Mutuel Paiements Électroniques; Assurances Générales des Caisses Desjardins (Quebec); Sofedis
- *Member of the Supervisory Board:* Banque de l'Économie du Commerce et de la Monétique; CM-CIC Asset Management; CM-CIC Services; Manufacture Beauvillé

Offices that expired during the last five years

None

Areva

A French *société anonyme* (corporation) with an Executive Board and a Supervisory Board and share capital of €1,346,822,638, having its principal place of business at 33, rue La Fayette, 75009 Paris and registered with the Paris Trade and Companies Registry under number 712 054 923.

Represented by Luc Oursel

Expertise and experience

Graduate of the Corps des Mines engineering school

1984-1988	Head of the Underground Energy Division at the Rhône-Alpes Regional Department for Industry and Research, French Ministry of Research and Industry
	Lecturer on the economics of natural resources at the Saint-Etienne *École des Mines*
1988-1991	Head of the Electricity Department and then Deputy Head of the Department for Gas, Electricity and Coal (DIGEC), French Ministry of Industry
1991-1993	Technical Advisor responsible for industrial affairs, armament programs and research on the private staff of the French Minister of Defence
1993-1996	CEO of SAE Gardy, Schneider Group
1996-1998	CEO of Schneider Shanghai Industrial Control
1998-2001	Chairman and CEO of Schneider Electric Italia
2001	Industrial Director at Schneider Electric
2002-2003	Vice-President of Sales and Services and member of the Executive Board of Sidel
2003-2004	Executive Vice-President and member of the Executive Board of Sidel, head of Sidel Solutions
2005-2006	Vice-President of the Geodis group
Since January 2007	Chairman of Areva NP, member of the Executive Committee and the Nuclear Executive Committee of Areva
Since March 2007	Member of the Executive Board of Areva

Current offices

Safran Group:

- *Permanent representative on the Supervisory Board (company represented: Areva SA):* Safran

Non-Group:

- *Chairman:* Areva NP SAS
- *Member of the Executive Board:* Areva SA
- *Director:* Areva NP Inc. (United States); Areva NP USA Inc. (United States)
- *Member of the Supervisory Board:* Areva NP GmbH (Germany)
- *Member of the Supervisory Board:* Souriau Technologies Holding SAS

Offices that expired during the last five years

Safran Group: None

Non-Group:

- *Member of the Executive Board:* Sidel, up to 2004
- *CEO:* Geodis, up to 2006

Pierre Aubouin

Expertise and experience

Graduate of the ESSEC Business School – Holder of a diploma in further accounting and finance studies (DESCF)

1992-1994	Financial Auditor at KPMG Audit, Fiduciaire de France department
1994-1995	Air Commission Headquarters, Audit Office (national service)
1995-2000	Senior Financial Auditor and then Manager at KPMG Audit France
2000-2006	Consultant, Project Manager and then Manager at McKinsey & Co. Inc. France; member of the Global High Technology, Media and Corporate Finance divisions
December 2006 -May 2008	Head of Aerospace and Defence at the State Investments Agency
Since June 2008	Head of Services, Aerospace and Defence Investments at the State Investments Agency

Current offices

Safran Group:

- *Member of the Supervisory Board representing the French State:* Safran

Non-Group:

- *Director representing the French State:* DCNS; Établissement Public de Financement et de Restructuration (EPFR); Imprimerie Nationale; SNPE; Société de Gestion de Participations Aéronautiques (Sogepa); Sogéade Gérance SAS

Offices that expired during the last five years

Safran group: None

Non-Group:

- *Director representing the French State:* La Monnaie de Paris up to October 2008; Civi.Pol Conseil, Giat Industries, TSA (formerly Thomson SA) up to July 2008

Christophe Burg

Expertise and experience

Graduate of École Polytechnique – Graduate of École nationale supérieure de l'aéronautique et de l'espace (French Aerospace School of Engineering)

1987-1989	Research Engineer, Aircraft Manufacturing Division
1989-1992	Manager of "Front Sector Optronics" equipment for the Rafale, Aircraft Manufacturing Division

1992-1996	Head of Rafale Weapons Systems, Aircraft Manufacturing Division
1996-1999	Deputy Armament Attaché at the French Embassy in London
1999-2002	Assistant Deputy Director and Head of the Electronics Bureau at the French Defence Procurement Agency (DGA)
March 2002-Sept. 2004	Deputy Director for the "Aeronautics-Missiles-Space" sector at the French Defence Procurement Agency
Sept. 2004-July 2006	Implementation manager and, as of February 2005, Head of the European Cooperation and Development subdivision at the French Defence Procurement Agency
Since July 2006	Head of Industrial Affairs and Economic Intelligence at the French Defence Procurement Agency

Current offices

Safran Group:

- *Member of the Supervisory Board representing the French State:* Safran

Non-Group:

- *Director representing the French State:* DCNS; GIAT Industries; SNPE; Société de Gestion de Participations Aéronautiques (SOGEPA); Sogéade Gérance SAS

Offices that expired during the last five years

Safran Group:

- *Director representing the French State:* Snecma, up to March 2005

Non-Group: None

Mario Colaiacovo

Expertise and experience

Graduate of the Dijon Business School (École supérieure de commerce and Institut d'administration des entreprises) – Certified Public Accountant

1977-1986	CFO and then Chairman and CEO of Compagnie des Signaux et d'Entreprises Électriques (CSEE)
1987-2001	Chief Financial Officer and then Executive Vice-President, CEO and Chairman and CEO of Sagem
April 2001-January 2007	Chairman of the Supervisory Board of Sagem SA, now Safran

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Director:*

  Covéa Group: MMA Iard Assurances Mutuelles; MMA Vie Assurances Mutuelles

  Crédit Mutuel Group: Le Républicain Lorrain

- *Permanent representative on the Board of Directors:*

  Covéa group: MMA Iard SA *(company represented: MMA Vie Assurances Mutuelles);* MMA Vie SA *(company represented: MMA Vie Assurances Mutuelles);* MMA Coopérations SA *(company represented: Financière du Bourg d'Anguy);* Covéa *(company represented: MMA Vie SA);* Fidélia *(company represented: MMA Iard Assurances Mutuelles)*

  Crédit Mutuel group – CIC: CIC Finance *(company represented: Ugepar Services);* CIC Investissement *(company represented: Ugepar Services);* Banque Transatlantique *(company represented: Impex)*

- *Permanent representative on the Supervisory Board: (company represented: Investmonde):* Le Monde & Partenaires Associés SAS

Offices that expired during the last five years

Safran Group:

- *Chairman of the Supervisory Board:* Sagem SA (now Safran), up to January 2007
- *Director:* Snecma, up to May 2005

Non-Group:

- *Chairman:* Club Sagem SAS, up to June 2006
- *Director:* Consortium de Réalisation (CDR), up to December 31, 2005

François de Combret

Expertise and experience

Graduate of the French School of Administration (ENA) – Graduate of the Paris School of Political Science (IEP)

1967-1971	Auditor at the French Audit Office *(Cour des comptes)*
1972-1974	Advisor for Industrial Affairs on the private staff of the French Minster of Economy and Finance
1973-1994	Auxiliary Judge at the French Audit Office
1974-1978	Technical Advisor to the General Secretariat of the French President
1978-1981	Deputy Secretary General of the French President
1982-1985	Partner of Lazard Frères & Co in New York
1985-2005	Managing Partner of Lazard Frères & Cie in Paris
2006-2009	Senior Advisor to UBS Investment Bank
Since 2010	Senior Advisor to Crédit Agricole CIB

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Director:* Bouygues Télécom; Nexans

Offices that expired during the last five years

Safran group: None

Non-Group:

- *Director:* Renault, up to 2008; Institut Pasteur, up to 2005; Fonds Partenaires Gestion, up to 2005
- *Managing Partner:* Lazard Frères bank, up to 2005

Armand Dupuy

Expertise and experience

Graduate of the ESE engineering school *(École supérieure d'électricité)*

1975-1979	Research Engineer at Sagem
1979-1988	Head Project Engineer at Sagem
1988-1990	Head of the R&D unit at Sagem Research and Development Center, Éragny
1990-1995	Director of Sagem R&D center in Éragny
1995-1997	Director of Sagem R&D centers in Éragny and Argenteuil
1997-2005	Head of Research and Development at Sagem SA
2003-2005	Director of Sagem SA's head office
May 2005-June 2008	Executive Vice-President, Research and Technology, Safran

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Vice-Chairman:* Club Sagem SAS

Offices that expired during the last five years

Safran Group:

- *Permanent representative on the Board of Directors (company represented: Safran):* Teuchos, up to September 2008

Non-Group: None

Jean-Marc Forneri

Expertise and experience

Graduate of the French School of Administration (ENA) – Graduate of the Aix-en-Provence School of Political Science (IEP) – Masters in Business Law, Completion of the French bar exam (CAPA)

1984-1987	Finance Inspectorate
1987-1988	Advisor to Édouard Balladur, Minister of Finance, *rapporteur* for the Commission on Estate Taxes (French Ministry of Finance)
1988-1994	Director and CEO of Skis Rossignol
1994-1996	Managing Partner of Worms et Cie, responsible for the investment bank
1996-2003	Chairman of Credit Suisse First Boston France, Vice-Chairman of Credit Suisse First Boston Europe
Since 2004	Founder and Chairman of Bucéphale Finance

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Chairman:* Bucéphale Finance SAS
- *Member of the Supervisory Board:* Grand Port Maritime de Marseille (GPMM)
- *Director:* Balmain; Intercontinental Exchange (United States)
- *Manager:* Perseus Participations

Offices that expired during the last five years

Safran Group:

- *Director:* Snecma, up to 2005

Non-Group:

- *Director:* Bonnasse Lyonnaise de Banque, up to May 2008; IPE (UK), up to 2005

Patrick Gandil

Expertise and experience

Graduate of École Polytechnique – Civil engineer (Ponts et Chaussées engineering school)

1979-1980	Engineer responsible for the Loing Water Management Plan at the Seine-Normandy Water Authority Finance Agency
1981-1984	Deputy Director and Head of the Major Projects Unit at the Haute-Saône Department of Infrastructure
1984-1988	Teaching Director at *École nationale des ponts et chaussées* (ENPC)
1986-1995	Lecturer at ENPC
1988-1994	Policy Officer (management control, strategy), Assistant Director for Services and Decentralization at the French Ministry of Infrastructure
1994-1995	Val-d'Oise Regional Head of Infrastructure
1995-1997	Deputy principal private secretary to the French Minister for Public Service, State Reform and Decentralization
1997-1999	Head of the Air Force Base Department at the Civil Aviation Agency
1999-2003	Head of highways at the French Ministry of Infrastructure, Housing, Transport and Tourism
Since 2001	General civil engineer *(Ponts et Chaussées)*
2003-2005	Principal private secretary and then Advisor to the French Minister of Infrastructure, Transport, Housing, Tourism and the Sea
2005-2007	Secretary General of the French Ministry of Infrastructure, Transport, Regional Development, Tourism and the Sea
Since October 2007	Director General of Civil Aviation

Current offices

Safran Group:

- *Member of the Supervisory Board representing the French State:* Safran

Non-Group:

- *Director representing the French State:* Société de Gestion de Participations Aéronautiques (Sogepa), *Office national d'études et de recherches aérospatiales* (Onera)
- *Government Commissioner:* Aéroports de Paris
- *Provisional Chairman of the Board:* Eurocontrol (Belgium)

Offices that expired during the last five years

None

Yves Guéna

Expertise and experience

Graduate of the French School of Administration (ENA) – Honorary Councilor of State

1962-1981	MP for the Dordogne region
1967-1969	French Minister of Postal Services and Telecommunications
May-July 1968	French Information Minister
1971-1997	Mayor of Périgueux
1973-1974	Minister of Transport
March-June 1974	French Minister for Industry, Commerce and Trade
1986-1997	MP and then Senator for the Dordogne region
1992-1997	Vice-Chairman of the French Senate
1997-2004	Member and then Chairman of the French Constitutional Council
2004-January 2007	Chairman of the *Institut du monde arabe*
Since 2009	President of the Constitutional Commission for control of electoral boundary changes

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group: None

Offices that expired during the last five years

None

Christian Halary

Expertise and experience

Post-graduate degree (DEA) in microwave frequency technology

1980-2005	Research Engineer and then Engineer responsible for product development at Sagem SA
2005-2008	Engineer responsible for product development at Sagem Défense Sécurité
Since 2009	Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité
	Employee representative at Sagem Défense Sécurité
	Former Secretary of the Sagem Défense Sécurité Central Works Council (CCE)
	Former Secretary of the Sagem SA Group Committee
	Member of the CFE/CGC Coordination Committee for the Safran Group

Current offices

Safran Group:

- *Member of the Supervisory Board representing employee shareholders:* Safran
- *Chairman of the Supervisory Boards of the Corporate Mutual Funds (FCPE):* Partifond, Interfond and Avenir

Non-Group: None

Offices that expired during the last five years

None

Shemaya Levy

Expertise and experience

Graduate of the French School of Statistics and Economic Administration (ENSAE)

1978-1980	Director of America-Asia International Operations for Renault Véhicules Industriels (RVI)
1980-1983	Sales Director, North America, RVI
1983-1987	CEO for Spain, RVI
1987-1991	Director, Sales and International Affairs, RVI
1991-1994	CEO of RVI
1994-1998	Chairman and CEO of RVI
1998-2003	Chairman of Compagnie Financière Renault
	Executive Vice-President of Renault responsible for finance, audit, management control, investment and systems organization and engineering

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Member of the Supervisory Board:* Aegon NV (Netherlands); Ségula Technologies; TNT NV (Netherlands)

Offices that expired during the last five years

Safran Group:

- *Director:* Snecma, up to May 2005

Non-Group:

- *Director:* Nissan Motor Co., Ltd (Japan), up to June 2009; Renault Spain, up to June 2009; Renault Finances, up to February 2006

Michèle Monavon

Expertise and experience

Masters in physical techniques and instrumentation (ISTASE Saint-Étienne) – Post-graduate degree (DEA) in signal processing systems (Supélec Engineering School, Gif-sur-Yvette)

1987-1992	Engineer within the Snecma Group
1992-1997	Sales Manager – Head of Department within the Snecma Group
1997-2008	Sales Manager – Financial and strategic analyst, competition analyst at Snecma and then Safran
Since October 2008	External Relations Manager for employee shareholders at Safran

Current offices

Safran Group:

- *Member of the Supervisory Board representing employee shareholders:* Safran
- *Chair of the Supervisory Board of the Corporate Mutual Fund (FCPE):* Safran Investissement
- *Chair:* Actio's (Association of Safran employee shareholders)

Non-Group:

- *Chair* of the French Federation of associations of shareholders who are current or past employees (FAS)

Offices that expired during the last five years

None

Jean-Bernard Pène

Expertise and experience

Graduate of École Polytechnique – Graduate of École nationale supérieure des techniques avancées (ENSTA)

1979-1989	Head of Research and the Acquisition of Battle Group Monitoring Systems and the Director of the "Forward Electronic Warfare System" Program at the French Defence Procurement Agency
1989-1997	*École supérieure de guerre* and then Deputy Head of the Land Armament Department's Ordnance Office and then head of this office
1997-2000	Force Systems Architect responsible for managing air-land matters at the Force Systems and Planning Department
2000-2004	Head of the Land Armament Programs Department
2004-2005	Project Manager for the Technical Division of the French Defence Procurement Agency and responsible for the creation of the Department of Technical Expertise
2005-2009	Head of the Technical Expertise Department at the French Defence Procurement Agency and Lieutenant General Armament Corps
Since 2009	Army Inspector General – weapons, top-grade general engineer, armaments

Current offices

Safran Group:

- *Member of the Supervisory Board representing the French State:* Safran

Non-Group: None

Offices that expired during the last five years

None

Jean Rannou

Expertise and experience

Engineer, École de l'air – Certified Fighter Pilot – General Staff Commission – Graduate of the École supérieure de guerre aérienne

Former head judge at the French Audit Office *(Cour des comptes)* (2000-2004)

French Airforce general (2nd section) since July 1, 2000

Expert Consultant in strategic and international affairs for two consulting firms

Chairman of the EuroDéfense France Association

Member of the French Scientific Defence Council

Non-Executive Director on the Supervisory Board of Thalès-Raytheon Systems (TRS) and Chairman of the Security Committee

Member of the Air and Space Academy

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Member of the Supervisory Board:* Thalès-Raytheon Systems Company SAS

Offices that expired during the last five years

Safran Group:

- *Director:* Snecma, up to May 2005

Non-Group:

- *Director: Institut français des relations internationales* (IFRI), up to October 2009; *Institut de radioprotection et de sûreté nucléaire* (IRSN), up to April 2008

Michel Toussan

Expertise and experience

Engineer, Arts et Métiers – Graduate of the Supélec Engineering School – Graduate of École du chef d'entreprise (CEO Management School)

Sagem Group from 1969 to 2001:

1969-1971	Research Engineer
1971-Feb. 1986	Head of a Research and Development unit
March 1986-Sept. 2001	Successively occupied the positions of: Head of the Digital Terminals and Sensors Department Head of the Remote Computing Systems Department Head of the Electronics Division Head of the Automobile Division Head of the Cable Division
March 1998-Sept. 2001	Executive Vice-President of Sagem SA
Since 2002	Judge at the Paris Commercial Court

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Chairman:* Club Sagem SAS

Offices that expired during the last five years

None

Bernard Vatier

Expertise and experience

Post-graduate degree (DES) in private law and criminal sciences – Graduate of the Business Law Institute, University of Paris II

Since 1971	Attorney at the Paris Court of Appeals, member of the law firm of Vatier & Associés
1974-1985	Lecturer at the *École supérieure des sciences économiques et commerciales*
1989-1993	Member of the Management Committee of the *Union internationale des avocats*
1990-1995	Secretary General of the *Union nationale des Carpa* (Funds for Lawyers' Pecuniary Settlements)
1996-1997	Chairman of the Paris Bar Association
1998-2002	Head of the French Delegation on the European Bar Council
1998-2009	Member of the Paris Bar Council
2003-2005	Vice-Chairman and then Chairman of the European Bar Council
Since 2005	Founding director of the Chirac Foundation
Since 2009	Chairman of the *Union nationale des Carpa*

Current offices

Safran Group:

- *Member of the Supervisory Board:* Safran

Non-Group:

- *Director:* Aviva Participations; Aviva France

Offices that expired during the last five years

- *Member of the Supervisory Board:* Aviva France, up to October 2008

5.3 REFERENCE CORPORATE GOVERNANCE CODE

Safran refers to the "Code of Corporate Governance for listed companies" drawn up jointly by two French employers' associations, the AFEP [1] and the MEDEF [2], in its consolidated version dated December 2008. This code may be consulted in French on the website www.code-afep-medef.com.

Where certain recommendations included in this code, or guidelines adopted subsequently for its enforcement, could not be implemented, this is justified in the Report of the Chairman of the Supervisory Board (see section 5.6.3 – Application of the AFEP-MEDEF Corporate Governance Code).

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

5.4 CORPORATE OFFICER COMPENSATION

Members of the Executive Board

PRINCIPLES AND RULES APPLIED TO DETERMINE THE COMPENSATION PAID TO MEMBERS OF THE EXECUTIVE BOARD

Fixed and variable compensation, benefits-in-kind

Executive Board member compensation is set by the Supervisory Board based on the recommendation of the Appointments and Compensation Committee. It comprises a fixed and a variable component. Executive Board members also receive a company car, as a benefit-in-kind and, where applicable, may have the services of a driver.

The amount of the variable remuneration corresponding to full achievement of objectives set is 100% of fixed compensation, for the Chairman and Executive Board members (effective as of August 1, 2009 for the four new members appointed on July 29, 2009). This percentage may be increased, if objectives are exceeded, under conditions left to the discretion of the Appointments and Compensation Committee.

The Appointments and Compensation Committee keeps itself regularly informed of the compensation practices for executive officers in groups in a comparable situation and asks specialist firms to carry out studies where required.

Executive Board members receive compensation exclusively from Safran and do not receive any compensation from other Group companies.

