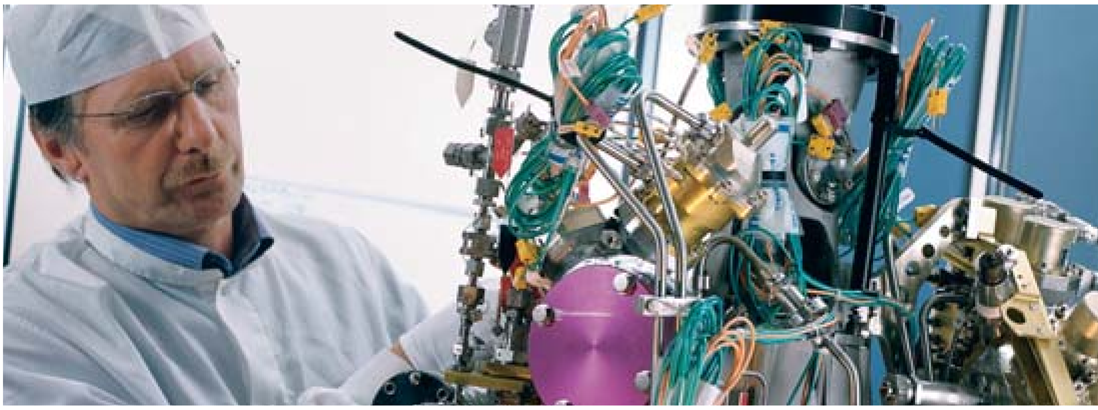
2010

REGISTRATION DOCUMENT



SAFRAN
AEROSPACE · DEFENCE · SECURITY

CONTENTS

SAFRAN

AEROSPACE · DEFENCE · SECURITY

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

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. 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 reinforcing 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 French financial markets authority (*Autorité des marchés financiers* – AMF) on March 31, 2011 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.

IN BRIEF | SECTION 1

2010 revenue (adjusted data)	R&D expenditure	2010 profit (adjusted data)	Headcount as of December 31, 2010
€10,760 million	€1.2 billion	€508 million	54,256 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 civil, military and space markets, from design through to production, marketing, testing, maintenance and repair. Through its aircraft equipment systems, Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters. Group companies provide both original equipment and services to leading global aircraft programs.
Defence	Safran 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 53% of which is self-financed, was approximately €1.2 billion in 2010, 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, preserving the health of employees 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 ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

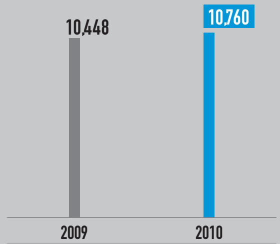
PRESENTATION OF THE GROUP

01

1.1 KEY FIGURES

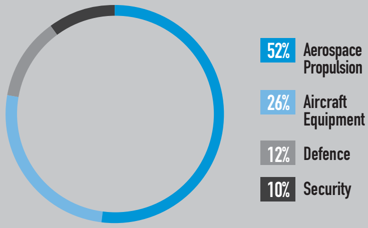
Revenue (adjusted data)(1)

(in € millions)



Adjusted revenue was up 3%, buoyed in particular by growth in the Security and Defence branches of 16.9% and 15.2%, respectively, while Aerospace remained relatively stable. In 2010, revenue also benefited from a favorable currency effect as well as the consolidation of new activities, particularly in the Security business.

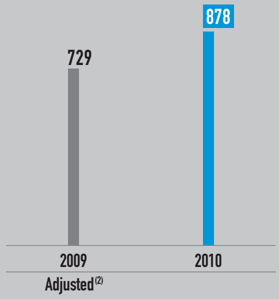
Breakdown of revenue by business



Safran is a leading international high-technology group, its top-ranking Aerospace (Propulsion and Equipment) business generates 78% of the Group's revenue.

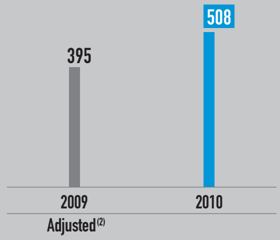
Recurring operating income (adjusted data)(1)

(in € millions)



Adjusted recurring operating income represented 8.2% of adjusted revenue, up 20% year on year. The Group's four businesses all contributed to this substantial improvement which reflected in particular savings related to Safran+ initiatives, lower overheads and productivity gains.

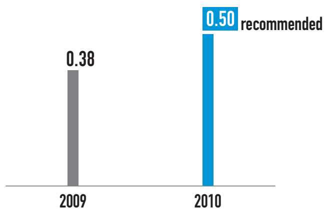
Profit attributable to owners of the parent (adjusted data)(1) *(in € millions)*



Adjusted profit attributable to owners of the parent rose 29%, representing €1.27 per share, up from €0.99 in 2009.

Dividend

(in € per share)



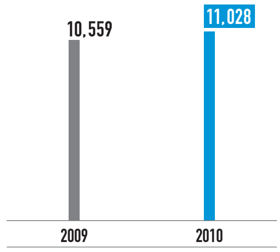
At the Annual General Meeting of April 21, 2011, the Executive Board will recommend a dividend of €0.50 per share, a 32% increase from the previous year.

(1) The table reconciling the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.1.

(2) The adjusted income statement now restates purchase price allocation entries for all material business combinations and not only those related to the Sagem-Snecma merger.