For the 2009 fiscal year, the fixed compensation was maintained at the same amounts as in 2008 and the rules used to determine the variable component were set as follows: one-third based on individual objectives (around five explicitly documented criteria) and two-thirds based on economic objectives, such objectives being proposed at the beginning of the year by the Chairman of the Executive Board to the Appointments and Compensation Committee.

For the 2010 fiscal year, the fixed compensation of the Chairman and the members of the Executive Board was frozen at the level for 2009, which was identical to the amount for 2008 for those present. With regard to the variable component, half of this component will be determined on the basis of individual objectives (around five explicitly documented criteria) and half on economic objectives.

For 2009 and 2010, half of the economic objectives are based on EBIT (1) and half on WCR (2). As concerns the Chairman of the Executive Board and the members of the Executive Board in charge of a functional division, the EBIT and WCR applied are those of the Group; for members of the Executive Board responsible for an operational branch, the EBIT and WCR relate for one-third to the Group and for two-thirds to the branch they run.

Pension plans

No special supplementary pension plans have been set up for the members of Safran's Executive Board.

Compensation or benefits paid in respect of the termination of office or a change of duties

The members of the Executive Board do not benefit from any provisions other than those inherent to their employment contracts as employees.

On the recommendation of the Appointments and Compensation Committee, the Supervisory Board meeting of October 18, 2007 decided that at the end of his term of office and in the event of the early termination thereof, for whatever reason Jean-Paul Herteman shall regain his position as an employee, since his employment contract will only have been suspended during his term of office as Chairman of the Executive Board and that said term of office shall be taken into account when calculating his length of service; he will benefit from maintenance of the last compensation amount (fixed and variable) received as Chairman of the Executive Board, unless the objectives set by the Supervisory Board for the last fiscal year are significantly under-attained; the Supervisory Board shall meet to assess the extent to which objectives are attained.

In the specific case where his term of office is terminated prematurely as a result of merger with or into another company and should Jean-Paul Herteman fail to accept any of the employment positions proposed to him at that time, his employment contract shall be terminated and he shall benefit, in addition to the provisions set out in the French Labor Code and the collective bargaining agreement applicable to engineers and managerial staff in the metallurgy industry, from an additional payment equal to nine months of his final salary as Chairman of the Executive Board. This payment shall potentially be reduced to reflect the extent to which performance objectives set by the Supervisory Board for the determination of variable compensation, are attained during the last year of his term of office as Chairman. The Supervisory Board shall hold a special meeting in order to assess attainment of these objectives and set the exact amount of this compensation.

(1) Profit (loss) from operations.

(2) Working capital requirements.

These commitments were approved by the Annual General Meeting of May 28, 2008 and are published on the Company's website (www.safran-group.com).

Stock options

Safran has not granted any stock subscription or purchase options since it was incorporated on May 11, 2005.

Sagem SA had set up stock purchase option plans prior to the Sagem-Snecma merger which gave rise to Safran on May 11, 2005. The last plan dated April 21, 2004 expired on April 21, 2009 and no options were exercised by the members of Safran's Executive Board during the option exercise period (from April 21, 2008 to April 21, 2009).

Performance shares

Safran did not allocate any performance shares to the members of the Executive Board.

Free shares

Within the scope of the authorization granted to it by the Annual General Meeting of May 28, 2008, Safran's Executive Board decided on April 3, 2009 to make a free grant of existing Safran shares to employees of Group companies that fall within the scope of the European Works Council, on the basis of one hundred free shares per beneficiary.

The members of the Executive Board who could have benefited from this plan for the grant of free shares under their employment contract individually waived such rights.

SUMMARY TABLES SHOWING THE INDIVIDUAL COMPENSATION OF EXECUTIVE BOARD MEMBERS

Jean-Paul Herteman, Chairman of the Executive Board

Summary of compensation, stock options and shares granted

	2008	2009
Compensation due for the year (broken down in the table below)	€1,372,621 incl. a fixed component of €700,000	€1,505,958 incl. a fixed component of €700,000
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

	2008		2009	
(gross)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	€700,000	€700,000	€700,000	€700,000
Variable compensation	€665,000	€480,000 (1)	€800,000	€665,000 (2)
Extraordinary compensation	€2,000 (3)	€2,000 (3)	None	None
Attendance fees	None	None	None	None
Benefits-in-kind (4)	€5,621	€5,621	€5,958	€5,958
TOTAL	€1,372,621 incl. a fixed component of €700,000	€1,187,621 incl. a fixed component of €700,000	€1,505,958 incl. a fixed component of €700,000	€1,370,958 incl. a fixed component of €700,000

(1) For 2007.
(2) For 2008.
(3) Company contribution.
(4) Company car.

Olivier Andriès, member of the Executive Board

Summary of compensation, stock options and shares granted

	2008 (*)	2009
Compensation due for the year (broken down in the table below)	€468,967 incl. a fixed component of €250,000	€590,138 incl. a fixed component of €315,000
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

(*) For the period from March 1, 2008 to December 31, 2008 (he joined the Group on March 1, 2008).

Summary of compensation

	2008 (*)		2009	
(gross)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	€250,000	€250,000	€315,000	€315,000
Variable compensation	€195,000	None	€267,000	€195,000 (1)
Extraordinary compensation	€20,278 (2)	None	€2,000 (3)	€22,278 (4)
Attendance fees	None	None	None	None
Benefits in-kind (5)	€3,689	€3,689	€6,138	€6,138
TOTAL	€468,967 incl. a fixed component of €250,000	€253,689 incl. a fixed component of €250,000	€590,138 incl. a fixed component of €315,000	€538,416 incl. a fixed component of €315,000

(*) For the period from March 1, 2008 to December 31, 2008 (he joined the Group on March 1, 2008).
N.B.: Olivier Andriès joined the Safran Group on March 1, 2008, and was appointed as a member of the Executive Board on July 29, 2009. The compensation paid to him in 2008 and 2009 corresponds to his duties as Executive Vice-President, Strategy and Development up to September 30, 2009 and Executive Vice-President, Defence Security branch since October 1, 2009. He does not receive any compensation as a member of the Executive Board.
(1) In respect of the 2008 fiscal year (for the period from March 1, 2008 to December 31, 2008).
(2) Payments under statutory and optional profit-sharing schemes.
(3) 2009 company contribution. Excluding payments for 2009 under statutory and optional profit-sharing schemes, the final amounts of which were not known at the date when this document was prepared.
(4) Payments for 2008 under statutory and optional profit-sharing schemes; 2009 company contribution.
(5) Company car: €3,689 in 2008 and €5,533 in 2009.

Dominique-Jean Chertier, member of the Executive Board

Summary of compensation, stock options and shares granted

	2008	2009
Compensation due for the year (broken down in the table below)	€922,468 incl. a fixed component of €460,000	€924,462 incl. a fixed component of €460,000
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

	2008		2009	
(gross)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	€460,000	€460,000	€460,000	€460,000
Variable compensation	€437,000	€320,000 (1)	€460,000	€437,000 (2)
Extraordinary compensation	€21,006 (3)	None	None (4)	€21,006 (3)
Attendance fees	None	None	None	None
Benefits in-kind (5)	€4,462	€4,462	€4,462	€4,462
TOTAL	€922,468 incl. a fixed component of €460,000	€784,462 incl. a fixed component of €460,000	€924,462 incl. a fixed component of €460,000	€922,468 incl. a fixed component of €460,000

N.B.: The compensation paid to Dominique-Jean Chertier in 2008 and 2009 corresponds to his duties as Executive Vice-President, Social and Institutional Affairs. He does not receive any compensation as a member of the Executive Board, an office he has held since January 1, 2007.
(1) For 2007.
(2) For 2008.
(3) Payments for 2008 under statutory and optional profit-sharing schemes.
(4) Excluding payments for 2009 under statutory and optional profit-sharing schemes, the final amounts of which were not known at the date when this document was prepared.
(5) Company car.

Xavier Lagarde, member of the Executive Board

Summary of compensation, stock options and shares granted

	2008	2009
Compensation due for the year (broken down in the table below)	€845,870 incl. a fixed component of €410,000	€815,468 incl. a fixed component of €410,000
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

	2008		2009	
(gross)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	€410,000	€410,000	€410,000	€410,000
Variable compensation	€410,000	€260,000 (1)	€398,000	€410,000 (2)
Extraordinary compensation	€21,006 (3)	None	€2,000 (4)	€23,006 (5)
Attendance fees	None	None	None	None
Benefits in-kind (6)	€4,864	€4,864	€5,468	€5,468
TOTAL	€845,870 incl. a fixed component of €410,000	€674,864 incl. a fixed component of €410,000	€815,468 incl. a fixed component of €410,000	€848,474 incl. a fixed component of €410,000

N.B.: The compensation paid to Xavier Lagarde in 2008 corresponds to his duties as Executive Vice-President, Communications branch and that paid in 2009 to his duties as Executive Vice-President, Quality, Audit and Risk since June 1, 2009. He does not receive any compensation as a member of the Executive Board, an office he has held since January 1, 2007.

(1) For 2007.

(2) For 2008.

(3) Payments under statutory and optional profit-sharing schemes.

(4) 2009 company contribution. Excluding payments for 2009 under statutory and optional profit-sharing schemes, the final amounts of which were not known at the date when this document was prepared.

(5) Payments for 2008 under statutory and optional profit-sharing schemes; 2009 company contribution.

(6) Company car: €4,864 in 2008 and 2009.

Yves Leclère, member of the Executive Board

Summary of compensation, stock options and shares granted

	2008	2009
Compensation due for the year (broken down in the table below)	€502,305 incl. a fixed component of €300,000	€493,085 incl. a fixed component of €315,000
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

	2008		2009	
(gross)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	€300,000	€300,000	€315,000	€315,000
Variable compensation	€174,000	€162,400 (1)	€170,000	€174,000 (2)
Extraordinary compensation	€23,006 (3)	€23,766 (4)	€2,000 (5)	€23,006 (6)
Attendance fees	None	None	None	None
Benefits in-kind (7)	€5,299	€5,299	€6,085	€6,085
TOTAL	€502,305 incl. a fixed component of €300,000	€491,465 incl. a fixed component of €300,000	€493,085 incl. a fixed component of €315,000	€518,091 incl. a fixed component of €315,000

N.B.: Yves Leclère was appointed as a member of the Executive Board on July 29, 2009. The compensation paid to him in 2008 and 2009 corresponds to his duties as Executive Vice-President, Aircraft Equipment branch. He does not receive any compensation as a member of the Executive Board.

(1) For 2007.

(2) For 2008.

(3) Payments for 2008 under statutory and optional profit-sharing schemes; 2008 company contribution.

(4) Payments for 2007 under statutory and optional profit-sharing schemes; 2008 company contribution.

(5) 2009 company contribution. Excluding payments for 2009 under statutory and optional profit-sharing schemes, the final amounts of which were not known at the date when this document was prepared.

(6) Payments for 2008 under statutory and optional profit-sharing schemes; 2009 company contribution.

(7) Company car.

Ross McInnes, member of the Executive Board

Summary of compensation, stock options and shares granted

	2008 (*)	2009 (**)
Compensation due for the year (broken down in the table below)	-	€559,288 incl. a fixed component of €288,846
Value of options granted during the year	-	No options granted
Valuation of performance shares granted during the year	-	No performance shares granted

(*) Joined the Group on March 15, 2009. (**) Period from March 15, 2009 to December 31, 2009.

Summary of compensation

	2008 (*)		2009 (**)	
(gross)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	-	-	€288,846	€288,846
Variable compensation	-	-	€265,000	None
Extraordinary compensation	-	-	€2,000 (1)	€2,000 (2)
Attendance fees	-	-	None	None
Benefits-in-kind (3)	-	-	€3,442	€3,442
TOTAL	-	-	€559,288 incl. a fixed component of €288,846	€294,288 incl. a fixed component of €288,846

(*) Joined the Group on March 15, 2009. (**) Period from March 15, 2009 to December 31, 2009.

N.B.: Ross McInnes joined the Safran Group on March 15, 2009, and was appointed as a member of the Executive Board on July 29, 2009. The compensation paid to him in 2009 corresponds to his duties as Advisor to the Chairman up to May 31, 2009 and as Executive Vice-President, Economic and Financial Affairs since June 1, 2009. He does not receive any compensation as a member of the Executive Board.

(1) 2009 company contribution. Excluding payments for 2009 under statutory and optional profit-sharing schemes, the final amounts of which were not known at the date when this document was prepared.

(2) 2009 company contribution.

(3) Company car: €2,623.

Marc Ventre, member of the Executive Board

Summary of compensation, stock options and shares granted

	2008	2009
Compensation due for the year (broken down in the table below)	€697,782 incl. a fixed component of €380,000	€806,012 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

	2008		2009	
(gross)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	€380,000	€380,000	€400,000	€400,000
Variable compensation	€288,800	€306,000 (1)	€400,000	€288,800 (2)
Extraordinary compensation	€23,006 (3)	€23,766 (4)	None (5)	€21,006 (6)
Attendance fees	None	None	None	None
Benefits in-kind (7)	€5,976	€5,976	€6,012	€6,012
TOTAL	€697,782 incl. a fixed component of €380,000	€715,742 incl. a fixed component of €380,000	€806,012 incl. a fixed component of €400,000	€715,818 incl. a fixed component of €400,000

N.B.: Marc Ventre was appointed as a member of the Executive Board on July 29, 2009. The compensation paid to him in 2008 and 2009 corresponds to his duties as Executive Vice-President, Aerospace Propulsion branch. He does not receive any compensation as a member of the Executive Board.

(1) For 2007.

(2) For 2008.

(3) Payments for 2008 under statutory and optional profit-sharing schemes; 2008 company contribution.

(4) Payments for 2007 under statutory and optional profit-sharing schemes; 2008 company contribution.

(5) Excluding payments for 2009 under statutory and optional profit-sharing schemes, the final amounts of which were not known at the date when this document was prepared.

(6) Payments for 2008 under statutory and optional profit-sharing schemes.

(7) Company car: €5,976 in 2008 and 2009.

SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS, COMPENSATION FOR TERMINATION AND NON-COMPETITION AGREEMENTS OF EXECUTIVE BOARD MEMBERS

Executive Board members	Employment contract		Supplementary pension plan		Compensation or benefits liable to be due for termination of office, change in duties, or non-competition agreements	
	Yes	No	Yes	No	Yes	No
Jean-Paul Herteman, Chairman of the Executive Board	(1)			X	(2)	
Olivier Andriès, member of the Executive Board	X			X		X
Dominique-Jean Chertier, member of the Executive Board	X			X		X
Xavier Lagarde, member of the Executive Board	X			X		X
Yves Leclère, member of the Executive Board	X			X		X
Ross McInnes, member of the Executive Board	X			X		X
Marc Ventre, member of the Executive Board	X			X		X

(1) Employment contract suspended since September 3, 2007 (see section 5.6.3 – Application of the AFEP-MEDEF Corporate Governance Code).
(2) Commitment in respect of the termination of the office of the Chairman of the Executive Board (see section 5.4 – Principles and rules applied to determine the compensation paid to members of the Executive Board).

Members of the Supervisory Board

PRINCIPLES AND RULES APPLIED TO DETERMINE THE COMPENSATION PAID TO MEMBERS OF THE SUPERVISORY BOARD

Compensation, attendance fees

The Chairman of the Supervisory Board of Safran receives compensation determined by the Supervisory Board on the recommendation of the Appointments and Compensation Committee. He receives fixed compensation, together with a vehicle with a driver made available to him, plus the payment of attendance fees.

Only the two members of the Supervisory Board representing employee shareholders have an employment contract with the Company and their salaries, received under their employment contracts with Safran, are not required to be disclosed.

The other members of the Supervisory Board only receive attendance fees as compensation.

The attendance fees are provided for in Article 29 of the Company's bylaws. The total amount of attendance fees was set at €670,000 by the Shareholders' Meeting of December 20, 2004, with effect from March 17, 2005, and until the next decision. This amount has not been changed since that time.

The methods of allocation of the total amount of attendance fees are set by the Supervisory Board's Internal Rules. Board members waive the right to part of the fees in favor of the two Board advisors *(censeurs),* who are considered as one member for the purposes of allocation of the fees. A fixed portion of these fees, representing two-thirds of the total amount, is split equally among members. The remaining one-third is allocated according to the rate of attendance by members at Supervisory Board 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.

Stock options

None.

Performance shares

None.

Free shares

Among the members of the Supervisory Board, only the two representatives of the employee shareholders benefited, in their capacity as employees of the Company, from the grant of one hundred existing Safran shares free of consideration, within the scope of share grant plans set up by the Executive Board on April 3, 2009 for the employees of the companies of the Group that fall within the scope of the European Works Council.

These share grants in favor of the employees were not subject to performance conditions.

SUMMARY TABLE OF COMPENSATION PAID TO THE CHAIRMAN OF THE SUPERVISORY BOARD

Francis Mer, Chairman of the Supervisory Board

Summary of compensation, stock options and shares granted

	2008	2009
Compensation due for the year (broken down in the table below)	€445,340	€434,050
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

	2008		2009	
(net)	**Amounts due for the year**	**Amounts paid during the year**	**Amounts due for the year**	**Amounts paid during the year**
Fixed compensation	€400,000	€400,000	€400,000	€400,000
Variable compensation	None	None	None	None
Extraordinary compensation	None	None	None	None
Attendance fees	€45,340	€38,509	€34,050	€45,340
Benefits-in-kind	None	None	None	None
Total	€445,340	€438,509	€434,050	€445,340

SUMMARY TABLE OF ATTENDANCE FEES PAID TO SUPERVISORY BOARD MEMBERS

	Amount of attendance fees		
Members of the Supervisory Board in office in 2009 (excluding representatives of the French State)	**2007 (paid in 2008)**	**2008 (paid in 2009)**	**2009 (paid in 2010)**
Francis Mer	€38,509	€45,340	€34,050
Anne Lauvergeon (office ended on April 15, 2009)	€33,283	€30,840	€6,729
Luc Oursel representing Areva (office start date: April 15, 2009)	-	-	€22,104
Mario Colaiacovo	€41,993	€38,090	€32,746
François de Combret	€37,638	€31,876	€36,658
Armand Dupuy	€31,541	€31,876	€31,442
Jean-Marc Forneri	€32,412	€29,804	€34,050
Yves Guéna	€31,541	€31,876	€31,442
Christian Halary	€31,541	€29,804	€31,442
Shemaya Levy	€47,219	€43,268	€44,482
Michel Lucas	€37,638	€34,983	€48,394
Michèle Monavon	€31,541	€31,876	€31,442
Jean Rannou	€35,896	€44,304	€39,266
Michel Toussan	€33,283	€38,090	€39,266
Bernard Vatier	€35,025	€32,911	€34,050
Total attendance fees paid to members of the Supervisory Board in office in 2009	**€499,060**	**€494,938**	**€497,563**
Total attendance fees paid	€667,863 (1)	€670,000 (2)	€670,000 (3)

(1) Including 2007 attendance fees paid to:
- *the French Treasury for State representatives: €138,763;*
- *Board advisors: €30,040 (Georges Chodron de Courcel: €15,020; Pierre Moraillon: €15,020).*

(2) Including 2008 attendance fees paid to:
- *the French Treasury for State representatives: €142,002;*
- *Board advisors: €33,060 (Georges Chodron de Courcel: €17,632; Pierre Moraillon: €15,428).*

(3) Including 2009 attendance fees paid to:
- *the French Treasury for State representatives: €140,111;*
- *Board advisors: €32,326 (Georges Chodron de Courcel: €15,673; Pierre Moraillon: €16,653).*

SUMMARY TABLE OF FREE SHARES GRANTED TO SUPERVISORY BOARD MEMBERS

Members of the Supervisory Board	Date of share grant plan	Number of free shares granted (due to their status as Safran employees)	Share value	Vesting date	Availability date
Christian Halary	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013
Michèle Monavon	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013

5.5 OTHER INFORMATION

Share transactions performed by corporate officers

To the best of the Company's knowledge, share transactions performed by Safran's corporate officers in 2009 were as follows:

Corporate officer	Transaction date	Nature of the transaction	Number of shares	Price per share
Jean Rannou	May 17, 2009	Acquisition	3,546	€7.02

Information on service contracts linking the members of the Executive Board or Supervisory Board and the Company or one of its subsidiaries

There are no service contracts linking members of the Executive Board or Supervisory Board and Safran or any of its subsidiaries concerning the award of benefits.

Disclosure of family ties and the absence of convictions involving members of the Executive Board and the Supervisory Board

To the best of the Company's knowledge:

- there are no family ties between members of the Executive Board and the Supervisory Board;
- there is a family tie between two members of the Supervisory Board, François de Combret and Bernard Vatier (brothers-in-law);
- no member of the Executive Board or the Supervisory Board:
  - 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 a Board of Directors, Executive Board or Supervisory Board, or from participating in the management or performance of a company's business.

Conflicts of interest at Executive Board and Supervisory Board level

To the best of the Company's knowledge:

- there are no potential conflicts of interest between the duties, with respect to Safran, of members of the Executive Board or the Supervisory Board and their private interests and/or other duties;
- no members of the Executive Board or the Supervisory Board were appointed based on arrangements or agreements with the principal shareholders, customers, suppliers or other parties.

The restrictions accepted by certain members of the Executive Board and the Supervisory Board on the sale of their shares in Safran are set out in section 6.3.5 – Undertaking to hold securities.

5.6 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Report of the Chairman of the Supervisory Board to the Annual General Meeting of May 27, 2010, pursuant to the provisions of Article L. 225-68 of the French Commercial Code *(Code de commerce)*.

To prepare this report, the Chairman of the Supervisory Board consulted the Audit and Internal Control Department and the Group Risk and Insurance Department. This report was reviewed by the Audit Committee prior to approval by the Supervisory Board at its meeting on April 13, 2010.

5.6.1 Composition, organization and work of the Supervisory Board

When Sagem formed an alliance with Snecma, which led to the privatization of Snecma and the formation of Safran, the managers of the two companies chose to ensure continuity in terms of governance by maintaining the dual structure of an Executive Board and a Supervisory Board, the structure originally in place in the absorbing company.

Safran abides by the AFEP-MEDEF [1] Corporate Governance Code of Listed Corporations published in December 2008. Where it has not been possible to enact recommendations from this document, justification thereof is given in section 5.6.3 – Application of the AFEP-MEDEF Corporate Governance Code of this report.

MEMBERS OF THE SUPERVISORY BOARD

Composition of the Supervisory Board

The composition of the Safran Supervisory Board is subject to the provisions of French ordinary law applicable to private sector companies. However, since the State owns more than ten percent of the share capital, pursuant to Article 12 of French Law No. 49-985 of July 25, 1949, a number of seats are reserved for the State in proportion to its stake, on the understanding that it may not hold more than two-thirds of the total number of seats on the Board.

The Supervisory Board has eighteen members appointed by the Annual General Meeting, including four representatives of the French State appointed by Ministerial Decree and then put to the vote at the Annual General Meeting, and two representatives of employee shareholders appointed in their capacity as Chair of the Supervisory Boards of the Safran Group Corporate Mutual Funds (FCPE) that hold the largest number of Safran shares.

Two Board advisors *(censeurs)* appointed by the Supervisory Board in accordance with the Company's bylaws also attend Supervisory Board 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 business sector, and four representatives of the Works Council in accordance with the French Labor Code.

The statutory auditors are invited to the Board meetings called to review and close off the annual and interim financial statements and the documents prepared for the Annual General Meetings.

In accordance with the Board's Internal Rules, depending on the matters discussed, the Chairman of the Supervisory Board may invite one or more members of the Executive Board and/or any member of management who may be able to provide Board members with helpful information on an agenda item to attend Supervisory Board meetings.

The following held seats on the Supervisory Board at December 31, 2009:

- Francis Mer *(Chairman);*
- Michel Lucas *(Vice-Chairman since April 15, 2009);*
- Areva *(permanent Board representative: Luc Oursel),* appointed on April 15, 2009, in replacement of Anne Lauvergeon, resigning with effect from this date;
- Mario Colaiacovo, François de Combret, Armand Dupuy, Jean-Marc Forneri, Yves Guéna, Shemaya Levy, Jean Rannou, Michel Toussan and Bernard Vatier;
- Pierre Aubouin, Christophe Burg, Patrick Gandil and Jean-Bernard Pène *(State representatives);*
- Christian Halary and Michèle Monavon *(representatives of employee shareholders).*

In 2009, the following changes affected the composition of the Supervisory Board:

Anne Lauvergeon resigned from her duties as Vice-Chair and member of the Supervisory Board on April 15, 2009. At its meeting of April 15, 2009, the Supervisory Board co-opted Areva as new Board member, and Areva appointed Luc Oursel as its permanent representative. Michel Lucas was appointed Vice-Chairman of the Supervisory Board. Co-optation of Areva was ratified by the Annual General Meeting of May 28, 2009.

No changes in the composition of the Supervisory Board took place between January 1, 2010, and the date of notification for the Annual General Meeting of May 27, 2010.

Independence of Board Members

Seven of the eighteen members of the Supervisory Board are deemed to be independent: François de Combret, Jean-Marc Forneri, Yves Guéna, Shemaya Levy, Michel Lucas, Jean Rannou and Bernard Vatier.

The independence of Board members is periodically reviewed by the Supervisory Board based on the findings of the Appointments and Compensation Committee. In 2009, this point was reviewed at the Board meeting taking place on February 17, further to which no changes were recorded as regards the list of independent members.

(1) AFEP: Association Française des Entreprises Privées – MEDEF: Mouvement des Entreprises de France.

The independence criteria used are those set out in the AFEP-MEDEF code. Furthermore, the Supervisory Board has defined the following rules of conduct applicable to Board members who work in banks:

- members may not take part in the preparation or solicitation of service offers targeting the Company;
- members may not effectively take part in the activities of the bank where a mandate is granted;
- members may not vote on any resolution concerning a project in which the bank concerned is or may be involved as an advisor.

Members of the Supervisory Board falling into this category (François de Combret, Jean-Marc Forneri, and Michel Lucas) undertook to abide by the above principles and this undertaking was taken into account when assessing their position with regard to independence criteria.

Finally, it should be noted that under the terms of the Board's Internal Rules, members of the Supervisory Board must inform the Chairman of any effective or potential conflict of interest with the Company.

Term of office of Supervisory Board members

The eighteen members of the Supervisory Board are appointed by the Annual General Meeting for a term of six years in accordance with Article 24 of the Company's bylaws.

The tenures of all Supervisory Board members expire in 2011, at the end of the Annual General Meeting called to approve the financial statements for 2010.

Compulsory shareholdings

In accordance with Article 23 of the Company's bylaws, each member of the Supervisory Board, except for representatives of the State or employee shareholders, must hold at least 20 registered shares in the Company.

At its meeting on June 23, 2005, the Supervisory Board decided to significantly increase, in stages, the minimum number of shares its members must hold. As of December 31, 2008, this minimum was set at 1,500 shares. As of that date, each Board member subject to the shareholding obligation fulfilled this requirement.

Confidentiality – Transactions in the Company's shares

Members of the Supervisory Board and all individuals who attend Board meetings are under obligations of confidentiality and discretion with respect to information provided to them in this context.

At its meeting of December 13, 2007, on a proposal by the Executive Board, the Supervisory Board adopted a procedure concerning the prevention of insider trading within the Safran Group. The aim of this procedure is to:

- reiterate all obligations arising in particular out of the General Regulations and instructions issued by the AMF applicable to corporate officers, executive management and key employees with access to confidential information;
- enact, in addition to the obligations imposed by law and regulations, internal rules concerning the periods in which transactions in the Company's shares may be carried out.

Under the terms of this internal procedure, transactions in the Company's shares may only be performed by corporate officers, executive management and key employees with access to confidential information between the 11th stock market session following:

- the date of publication of annual results;
- the date of publication of interim results;
- and the 90th calendar day following these dates.

ORGANIZATION AND WORK OF THE SUPERVISORY BOARD

Internal Rules of the Board

The work of the Supervisory Board is governed by provisions of the law and the bylaws and by a set of Internal Rules, which clarify, in particular, the conditions governing the exercise by the Board of its powers, define the duties and operating rules of its special committees, and set the rules for the allocation of attendance fees to Board members. These Internal Rules are available on the Company's website (www.safran-group.com).

Powers of the Supervisory Board – Limits imposed on the powers of the Executive Board

The Supervisory Board exercises the rights granted by law and regulations.

In addition, pursuant to Article 19 of the Company's bylaws and the Board's Internal Rules, the following decisions of the Executive Board must be submitted to the Supervisory Board for prior authorization:

1/ Decisions subject to prior authorization, irrespective of the transaction amount:

- issues of any kind of investment securities liable to entail a change in the share capital;
- major decisions to establish foreign operations, directly via the creation of companies or direct or indirect subsidiaries, or by the acquisition of interests, or decisions to close these establishments;
- major operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.

The Executive Board is responsible for assessing the importance of decisions or operations.

2/ Decisions subject to prior authorization where the transaction amount exceeds €40 million:

- acquisition or disposal of real estate;
- acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issue of shares, partnership shares or bonds, excluding cash transactions;
- any exchange, with or without balancing cash adjustment, relating to assets or securities, excluding cash transactions;
- in the event of litigation, the signature of any agreement or settlement agreement, acceptance of any settlement;

- creation of collateral on Company assets.

3/ Decisions subject to prior authorization where the transaction amount exceeds €150 million:

- the granting or taking out of any loan, credit facility or advance;
- the acquisition or disposal of any receivable, by any means.

In addition and in accordance with legal provisions, deposits, endorsements and guarantees may only be granted by the Company after authorization by the Supervisory Board. Each year, the Board sets an overall threshold up to which deposits, endorsements and guarantees may be granted by the Executive Board; any commitment exceeding this overall limit must be specifically authorized by the Supervisory Board.

At its meeting on December 18, 2008, the Supervisory Board decided to increase the overall annual threshold for 2009 from €150 million to €500 million, to enable the Executive Board to meet potential requests for guarantees by its airline customers. At its meeting on May 14, 2009, the Supervisory Board granted special authorization for a payment guarantee regarding the price of an acquisition. The annual threshold of €500 million has been renewed for 2010.

Board information

The agenda for Supervisory Board meetings is put forward by the Secretary to the Chairman and takes account of the work of the Board's special committees and proposals made by Board members.

Before each meeting and approximately one week prior to the meeting date, Board members receive the agenda and all documents necessary to inform them on the matters to be discussed during the meeting, as well the draft minutes of the previous meeting. They may request communication prior to the meeting of any additional documents they consider useful.

In addition, the Executive Board or its Chairman continually keeps the Supervisory Board informed, by any means, of all significant events concerning the Group. Its members receive a copy of Company press releases and a monthly press review, together with the minutes of all Audit Committee meetings.

Board meetings

A provisional timetable of meetings is proposed to the Supervisory Board at the end of each year for the following year.

The Supervisory Board meets at least four times a year and meetings may be convened by any means. The Board's Internal Rules state that meetings may be held, where necessary, by conference call or videoconference.

At least one-half of members must actually be present at Board meetings for the Board's decisions to be valid. Decisions are taken by majority vote of the members present or represented. In the event of a split vote, the Chairman shall cast the deciding vote.

Supervisory Board members may be represented, under their responsibility, by another member of the Board, subject to a maximum of one power of attorney per Board member.

Minutes are drawn up for each Board meeting and forwarded to all Board members with a view to their adoption at the next meeting.

Activities of the Supervisory Board in 2009

The Supervisory Board met six times in 2009, with an average attendance rate of 87%.

The Chairman of the Executive Board and the Executive Vice-President responsible for Economic and Financial Affairs attended all meetings. Other members of the Executive Board attended meetings as was necessary. The Executive Vice-President in charge of Strategy was invited to three meetings and the Chief Executive Officer of subsidiary Sagem Sécurité on two occasions to give presentations on strategy and acquisition-related plans. The statutory auditors attended the meetings held to review and certify the 2008 financial statements and the 2009 interim financial statements and to prepare the documents intended for the Annual General Meeting of May 28, 2009.

In accordance with the provisions of Internal Rules, certain deliberations of the Supervisory Board were prepared by 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 work of the Supervisory Board in 2009 was as follows:

In connection with its supervisory role:

- The Supervisory Board reviewed individual and consolidated accounts for 2008 and interim 2009 reports provided by the Executive Board. The Chairman of the Audit Committee and the statutory auditors gave account of their tasks and the conclusions of their work.
- On February 17, 2009, the Supervisory Board ratified current-year guidance in relation to revenue and profit from operations. Press releases of a financial nature were submitted to the Supervisory Board as well as to the Audit Committee prior to publication.
- The quarterly business reports of the Executive Board were presented to the Supervisory Board by the Chairman of the Executive Board. Members of the Supervisory Board were able to obtain all the additional information desired.
- The Supervisory Board reviewed all the documents prepared by the Executive Board for the Annual General Meeting, particularly the management report and resolutions to be put forward.

In the area of governance:

- On April 15, 2009, the Supervisory Board co-opted a new Board member to replace a member who was resigning; it provided for the replacement of its Vice-President and secretary and renewed the term of office of an advisor; pursuant to provisions in the Company's bylaws, it extended the maximum term of office of the Chair and Vice-Chair by two years.
- On July 29, 2009, the Supervisory Board, acting on the favorable opinion of the Appointments and Compensation Committee, accepted the proposal made by the Chairman of the Executive Board with regard to the appointment of four new members to the Executive Board. The Supervisory Board was informed of the decision by the Chairman of the Executive Board to cease the general management of the Defence Security branch and appoint a member of the Executive Board as a replacement.

- In February, after hearing the deliberations by the Appointments and Compensation Committee with regard to the independent status of each of the Supervisory Board's members, the Supervisory Board ratified the list, set out by said committee, of the members deemed to be independent.
- On April 15, 2009, the Supervisory Board reviewed the report drawn up by its Chairman with regard to how the Board organizes its work and concerning internal control and risk management procedures and, on the recommendation of the Audit Committee, approved the terms thereof.
- At the meeting on May 14, 2009, the Chairman of the Supervisory Board presented a summary evaluation of this Board's workings, after perusal of responses from a questionnaire handed out to each of its members in February.
- With regard to the compensation of executive corporate officers, the Supervisory Board meeting on February 17, 2009, adopted the proposals of the Appointments and Compensation Committee concerning the amount of variable compensation for members of the Executive Board in respect of 2008 as well as the criteria for calculating variable compensation in respect of 2009. At its meeting on October 15, 2009, the Chairman of the Appointments and Compensation Committee issued proposals to the Supervisory Board, which it then adopted, from the Committee with regard to the fixed compensation of Executive Board members and benchmarks for calculating the variable component for 2010.

Concerning the economic and financial position of the Group:

- Throughout the year, the Supervisory Board was briefed by the Chairman of the Executive Board on the Group's business highlights, business conditions in the aviation industry, business trends by branch, the financial position, the administration of currency options and the hedging portfolio's status, financial guarantees granted to clients, disputes and outstanding cases, along with a progress report on efforts to modernize the Group's workings and adapt the organizational structure to prevailing business conditions.
- In February, the Chairman of the Executive Board gave the Supervisory Board a run-down of the steps planned for the 2009-2012 period and the gains that are targeted.
- On April 15, revenue for the first quarter of 2009 was presented to the Supervisory Board and commented upon; likewise as regards third-quarter revenue, on October 15.
- Meeting on May 14, 2009, the Supervisory Board reviewed results for the initial months of the year in relation to the budget, along with the cash flow statement for 2009-2010. Action to be taken in the administration of the currency portfolio for the years 2010 to 2012 was presented to it following approval by the Audit Committee. At the Supervisory Board meeting of December 16, 2009, the Chairman of the Executive Board and the Executive Vice-President responsible for Economic and Financial Affairs presented developments affecting the main components of the 2009 budget along with budget forecasts for 2010.
- In May, the Supervisory Board authorized the Chairman of the Executive Board to sign an agreement to obtain a loan from the European Investment Bank for the financing of the Research & Development program.
- At its meeting on October 15, 2009, the Supervisory Board authorized the Executive Board to make a bond issue, the purpose of which was presented to it by the Executive Vice-President responsible for Economic and Financial Affairs, after the Chairman of the Audit Committee informed him of the favorable opinion of said committee and its recommendations for the terms and conditions of the bond issue.

In terms of strategy:

- On February 17, 2009, the Supervisory Board, referring to the favorable opinion of the Strategy Committee, gave its consent to the Executive Board to continue negotiations with General Electric with a view to acquiring a majority interest in its subsidiary GE Homeland Protection.
- At the Supervisory Board meeting of May 14, 2009, the Executive Vice-President responsible for Strategy and the Chief Executive Officer of the subsidiary Sagem Sécurité gave a presentation of Safran's strategy and global market position in the security industry. This was followed by a broad debate on the future of this market, changes in the internal organization of this business sector, and progress on the integration of recent acquisitions, particularly in the USA.
- In connection with the Group's business proposals for the future C919 Chinese airliner, in October the Executive Vice-President responsible for Strategy gave the Supervisory Board an overview of the aircraft market in China and the development of this industry, together with the main features and challenges of the C919 project.
- In December, with representatives of the French State not attending the meeting due to a possible conflict of interest, the Supervisory Board authorized the Executive Board to negotiate the purchase of assets belonging to the SNPE, following an overview of the project given by the Executive Vice-President responsible for Strategy and with the favorable opinion of the Strategy Committee.
- The Supervisory Board was kept regularly informed of various acquisition-related plans and progress in negotiations, as well as of discussions with Thales concerning a streamlining of some overlapping activities between the two groups.

Lastly, to fulfill requests forthcoming at the time of the assessment in 2008 of the Supervisory Board's workings, the Executive Vice-President responsible for Social and Institutional Affairs gave the Supervisory Board an overview of the Group's labor policy on April 15, 2009. Furthermore, in October, in response to concerns expressed by a representative of the French State over stress in the workplace and its consequences, he reminded the Supervisory Board of the steps taken by the Group over many years to tackle this issue.

Supervisory Board committees

The Internal Rules of the Supervisory Board 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 Supervisory Board has three special committees: the Strategy Committee, the Audit Committee and the Appointments and Compensation Committee.

Committee members are appointed by the Supervisory Board from among its members. Their term of office coincides with their tenure as Supervisory Board members. The Supervisory Board appoints the Chairman of each committee.

At least one-half of committee members must be present at committee meetings for decisions to be upheld. In the event of a split decision, the Chairman shall cast the deciding vote. Members may not be represented at committee meetings. Written minutes are drawn up of all committee meetings.

Strategy Committee

Composition

The Strategy Committee has six members, including one independent member: Francis Mer (Chairman), Pierre Aubouin, Christophe Burg, Mario Colaiacovo, Luc Oursel as from April 15, 2009, replacing Anne Lauvergeon, and Jean Rannou [(1)].

Duties

The role of the Strategy Committee is to express its opinion on the Group's major strategic orientations and development policy as presented to the Supervisory Board by the Executive Board.

It examines draft strategic and partnership agreements. It examines external growth transactions and transactions that impact Group structure and in particular plans to acquire assets, set up subsidiaries, and acquire or dispose of major shareholdings. It gives its opinion on all other strategic matters referred to it by the Supervisory Board.

In the performance of its duties, the Strategy Committee may refer any matter to, and request any information from, the Executive Board.

Activities in 2009

The Strategy Committee met once in 2009, on December 1, with all its members in attendance. It primarily reviewed the Group's strategy with regard to propulsion and Defence industries.

The Chairman of the Executive Board attended this meeting along with the Executive Vice-President responsible for Strategy and Development and the Executive Vice-President responsible for Economic and Financial Affairs.

Audit Committee

Composition

The Audit Committee has five members, including three independent members: Shemaya Levy [(1)] (Chairman), Pierre Aubouin, Michel Lucas [(1)], Jean Rannou [(1)] and Michel Toussan.