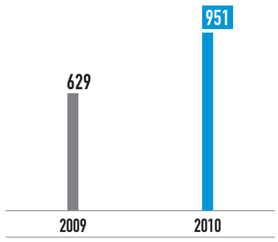
Revenue (consolidated data)

(in € millions)

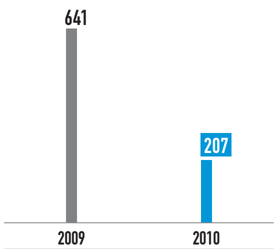


Recurring operating income (consolidated data)

(in € millions)

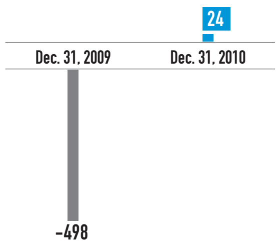


Profit attributable to owners of the parent (consolidated data) *(in € millions)*



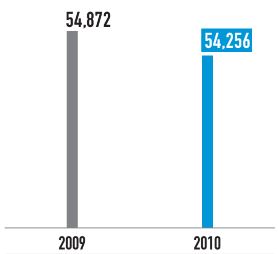
Net cash

(in € millions)



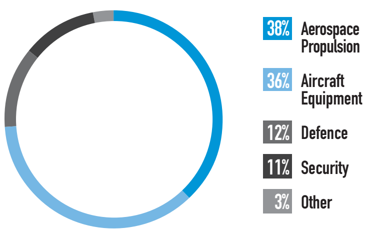
The Group's financial position improved significantly. There was a surplus cash position of €24 million at December 31, 2010 compared to a net debt position of €498 million at December 31, 2009 reflecting the high level of free cash flow (€934 million). This change also reflects a strategic acquisition in the Aircraft Equipment branch representing around €100 million and a dividend payment of €152 million.

Headcount as of December 31, 2010



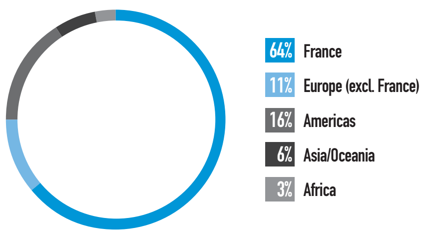
The number of Safran employees remained stable in 2010.

Breakdown of headcount by business



Three-quarters of Safran employees work within the Aerospace business (Aerospace Propulsion and Aircraft Equipment).

Breakdown of headcount by geographic area



As of December 31, 2010, the Group had close to 20,000 employees working outside France in more than 50 countries.

1.2 OVERVIEW

1.2.1 GROUP HISTORY AND COMPANIES

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

Safran'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 aircraft engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).

1968: Hispano-Suiza, specializing in power transmission for the engines of civil and military aircraft and helicopters, joins Snecma. A few years later, it teams up with Messier to create Messier-Hispano-Bugatti (MHB) and consolidate all landing system products. Messier-Bugatti and Messier-Dowty are currently the world leaders in their respective segments of braking and landing markets.

1974: Snecma becomes a civil aircraft engine manufacturer through a cooperation agreement with General Electric Aircraft Engines for the manufacture of the CFM56 ("CF" for General Electric's commercial engine line and "M56" for Snecma's 56th project). This engine currently represents the world's largest civil aircraft engine fleet: an aircraft powered by the CFM56 takes off every 2.5 seconds.

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

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

2000: 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 in the fields of aerospace propulsion and nacelles through to 2040. The Security business acquires Sdu-I – renamed Morpho BV – a 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.

2010: Safran enters into an agreement with L-1 Identity Solutions, to acquire its biometric and identity management solutions businesses. Safran also announces the setting up of a framework agreement providing for the acquisition of SNPE Matériaux Énergétiques. In the Aircraft Equipment branch, Labinal completed its acquisition of Harvard Custom Manufacturing – renamed Labinal Salisbury – an American company based in Salisbury (Maryland).

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, from design through to 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 equipment, systems and services for civil and military aircraft and helicopters.

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 braking monitoring systems. MRO.

Aircelle

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

Hispano-Suiza

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

Labinal

Electrical wiring for civil and military aircraft. Manufacturing and services for the aerospace, defence, automobile and rail 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