In addition, any individual whose opinion the Committee wishes to seek, or whose assistance or participation is desired (depending on the matters addressed) and in particular the statutory auditors, Executive Board members, the Executive Vice-President responsible for Economic and Financial Affairs, the Management Control Director, the Head of Audit and Internal Control and the Head of the Risk Department, may attend meetings of the Audit Committee.

Members of the Supervisory Board receive a copy of the Audit Committee meeting schedule and may also attend Committee meetings if they so wish.

Duties

The role of the Audit Committee is to examine the accounts and accounting procedures. It also analyses authorization requests submitted by the Executive Board to the Supervisory Board concerning major financial transactions such as acquisitions, divestments, investments, or capital increases.

The Audit Committee is responsible, in particular, for the following:

With respect to accounting and financial documents:

- reviewing the draft interim and annual individual and consolidated financial statements before they are submitted to the Supervisory Board and in particular any changes in the accounting methods and rules applied in preparing the financial statements;
- reviewing the financial documents issued by the Company in connection with annual and interim closings;
- overseeing the quality of procedures to ensure compliance with stock market regulations;
- reviewing draft financial statements for the requirements of special transactions, such as contributions, mergers, spin-offs, or payments of interim dividends;
- analyzing, where necessary, authorization requests submitted by the Executive Board to the Supervisory Board in connection with acquisitions, divestments, investments, capital increases, and so forth.

With respect to the external audit and internal control of the Company:

External audit

- reviewing proposals for the appointment of auditors and their fees;
- conducting an annual review with the auditors of their audit plan, findings, recommendations and the subsequent action that will be taken.

Internal control

- assessing the Group's internal control systems with Group managers;
- reviewing internal control objectives, work schedules and action plans with these managers and with the assistance of the internal audit department: the findings of their audits and actions and their recommendations and the follow-up thereof;
- reviewing internal audit methods and results, checking that the procedures applied ensure that the Company financial statements present a true and fair view of the Company and comply with accounting rules;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of decisions taken to handle major transactions;
- reviewing the methods and procedures used for reporting purposes and for the restatement of accounting information from foreign subsidiaries.

With respect to risks:

- reviewing the relevance of risk analysis and monitoring procedures;
- ensuring there is a process to identify, quantify and prevent the main risks arising from the Group's activities.

In the performance of its work, the Audit Committee may ask the Executive Board to seek the opinion of any person and to provide the Audit Committee with any information. It may also seek the opinion of the statutory auditors or initiate an independent investigation where it considers this necessary.

(1) Independent member of the Supervisory Board.

Activities in 2009

The Audit Committee met six times in 2009, with an average attendance rate of 97%.

The Chairman of the Supervisory Board and the Chairman of the Executive Board attended four of the six meetings. The Executive Vice-President responsible for Economic and Financial Affairs attended all the meetings, while the Head of Audit and Internal Control attended five of the six meetings. The statutory auditors attended the meeting held to review the financial statements for 2008 and the interim financial statements for 2009.

February 16: Review of the individual and consolidated financial statements for 2008 and the dividend distribution policy. The statutory auditors gave a report on their tasks and did not voice reservations on the financial statements under review; they also expressed satisfaction on the procedures implemented by the Group to improve the efficiency of the closing process; they drew the attention of committee members to changes resulting from the ruling of December 2008 on the status and role of the Audit Committee. The Audit Committee held a round of private sessions for questions with the auditors, the Head of Audit and Internal Control, and the Executive Vice-President responsible for Economic and Financial Affairs.

April 15: Review of draft report put forward by the Chairman of the Supervisory Board on internal control and risk management procedures as well as draft resolutions in regard to financial authorizations to be submitted for approval by the Annual General Meeting. Review of results for the first quarter of 2009 and the draft financial press release.

May 11: Review of results from the initial months of 2009 in the light of the current-year budget, budget adjustments on the basis of updated economic forecasts, proposals of action to be taken in the administration of currency options. Presentation on Group risk management, risk mapping, and analysis of specific risks. Blueprint for audit-related tasks in 2009, monitoring of initiatives, suggested areas of improvement.

July 28: Group risk-reporting methods: development of format for monitoring reports, periodicity. Update on action conducted by Audit Department. Review of interim financial statements for 2009, presentation by the statutory auditors of their work, review of draft financial press release.

October 15: Analysis of planned bond issue. Procedure and timetable of bid call to appoint statutory auditors. Situation of foreign exchange hedging. Review of nine-month results and draft financial press release. Audit Committee's meeting schedule for 2010.

December 14: Presentation of 2010 budget. Review of the 2010/2013 currency hedging policy. Update on risks. Update on internal auditing and appraisal of key assignments in the 2009 audit plan.

Appointments and Compensation Committee

Composition

The Appointments and Compensation Committee has six members, including four independent members: Michel Lucas [(1)] (Chairman), Pierre Aubouin, Christophe Burg, François de Combret [(1)], Jean-Marc Forneri [(1)] and Bernard Vatier [(1)].

Duties

The Appointments and Compensation Committee has the following role:

With respect to appointments:

- assisting the Supervisory Board in its choice of members, senior managers and Board Committee members;
- proposing a list of Supervisory Board members who may be deemed to be independent.

With respect to compensation:

- making recommendations and proposals concerning the following for eligible members of the Supervisory Board and Executive Board: compensation and attendance fees, any modifications or changes to pension and health insurance plans, benefits-in-kind and various financial benefits, and the granting of share subscription or purchase options.

The Appointments and Compensation Committee is informed of all decisions concerning compensation and benefits granted to key senior managers who are not corporate officers. It makes recommendations concerning the granting of subscription or purchase options for shares in the Company or any other Group company, the distribution of shares to employees and share issues reserved for employees.

Activities in 2009

The Appointments and Compensation Committee met four times in 2009, with an average attendance rate of 96%.

The Chairman of the Supervisory Board and the Executive Vice-President for Social and Institutional Affairs were present at all the meetings, except when their own compensation packages were being discussed.

February 17: Determined variable compensation payable to members of the Executive Board in respect of 2008, using predefined criteria. Put forward proposals for compensation to be paid in 2009 to members of the Executive Board: amount of fixed compensation; criteria for determining variable component; validation of individual targets. Review of independent status of Supervisory Board members.

July 29: Reviewed proposal by Chairman of Executive Board to appoint four new members to the Executive Board.

October 15: Discussed compensation arrangements for new Executive Board members. Proposals for compensation to be paid in 2010 to members of the Executive Board: amount of fixed compensation and criteria for determining the variable component.

December 8: Update on pension schemes in force within the Group.

Assessment of the work of the Supervisory Board

In 2009, the Supervisory Board undertook a formal assessment of its work and the work of its committees using a self-assessment questionnaire prepared by the Appointments and Compensation Committee. This questionnaire related primarily to the composition of the Board (members, skills, independence), the work of the Board and its committees (frequency and length of meetings, meeting procedures, issues addressed, operating rules and

(1) Independent member of the Supervisory Board.

practices, quality of work and minutes of Board meetings), as well as the type of information provided to the Board and the procedures for providing such information.

The results of this self-assessment were presented to the Supervisory Board on May 14, 2009. The responses conveyed an unanimous sense of improvement relative to the previous year. Site visits were popular, as were presentations of business lines by Company chairpersons. Progress is requested in the presentation to the Board of committee deliberations and information relating to competition and risk management. Steps have been taken in this direction.

5.6.2 Principles and rules for determining the compensation of corporate officers

The principles and rules for determining the compensation of corporate officers can be found in section 5.4 of the 2009 Registration Document.

5.6.3 Application of the AFEP-MEDEF Corporate Governance Code

Safran abides by the "Corporate Governance Code of Listed Corporations" developed jointly by AFEP (1) and MEDEF (2), with reference to the consolidated version of December 2008. 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
Proportion of independent members on the Supervisory Board The independent directors should account for half the members of the Board in widely-held corporations and without controlling shareholders.	Of the 18 members of the Supervisory Board, seven are deemed to be independent, representing 39%. Please note that four seats are reserved for the French State, pursuant to the legal provisions in effect (see section 5.6.1 – Composition of the Supervisory Board of this report.
Duration of Supervisory Board members' term of office The duration of Supervisory Board members' term of office, set by the bylaws, should not exceed four years. Terms should be staggered so as to avoid replacement of the entire body at the same time.	The 18 members of the Supervisory Board are appointed by the Annual General Meeting for a duration of six years, pursuant to Article 24 of the Company's bylaws. The current terms of office all expire at the Annual General Meeting in 2011 because the Supervisory Board was formed in its entirety by the same Annual General Meeting relating to the merger of Sagem and Snecma, which led to the inception of Safran on May 11, 2005. Members resigning after this date have been replaced through co-optation for the residual duration of terms of office. In view of the concurrent expiration of terms of office, the Supervisory Board meeting on April 13, 2010, commissioned the Appointments and Compensation Committee to draw up a report on the staggering of Supervisory Board members' terms of office, taking into account the maximum four-year term advocated by the AFEP-MEDEF code.
Recommendation against the concurrent holding of the Executive Board Chairman's office and an employment contract, even if suspended On October 6, 2008, AFEP-MEDEF published revised recommendations on the compensation of executive corporate officers, advocating the termination of the employment contract in case of appointment as a corporate officer, for appointments after the publication of the recommendation and upon the renewal of the appointment of executive corporate officers appointed prior to that date.	Jean-Paul Herteman, who joined the Safran Group in 1984, was appointed Chairman of the Executive Board with effect from September 3, 2007. His employment contract was suspended at this date for the duration of his current term of office. On April 13, 2010, the Supervisory Board pledged to review the status of the Executive Board Chairman who will be appointed at the expiration of the current Chairman's term of office, in view of the concurrent holding of this office and a suspended employment contract. It has commissioned a report on the matter from the Appointments and Compensation Committee.

(1) AFEP : Association Française des Entreprises Privées, French Association of Private Undertakings.

(2) MEDEF : Mouvement des Entreprises de France, French Business Confederation.

5.6.4 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 Article 33 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 quality as a shareholder, provided that the shareholder's shares are registered in the shareholder's name in the registered share accounts maintained by BNP Paribas, which is the Company's agent, or in the bearer share accounts kept by the authorized intermediary, by midnight (Paris time) three business days before the meeting.

As regards voting rights, each participant at Shareholders' Meetings has as many votes as the ordinary shares he/she owns, subject to certain exceptions under the law and the following provisions concerning double voting rights stipulated in Article 33 of the bylaws. There is no limit on the number of voting rights a shareholder may hold. Fully-paid up shares that have been registered in the name of the same shareholders for at least two years, of which evidence must be provided at least five days prior to the meeting, are granted double voting rights.

The Company's bylaws do not provide for attendance at meetings or voting using electronic telecommunications means.

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 2009 management report drawn up by Safran's Executive Board, which is included in the Registration Document, meets this legal obligation. The required information can be found under the following headings in the Registration Document:

- section 6.1.4.2 – Agreement with the French State relating to strategic assets and subsidiaries;
- section 6.2.7 – Share buyback programs.

5.6.5 Internal control and risk management procedures

The Group's various branches of business have faced risks that may complicate the attainment of targets. These risks are set out in section 4.1 of the Registration Document.

Internal control is an integral part of the mechanism for the management of risks, contributing to prevention and mitigation.

INTERNAL CONTROL REFERENCE FRAMEWORK AND TARGETS

The Safran Group formally established its internal control system based on the guidelines recommended by the international body COSO [(1)].

The Group defines internal control as a process implemented by its Executive Board, management and personnel to provide reasonable assurance as to the realization of the following objectives:

- implementation of Company strategies and the effective conduct of operations;
- fairness and reliability of financial reporting;
- compliance with applicable laws and regulations.

Internal control thus contributes to the safeguarding of assets and the prevention of any organizational dysfunctions; yet, as with all control systems, it cannot provide an absolute guarantee that the objectives described above are fully achieved.

COMPONENTS OF INTERNAL CONTROL

Internal control environment

Group organizational structure

Safran is a decentralized 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 responsible for Group strategic management, organization and development. This company is managed by the two-tier structure of an Executive Board and a Supervisory Board;
- three branches housing companies operating in Aerospace Propulsion, Aircraft Equipment and Defence Security respectively;
- companies operating by business line. Within the guidelines defined by the Executive Board of the parent company and under its control, each company assumes the tasks and responsibilities of an individual company with respect to legal,

(1) COSO: Committee of Sponsoring Organizations of the Treadway Commission.

commercial, technical, industrial, economic, financial and social issues. Tier-one companies are responsible for overseeing the tier-two companies with which they have operational ties.

Under the authority of the Executive Board, the primary duties of the parent company are to:

- devise and pursue the Group's strategy;
- assure the governance and control of Group companies. A certain number of rules laid down in procedures have been adopted by the Executive Board concerning, in particular:
  - corporate governance in Group companies,
  - relations between subsidiaries and the parent company;
- provide services on behalf of all Group companies;
- lead or coordinate actions to develop the Group's reputation and increase effectiveness.

How internal control is organized

The Safran Group has devised an internal control framework for accounting and reporting processes on the one hand, and the security of such information on the other.

The check points contained in this framework have been defined using an analysis of risks inherent in these processes, with support from Group specialists in each of these areas.

The Group has upheld the principle whereby each company appraises its own internal control arrangements in relation to the framework. The Group can order an audit to ascertain whether the rules that it has put into place are being complied with.

The head team that manages the internal control system is assisted by a network of internal control managers in each tier-one company, with each manager supported by counterparts situated in tier-two companies.

Every month, the head team and internal control managers communicate important news.

Each tier-one company has set up an Internal Control Committee, comprising members of its Management Committee, to review progress made in evaluations and analyze results, including for the tier-two companies with which it is connected.

All Group companies use the same reporting system for inputting internal control evaluations. Using this software, companies have direct access to the Group framework, methodology and the procedures to follow. All rectifications resulting from recognized disparities in relation to the framework are monitored in this system.

This reporting tool has listed more than 400 stakeholders in the system, hailing from financial services and operational departments.

Each year, the head 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.

Control procedures

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:

- corporate governance rules: delegation of authority, governance of Group companies, internal control principles, ethical guidelines, and risk and crisis management;
- process-related rules: asset management, industrial protection, safety-environment, legal, information systems, procurement, sales, and quality.

Every month, a list of updates to the manual is published. Companies 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 manuals:

- the Group IFRS accounting manual;
- rules for the preparation of consolidated financial statements and rules concerning intra-group and inter-company transactions;
- 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.

In terms of accounting standards, the Group applies IFRS as adopted in the European Union.

Reporting and management control arrangements

Each week, Group parent company Executive Management receives a report from each company summarizing the main events concerning its activity.

The companies prepare monthly budget and financial reports on their activities. The Group's Economic and Financial Affairs Department provides members of the Management Committee with an economic and financial overview.

Budget and planning meetings are organized regularly by the Economic and Financial Affairs Department with the management team of each branch and company concerned:

- once yearly, in the first six months of the year, to go over the five-year plan;
- once yearly, in the second half of the year, to discuss the following year's budget. Notification of targets follows this meeting;
- three times per year to obtain an update on the current-year budget.

Furthermore, management-level meetings are held monthly with representatives from the Group's principal tier-one companies.

Standards and regulations

Standards and regulations are monitored and followed up on by specialist central departments, which, within their respective areas of expertise, lead and coordinate a network of correspondents 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.

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. 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;
- security of protected sites and activities;
- safeguarding privacy.

For each of these facets, the Group has implemented specific procedures and arrangements.

Prevention and detection of internal fraud

In 2008, the Group set up a prevention, detection and assessment program for cases of potential internal fraud. In 2009, it put in place a system for the centralizing of information on fraud or attempted fraud identified within companies. This information is acted upon each month by the Industrial Protection and Audit and Internal Control departments.

Management of internal control

The internal control system is managed by the Audit and Internal Control Department.

The internal control framework is built around ten processes that contribute directly to financial and accounting information and around two contributing to the security of each information.

For these 12 processes, 184 check points have been defined, enabling each company to gauge how closely its procedures are aligned with the framework's requirements and how effective these procedures are.

A testing program has been devised to investigate each process every two years in tier-one companies and every four years in tier-two companies.

Any disparity relative to the framework in terms of appropriateness 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.

The internal control system covers virtually the whole of the Safran Group. In 2009, it was up and running in 74 companies, representing 98% of consolidated revenue. As such, the Group has a comprehensive view of the system's level of control and can decide on particular courses of action in the areas in which weaknesses have been pinpointed.

The Group has designated two areas where progress needs to be made in 2010:

- broaden training in internal control;
- strengthen control over the separation between roles and tasks, in conjunction with the Group Information System department.

KEY PLAYERS IN INTERNAL CONTROL

Group Executive Management

The Executive Board defines the primary features of the system for internal control and risk management. The Chairman of the Executive Board delegates his authority to branch Executive Management to direct and monitor the activities of the companies included in their branches with regard to:

- setting objectives;
- monitoring results;
- implementing decisions regarding strategic issues concerning Group companies;
- handling the operational supervision of companies within the branch.

The chairpersons of the companies comprising these branches assume full responsibility for the internal control system implemented in their companies and their subsidiaries; the system implemented must comply with the internal control principles set out by the Group.

The Economic and Financial Affairs Department centralizes and coordinates financing, treasury, taxation, the budget process, reporting, consolidation of accounts and mergers/acquisitions. It ensures compliance with the internal control aspects falling within the scope of its responsibilities. It has authority over the finance departments of subsidiaries.

The Quality, Audit and Risk Department comprises the Audit and Internal Control Department, the Risk and Insurance Department, and the Quality Department. These three departments are responsible for complementary aspects of risk management.

Departments in charge of the internal control system

Audit and Internal Control Department

Internal Audit has been certified compliant with the international standards of the Institute of Internal Auditors by the IFACI [(1)]. Certification was confirmed in 2009 by IFACI in response to a follow-up audit.

The audit plan is prepared within the scope of an annual plan that is reviewed every six months and that is largely based on the mapping of Group risks.

(1) IFACI: Institut français de l'audit et du contrôle internes.

The auditing teams carry out duties to:

- ensure compliance with procedures and rules applicable within the Group;
- assess the effectiveness of the internal control system;
- monitor risks related to the processes audited.

The teams also audit the administration of companies and programs, and carry out cross-functional analyses and benchmarking reviews aimed at identifying ways to improve the efficiency of the companies, projects and processes audited.

It is the task of Internal Control to:

- manage the Group procedures manual;
- draw up and maintain internal control standards;
- oversee the annual internal control evaluation;
- create the annual Group round-up on internal control;
- administer the reporting system;
- lead the network of subsidiaries' internal control managers.

Inspection bodies

The Supervisory Board Audit Committee

The Supervisory Board Audit Committee reviews:

- the financial statements and accounting procedures presented by the Executive Board and 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 report on internal control and risk-management procedures is reviewed annually by the Audit Committee, then approved officially by the Supervisory Board.

The statutory auditors

As part of the audit and certification of the individual and consolidated financial statements, the statutory auditors organize regular reviews to assess the soundness of procedures in the various company cycles contributing to the preparation of financial and accounting information. They base their procedures on those carried out by companies as part of their internal control approach and on Group reference manuals.

The statutory auditors report to the Supervisory Board Audit Committee on their assignment.

The statutory auditors adopt the following approach:

- review of documentation on controls carried out by companies;
- performance of tests to verify the effectiveness of procedures implemented;
- review of completed action plans;
- reading of results of tests performed by companies.

RISK MANAGEMENT

The Group Risk Committee, made up of members of the Executive Board, met twice in 2009. It approved the risk-management policy, the Group's risk mapping and their mitigation, and the cross-sector action plans of the Risk Department, and made sure that the risk-management process works, that awareness of risks is adequate and that the crisis-management procedure works effectively.

Risk management involves identification, categorization and handling by:

The Risk and Insurance Department

The Risk and Insurance Department reports to the Executive Vice-President member of the Executive Board responsible for the Group Quality, Audit and Risk Departments.

It summarizes risk-appraisal results at Group level and prepares a risk mapping for the Group Risk Committee, which is then asked to approve this. The impact of each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Risk appraisals comprise analysis of how well the company has control over this.

Risk appraisals lead to action plans that may include steps to be taken, additional controls to be implemented and/or investigations into financial transfers or transfers of liability.

Company-level Risk Managers

Each tier-one company appoints a Risk Manager who prepares a risk mapping for the company that is reviewed during Risk Management Committee meetings. Risk management operates based on a common methodology, with 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 goal is continuous control of risks until they have been fully mitigated.

The Risk Manager in each tier-one company each quarter supplies the Risk Department with indicators (e.g. roadmap of major risks and degree of mitigation, organizational maturity in risk management) and each year with a report on the organization of risk management in that particular company. In addition, the Risk Department meets the Risk Manager of each tier-one company to score risk-management maturity.

The Risk and Insurance Department leads the Group's 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.

Support departments

The Risk Department prepares a mapping of major risks by support department based on individual interviews. These roadmaps are then approved by support 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 Management Committee.

These arrangements are supported by the Audit and Internal Control Department.

Risk management involves use of methodology tools and procedures

The Risk and Insurance Department develops methodological techniques 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. Analysis reports for specific risks have also been drawn up.

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.

Risk management leverages training and communication

The training course launched in 2007, within the framework of Safran University, has been used to promote risk awareness for over 400 managers throughout the Group. It is a joint initiative run by the Risk Department and the Group's Risk Managers.

The Risk Department has also implemented the PSIP Program (Products & Services 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.

The Supervisory Board Audit Committee has reviewed findings relating to the primary risks faced by the Group, which are set out in the Risk Factors section of the Registration Document.

5.7 STATUTORY AUDITORS' REPORT

Statutory auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of Safran

This is a free translation into English of the statutory auditors' 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 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 the Supervisory Board of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board 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. 225-68 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 procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report contains the other information required by Article L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform the necessary 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 and 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 described 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 Supervisory Board's report prepared in accordance with Article L. 225-68 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L. 225-68 of the French Commercial Code.

Paris and Courbevoie, April 20, 2010

The statutory auditors

Constantin Associés	Mazars
Member of Deloitte Touche Tohmatsu	
Thierry Benoit	Jean-Marc Deslandes

5.8 AUDIT FEES

Pursuant to Article R. 233-14, 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, making a distinction 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 statutory audit engagements with regard to the consolidated financial statements. The fees shown for subsidiaries are those consolidated according to the full consolidation and proportional consolidation methods.

	Constantin Associés Member of Deloitte Touche Tohmatsu				Mazars				Total			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(in € thousands)	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Audit												
1) Statutory audit, certification, review of individual and consolidated financial statements												
1.a) Safran (issuer)	522.0	527.0	13%	13%	542.0	527,0	14%	14%	1,064.0	1,054.0	14%	13%
1.b) Subsidiaries	2,789.8	2,847.5	68%	71%	2,935.0	3,049.4	79%	79%	5,724.8	5,896.9	73%	76%
2) Other engagements and services directly related to the statutory audit engagement												
2.a) Safran (issuer)	89.0	92.9	2%	2%		61.0		1%	89.0	153.9	1%	2%
2.b) Subsidiaries	391.6	342.4	9%	9%	257.0	234.8	7%	6%	648.6	577.2	8%	7%
Sub-total	**3,792.4**	**3,809.8**	**92%**	**95%**	**3,734.0**	**3,872.2**	**100%**	**100%**	**7,526.4**	**7,682.0**	**96%**	**98%**
Other services rendered by the network to subsidiaries												
3) Legal, tax, employee related	318.3	186.7	8%	5%					318.3	186.7	4%	2%
4) Other (provide details if >10% of audit fees)				0%								
Sub-total	**318.3**	**186.7**	**8%**	**5%**					**318.3**	**186.7**	**4%**	**2%**
TOTAL	**4,110.7**	**3,996.5**	**100%**	**100%**	**3,734.0**	**3,872.2**	**100%**	**100%**	**7,844.7**	**7,868.7**	**100%**	**100%**

Note 1 - Statutory audit, certification and review of individual and consolidated financial statements

These services include, without limitation, 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 individual and consolidated financial statements of the parent company and fully consolidated and proportionally consolidated subsidiaries in France and other countries.

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; no services of this type were rendered in France.

Note 4 - Other services

These services cover all other specific assignments in general on a non-recurring basis and by agreement.

IN BRIEF

SECTION 06

General information

Safran is a French *société anonyme* (corporation) with an Executive Board and a Supervisory Board. It is registered with the Paris Trade and Companies Registry under number 562 082 909.

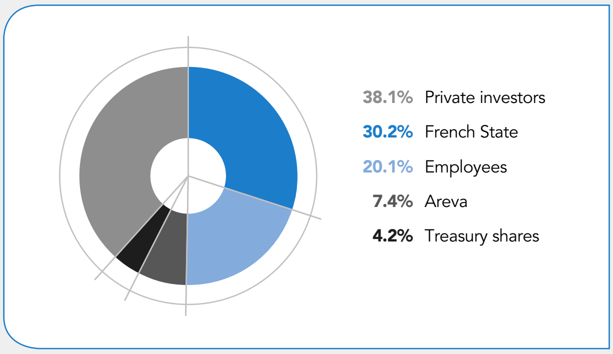
Safran's registered office is located at 2, boulevard du Général-Martial-Valin, 75015 Paris, France.

Share capital (as of December 31, 2009)

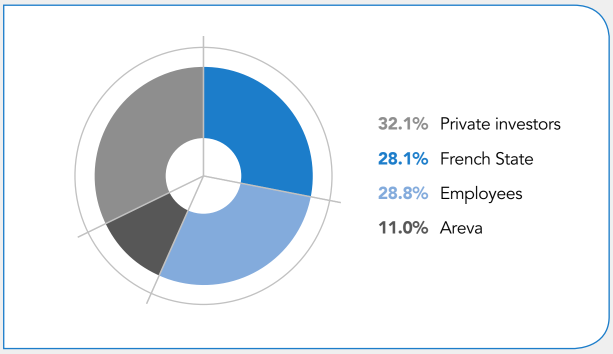
Safran's share capital amounts to €83,405,917, breaking down into 417,029,585 fully paid-up ordinary shares with a par value of €0.20 each.

Breakdown of share capital and voting rights (as of December 31, 2009)

Capital



Exercisable voting rights



06

Safran share price

	2007	2008	2009
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price *(in €)*			
High	20.100	15.260	13.800
Low	12.800	8.120	6.587
Closing	14.030	9.634	13.690
Market capitalization as of December 31 *(in € millions)*	5,851	4,018	5,709

INFORMATION ABOUT THE COMPANY, CAPITAL AND SHARE OWNERSHIP

06

6.1 INFORMATION ABOUT THE COMPANY

6.1.1 General information

Corporate name

The Company's corporate name is Safran.

Registered office

Safran's registered office is located at 2, boulevard du Général-Martial-Valin, 75015 Paris, France.

Legal form

Safran is French *société anonyme* (corporation) with an Executive Board and a Supervisory Board.

Registration

Safran is registered with the Paris Trade and Companies Registry under number 562 082 909.

Incorporation date and term

The Company was incorporated on August 16, 1924.

It was incorporated for a term of 99 years from its date of registration with the Trade and Companies Registry, i.e., until August 28, 2023, unless it is wound up early or extended.

Corporate purpose

Under Article 3 of the bylaws, the Company's corporate purpose, in France and abroad, is to:

- carry out, on its own behalf, or where applicable, on behalf of third parties, all financial, commercial, industrial, moveable property or real estate transactions and, particularly, the operation of all companies related to the general applications of electricity, radio-electricity, optics, mechanics and civil engineering;
- conduct activities, and provide products and services connected with industries involving engines and mechanical equipment, particularly for aircraft and spacecraft, and operate all processes, equipment and systems of any kind relating to propulsion, and machines that produce or use energy in any form or any equipment designed to be used with these machines or the user vehicles;
- in general, carry out all types of transactions that may be directly or indirectly related to the aforementioned purposes or that could facilitate the Company's business and, specifically the research, design, reorganization, acquisition in whatever form, development, operation, management, or supervision of any business or company, direct or indirect involvement in any operation or company through the creation of companies or involvement in their creation, share capital increases of existing companies, merger or alliance, partnership, or purchases of shares or units.

Fiscal year

Each fiscal year has a duration of one year which begins on January 1 and ends on December 31.

6.1.2 Principal provisions of the bylaws

6.1.2.1 EXECUTIVE MANAGEMENT AND SUPERVISORY BODIES

6.1.2.1.1 Executive Board

Composition

Under Article 16 of the bylaws, the number of Executive Board members is set by the Supervisory Board, with a minimum of two members and a maximum of seven. Executive Board members must be natural persons and may include non-shareholders. The Supervisory Board appoints one of the Executive Board members to be Chairman. The Chairman of the Executive Board represents the Company in its relations with third parties.

Term of office-Age limit

Article 17 of the bylaws stipulates that members of the Executive Board are appointed for a term of four years, ending subsequent to the Ordinary Shareholders' Meeting held in the year the term of office expires to approve the financial statements for the year then ended.

The duties of all Executive Board members shall end on the same date. Executive Board members may be reappointed.

The age limit for Executive Board members to perform their duties is set at 66 years. Members may not be appointed to the Executive Board past the age of 66. Executive Board members in office shall be deemed to resign at the end of the fiscal year during which they reach this age.

Deliberations

Under Article 18 of the bylaws, the Executive Board shall meet as and when dictated by the Company's interests. Meetings shall be called by the Chairman or at least half of the Board members.

Executive Board decisions must be approved by a majority of members, and voting by proxy is prohibited. In the event of a tie, the Chairman shall cast the deciding vote.

Powers

The Executive Board is vested with the broadest powers, with regard to third parties, to act in all circumstances in the Company's name, within the scope of the Company's corporate purpose and subject to the powers expressly attributed by law to the Supervisory Board and Shareholders' Meetings.

However, under Article 19 of the Company's bylaws, the following Executive Board decisions require the prior authorization of the Supervisory Board:

1/ Decisions subject to prior approval, regardless of the amount of the transaction:
- issues of any kind of investment securities liable to entail a change in the share capital;
- material decisions to establish foreign operations, directly by the creation of companies, or direct or indirect subsidiaries, or by the acquisition of interests, or decisions to close these establishments;
- material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity. The Executive Board is responsible for assessing the materiality of decisions or operations.

2/ Decisions subject to prior authorization where the transaction amount exceeds €40 million:
- 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 issue of shares, partnership shares, or bonds, excluding cash transactions;
- any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding cash transactions;
- in the event of litigation, signature of any agreement and transaction, acceptance of any settlement;
- collateral on Company assets.

3/ Decisions subject to prior authorization where the transaction amount exceeds €150 million:
- granting or contracting of any loan, credit or advance;
- acquisition or disposal of any receivable by any means.

Furthermore, in accordance with French law, the Supervisory Board's authorization shall also be obtained whenever the Executive Board grants, in the Company's name, a deposit, endorsement or financial guarantee. Each year, the Supervisory Board sets an overall threshold up to which deposits, endorsements and guarantees may be granted by the Executive Board; any commitment exceeding this overall limit must be specifically authorized by the Supervisory Board.

6.1.2.1.2 Supervisory Board

Composition

Under Article 22 of the bylaws, the Supervisory Board is comprised of at least three members and no more than eighteen, either natural persons or legal entities, subject to any temporary exemption in the event of a merger, including, where applicable, representatives of employee shareholders and representatives of the State appointed pursuant to Article 12 of the Law of July 25, 1949.

Supervisory Board members may not be members of the Executive Board.

The Supervisory Board elects a Chairman and Vice-Chairman from among its members, who are required to be natural persons.

Shareholding

Article 23 of the bylaws stipulates that each member of the Supervisory Board shall own a minimum of twenty registered shares throughout his or her term. Notwithstanding the legal provisions, this shareholding obligation shall not apply to State or employee shareholder representatives.

Moreover, following deliberations on June 23, 2005, the Supervisory Board decided that each of its members, with the exception of State or employee shareholder representatives, should hold a minimum of 1,500 registered shares no later than December 31, 2008.

Term of office – Age limit

Members of the Supervisory Board are appointed by the Ordinary Shareholders' Meeting for a term of six years, ending subsequent to the Ordinary Shareholders' Meeting held in the year the term of office expires to approve the financial statements for the year then ended. Supervisory Board members may be reappointed.

Article 24 of the bylaws stipulates that the number of Supervisory Board members in office over the age of 70 shall not exceed one third of the active Board members, rounded up to the nearest whole number of members. Should this limit be exceeded, the Supervisory Board shall select the members who shall be deemed to resign. Those members holding or who have held the office of Chairman or Vice-Chairman of the Supervisory Board shall be the last to resign. Should one third of the Supervisory Board members be over the age of 70 and should each of them have held the office of Chairman or Vice-Chairman of the Supervisory Board, the eldest member shall be deemed to resign.

Non-compliance with the one-third threshold shall be assessed each year during the last meeting of the Supervisory Board. During this meeting, the Board shall designate the member(s) who shall be deemed to resign at December 31 of the current year and co-opt on a temporary basis new members to replace outgoing members, with effect from January 1 of the following year and for their predecessor's remaining term.

Article 26 of the bylaws stipulates that the duties of the Chairman and Vice-Chairman shall end no later than at the end of the first Ordinary Shareholders' Meeting following the date they reach the age of 70. However, the Supervisory Board can extend this limit, on one or more occasions, for a maximum period of three years.

Deliberations

Under Article 27 of the bylaws, the Supervisory Board shall meet as and when dictated by the Company's interest, and at least four times yearly to review the quarterly report presented by the Executive Board, and once more if required to verify the financial statements for the fiscal year.

The Supervisory Board is convened by its Chairman or Vice-Chairman. However, should a minimum of one Executive Board member or a minimum of one third of the Supervisory Board members submit a justified request to the Chairman, the latter shall convene the Board within fifteen days following receipt of the request; failing this, the authors of the request may themselves convene the Board by indicating the meeting's agenda.

The effective presence of at least half of the current 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 vote, the Chairman shall cast the deciding vote.

Under their responsibility, Supervisory Board members may be represented by another Board member, by means of a special proxy, each member having only one such proxy.

Powers

The Supervisory Board exercises permanent supervision over the Executive Board's management of the Company in accordance with prevailing law. The Supervisory Board conducts the verifications and controls it deems appropriate and obtains those documents it considers useful for the fulfillment of its duties.

Under Article 19 of the bylaws, certain Executive Board decisions are subject to the prior approval of the Supervisory Board (see section 6.1.2.1.1).

Attendance fees

Article 29 of the bylaws stipulates that Supervisory Board members are entitled to attendance fees for which the value is set by the General Shareholders' Meeting and maintained until otherwise decided.

The Supervisory Board distributes the attendance fees among its members in accordance with the provisions of its Internal Rules.

Board advisors

Under Article 30 of the bylaws, the Supervisory Board may appoint a maximum of two Board advisors chosen for their expertise, who shall be natural persons and may or may not be shareholders. Board advisors are appointed for four years. They shall attend Supervisory Board meetings in an advisory capacity, and may not be represented if they are unable to attend.

6.1.2.2 GENERAL SHAREHOLDERS' MEETINGS

Notice of meetings and conditions for admission

General Shareholders' Meetings shall be convened by the Executive Board in accordance with the law.

Under Article 33 of the bylaws, any shareholder, regardless of the number of shares held, has the right, on proof of identity and their capacity as shareholder, to attend General Shareholders' Meetings, provided that (i) the shareholder's shares are registered for accounting purposes, in the shareholder's name or in the name of an intermediary registered on the shareholder's behalf, at midnight (CET) on the third business day preceding the General Shareholders' Meeting:

- for holders of registered shares: in the registered share accounts kept by the Company or its agent;
- for holders of bearer shares: in the bearer share accounts kept by the authorized intermediary;

and, (ii) where necessary, the Company is provided with all elements enabling the shareholder's identification, in accordance with the prevailing regulations. The registration of shares for accounting purposes in bearer share accounts kept by an authorized intermediary is certified by a share ownership certificate delivered by the latter.

A shareholder may be represented at General Shareholders' Meetings by his/her spouse or by another shareholder.

Exercising voting rights – Double voting rights

Each participant at the General Shareholders' Meeting has as many votes as ordinary shares he/she owns or represents, without limit, subject to certain exceptions under the law and the following provisions concerning double voting rights.

Under Article 33 of the bylaws, and in accordance with the decisions of the General Shareholders' Meetings of June 21, 1974, September 26, 1983 and December 18, 2003, fully-paid up shares that have been registered in the name of the same shareholder for at least two years, of which evidence must be provided at least five days prior to the meeting, are granted double voting rights.

In the event of an increase in capital through capitalization of reserves, income, issue premiums and, in general, of all available amounts that may be capitalized, the double voting right shall also be granted, from the issue thereof, to the free registered shares allocated to shareholders for existing shares for which they had such rights. However, for new free registered shares allocated for existing shares not entitled to double voting rights at the time of the capital increase, evidence that they have been registered in the name of the same shareholder for two years as from the grant date must be provided in order to avail of this double voting right. The merger of the Company shall have no impact on the double voting right, which may be exercised within the acquiring company, if its bylaws so provide.

Double voting rights cease for any share that is converted to bearer form or transferred. Nevertheless, the two-year period set above shall not be suspended and the vested right shall be retained in the event of transfer between registered shareholders following an intestate succession or succession by will or liquidation of a joint estate between husband and wife. The same shall apply in the event of an *inter vivos* donation in favor of a spouse or a relative entitled to inherit.

The list of registered shares with double voting rights is determined by a committee of the General Shareholders' Meeting.

6.1.2.3 RIGHTS AND RESTRICTIONS ATTACHED TO SHARES

All Company shares are of the same class. They are in registered or bearer form, according to the shareholder's choice. Under Article 15 of the bylaws, each share shall grant its owner a fraction of the Company's assets, income and liquidation surplus, in proportion to the share of capital it represents.

Whenever several shares must be owned to exercise a particular right, the holders of single shares or of fewer shares than the required number, shall have no right against the Company. In such a case, shareholders shall make it their business to gather together the required number of shares.

6.1.2.4 CONDITIONS GOVERNING THE CHANGES TO SHARE CAPITAL AND SHAREHOLDERS' RIGHTS

Company bylaws do not require that the conditions to change share capital and shareholders' rights be more restrictive than prevailing legislation.

6.1.2.5 DISCLOSURE OBLIGATION IN THE EVENT OF EXCEEDING THE LEGAL THRESHOLD FOR OWNERSHIP

Article 14 of the bylaws specifies that all shareholders, acting alone or in concert with others, who hold a fraction of the capital and voting rights equal to or exceeding 2.5% of the Company's capital or to any whole multiple of 2.5%, must notify the Company, by registered letter with acknowledgement of receipt, and within five trading days after exceeding the ownership threshold, of the total number of shares and voting rights they own. This notification is also required should the ownership level fall below the threshold.

This disclosure obligation is applicable as of a 5% share of the Company's capital and up to 32.5%.

Pursuant to the law, non-compliance with these provisions shall result in the loss of voting rights for the shares or voting rights that exceed the fraction that should have been declared, for as long as the situation has not been rectified and for a two-year period following the date of such rectification, at the request of one or more shareholders holding at least 5% of the Company's share capital. Such request shall have been duly recorded in the minutes of the General Shareholders' Meeting.

6.1.2.6 PROVISIONS THAT COULD DELAY, POSTPONE OR PREVENT A CHANGE IN CONTROL OF THE COMPANY

There are no provisions of the bylaws that could delay, postpone or prevent a change in the Company's control.

6.1.3 Information on investments

6.1.3.1 DIRECT AND INDIRECT INVESTMENTS

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 or Company net assets, or a net profit (loss) equal to at least 10% of the consolidated or Company net profit (loss).