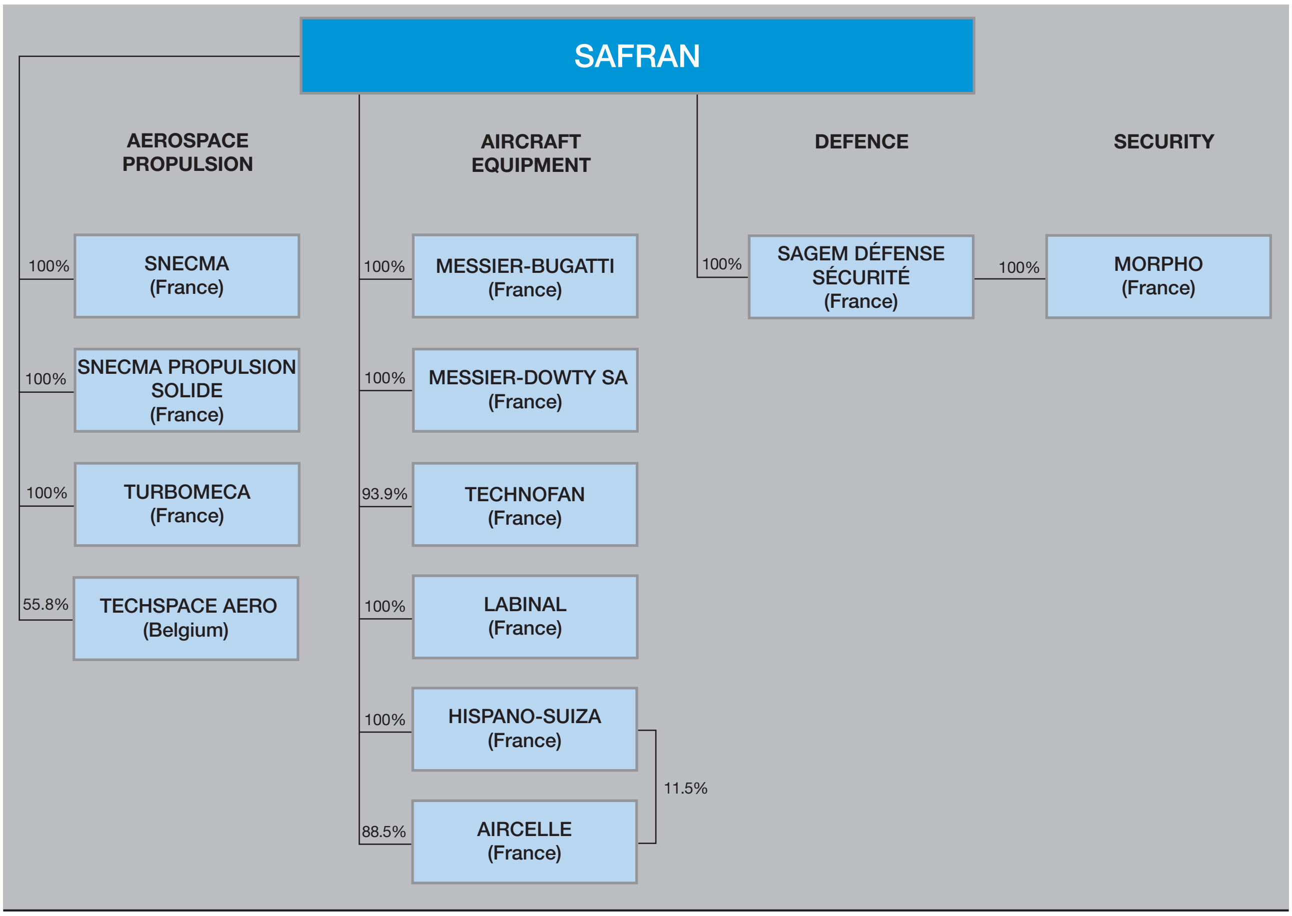
Morpho

Multi-biometric identification solutions by 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.

1.2.3 GROUP ORGANIZATIONAL CHART

The simplified organizational chart as of December 31, 2010 is as follows:



The list of consolidated companies is presented in section 3.1, Note 37.

1.3 GROUP BUSINESSES

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

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

1.3.1 AEROSPACE PROPULSION

The Aerospace Propulsion branch operates in three business sectors:

Business sector	Main products
Aircraft and liquid-propellant engines	Engines, spare parts and services for civil and defence aircraft, rockets
Helicopter turbine engines	Turbine engines, spare parts and services for civil and defence aircraft
Solid-propellant engines	Engines for launch and other vehicles for the space, ballistics and missile sectors

AIRCRAFT AND LIQUID-PROPELLANT ENGINES

Key characteristics of the business sector

Civil aircraft engines

The civil aviation sector comprises four main segments:

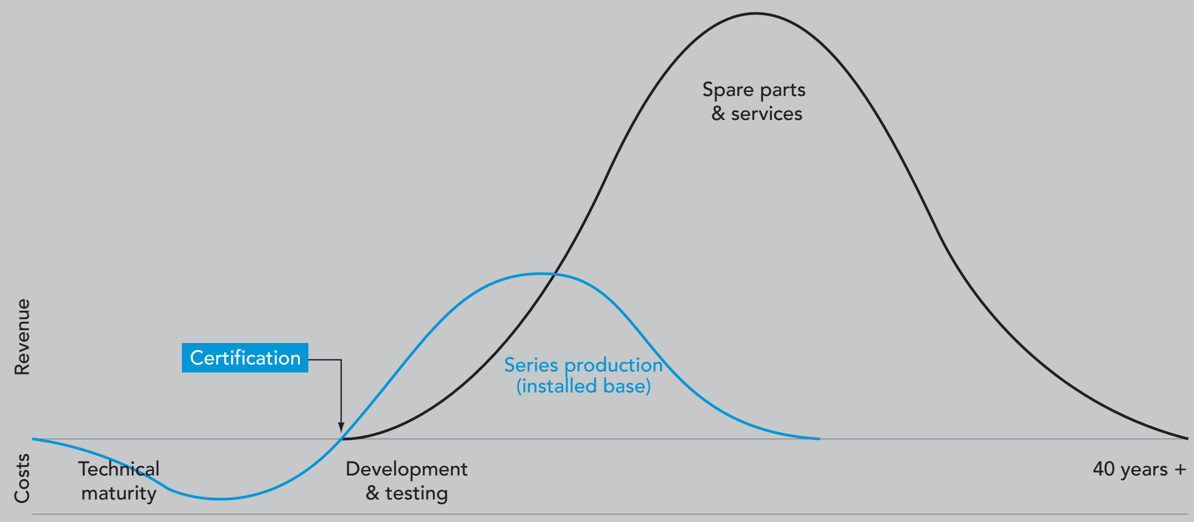
- business jets powered with engines delivering between 5,000 and 18,000 pounds of thrust;
- regional jets (30 to 100 seats) powered by engines delivering between 8,000 and 18,000 pounds of thrust;
- short-to-medium haul aircraft with 100 to 200 seats, powered by engines delivering between 18,000 and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

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

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

Military aircraft engines

The military aviation sector comprises three main segments:

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

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

The nature and performance of engines varies considerably depending on the segment. Jet engines with a high 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 after-sales service, the latter comprising the sale of spare parts, maintenance and repair activities, as well as other customer services.

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

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

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

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

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

In the engine segment for military transport and patrol aircraft, the fleet is primarily made up of the T56 and AE2100 turboprops developed by Rolls-Royce North America (formerly Allison) and the Tyne engines developed by Snecma under Rolls-Royce license.

In the future, a major role will be played by the TP400 program (10,000 horse power turboprop – the most powerful in the Western world), which powers the 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 Safran, Rolls-Royce, MTU Aero Engines and ITP.

Liquid- and plasma-propellant engines

This business sector is comprised of launch vehicle propulsion and satellite engines.

This type of propulsion is girded by two types of technology: liquid-propellant rocket engines and electric thrusters (known as plasma thrusters).

European civil space activities are assigned among manufacturers in each country to ensure a fair return on 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.

Group products and programs

Safran operates in the business segments described above, where it is mainly represented by Snecma, Turbomeca and Techspace Aero.

Low-thrust engines for civil aircraft

This engine family powers regional transport jets and business jets.

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

The Group is active across 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.

Medium-thrust engines for civil aircraft

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 General Electric.

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 four engine manufacturers: 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.