(in € millions)

Companies	Currency	Registered office	Business activity	% share capital and voting rights (if different) (direct and indirect investment)	Capital	Reserves and retained earnings before appropriation of net profit (3)	Amount payable for shares held	Carrying amount of shares held (gross) (2)	Net profit (or loss) for 2008	Dividends collected in 2009	Outstanding loans and advances granted and not repaid
1) Main French subsidiaries and sub-subsidiaries - more than 50% of capital held											
Snecma	EUR	Paris 75015	Propulsion	100%	154	29	-	225	330	179 (1)	18
Turbomeca SA	EUR	Bordes 64510	Propulsion	100%	39	95	-	539	(23)	26	40
Aircelle	EUR	Harfleur 76700	Aircraft Equipment	100%	41	(502)	-	264	(86)	-	-
Sagem Défense Sécurité	EUR	Paris 75015	Defence Security	100%	373	16	-	617	44	-	-
Sagem Sécurité	EUR	Paris 75015	Security	100%	160	113	-	160	19	100(1)	310
2) Main foreign subsidiaries and sub-subsidiaries - more than 50% of capital held											
Sagem identification	EUR	Netherlands	Security	100%	6	45	-	355	27	19(1)	-
3) Main foreign subsidiaries and sub-subsidiaries - less than 50% of capital held											
-											

(1) Dividends were paid to the parent company held directly or indirectly by Safran SA.
(2) Direct and indirect investment.
(3) Excluding tax-driven provisions and investment grants.

6.1.3.2 INVESTMENTS

No significant investments within the meaning of Article L. 233-6 of the French Commercial Code *(Code de commerce)* were made by Safran in 2009.

6.1.4 Transactions with related parties

The list of equity associates and proportionately consolidated companies is presented in Note 38 to section 3.1.2.

Quantified information is presented in:

- Note 15 of section 3.1.2 for equity associates;
- Note 31 of section 3.1.2 for proportionately consolidated companies.

Information on executive compensation is presented in Note 32 of section 3.1.2 and section 5.4.

Information on sales to related parties is presented in Note 32 to section 3.1.2.

6.1.4.1 RELATIONS WITH THE FRENCH STATE

In 2009, Safran generated adjusted revenue of €1,177 million with the French State, 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-ground missiles such as the Scalp and the Apache, and the very short-range ground-air missile, the Mistral. 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 Security branch (see sections 1.3.3 and 1.3.4) applies 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 positioning, navigation and guidance systems for all types of vehicles and missiles;
- optics and signal detection and processing for monitoring, observation/imaging, warning and guidance systems;
- electronics, IT, cryptology and management of complex projects for the integration of full systems;
- biometrics for police systems and border checkpoints (visas, passports, etc.).

It therefore supplies Modular Air-Ground Armament, submarine periscopes, unmanned air vehicle systems, mission preparation systems, the FELIN infantry soldier system (integrated equipment and links), and a number of other systems to safeguard French territorial security and citizen safety, including automatic penalty control radar systems under the road safety program, etc.

6.1.4.2 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 take special measures with regard to the Snecma capital of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to take special measures, the State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of special measures was entered into by Sagem, Snecma (replaced by Safran following the merger of these two companies) and the French State on December 21, 2004. The agreement provides, *inter alia,* that:

- the French State shall be entitled to appoint a non-voting representative to the Safran Supervisory Board 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 strategic Safran subsidiaries (Snecma Propulsion Solide 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 defense [1], by entities of the Safran Group, the transfer of securities of Snecma Propulsion Solide, Microturbo, Europropulsion, Arianespace and G2P, 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 Snecma Propulsion Solide and Microturbo, in which case, should the State not make known its decision within 30 business days, it shall be deemed to approve 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 Snecma Propulsion Solide 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.

6.1.4.3 OTHER RELATED-PARTY AGREEMENTS

The related-party agreements authorized in 2009 or which had continuing effect during this period are presented in the statutory auditors' special report in section 7.4.1.

As of the filing date of this Registration Document, Safran has not entered into any new related-party agreements since January 1, 2010.

6.2 INFORMATION ABOUT THE CAPITAL

6.2.1 Share capital

As of December 31, 2009, Safran's share capital amounted to €83,405,917, breaking down into 417,029,585 fully paid-up ordinary shares with a par value of €0.20 each.

There were no changes to the amount or composition of the share capital during 2009 and up until the filing date of the Registration Document.

(1) **Strategic assets** *are assets that exist on the date the agreement comes into force, or that may be developed during the term of that agreement in the context of French defense contracts, and which concern prime contactor, design, manufacture, integration and operational maintenance capacities with regard to French ballistic and tactical missile propulsion and solid propellant-based space propulsion.*

Sensitive assets *are assets governing prime contractor and integration capacities with regard to aircraft engines used by the French military, liquid propulsion of space launch vehicles, high-performance inertia and mission preparation systems.*

Defence assets *are tangible or intangible assets possessed by, or which may come into the possession of Safran or its Group entities, which are used in the context of French defense contracts and fall into one of the following categories:*

– for assets of the former Snecma Group: (i) design, architecture, integration and operational maintenance of military aircraft engines (combat aircraft and helicopters) and missiles, and (ii) components, equipment and software for military aircraft (combat aircraft and helicopters) and missiles;

– for assets of the former Sagem Group: (i) high-performance inertia for strategic missiles and their carriers and (ii) mission preparation systems.

6.2.2 Capital authorized but not issued

Authorizations granted by the Annual General Meeting to the Executive Board with respect to share capital increases

	Date of the authorization	Term of the authorization expiration	Authorized amount	Amount used at Dec. 31, 2009
Issues with pre-emptive rights				
Share capital increase through the issue of ordinary shares and/or securities carrying rights to shares of the Company	AGM of May 28, 2009 Ninth resolution	26 months (July 2011)	Share capital: €20 million (a) (b) Debt securities carrying rights to shares of the Company: €850 million (c)	None
Share capital increase through capitalizing reserves, profits, additional paid-in capital or other eligible items	AGM of May 28, 2008 Tenth resolution	26 months (July 2010)	€100 million (b)	None
Issues without pre-emptive rights				
Share capital increase through the issue of ordinary shares and/or securities carrying rights to shares of the Company (with or without public offering) may be used as payment for contributions in the event of a takeover bid	AGM of May 28, 2009 Tenth resolution	26 months (July 2011)	Share capital: €20 million (a) (b) Debt securities carrying rights to shares of the Company: €850 million (c)	None
Employee rights issues				
Share capital increase reserved for members of the employee stock ownership plan	AGM of May 28, 2008 Eleventh resolution	26 months (replaced May 28, 2009)	1.5% of share capital on the day of the Executive Board's decision (b)	None
	AGM of May 28, 2009 Eleventh resolution	26 months (July 2011)		
Allocation of stock subscription options	AGM of May 28, 2008 Twelfth resolution	38 months (July 2011)	1.5% of share capital on the day of the Executive Board's decision (b)	None

(a) This amount is included in the ceiling for the issue of securities carrying immediate or deferred rights to the shares of the Company, set at €35 million by the Annual General Meeting of May 28, 2009 (twelfth resolution) for the ninth and tenth resolutions.

(b) This amount is included in the blanket ceiling for the issue of securities carrying immediate or deferred rights to the shares of the Company, set at €110 million by the Annual General Meeting of May 28, 2009 (twelfth resolution), all transactions included.

(c) This amount is included in the blanket ceiling for the issue of debt securities, set at €1.4 billion by the Annual General Meeting of May 28, 2009 (twelfth resolution).

The authorizations to increase share capital granted by the Annual General Meeting to the Executive Board were not used in 2009 or up until the filing date of this Registration Document.

6.2.3 Securities carrying rights to shares of the Company

As of December 31, 2009, there were no securities carrying immediate or deferred rights to shares of Safran.

6.2.4 History of the share capital since 2005

Date	Transaction	Safran share price *(in €)*	Amount of share capital *(in €)*	Number of outstanding shares	Issue premium *(cumulative amount in € thousands)*
Situation as of December 31, 2009		0.20	83,405,917	417,029,585	3,288,568
May 11, 2005	Merger/absorption of Snecma by 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 offer of exchange for the 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

6.2.5 Pledging of shares

To the best of the Company's knowledge 6,966,794 shares representing 1.67% of the share capital were pledged as of December 31, 2009, compared with 7,056,053 shares representing 1.69% of the share capital as of December 31, 2008.

6.2.6 Treasury shares

Situation as of December 31, 2009

	Number of shares	% capital	Carrying amount as of Dec. 31, 2009	Aggregate nominal value
Treasury shares, held directly	14,197,361	3.41	€157,758,310	€2,839,472.20
Treasury shares, held indirectly (*)	3,259,107	0.78	€41,716,570	€651,821.40
TOTAL	**17,456,468**	**4.19**	**€199,474,880**	**€3,491,293.60**

(*) Through the intermediary of SA Lexvall 2 and Lexvall 13, wholly-owned indirect subsidiaries of Safran, which serve as non-operating holding companies and whose share portfolio currently comprises Safran shares only.

6.2.7 Share buyback programs

The Annual General Meeting of May 28, 2009, by its eighth resolution authorized the Executive Board, 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 and/or officers of the Company or of other Group companies, notably in connection with a profit-sharing plan, share grant plan, stock option plan or an employee stock ownership plan;
- to purchase shares for cancellation;
- to maintain a liquid market in the Company's shares via a liquidity contract;
- 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:

- €20.

Total maximum amount that may be invested in the share buyback program:

- €834 million.

This program superseded the previous program authorized by the Annual General Meeting of May 28, 2008 (ninth resolution) with immediate effect, with the same purpose and a maximum purchase price of €30 per share and a total maximum amount of €1,250 million to be invested in the buyback program.

6.2.7.1 TREASURY SHARE TRANSACTIONS IN 2009

Share buybacks

In 2009, Safran purchased 1,036,775 of its own shares on the stock market under a liquidity contract:

- 184,582 shares were bought between January 1 and May 27, 2009, at an average price of €8.04;
- 849,193 shares were bought between May 28 and December 31, 2009, at an average price of €11.60.

Sales of shares

In 2009, Safran sold 1,433,424 of its own shares on the stock market under a liquidity contract:

- 197,634 shares were sold between January 1 and May 27, 2009, at an average price of €8.07;
- 1,235,790 shares were sold between May 28 and December 31, 2009, at an average price of €12.11.

Cancellation of shares

None.

Allocation of treasury shares

As of December 31, 2008, Safran allocated 5,696,000 treasury shares to share grant plans for employees of the Company or Group companies.

Pursuant to the authorization granted by the Annual General Meeting of May 28, 2008, the Executive Board implemented a share grant plan on April 3, 2009. In this context, employees of the Company or the companies of the Group within the scope of the European Works Council each received 100 shares, representing as of April 3, 2009 a maximum of 4,200,000 shares.

The 1,496,000 unused shares were allocated to treasury for subsequent delivery as payment or exchange for external growth transactions.

Liquidity contracts

The liquidity contract entered into on June 6, 2008 with Exane BNP Paribas ended on December 22, 2009. A new liquidity contact was signed on December 17, 2009 with the Rothschild & Cie bank.

Situation at December 31, 2009

As of December 31, 2009, Safran directly held 14,197,361 of its own shares, representing 3.41% of its capital. These treasury shares were held for the following purposes:

- granting shares free of consideration to employees of the Company or Group companies: 4,200,000 shares;
- holding shares in treasury for subsequent delivery as payment or exchange for external growth transactions: 7,751,443 shares;
- shares formerly covering purchase option plans for Sagem shares, the last of which expired on April 21, 2009: 2,245,918.

As of December 31, 2009, Safran also indirectly held, through the intermediary of its wholly-owned subsidiaries Lexvall 2 and Lexvall 13, 3,259,107 shares representing 0.78% of its share capital.

6.2.7.2 DESCRIPTION OF THE SHARE BUYBACK PROGRAM TO BE APPROVED BY THE ANNUAL GENERAL MEETING OF MAY 27, 2010

Under the ninth resolution, the Annual General Meeting of May 27, 2010, is asked to authorize a new share buyback program. Drafted in accordance with the provisions of Article 241-2 of the General Regulation of the AMF, the program's description is presented below and will not be published separately pursuant to Article 241-3-III of said Regulation.

Number of shares and percentage of share capital held directly or indirectly by the Company as of March 31, 2010

As of March 31, 2010, Safran held, directly or indirectly, 17,475,868 of its own shares, representing 4.19% of its share capital, including:

- treasury shares held directly: 14,216,761 shares or 3.41% of the share capital;
- treasury shares held indirectly (through the intermediary of its wholly-owned indirect subsidiaries, Lexvall 2 and Lexvall 13): 3,259,107 shares or 0.78% of the share capital.

Breakdown by purpose of share capital held directly by the Company as of March 31, 2010

The 14,216,761 Safran shares held directly by the Company as of March 31, 2010 are held for the following purposes:

- granting shares free of consideration to employees of the Company or Group companies: 4,199,400 shares (given the early release of 600 shares);
- maintaining a liquid market in the Company's shares via a liquidity contract: 20,000 shares;
- holding shares in treasury for subsequent delivery as payment or exchange for external growth transactions: 7,751,443 shares;
- for allocation on exercise of options held under Sagem group stock option plans, the last of which expired on April 21, 2009: 2,245,918.

Objectives of the Company's share buyback program to be approved by the Annual General Meeting of May 27, 2010

In accordance with EC Regulation 2273/2003 of December 22, 2003 and the market practices authorized by the AMF, the objectives of the share buyback program to be approved by the Annual General Meeting of May 27, 2010 are as follows:

- to purchase shares for allocation or sale to employees and/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;
- to purchase shares for cancellation, pursuant to the eleventh resolution submitted to the shareholders for approval;
- 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 Financial Markets Association (AMAFI) approved by the AMF, entered into with an investment services firm;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions;
- to carry out any other transactions authorized by applicable current or future laws and regulations.

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 outstanding shares as of the buyback date. 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 under 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 capital.

As of March 31, 2010, the Company's capital was composed of 417,029,585 shares. Given the 17,475,868 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 24,227,090 shares. The shares may not be purchased at a price of more than €25 per share and the maximum amount that may be invested in the program is €1,040 million.

The above maximum amounts and number of shares will be adjusted to reflect the impact of any corporate actions carried out by the Company.

Share buyback program procedures

The shares may be purchased, sold, or transferred at any time and by any method allowed under the laws and regulations applicable at the transaction date, in one or several installments, 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 Executive Board may use this authorization at any time in accordance with the conditions provided for under the applicable regulations, including during a public tender offer for the Company's shares, subject to strict compliance with Article 232-15 of the AMF's General Regulations, and solely for the purpose of enabling the Company to respect commitments made prior to the launch of such a public tender offer.

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 27, 2010, i.e., until November 26, 2011 at the latest.

6.3 INFORMATION ABOUT SHARE OWNERSHIP

6.3.1 Breakdown of share capital and voting rights

6.3.1.1 SITUATION AS OF DECEMBER 31, 2009

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2009:

	Shares		Exercisable voting rights		Theoretical voting rights (3)	
Shareholders	**Number**	**% capital**	**Number**	**%**	**Number**	**%**
Private investors	159,071,928	38.14	172,289,765	32.07	172,289,765	31.06
French State	125,940,227	30.20	150,752,222	28.06	150,752,222	27.18
Employees	52,183,610	12.51	91,831,301	17.09	91,831,301	16.55
Club Sagem (1)	31,604,407	7.58	62,993,994	11.73	62,993,994	11.36
Areva	30,772,945	7.38	59,363,695	11.05	59,363,695	10.70
Treasury shares, held directly	14,197,361	3.41	0	0.00	14,197,361	2.56
Treasury shares, held indirectly (2)	3,259,107	0.78	0	0.00	3,259,107	0.59
TOTAL	**417,029,585**	**100.00**	**537,230,977**	**100.00**	**554,687,445**	**100.00**

(1) *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 Sagem group. Club Sagem is held at 65% by current and former employees of the Safran Group (current and former employees of Sagem), notably via a corporate mutual fund and at 35% by Crédit Mutuel-CIC group.*

(2) *Shares held by the sub-subsidiaries Lexvall 2 and Lexvall 13.*

(3) *Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Article 223-11 of the General Regulations of the AMF).*

To the best of the Company's knowledge, no shareholder holds more than 5% of Safran's share capital or voting rights.

Voting rights of the main shareholders

The main Safran shareholders do not have different voting rights from those of other shareholders.

They may obtain double voting rights in accordance with the provisions laid down in Article 33 of the Company's bylaws which apply to all shareholders without distinction (see section 6.1.2.2).

Representatives of employee shareholders

The Safran Supervisory Board comprises two employee shareholder representatives, who were appointed with effect from May 12, 2006 by the Ordinary Shareholders' Meeting in their capacity as chairmen of the Supervisory Boards of the Group corporate mutual funds with the greatest number of Safran shares.

6.3.1.2 BREAKDOWN OF SHARE OWNERSHIP BY GEOGRAPHICAL ORIGIN

According to a survey on identifiable bearer shares carried out by Euroclear France in December 2009, Safran's private investor shareholders break down as 75% institutional investors, 20% individual shareholders and 5% unidentified. French investors represent 85% of the shareholding. Of the 75% of institutional investors identified, the majority were French (47%), North American (23%) and British (20%).

Individual shareholders represent 7.6% of Safran's share capital, the majority of them being French.

6.3.1.3 SIGNIFICANT MOVEMENTS DURING 2009

To the best of the Company's knowledge, there were no significant movements in Safran's share capital or voting rights during 2009.

On September 10, 2009, Natixis Asset Management, an indirectly-controlled management company of Natixis, acting on behalf of FCPE Safran Investissement, announced that it had increased its holding in Safran to over 5% of the voting rights and at that date held 19,635,003 Safran shares representing 31,028,309 voting rights, or 4.71% of the capital and 5.59% of voting rights. The threshold was crossed as a result of FCPE Safran Abond transferring Safran shares to FCPE Safran Investissement when the two mutual funds merged.

6.3.1.4 SITUATION AS OF MARCH 31, 2010

To the best of the Company's knowledge, there were no significant movements in Safran's share capital or voting rights during the first quarter of 2010. The breakdown as of March 31, 2010 is as follows:

	Shares		Exercisable voting rights		Theoretical voting rights (1)	
Shareholders	**Number**	**% capital**	**Number**	**%**	**Number**	**%**
Private investors	162,455,385	38.96	172,124,301	32.34	172,124,301	31.31
French State	125,940,227	30.20	150,752,222	28.32	150,752,222	27.42
Employees	50,380,513	12.08	89,982,365	16.91	89,982,365	16.37
Club Sagem	30,004,647	7.19	60,005,854	11.28	60,005,854	10.92
Areva	30,772,945	7.38	59,363,695	11.15	59,363,695	10.80
Treasury shares, held directly	14,216,761	3.41	0	0.00	14,216,761	2.59
Treasury shares, held indirectly	3,259,107	0.78	0	0.00	3,259,107	0.59
TOTAL	**417,029,585**	**100.00**	**532,228,437**	**100.00**	**549,704,305**	**100.00**

(1) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Art. 223-11 of the General Regulations of the AMF).

6.3.1.5 CHANGE IN THE BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS OVER THE LAST THREE YEARS

	December 31, 2007			December 31, 2008			December 31, 2009		
Shareholders	**Number of shares**	**% capital**	**% voting rights (1)**	**Number of shares**	**% capital**	**% voting rights (1)**	**Number of shares**	**% capital**	**% voting rights (1)**
Private investors	168,969,389	40.52	33.10	153,952,241	36.92	30.94	159,071,928	38.14	32.07
French State	126,811,995	30.41	27.61	125,940,227	30.20	27.94	125,940,227	30.20	28.06
Employees	52,693,632	12.63	16.91	56,506,213	13.55	18.32	52,183,610	12.51	17.09
Club Sagem	31,991,722	7.67	11.57	32,004,842	7.67	11.79	31,604,407	7.58	11.73
Areva	30,772,945	7.38	10.81	30,772,945	7.38	11.01	30,772,945	7.38	11.05
Treasury shares, held directly	2,530,795	0.61	0.00	14,594,010	3.50	0.00	14,197,361	3.41	0.00
Treasury shares, held indirectly	3,259,107	0.78	0.00	3,259,107	0.78	0.00	3,259,107	0.78	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) Exercisable voting rights.

6.3.2 Control of the Company

As of the date of filing of this Registration Document, no shareholder held, directly and/or indirectly, jointly or in concert with another shareholder, a percentage of voting rights conferring control of the Company.

6.3.3 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.

6.3.4 Shareholder agreements

To the best of Company's knowledge, there are no current shareholder agreements relating to Safran shares.

6.3.5 Undertaking to hold securities

A collective undertaking to hold securities of Sagem (which became Safran after the merger of Sagem and Snecma), on behalf of 3,386 Sagem employees and former employees (and their beneficiaries) and Club Sagem, was signed on March 29, 2004 for a period of six years expiring on March 29, 2010.

Club Sagem did not extend this undertaking to hold securities beyond its expiration.

As of December 31, 2009, the signatories of this undertaking held 8.6% of Safran's share capital and 13.4% of its exercisable voting rights. The signatories include a member of the Safran Executive Board, Xavier Lagarde and three members of the Supervisory Board: Mario Colaiacovo, Armand Dupuy and Michel Toussan.

6.3.6 Stock options

6.3.6.1 STOCK SUBSCRIPTION OPTIONS

The Safran Executive Board has never granted options conferring entitlement to subscribe for shares in the Company. Safran affiliates do not grant stock subscription options.

6.3.6.2 STOCK PURCHASE OPTIONS

6.3.6.2.1 Historical summary of stock purchase option plans

	2000 plan	2001 plan	2002 plan	2003 plan	2004 plan
Date of General Shareholders' Meeting	05/10/2000	04/24/2001	05/17/2002	04/23/2003	04/21/2004
Date of Executive Board meeting (or Board of Directors' meeting prior to April 24, 2001)	05/10/2000	04/24/2001	05/17/2002	04/23/2003	04/21/2004
Total number of options initially allocated	219,240	230,000	200,000	180,000	150,000
of which to:					
• corporate officers (total figure)	20,580	64,634	47,133	36,167	39,000
• top-ten employee recipients (total figure)	47,460	35,000	37,334	32,667	25,000
Adjusted total number of options initially allocated (1)	1,278,900	1,341,667	1,166,667	1,050,435	750,000
Starting date for the exercise of options	05/10/2004	04/24/2003	05/17/2004	04/23/2005	04/21/2008
Expiration date	05/10/2006	04/24/2006	05/17/2007	04/23/2008	04/21/2009
Adjusted strike price (1)	50.24	20.51	10.29	10.63	17.26
Stock purchase options outstanding as of December 31, 2008 (1)	0	0	0	0	750,000
Stock purchase options exercised by beneficiaries during 2009 (1)	0	0	0	0	0
Stock purchase options that lapsed during the year (1)	0	0	0	0	750,000
Stock purchase options outstanding as of December 31, 2009 (1)	0	0	0	0	0

(1) Adjusted to take into account the share grant of December 2003 (one share grant for six shares held) and the share split on December 20, 2004.

Safran affiliates do not grant stock purchase options.

6.3.6.2.2 Stock purchase options granted and/or exercised during 2009

The Executive Board did not use the 38-month authorization granted by the Annual General Meeting of May 28, 2008 to grant options to purchase existing shares bought back by the Company.

In 2009, no options granted under previous plans were exercised and as of December 31, 2009, there are no stock purchase options that can be exercised.

6.3.7 Share grant plan

Pursuant to 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 four million existing Safran shares, representing 1% of the share capital and 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, there is a two-year vesting period from the grant date followed by a two-year lock-in period during which the beneficiaries may exercise the rights attached to the shares (voting rights, dividends); although the shares may not be sold.

For employees of the Group's companies located outside of France, but within the scope of the European Works Council, the vesting period is four years, with no lock-in period.

These share grants will only fully vest with the employees concerned subject to the fulfillment of the conditions stipulated in the plan regulations.

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, because of their employment contract, could have been granted shares, individually waived their right to such shares.

The following table summarizes information on the shares granted in 2009 to Safran corporate officers and to the ten non-corporate officer employees who were granted the most shares.

Shares granted to corporate officers	Number of shares	Value per share
Shares granted during 2009 to corporate officers by Safran or any other company authorized to grant shares		
Christian Halary	100	€7.54
Michèle Monavon	100	€7.54
Shares granted to and vested with Safran corporate officers in 2009	0	

Shares granted to non-corporate officer employees	Number of shares	Value per share
Shares granted in 2009 by Safran or any other company authorized to grant shares, to the ten employees of the Company or any other company falling within the scope of the plan who were granted the most shares (non-corporate officer employees)	1,000	€7.54
Shares granted to and vested with the ten employees of Safran and the aforementioned companies, who were granted the most shares (non-corporate officer employees) in 2009	0	

6.4 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).

The Safran share is included in the Euronext SBF 120, SBF 250, Euronext 100, CAC IT Large, CAC IT 20, CAC Next 20 and Euronext FAS IAS indices.

Main stock market data over three years

	2007	2008	2009
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price *(in €)*			
High	20.100	15.260	13.800
Low	12.800	8.120	6.587
Closing	14.030	9.634	13.690
Market capitalization as of December 31 *(in € millions)*	5,851	4,018	5,709

Change in share price from January 1, 2009 to March 31, 2010

		Average share price (1) *(in €)*	High *(in €)*	Low *(in €)*	Average daily transactions *(in number of shares)*	Average market capitalization (2) *(in € millions)*
January	**2009**	9.751	10.820	8.915	839,156	4,066
February		8.895	10.000	6.860	948,229	3,709
March		7.208	7.829	6.587	670,834	3,006
April		8.364	9.344	6.819	904,839	3,488
May		9.348	10.085	8.534	620,844	3,898
June		9.164	9.678	8.671	749,607	3,822
July		9.289	11.190	8.584	599,858	3,874
August		11.813	13.000	10.500	824,119	4,926
September		12.916	13.475	11.955	827,968	5,386
October		12.166	13.360	10.760	777,483	5,074
November		11.704	12.300	10.705	588,223	4,881
December		12.801	13.800	11.305	557,801	5,338
January	**2010**	14.436	15.010	13.630	666,731	6,020
February		14.757	17.600	13.670	1,049,075	6,154
March		18.557	20.040	17.000	1,194,289	7,739

(1) Average closing price.

(2) Out of the 417,029,585 shares that comprised the share capital from January 1, 2009 to March 31, 2010.

IN BRIEF

SECTION 07

The Meeting will be held on May 27, 2010 at the CNIT conference center in Paris.

Agenda

Ordinary Meeting

- Approval of the parent company financial statements for the year ended December 31, 2009.
  Discharge to the members of the Executive Board and the Supervisory Board for the performance of their duties.
- Approval of the consolidated financial statements for the year ended December 31, 2009.
- Appropriation of net profit and approval of the recommended dividend.
- Approval of related-party agreements and commitments governed by Article L. 225-86 of the French Commercial Code.
- Re-appointment of Mazars as a statutory auditor.
- Appointment of Ernst & Young et Autres as a statutory auditor.
- Appointment of Gilles Rainaut as an alternate auditor.
- Appointment of Auditex as an alternate auditor.
- Authorization for the Executive Board to implement a share buyback program.

Extraordinary Meeting

- Authorization for the Executive Board to increase the Company's capital by capitalizing reserves, profits, additional paid-in capital or other eligible items.
- Authorization for the Executive Board to reduce the Company's capital by cancelling treasury shares.
- Powers to carry out formalities.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 27, 2010

07

7.1 AGENDA

Ordinary Meeting

- Approval of the parent company financial statements for the year ended December 31, 2009.
  Discharge to the members of the Executive Board and the Supervisory Board for the performance of their duties.
- Approval of the consolidated financial statements for the year ended December 31, 2009.
- Appropriation of net profit and approval of the recommended dividend.
- Approval of related-party agreements and commitments governed by Article L. 225-86 of the French Commercial Code.
- Re-appointment of Mazars as a statutory auditor.
- Appointment of Ernst & Young et Autres as a statutory auditor.
- Appointment of Gilles Rainaut as an alternate auditor.
- Appointment of Auditex as an alternate auditor.
- Authorization for the Executive Board to implement a share buyback program.

Extraordinary Meeting

- Authorization for the Executive Board to increase the Company's capital by capitalizing reserves, profits, additional paid-in capital or other eligible items.
- Authorization for the Executive Board to reduce the Company's capital by cancelling treasury shares.
- Powers to carry out formalities.

7.2 DRAFT RESOLUTIONS

Ordinary resolutions

FIRST RESOLUTION

Approval of the parent company financial statements for the year ended December 31, 2009 Discharge given to the members of the Executive Board and the Supervisory Board for the performance of their duties

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, having considered the Management Report prepared by the Executive Board and the report of the statutory auditors on the parent company financial statements, and having noted that the Supervisory Board issued no observations concerning said Executive Board report or the parent company financial statements, the shareholders approve the financial statements of the parent company for the year ended December 31, 2009 as presented – showing net profit for the year of €249,519,111.96 – 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, the shareholders approve the non-deductible expenses governed by Article 39-4 of said Code, which totaled €109,340 and gave rise to a tax charge of €37,646.

Consequently the shareholders give discharge to the members of the Executive Board and the Supervisory Board for the performance of their management duties during 2009.

SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2009

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, having considered the Management Report prepared by the Executive Board and the report of the statutory auditors on the consolidated financial statements, and having noted that the Supervisory Board issued no observations concerning said Executive Board report or the consolidated financial statements, the shareholders approve the consolidated financial statements for the year ended December 31, 2009 as presented, together with the transactions reflected in these financial statements and referred to in these reports.

THIRD RESOLUTION

Appropriation of net profit and approval of the recommended dividend

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders, voting on the proposal made by the Executive Board, resolve to appropriate net profit for the year ended December 31, 2009 as follows:

(in €)	
Net profit for 2009	249,519,111.96
Retained earnings [(1)]	4,115,005.95
NET PROFIT AVAILABLE FOR DISTRIBUTION	**253,634,117.91**
Appropriation:	
Dividend [(2)]	158,471,242.30
Ordinary reserves	94,000,000.00
Retained earnings	1,162,875.61

(1) Including €3,647,235.66 corresponding to the 2008 dividend due on shares held in treasury at the payment date of the interim and final dividend.
(2) Including the dividend provided for in the Company's bylaws equal to 5% of the par value of shares.

Accordingly, the shareholders resolve to pay a dividend of €0.38 per share and set the dividend payment date at June 4, 2010 following an ex-dividend date of June 1, 2010.

Shareholders domiciled for tax purposes in France are eligible for the 40% tax relief on the dividend, as provided for under Article 158-3-2 of the French Tax Code, unless they have elected to pay the 18% dividend withholding tax provided for under Article 117 *quater* of said Code.

The shareholders further resolve that shares held in treasury at the dividend payment date will not carry dividend rights and the amounts corresponding to the dividends due on these shares will be credited to retained earnings.

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 *(in €)*	Total payout [(3)] *(in €)*
2008	402,443,027 [(2)]	0.25	100,610,160.59
2007	414,783,667	0.40	165,913,466.80
2006	414,356,567	0.22	91,158,444.74

(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 (€0.08) was paid on 402,435,575 shares and the final dividend (€0.17) was paid on 402,443,027 shares.
(3) Fully eligible for the 40% tax relief provided for under Article 158-3-2 of the French Tax Code.

FOURTH RESOLUTION

Approval of related-party agreements and commitments governed by Article L. 225-86 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 report on related-party agreements and commitments governed by Article L. 225-86 of the French Commercial Code, the shareholders note that no such agreements or commitments were authorized during 2009 and approve the content of said report relating to agreements and commitments authorized in prior years.

FIFTH RESOLUTION

Re-appointment of Mazars as a statutory auditor

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, based on the recommendation of the Supervisory Board, the shareholders resolve to re-appoint Mazars as a statutory auditor for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2015.

SIXTH RESOLUTION

Appointment of Ernst & Young et Autres as a statutory auditor

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders note that Constantin Associés' engagement as a statutory auditor is due to expire at the close of this Meeting and therefore approve the recommendation of the Supervisory Board to appoint Ernst & Young et Autres, whose registered office is located at 41, rue Ybry, 92200 Neuilly-sur-Seine, France, as statutory auditor, for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2015.

SEVENTH RESOLUTION

Appointment of Gilles Rainaut as an alternate auditor

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders note that Thierry Colin's engagement as an alternate auditor is due to expire at the close of this Meeting and therefore approve the recommendation of the Supervisory Board to appoint Gilles Rainaut, whose business address is 60, rue du Général-Leclerc, 92100 Boulogne-Billancourt, France, as an alternate auditor, for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2015.

EIGHTH RESOLUTION

Appointment of Auditex as an alternate auditor

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders note that Beas' engagement as an alternate auditor is due to expire at the close of this Meeting and therefore approve the recommendation of the Supervisory Board to appoint Auditex whose registered office is located at 11, allée de l'Arche, 92400 Courbevoie, France, as an alternate auditor, for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2015.

NINTH RESOLUTION

Authorization for the Executive Board to implement 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 Executive Board and the description of the share buyback program drawn up pursuant to Articles 241-1 et seq. of the General Regulations of the *Autorité des marchés financiers* (AMF), the shareholders authorize the Executive Board to purchase 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, the AMF's General Regulations, and any other laws and regulations that may be applicable in the future.

The authorization may be used for the following purposes:

- to purchase shares for allocation or sale to employees and/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;
- to purchase shares for cancellation subject to the approval of the eleventh resolution below;
- 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 Financial Markets Association (AMAFI) approved by the AMF, entered into with an investment services firm;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions;
- to carry out any other transactions authorized by applicable current or future laws and regulations.

The shares may be purchased, sold, or transferred at any time and by any method allowed under the laws and regulations applicable at the transaction date, in one or several installments, 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 Executive Board may use this authorization at any time in accordance with the conditions provided for under the applicable regulations, including during a public tender offer for the Company's shares, subject to strict compliance with Article 232-15 of the AMF's General Regulations, and solely for the purpose of enabling the Company to respect commitments made prior to the launch of such a public tender offer.

The number of shares that may be bought back under this authorization may not exceed 10% of the Company's total outstanding shares (e.g. 41,702,958 shares based on the issued capital at December 31, 2009). 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 under 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 capital.

The shares may not be purchased at a price of more than €25 per share and the maximum amount that may be invested in the program is €1,040 million.

The above maximum amounts and number of shares will be adjusted to reflect the impact of any corporate actions carried out by the Company.

The shareholders give the Executive Board full powers, which may be delegated, to implement 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 *Autorité des marchés financiers* and any other organizations, carry out all other formalities, and generally do everything necessary.

This authorization is given for a period of eighteen months from the date of this Meeting and supersedes the authorization given to the Executive Board for the same purpose in the eighth resolution of the Annual General Meeting held on May 28, 2009.

Extraordinary resolutions

TENTH RESOLUTION

Authorization for the Executive Board to increase the Company's capital by capitalizing reserves, profits, additional paid-in capital or other eligible items

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the report of the Executive Board, in accordance with Articles L. 225-129-2 and L. 225-130 of the French Commercial Code, the shareholders:

1/ Authorize the Executive Board to increase the Company's capital on one or several occasions, to be paid up by capitalizing reserves, profits, additional paid-in capital or other items that may be capitalized in accordance with the applicable laws and the Company's bylaws, through issuing bonus shares and/or raising the par value of existing shares. The amounts and timing of such transactions shall be determined at the Board's discretion.

2/ Resolve that the amount by which the Company's capital may be increased pursuant to this authorization may not exceed €100 million, and that the amount of any capital increase(s) carried out using this authorization will be included in the blanket ceiling applicable to capital increases set in the twelfth resolution of the Annual General Meeting held on May 28, 2009.

3/ Resolve that in the event of a bonus share issue, rights to fractions of shares will not be transferrable 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 the Executive Board full powers, which may be delegated, to use this authorization and specifically to take any and all measures and carry out any and all formalities required for the capital increase(s) to be effective, 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 fourteen months from the date of this Meeting.

ELEVENTH RESOLUTION

Authorization for the Executive Board to reduce the Company's capital by cancelling treasury shares

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Executive Board and the statutory auditors' special report, in accordance with Article L. 225-209 of the French Commercial Code, the shareholders authorize the Executive Board to reduce the Company's capital on one or more occasions by cancelling Safran shares held in treasury, provided the total number of shares cancelled under this authorization does not exceed the equivalent of 10% of the Company's share capital.

The shareholders give the Executive Board full powers, which may be delegated, to use this authorization and consequently to determine the amount and terms of the capital reduction(s), place on record the capital reduction(s), charge the difference between the carrying amount of the cancelled shares and their par value against additional paid-in capital or reserves, amend the Company's bylaws to reflect the new capital, carry out any necessary reporting and other formalities, and generally do whatever is necessary.

This authorization is given for a period of twenty-four months from the date of this Meeting.

TWELFTH 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 and other formalities required by the applicable laws and regulations in relation to the resolutions set out above.

7.3 OBSERVATIONS OF THE SUPERVISORY BOARD ON THE EXECUTIVE BOARD'S MANAGEMENT REPORT AND THE 2009 FINANCIAL STATEMENTS

This report was prepared in accordance with Article L. 225-68-6 of the French Commercial Code.

After reviewing and auditing the parent company and consolidated financial statements for the year ended December 31, 2009, approved by the Executive Board and presented to the Supervisory Board at its meeting of February 24, 2010, following a review thereof by the Audit Committee on February 22, 2010, the Supervisory Board wishes to inform the Shareholders' Meeting that it has no observations to make on said financial statements.

Furthermore, the Supervisory Board has no observations to make on the Executive Board's management report relating to 2009 that was reviewed at its meeting of April 13, 2010.

Accordingly, the Supervisory Board asks shareholders to approve the draft resolutions presented by the Executive Board, including the resolutions recommended by the Supervisory Board concerning the appointment of statutory auditors.

For the Supervisory Board
The Chairman

Francis Mer

7.4 STATUTORY AUDITORS' REPORTS

7.4.1 Statutory auditors' special report on related-party agreements and commitments

Statutory auditors' special report on related-party agreements and commitments – Year ended December 31, 2009

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 Safran, we hereby report to you on related-party agreements and commitments.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of Article R. 225-58 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

No agreements or commitments have been brought to our attention

We hereby inform you that we have not been advised of any agreement or commitment entered into during the year and governed by Article L. 225-86 of the French Commercial Code.

Agreements and commitments authorized in previous years that remained in force during 2009

In addition, pursuant to the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have remained in force during 2009.

Three-way agreement between the French State, Sagem SA and Snecma

In order to protect national interests and preserve national independence, in view of the merger of Sagem and Snecma, the French State informed Snecma and Sagem of its intention to exercise its right to take special measures with regard to the Snecma capital of the kind defined in Article 10 of the law no. 86-912 of August 6, 1986. In exchange for the waiver of this right to take special measures, the State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of special measures was entered into by Sagem SA and Snecma, now Safran, and the French State. This agreement was signed on December 21, 2004 and remained in force during 2009 without any legal or financial impact.

Commitment given to Jean-Paul Herteman in connection with his compensation as Chairman of the Executive Board

When setting the compensation payable to Jean-Paul Herteman, appointed Chairman of the Executive Board with effect from September 3, 2007, the Supervisory Board meeting of October 18, 2007, on the recommendation of the Appointments and Compensation Committee which met on the same day, decided the following measures:

Setting of compensation payable under the employment contract, at the end of the term(s) of office of Chairman of the Executive Board and in the event of early termination

At the end of his term(s) of office and in the event of early termination – for whatever reason – (other than the specific cases detailed below), Jean-Paul Herteman shall regain his position as an employee, since his employment contract will only have been suspended during his term(s) of office as Chairman of the Executive Board and said term of office shall be taken into account when calculating his length of service; he will benefit from maintenance of the last compensation amount (fixed and variable) received as Chairman of the Executive Board, unless the objectives set by the Supervisory Board for the last fiscal year are significantly under-attained. The Supervisory Board shall meet to assess the extent to which objectives are attained; for the 2009 fiscal year one-third of the variable component is based on individual objectives and two-thirds based on economic objectives, half of the economic objectives are based on EBIT and half on WCR, as indicated in section 8.2.1 of the management report.

Commitment in respect of payments due in certain instances of termination of the Chairman of the Executive Board's term of office

In the specific case where Jean-Paul Herteman's term of office is terminated prematurely as a result of merger with or into another company, and he shall regain his position as an employee under the conditions detailed above.