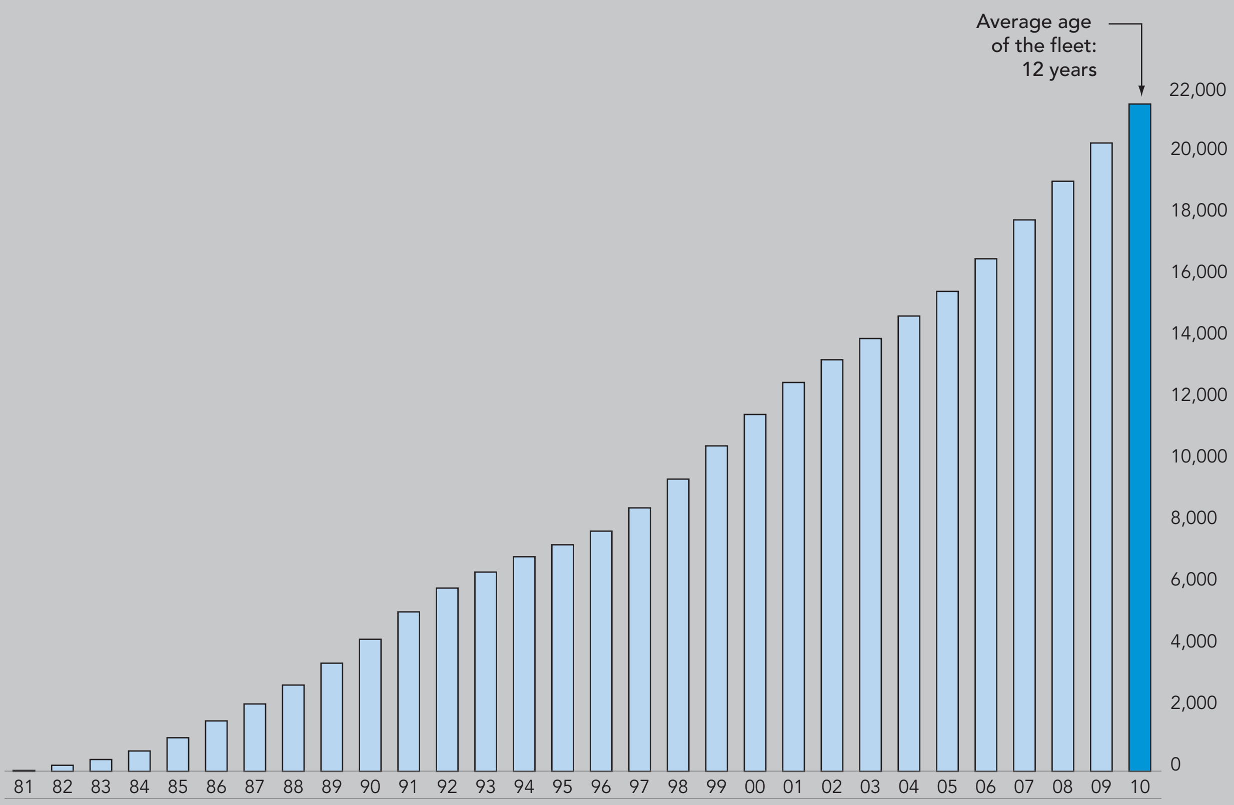
Overall, the CFM56 engine represents 73%[1] of the short-to-medium haul aircraft market.

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 21,500 CFM56 delivered, of which 700 have been retired from service.

CFM is also developing a new generation of engine called LEAP-X, which should lead to a 16% reduction in fuel consumption in comparison with current CFM56 versions. First tests will be carried out in 2012. However, the initial version of the engine has for now been selected as:

- the only Western source for the propulsion system (engine plus nacelle) on COMAC's C919 Chinese aircraft (which is due to enter into service in 2016);
- one of the two new engine options for the new Airbus A320neo, which was launched officially by the European aircraft maker in late 2010. The other engine is the PurePower PW1000G, developed by Pratt & Whitney.

Total deliveries of CFM56 engines



(1) Source: Safran.

High-thrust engines for civil aircraft

The Group operates in this engine range as a risk and revenue sharing participant with General Electric. Participation rates vary between 8% and 24% across several major engine programs in series production, including 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 General Electric's GenX (8% stake), which has been selected to power the long-haul B787 Dreamliner and the Boeing 747-8.

Fighter engines

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

- The Atar engine (4.5 to 7.1 metric tons of thrust), which powers the Super-Étendard Marine jets and the Mirage III, IV, V, F1 and 50 family. Series production of this engine has now ceased and approximately 850 engines remain with 11 customers.
- The M53 engine (9.5 metric tons of thrust), which powers 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 260 engines in service.

Training and support aircraft engines

Activity in this segment is based on the following programs:

- The Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's Alphajet training aircraft and for which series production has ceased. The Larzac engine also powers the Russian MiG-AT and Indian HJT36 prototype training aircraft. Approximately 750 engines are in service with 14 customers worldwide, totaling over 3.5 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 Safran and Rolls-Royce. The Adour engine powers support and attack aircraft such as the Jaguar aircraft produced by Dassault Aviation and BAe Systems, and these training aircraft: the Hawk produced by BAe Systems and the Goshawk T-45A produced by Boeing. More than 1,100 engines are in service in 18 countries.

Patrol, tanker and transport aircraft engines

Activity in this segment is based on the following programs:

- The CFM56 engine powering 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 revenues through spares and repairs.
- The TP400-D6 engine will power the Airbus A400M European transport aircraft.

Spare parts and services for civil and defence aircraft

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 (Parts Manufacturer Approval – PMA).

Liquid- and plasma-propellant engines

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 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 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.

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.

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.

(1) Shp: Shaft horsepower.

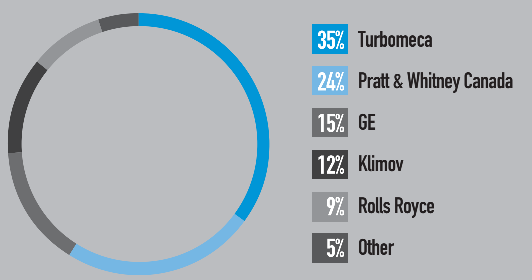
The profile of a helicopter turbine engine program is extremely similar to that of a civil aircraft engine program as presented above.

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 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/Turbomeca (market leader), General Electric, Pratt & Whitney Canada, Rolls-Royce and Honeywell.

Market share: sales of helicopter engines (2006-2010)



Source: Turbomeca

Group products and programs

Safran is active 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).

900/1300 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 1E2 engine powers the 322 twin-engine UH-72 Lakota by Eurocopter, ordered by the US Army.

The MTR390 (produced in cooperation with Rolls-Royce and MTU) powers Eurocopter's Tiger. A special development contract has been signed with Spain (taking on board ITP as an additional engine partner) for a more powerful version of the 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 6-8 ton 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/"Caracal" EC725 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 (UK specific) 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.

SOLID-PROPELLANT ENGINES

Key characteristics of the business sector

This business sector comprises two main segments:

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

In the military sector, ballistic missiles are an essential component of national nuclear deterrent forces for countries possessing this capability. With the exception of the United Kingdom, production is entrusted to national manufacturers. 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 European Space Agency (ESA) for civil space activities in Europe or the National Defence budget for strategic military operations. Missile development is also financed by customer governments.

Series production activities generally involve limited quantities and 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.

Civil space propulsion

This segment features the following activities:

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

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. It also supplies components for the production of SM-3 interceptor missiles, developed by Raytheon for US missile-defence programs.

A business that is consolidating

The Group is playing an active role in the current shake-out of the market for solid propellant engines through its tie-up with state-owned SNPE Matériaux Énergétiques (SME). This transaction was agreed in principle by the French government and will lead to Group subsidiary Snecma Propulsion Solide and to SME merging within a single Safran-owned entity. The development and production of solid propulsion engines will therefore be merged with the development and production of the underlying propellants. This is also likely to lead to a tie-up between Europropulsion and Regulus, a company owned by Avio (60%) and SEM (40%), which manufactures the propellant for the Ariane 5 boosters.

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 braking systems	Landing gear, wheels and brakes, landing/braking systems and related services, ventilation systems and filters
Engine 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 and prospective 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 business sectors of the aircraft equipment market, 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, AND RELATED SYSTEMS

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

The current market for wheels and brakes concerns approximately 20,000 commercial jets 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 (US) and Crane Aerospace & Electronics (US).

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 20,500 aircraft of all types. The Group's customer base comprises 33 aircraft manufacturers, including Airbus, Boeing, Bombardier and Dassault, and 3,000 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 customers for wheels and brakes are Airbus and Boeing, to which it provides civil applications for the A320, A330/A340, the B767 and the B777. In the military sector, the Group equips the A400M and the Rafale. Recent contract wins for the A350, B737 NG and B787 have bolstered its position as leader in this sector.

The Group holds 47.8% of the global market for wheels and carbon brakes for aircraft with over 100 seats[1]. 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 related systems

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

VENTILATION SYSTEMS AND FILTERS

Aircraft ventilation systems

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

Filters

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.

(1) Souce: Safran.

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 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), large-scale reversers (A330 and A320), and acoustic technologies across the whole range of regional and business jets (Embraer 135/145 and 170, Gulfstream V, Bombardier Global Express and Challenger 300), Safran is one of three global leaders in this sector, with a market share of 25%[1]. An alliance was recently entered into with General Electric via its subsidiary Middle River Aircraft System, along the same lines as the CFM motor program partnership. The purpose of this alliance, called Nexcelle, is to jointly develop nacelles to be fitted to engines of future mid-haul aircraft, which is likely to strengthen Safran's position in the long run. COMAC has selected the Nexcelle joint venture's "integrated nacelle" for the CFM Leap-X integrated propulsion system. 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.

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

Safran is present in wiring and electrical connection systems through Labinal.

Key characteristics of the business sector

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

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

Group products and programs

The Group has strong representation with Airbus and Boeing, providing installation planning as well as wire production and assembly of electrical cabinets. Depending on requests from Airbus, the Group can take on planning stages and onboard installations (especially in upgrades) as well as offering – as with recent major programs (such as the A380) – an "*end-to-end*" service covering engineering, manufacture and installation support.

In late November, Safran acquired Harvard Custom Manufacturing. Situated in the US and specializing in wiring for military aircraft, the new unit (now operating as Labinal Salisbury), generates annual sales of around USD 100 million.

ENGINEERING

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

Its main competitors are leading full-service engineering groups such as ALTEN and ALTRAN as well as niche aviation suppliers, e.g. Assystem and Aeroconseil.

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) Source: Safran.

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
Optronics	Soldier modernization, optronic equipment, sights, drones, high-grade optics
Avionics	Navigation systems and sensors, seekers and guidance systems, automatic pilots and flight controls, modernization
Electronics and critical software	Onboard computers and printed circuit boards

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

Safran'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, as well as foreign-based firms such as Elbit Systems.

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

OPTRONICS

Key characteristics of the business sector

Safran's ability to innovate and expertise have enabled it to become a reference in the high-tech industry of optronics. The optronics sector covers a wide range of equipment and systems, such as the Felin infantry combat system, night vision goggles, vehicle digitization (vectronics) and air-land battle space digitization, "optronic pods" for aircraft and weapon systems and drone systems, periscopes for nuclear submarines, and REOSC high-performance optics. Safran also offers a full range of infrared and thermal equipment. Optronic applications cover the air-ground defence, naval-air defence, aviation and space sectors.

Competitors are active in several lines of business in France. The Group also competes against companies in the US (in portable optronics: DRS) and abroad (Thales, EADS, and MBDA).

Group products and programs

Safran is active in the optronics industry through Sagem (the trade name of Sagem Défense Sécurité) and subsidiaries Vectronix (optronics: mainly Vector and JIM LR binoculars) and Optics 1 Inc. (optical integrated systems and sub-systems, opto-mechanics and electro-optics), as well as via its holding in Sofradir (the global leader in infrared detection).