However, in the specific case and should Jean-Paul Herteman fail to accept any of the employment positions proposed, his employment contract shall be terminated and he shall benefit from the provisions set out in the French Labor Code and the collective bargaining agreement applicable to engineers and managerial staff in the metallurgy industry. In accordance with the decision of the Supervisory

Board, he shall also receive an additional payment equal to nine months of his final salary as Chairman of the Executive Board. This payment shall potentially be reduced to reflect the extent to which performance objectives set by the Supervisory Board for the determination of variable compensation, are attained during the last year of his term of office as Chairman. For 2009, performance objectives are identical, in nature, to those set-out above.

The Supervisory Board shall hold a special meeting in order to assess attainment of these objectives and set the exact amount of this compensation.

Agreement concerning a credit facility granted by a pool of five banks including Crédit Mutuel-CIC

On January 18, 2008, the Company signed an agreement concerning a credit facility granted by a pool of five banks: Crédit Mutuel-CIC, also acting as credit agent, BNP Paribas, Calyon, Société Générale and Fortis, in the amount of €500 million and for a renewable term of one year. This agreement corresponds to the short-term portion of the credit facility provided to your Company by this group of banks since January 2005 of a total amount of €1,300 million.

As of January 16, 2009, the Company proceeded to repay the amounts relating to the two drawdowns of €50 million each, made on October 13 and 17, 2008, respectively. At the same date, the Company exercised the option to draw funds pursuant to the agreement in the maximum authorized amount of €500 million, for one year. The agreement ended January 15, 2010, with complete repayment of the amounts borrowed on January 16, 2009.

In 2009, interest expenses (Euribor plus 0.15% or 0.20% according to the loan) totaled €5.5 million.

We performed our procedures in accordance with professional standards applicable in France. These standards require us to perform procedures to verify that the information given to us agrees with the underlying documents.

Paris and Courbevoie, April 20, 2010

The statutory auditors

Constantin Associés	Mazars
Member of Deloitte Touche Tohmatsu	
Thierry Benoit	Jean-Marc Deslandes

7.4.2 Statutory auditors' report on the reduction of the Company's capital by cancelling treasury shares

Statutory auditors' report on the reduction of the Company's capital by cancelling treasury shares – Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 – Eleventh resolution

This is a free translation into English of the statutory auditors' 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 Safran, and pursuant to the provisions of the seventh paragraph of Article L. 225-209 of the French Commercial Code applicable in the event of a reduction of share capital by cancelling treasury shares, we hereby report to you on our assessment of the reasons for and terms and conditions of the planned capital reduction.

We performed our procedures in accordance with professional standards applicable in France. These standards require us to perform procedures to examine whether or not the reasons for and terms and conditions of the planned reduction in capital comply with the applicable legal provisions.

The transaction is proposed in connection with the purchase by your Company of its own shares, up to the limit of 10% of its capital (or 5% if the shares are acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions), in accordance with the conditions set out in Article L. 225-209 of the French Commercial Code. The authorization to implement such a buyback program is set out in the ninth resolution and would be given for a period of eighteen months.

The Executive Board is asking the shareholders to give it a twenty-four month authorization, to cancel, on one or more occasions, shares acquired by the Company under the buyback program, provided the total number of shares cancelled under this authorization does not exceed the equivalent of 10% of the Company's share capital.

We have no matters to report on the reasons for or the terms and conditions of the proposed reduction in capital, it being specified that the proposed reduction of the Company's capital is subject to the approval by the shareholders of the share buyback program proposed under the ninth resolution.

Paris and Courbevoie, April 20, 2010

The statutory auditors

Constantin Associés	Mazars
Member of Deloitte Touche Tohmatsu	
Thierry Benoit	Jean-Marc Deslandes

7.5 FIVE-YEAR FINANCIAL SUMMARY

(in €)	2005	2006	2007	2008	2009
Closing balance					
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	264,715,285	224,572,080	278,589,207	404,777,762	259,026,592
Income tax expense	(71,790,444)	(118,622,179)	(125,473,595)	(189,316,880)	(130,569,281)
Statutory employee profit-sharing for the fiscal year	0	5,288,647	1,467,529	0	0
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	302,595,258	216,429,174	204,555,304	151,150,969	249,519,112
Dividend payment	150,130,650	91,746,509	166,811,834	100,087,100	158,471,242
Per share data					
Net profit after tax and statutory employee profit-sharing but before depreciation, amortization and provisions – divided by the number of shares outstanding	0.81	0.81	0.97	1.42	0.93
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions – divided by the number of shares outstanding	0.73	0.52	0.49	0.36	0.60
Net dividend per ordinary share outstanding	0.36	0.22	0.40	0.25	0.38
Employees					
Average number of employees during the fiscal year	334	374	391	403	426
Total payroll	41,110,233	46,674,831	50,594,640	51,314,080	52,628,948
Social security and other social welfare contributions	23,301,207	22,686,116	22,080,412	21,184,366	23,727,951

IN BRIEF

SECTION 08

Persons responsible

Person responsible for the Registration Document

Jean-Paul Herteman

- Chairman of the Executive Board

Person responsible for the financial information

Ross McInnes

- Member of the Executive Board
- Executive Vice President, Economic and Financial Affairs

2009 statutory auditors

Statutory auditors

Mazars
61 rue Henri Régnault
92400 Courbevoie

Constantin Associés
26 rue de Marignan
75008 Paris

Alternate auditors

Thierry Colin
61 rue Henri Régnault
92400 Courbevoie

BEAS
7-9 Villa Houssay
92200 Neuilly sur Seine

The terms of office of the Company's statutory and alternate auditors are due to expire at the close of the Annual General Meeting of May 27, 2010.

Information in the Registration Document

This Registration Document includes:

- All information required under Annex 1 of EC Regulation No. 809/2004
- The management report of the Executive Board
- The annual financial report
- The Annual General Meeting information

ADDITIONAL INFORMATION

08

8.1 PERSONS RESPONSIBLE

8.1.1 Person responsible for the Registration Document

Jean-Paul Herteman

Chairman of the Safran Executive Board

8.1.2 Declaration by the person responsible for the Registration Document

"Having taken all reasonable measures to that effect, I hereby attest that the information 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 certify 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 8.4.1) 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, 2007 presented in the Registration Document filed on April 25, 2008 under the number D.08-0299 and incorporated by reference as stated in the foreword to section 3 of this document.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2008 presented in the Registration Document filed on April 24, 2009 under the number D.09-0305 and incorporated by reference as stated in the foreword to section 3 of this document.

An unqualified audit report was issued in respect of the annual and consolidated financial statements for the year ended December 31, 2009 presented in section 3.4 of this Registration Document. The report on the consolidated financial statements contained an observation regarding the application of new accounting standards (IFRS)."

Paris, April 22, 2010

The Chairman of the Executive Board

Jean-Paul Herteman

8.1.3 Person responsible for the financial information

Ross McInnes

Member of the Executive Board, Safran Executive Vice President, Economic and Financial Affairs

Tel.: 33(0)1 40 60 83 32

Fax: 33(0)1 40 60 83 92

Email: ross.mcinnes@safran.fr

8.2 STATUTORY AUDITORS

For the period covered by the historical financial information, Safran's statutory auditors are as follows:

Statutory auditors

Mazars [(1)]	**Constantin Associés** Member of the Deloitte Touche Tohmatsu network since 2007
Represented by: **Jean-Marc Deslandes** 61, rue Henri-Régnault 92400 Courbevoie • Start date of first term of office: May 28, 2008 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 28, 2008 for a term of two years (2008 and 2009) • End of term of office: Close of the Annual General Meeting of May 27, 2010, held to approve the financial statements for the year ended December 31, 2009	Represented by: **Thierry Benoît** 26, rue de Marignan 75008 Paris • Start date of first term of office: April 21, 2004 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of April 21, 2004 for a term of six years (2004 to 2009) • End of term of office: Close of the Annual General Meeting of May 27, 2010, held to approve the financial statements for the year ended December 31, 2009

Alternate auditors

Thierry Colin [(1)]	**Beas** [(2)] Member of the Deloitte Touche Tohmatsu network
   61, rue Henri-Régnault 92400 Courbevoie • Start date of first term of office: May 28, 2008 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 28, 2008 for a term of two years (2008 and 2009) • End of term of office: Close of the Annual General Meeting of May 27, 2010, held to approve the financial statements for the year ended December 31, 2009	Represented by: **Alain Pons** 7-9, villa Houssay 92200 Neuilly-sur-Seine • Start date of first term of office: May 28, 2009 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 28, 2009 for one year (2009) • End of term of office: Close of the Annual General Meeting of May 27, 2010, held to approve the financial statements for the year ended December 31, 2009

(1) Pursuant to the merger between Deloitte and Constantin in July 2007, Deloitte & Associés and Beas were required to resign from their respective terms of office as statutory and alternate auditor; these resignations took effect at the close of the Annual General Meeting of May 28, 2008 held to approve the financial statements for the year ended December 31, 2007. This Annual General Meeting appointed the following replacements for the remaining terms of office, i.e. until the Annual General Meeting held to approve the financial statements for the year ended December 31, 2009:
- *as statutory auditor: Mazars & Guérard, 61, rue Henri-Régnault, 92400 Courbevoie, represented by Jean-Marc Deslandes;*
- *as alternate auditor: Thierry Colin, 61, rue Henri-Régnault, 92400 Courbevoie.*

(2) The Ordinary and Extraordinary Shareholders' Meeting of May 28, 2009 appointed Beas, represented by Alain Pons and member of the Deloitte Touche Tohmatsu network, to replace Jean-François Serval who resigned from his duties in 2009 for personal reasons, for the remaining term of office, i.e., until the Annual General Meeting held to approve the financial statements for the year ended December 31, 2009.

New terms of office

The terms of office of the Company's statutory auditors are due to expire at the close of the Annual General Meeting of May 27, 2010, held to approve the financial statements for the year ended December 31, 2009. At the Annual General Meeting of May 27, 2010 shareholders will be asked to approve the Supervisory Board's proposal to appoint statutory auditors for six years expiring at the Ordinary Shareholders' Meeting to be called to approve the financial statements for the year ending December 31, 2015. These proposals are based on recommendations issued by the Audit Committee following a bid-based selection process.

The corresponding resolutions are presented in section 7.2 of this Registration Document.

8.3 DOCUMENTS AVAILABLE TO THE PUBLIC

All of 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, or Registration Documents (going back three years).

2008 annual results

Press release of February 18, 2009

Presentation to analysts

Safran completes acquisition of Motorola's biometrics business

Press release of April 7, 2009

First-quarter 2009 revenue

Press release of April 16, 2009

Safran acquires majority stake in GE Homeland Protection, bolstering ties with General Electric

Press release of April 24, 2009

Ordinary and Extraordinary Shareholders' Meeting of May 28, 2009

Notice of meeting required under Article R. 225-81 of the French Commercial Code

Documents required under Article R.225-83 of the French Commercial Code

Presentation

Press release of May 28, 2009

2009 first-half results

Press release of July 31, 2009

Presentation to analysts

Safran completes acquisition of 81% of GE Homeland Protection

Press release of September 8, 2009

Consolidated revenue at September 30, 2009

Press release of October 16, 2009

Bond issue project

Press release of November 13, 2009

Safran successfully launches its inaugural bond issue: €750 million five-year bonds

Press release of November 19, 2009

Supervisory Board's Internal Rules

BALO publications

(www.journal-officiel.gouv.fr)

2009 annual results

Press release of February 25, 2010

Presentation to analysts

First-quarter 2010 revenue

Press release of April 20, 2010

8.4 CROSS-REFERENCE TABLES

8.4.1 Executive Board management report cross-reference table

This Registration Document includes the information contained in the Executive Board 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 Executive Board.

	Executive Board management report headings	2009 Registration Document section
1	**Group activities in 2009**	
	Summary of key figures by branch	2.1
1.1	Aerospace Propulsion	2.1.1
1.2	Aircraft Equipment	2.1.2
1.3	Defence	2.1.3
1.4	Security	2.1.4
2	**Human resources**	
2.1	Headcount	2.4.1
2.2	Human resources policy	2.4.2
2.3	Labor relations	2.4.3
2.4	Statutory and optional profit-sharing schemes	2.4.4
2.5	Group employee savings plan and international Group employee savings plan	2.4.5
3	**Research and Development**	
3.1	Major technology areas	1.4.1
3.2	Technical and scientific partnerships	1.4.2
3.3	Innovation and intellectual property	1.4.3
4	**Operating and financial position**	
4.1	Consolidated income statements	2.2.1 and 2.2.3
4.2	Consolidated balance sheet as of December 31, 2009	2.2.4
4.3	Research and development expenditure	2.3
4.4	Parent company financial statements	3.2
4.5	Proposed appropriation of net profit	3.3
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 environment	4.4
6	**Investments**	6.1.3
7	**Share capital and share ownership**	
7.1	Breakdown of share capital and voting rights	6.3.1
7.2	Shareholder agreements	6.3.4
7.3	Agreement with the French State	6.1.4.2
7.4	Undertaking to hold securities	6.3.5
7.5	Stock options	6.3.6
7.6	Share grants	6.3.7
7.7	Share buyback programs	6.2.7
7.8	Safran share	6.4
8	**Corporate officers**	
8.1	Terms of office and duties	5.1 and 5.2
8.2	Compensation	5.4
8.3	Transactions in the Company's shares	5.5
9	**Outlook for 2010**	2.6
APPENDICES		
Appendix 1	List of subsidiaries and associates	3.2—Note 23
Appendix 2	Five-year financial summary	7.5
Appendix 3	Authorizations and powers granted by the AGM to the Executive Board with respect to share capital increases	6.2.2

8.4.2 EC Regulation No. 809/2004 cross-reference table

This Registration Document includes the information pertaining to the minimum disclosure requirements for registration documents 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	2009 Registration Document section
1	**Persons responsible**	
1.1	Name and positions of the persons responsible	8.1.1
1.2	Declaration by the persons responsible	8.1.2
2	**Statutory auditors**	
2.1	Names and addresses of the issuer's auditors	8.2
2.2	Auditors that have resigned	8.2
3	**Selected financial information**	
3.1	Selected historical financial information	1.1
3.2	Selected financial information for interim periods	n/a
4	**Risk factors**	4
5	**Information relating to the issuer**	
5.1	History and development of the issuer	
5.1.1	Legal and commercial name of the issuer	6.1.1
5.1.2	Place of registration of the issuer and its registration number	6.1.1
5.1.3	Date of incorporation and the length of life of the issuer	6.1.1
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	6.1.1
5.1.5	Important events in the development of the issuer's business	1.2.1
5.2	Investments	
5.2.1	Past principal investments	2.2.4 and 1.2.1
5.2.2	Principal investments in progress	n/a
5.2.3	Future principal investments	1.4.1
6	**Business overview**	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and its principal activities	1.2.2 and 1.3
6.1.2	New products	1.3
6.2	Principal markets	1.3 and 3.1.1 (Sector information)
6.3	Exceptional factors	2.1
6.4	Extent to which the issuer is dependent on patents or licenses, industrial contracts or manufacturing processes	1.4.3 and 3.1.1
7	**Organizational structure**	
7.1	Brief description of the Group	1.2.2
7.2	List of significant subsidiaries	1.2.3
8	**Property, plant and equipment**	
8.1	Material property, plant and equipment	1.8
8.2	Environmental issues	1.8; 4.4.6 and 4.4.7
9	**Operating and financial review**	
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9.2	Operating results	2.2
9.2.1	Significant factors materially affecting the issuer's income from operations	2.1 and 2.2
9.2.2	Explanation of material changes in net sales or revenue	2.1 and 2.2
9.2.3	Policies or factors that have materially affected, directly or indirectly, the issuer's operations	2.1 and 2.2

	EC Regulation no. 809/2004 Annex 1 headings	2009 Registration Document section
10	**Capital resources**	
10.1	Issuer's capital resources	3.1.2 Note 22 and 6.3.1
10.2	Sources and amounts of cash flows	3.1.2 (see statement of cash flows)
10.3	Borrowing requirements and the funding structure of the issuer	3.1.2 Note 26
10.4	Restrictions on the use of capital resources	n/a
10.5	Information regarding the anticipated sources of funds	3.1.2 Notes 20 and 26
11	**Research and development, patents and licenses**	1.4 and 2.3
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	2.6
13	**Profit forecasts or estimates**	
13.1	Statement setting out the principal assumptions upon which the issuer has based its forecast or estimate	n/a
13.2	Report prepared by auditors	n/a
13.3	Preparation of forecast or issue	n/a
13.4	Statement setting out whether or not the forecast previously published in a prospectus is still valid	n/a
14	**Administrative, management, and supervisory bodies and executive management**	
14.1	Members of the administrative and management bodies	5.1 and 5.2
14.2	Administrative and management bodies conflicts of interest	5.5
15	**Remuneration and benefits**	
15.1	Remuneration paid and benefits in kind	5.4
15.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	5.4
16	**Board practices**	
16.1	Date of expiration of the current terms of office	5.1 and 5.2
16.2	Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	5.4
16.3	Information about Board committees	5.6
16.4	Statement of compliance with the corporate governance regime in force	5.3
17	**Employees**	
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17.2	Shareholdings and stock options	6.3.6 and 6.3.7
17.3	Arrangements for involving the employees in the capital of the issuer	2.4.4 and 2.4.5
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18.2	Breakdown of voting rights	6.3.1
18.3	Controlling shareholder	6.3.2 and 6.3.3
18.4	Shareholder agreements	6.3.4 and 6.3.5
19	**Related-party transactions**	6.1.4
20	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
20.1	Historical financial information	3.1
20.2	Pro forma financial information	n/a
20.3	Financial statements	3.1.2
20.4	Auditing of historical annual financial information	
20.4.1	Statement that the historical financial information has been audited	3.4

	EC Regulation no. 809/2004 Annex 1 headings	2009 Registration Document section
20.4.2	Indication of other financial data which has been audited by the auditors	3.4; 5.7 and 7.4
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	Age of latest financial information	December 31, 2009
20.6	Interim and other financial information	
20.6.1	Quarterly or half yearly financial information	2.7
20.6.2	Interim financial information	n/a
20.7	Dividend policy	
20.7.1	Amount of dividend	3.3
20.8	Legal and arbitration proceedings	3.1.2 Note 36
20.9	Significant change in the issuer's financial or trading position	3.1.2 Note 37
21	**Additional information**	
21.1	Share capital	
21.1.1	Amount of issued capital	6.2.1
21.1.2	Shares not representing capital	6.2.2
21.1.3	Shares held by the issuer	6.2.6
21.1.4	Convertible securities, exchangeable securities or securities with warrants	6.2.3
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	6.3.6
21.1.7	History of share capital	6.2.4
21.2	Bylaws	
21.2.1	Issuer's corporate purpose	6.1.1
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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	6.1.2.4
22	**Material contracts**	6.1.4.1 and 6.1.4.2
23	**Third party information, statements by experts and declarations of interest**	
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23.2	Information sourced from a third party	n/a
24	**Documents on display**	8.3
25	**Information on holdings**	6.1.3

8.4.3 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 General Regulations.

The following table presents the cross-references between the two documents.

Annual financial report headings	2009 Registration Document section
Declaration by the person responsible	8.1.2
Executive Board management report	See the cross-reference table section 8.4.1
Report of the Chairman of the Supervisory Board	5.6
Parent company financial statements	3.2
Consolidated financial statements	3.1
Disputes and litigation	3.1.2 Note 36
Significant change in the Group's financial or commercial position	3.1.2 Note 37
Statutory auditors' reports	5.7 and 7.4

8.4.4 Annual General Meeting information cross-reference table

This Registration Document includes the 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	2009 Registration Document section
Executive management, supervisory and control bodies	5
Annual General Meeting agenda	7.1
Executive Board management report	See the cross-reference table section 8.4.1
Observations of the Supervisory Board on the Executive Board management report	7.3
Report of the Chairman of the Supervisory Board	5.6
Parent company financial statements	3.2
Consolidated financial statements	3.1
Draft resolutions	7.2
Statutory auditors' reports	5.7 and 7.4

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