The Optronics and Defence division accounts for approximately 50% of Sagem's sales.

Soldier modernization

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

Optronics and sights

Portable optronics

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

Onboard systems

Safran also works to provide protection for land armored vehicles (e.g. Leclerc tank), light and medium-weight wheeled or tracked combat vehicles, infantry or mechanized combat vehicles (with the possibility of adding ambulant firing capabilities in day or night conditions, turret stabilization, self-protection, HMI (human/machine interface) and navigation capabilities. Safran also offers solutions for ships, surface vessels (self-protection, modernization and optronics systems) and submarines (renovation of navigation systems, and installation of displaced-sight combat periscopes).

In the field of gyrostabilized sights, Safran has participated in major helicopter combat programs: Tiger, NH90, Cougar and Panther. Infrared STRIX and OSIRIS sighting systems fitted to Tiger helicopters are able to meet the most demanding conditions of any combat platform in operation, providing for target observation, detection, reconnaissance, identification and localization, as well as pursuit and fire direction for onboard weapons.

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

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

Drones

Safran has pushed back the barriers on drone systems through its mastery of core technologies: navigation and flight control, visible and infrared optronics, and data transmission. Night and day, Safran's tactical-drone systems are used in daily operations, in close contact with threats.

High-performance optics

With its REOSC optic range, Sagem is a specialist in advanced opto-mechanic equipment for civilian and military applications. As a worldwide leader in high-performance spatial optics, Sagem is the sole company in Europe to master polishing and large-scale ceramic substrate treatment (SiC) to a degree of precision within several nanometers. Its space optics are used onboard Helios I and II, Meteosat and the Spot satellites, plus numerous scientific satellites.

Customer support

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

AVIONICS

Key characteristics of the business sector

Safran's innovation and expertise make it a top-tier global player in the high-tech avionics industry. The avionics sector specializes in inertial navigation systems and sensors 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.

Competitors are active in several sectors in France and internationally and include Thales, BAe, Finmeccanica and Saab AB.

Group products and programs

The Defence business is also present in the avionics sector through Sagem (the trade name of Sagem Défense Sécurité) 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 upgrades).

The Avionics division accounts for approximately 40% of Sagem's sales.

Navigation and sensors

As the European market leader in inertial navigation systems, Safran offers a wide range of inertial and hybrid systems for submarines, surface ships, land vehicles, airplanes, helicopters and aircraft. Thanks to its expertise, Safran was chosen to develop the inertial navigation systems fitted to the Airbus A400M and the Rafale type F1.

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

Seekers and guidance systems

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

The AASM (in French, Modular Air-to-Ground Weapon) is a family of new-generation, high-precision weapons for modern air forces. It is a conventional-use weapon that can be used in all conditions, day or night. It is equipped with the same standoff capacity as cruise missiles. The missile is operational on Rafale fighters belonging to the French army, air force and navy and carries several examples of Safran's expertise such as inertial components comprising hemispheric resonating gyro, infrared technology and image processing.

Autopilot and flight control

As a worldwide leader in helicopter flight control, Sagem offers automatic systems designed to aid the pilot while maintaining a maximum level of security. Sagem's expertise extends to components of navigation systems coupled with autopilots: position sensors, flight control actuators and computers.

Upgrading of military aircraft and civil avionics

Sagem offers turnkey solutions that include training and maintenance. They are based on inertial navigation, visible and infrared optronics, high-performance digital processing both onboard (weapons systems) and on the ground (mission preparation). The company is upgrading, for example, 24 Egyptian Mirage Vs in the Horus program. It is currently working together with Thales within the context of the Astrac joint venture to retrofit Morocco's Mirage F1 fighters (new attack and navigation system, new weapons, etc.).

Sagem is also a major player in upgrading avionics for civilian and parapublic helicopters and airplanes. Its offer runs from cockpit displays to complete aircraft modernization. The French Air Force commissioned the company to upgrade the Embraer Xingu school airplanes, which are used to train future transport pilots.

Mission preparation

Safran's mission-preparation solutions are used by several armed forces. They include SLPRM (a mission preparation and debriefing system), developed for the multi-purpose Rafale aircraft, taking into account the latest F3 Rafale standard, and the most recent guided air-to-ground weapons – the ASMP-A nuclear missile, the SCALP conventional cruise missile, AASM (developed and produced by Safran) and the Reco-NG optronic nacelle.

Customer support

Safran is making continuous improvements to repair procedures to ensure optimal management of customer fleets.

ELECTRONICS AND CRITICAL SOFTWARE

Safran is active in onboard electronics and critical software through Sagem 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.

This Safran Electronics division provides Safran Group companies with the electronic equipment and critical software required for their world-leading programs. It develops, produces or purchases, and provides maintenance for computers and printed circuit boards for numerous systems, including landing gear, avionics, navigation and optronics for aircraft and naval and terrestrial landing platforms.

The Safran Electronics division accounts for approximately 10% of Sagem's sales.

Electronic equipment

Safran provides electronics for operations in extreme conditions (in terms of temperature, vibrations, etc.). Its teams develop, produce or purchase, and provide maintenance for computers and printed circuit boards. They also design and install electronic controls for electro-mechanical actuators. Safran also manufactures hybrid modules for aerospace applications. It makes up prototypes of printed circuit boards as a gateway to new technologies. It also develops critical electronic equipment in aeroterrestrial fields, e.g. ASICs (Application Specific Integrated Circuit) of analog or hybrid varieties.

Critical software

Safran develops critical software, especially in the areas of onboard equipment and equipment reliability. Its teams develop, verify, configure, provide quality control, manage configurations and supply software documentation. In this respect, Safran is conducting work on the propellant flow-rate regulation demonstrator for the Vulcain X engine.

1.3.4 SECURITY

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

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

Safran is present in the security sector through Morpho, the world leader in biometric solutions. Morpho is the new name for Sagem Sécurité and the Group's subsidiaries and shareholdings with which it is connected operationally. Companies of note in this sector include Morpho Detection (formerly General Electric Homeland Protection, detection of explosives and illegal substances), Sagem Orga (smart cards), MorphoTrak (link-up of Sagem Morpho and Printrak, acquired from Motorola – biometric recognition systems), and Morpho B.V., the new name for Sagem Identification (European leader in secure documents, in particular passports).

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 targeted acquisitions in related markets.

On September 20, 2010, Safran entered into a definitive agreement with L-1 Identity Solutions, listed on the NYSE, a leading identity management provider in the United States, to acquire L-1's biometric and access control solutions, secure credentialing solutions and enrollment services businesses, for a total cash amount of USD 1.09 billion. Safran will finance this acquisition with available cash. Prior to the transaction, L-1 entered into a definitive agreement to sell its government consulting business for USD 0.3 billion to a third party. This business was therefore excluded from the transaction with Safran. The transaction has been approved by L-1's shareholders and the US antitrust authorities. The approval of the Committee on Foreign Investment in the United States (CFIUS) is still pending. The acquisition is expected to be finalized in the first six months of 2011. The activities in question generated sales of USD 0.45 billion in 2009 and 2010.

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

In the air and airport sectors the trend towards increased security continues and requires a considerable joint effort by numerous players, including airport and civil aviation authorities, airline companies, border police and customs authorities. Safran cooperates with all national and international organizations influencing the development of new technologies in the aviation sector. 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.

IDENTIFICATION

Key characteristics of the business sector

Identification solutions comprise the Group's identity programs and products (identification solutions, automatic systems for processing biometric data, 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 individuals (pin code, biometric data, etc.) that individuals are 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.

The market for automated fingerprint identification systems (AFIS) is concentrated in the hands of a few players. Safran is the global leader, boasting a market share of approximately 50%(1), followed by NEC and 3M after its acquisition of 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.).

Markets for identification management and flow control multiple applications are highly competitive. They comprise numerous industrial players (L-1 Identity Solutions, Gemalto, Crossmatch, etc.) and major integrators (IBM, Unisys, Accenture, etc.) in a whole host of business sectors. This offers Safran the opportunity to adopt a variety of positions through a competition/cooperation approach. Safran is currently a major global player in identity solutions, with significant market share in all targeted markets(2).

Contributing to these solutions are Dutch subsidiary Morpho B.V., 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.

Group products and programs

Safran offers numerous biometric 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 already recorded in a database, 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 biometric detectors and sensors used for access control applications are researched and deployed within Morpho's identification division. These applications are both physical (premises) and in the form of databases (information systems). Image-analysis expertise developed for biometrics are also applied to 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 control and passenger information systems.

(1) Source: Frost & Sullivan 2007 "World AFIS Market" study.
(2) Sources: Frost & Sullivan 2009 - Total Smart Card Market 2008; Safran internal study 2010, "World Biometrics Market".

E-DOCUMENTS

Key characteristics of the business sector

Through Morpho and the subsidiaries of the latter, Safran is the fourth-largest[1] smart card company worldwide after Gemalto, Oberthur Card Systems and Giesecke & Devrient. Smart cards are used to identify beneficiaries for a whole range of applications. Safran is present in all market segments, including mobile phones, bank cards, identity documents (ID cards, health cards, passports and driving licenses), and secure access to business networks and the internet.

Group products and programs

On the SIM card market, Morpho supplies the world's largest mobile operators. The company 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 2010, these centers delivered 420 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, for example, tracking a fleet of 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.

Morpho 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 mass retailers.

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

- ID cards, driving licenses, health cards and voter cards;
- paper and electronic passports, visas, and corporate cards that are part of the systems delivered by Morpho's identification division.

DETECTION

Key characteristics of the business sector

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

Group products and programs

Safran is present on the detection market through the US company Morpho Detection, in which it acquired an 81% interest from General Electric in 2009. It continues to innovate to round out its range of products and services designed to detect new types of threat. Through targeted technological agreements with cutting-edge companies and major research laboratories, Morpho 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 illegal 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 large-scale baggage tunnels at airports, checking up to 1,000 bags per hour[2], to portable trace detection and analysis systems used by a whole range of security services (airport inspection/screening areas, civil security, prisons, police operations, and national borders). 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%[3] of such machinery installed worldwide. The latest addition to the range, the CTX 9800, 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.

(1) Source: Frost & Sullivan 2010 – Total Smart Card Market 2009 study.
(2) The CTX 9800 in 2010 received US TSA and European ECAC certifications at 1,000 BpH.
(3) Source: Safran.

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 50% of which is self-financed, was approximately €1.2 billion in 2010, 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 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 2016 and will bring about major improvements in current performance levels, particularly in terms of fuel consumption. It has already been selected for the C919[(2)] and A320neo[(3)];
- 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[(4)] run by Snecma, or DREAM[(5)], 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 has received certification to power the Sukhoï Superjet 100, with commercial operation beginning in 2011, while the Silvercrest business jet engine is currently under development following successful high-pressure (HP) core demonstrator testing.

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 first example of this is the engine demonstrator developed in the 800 kW range for the new-generation, four-metric ton helicopter launched by Eurocopter in 2011. Turbomeca is also conducting research in conjunction with customers to produce innovative new engine integration products.

(1) Advisory Council for Aeronautics Research in Europe.
(2) Chinese short-to-medium haul aircraft project launched in 2009.
(3) Airbus A320 new engine option project launched in 2010.
(4) Framework Program for Research and Development.
(5) ValiDation of Radical Engine Architecture SysteMs.

The need to lighten aircraft and helicopters and their equipment has led to increased use of composite materials. Safran engines and equipment (whether engines, nacelles, landing gear or brakes) are characterized by heavy mechanical loads and a more difficult environment than for other aircraft sections such as airframes. 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. In 2010 the world's first tests were carried out on a CFM-class engine of a section of a low-pressure turbine featuring movable composite blades.

Continued research efforts into rocket propulsion, a cutting-edge industry where technological demands are extremely high, remains a Safran priority. Technological work in this sector, which is currently focused on designing an Ariane 6 launch vehicle, has gathered pace since the launch of the space part of the French government's "Investment for the Future" project.

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. 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. In 2010, within the scope of the COVADIS[2] project, a successful flight test was carried out on an Airbus A320 fitted with an electromechanical actuator as the primary flight control for the aileron. These efforts are boosted by numerous academic alliances with around 15 CNRS laboratories, and technology projects undertaken with partners at the cutting-edge of electrotechnology in their sector, such as Alstom, Schlumberger, Schneider and Valeo.

DEFENCE

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. This approach relies strongly on HRG[3] technology, whose characteristics make it possible to design and produce world-leading navigation equipment at competitive costs.

Electronic solutions and critical software

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 a major player in the field of technological progress in these sectors.

SECURITY

Morpho's leadership position in biometric systems, associated terminals and identity document systems is maintained through significant R&T investment in improving biometric data identification and capture algorithms and in increasing anti-fraud capabilities and information extraction in difficult environments. Several innovative projects carried out in 2010, such as the identification by imagery of the venous network of a finger and taking digital fingerprints on the fly, demonstrate Safran's position as international leader in this domain. The 2009 acquisition of General Electric's Homeland Protection affiliate specialized in the detection of explosives and illicit substances has provided the Group with a new strategic focus in its development of technologies to control the flow of people and goods – a key growth segment in the coming years.

(1) Safran Power Electronics Center.
(2) Flight control with distributed intelligence and systems integration.
(3) Hemispherical Resonator Gyroscopes.

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, which was chaired by Georges Charpak[(1)] up until his death in September 2010, comprising seven leading international scientists bringing proven expertise in all the scientific disciplines underlying Group businesses. One of the Council's main functions is to issue recommendations on the structure and quality of the Group's scientific partnerships.

For the first R&T levels, Safran has developed a network of scientific partners in France in the university and applied research sectors. ONERA (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 (Advanced Research Thematic Network) is related. Safran is also a major player in several competitiveness hubs and in particular the System@tic, Aerospace Valley and ASTech centers.

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 Technology Initiative, 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.

An internal survey highlighted the R&D teams' strong motivation to intensify and combine Group efforts in terms of open innovation. An experiment in supplier innovation was carried out in conjunction with the Purchasing Department.

The development of technical expertise is also key to preparing for the technological challenges of tomorrow. The implementation of a process for defining needs for expertise within the Group's companies has improved the management of expertise renewal and the training of new experts.

Intellectual property is of increasing importance amid globalized markets and ever-fiercer competition. It responds to operational imperatives, while strengthening and securing Safran's commercial positions. The creative and innovative ability of teams is demonstrated by the increasing number of patents filed. Over 400 patents were filed in 2010. This places the Safran Group among the leading French filers of patents[(2)]. Overall, the Group portfolio comprises some 15,000 patents around the world, bolstering its position as international leader in its areas of business.

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) The Scientific Council is now chaired by Mathias Fink.
(2) Ranked fourth by the French Industrial Property Institute at March 22, 2011.

1.5 HUMAN RESOURCES

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

- accompanying changes in the Group and preparing for the future;
- strengthening social cohesion, preserving the health of employees 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.

  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.** These initiatives are designed to install more efficient operating procedures and to accompany the creation of a consolidated group, within which the different companies share common procedures.

  The Human Resources function is fully involved in this move to create a unified group and is working to adapt its own organizational structure through the creation of three new departments focused on (1) Group management and senior executives, (2) training and managerial development and (3) employee relations.

  The function is being modernized through the creation of a shared services center which by end-2010 provided payroll and administrative services for 24,000 employees and will ultimately take over these activities for the entire Group in France.

  A unified Human Resources management application is also currently being rolled out in France and in North America.

- Safran's university, Safran Corporate University, aims to accompany the Group's transformation in every aspect (cultural, technological, organizational, international, etc.).

  Its three main objectives are to:

  - **Improve employee skills** and professionalism in all of the Group's sectors:
    Safran University aims to set up career training programs allowing employees to develop the skills required by the Group to prepare for its future and ensure continued growth. Such programs have already been developed, or are in the process of being developed, in areas such as Purchasing, R&D, Economy and Management, and Manufacturing.
    Some of the courses offered by Safran Corporate University will allow employees to obtain a certificate or a diploma. These courses are common to all Group companies in order to encourage the sharing of ideas and best practices.
  - **Aim for excellence in management and leadership:**
    The Leadership programs provide the necessary career training for senior executives and more generally, for all Group leaders and managers. These programs are designed to help develop common management practices within the Group and to offer managers every chance of success in their assignments, as they manage change and build the Safran Group of tomorrow.
  - **Enhance the employability of workers:**
    Safran Corporate University will accompany employees whose jobs are likely to change considerably in order to help them develop new skills or change career path.
    Specially adapted training programs and specific procedures, involving the assessment of skills, the validation of professional experience, etc., will be put in place to accompany these career changes and developments to help develop the necessary skills for tomorrow's jobs.

  The University's goal is to implement an ambitious Group training policy and to use the resources and efforts involved to meet strategic challenges in order to support the development of the Group's business, technology and international presence. One of the keys to the success of this new training system is the commitment of Group executives, managers and experts to designing and leading these programs.

  The building of a Campus, Safran will provide a proper base for the University, which has been a cultural melting-pot since its creation.

- **The analysis of the quantitative and qualitative developments needed** in the business sectors to accompany strategic developments within the Group helps to define the actions that need to be put in place, in particular in the areas of recruitment, training and mobility.

  A group-level manpower planning agreement is currently under negotiation, which will round out existing or future agreements in certain subsidiaries by providing for:

  - ways to inform the Group Committee on the Group's mid- to long-term strategy and outlook and on its employment and skills policies;
  - an analysis, based on the business sector benchmark and the 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 undergoing change, to determine the specific measures to put in place;
  - the development and stability of career paths within the Group and guarantees in relation to staff mobility linked to redeployment;
  - a plan of action for the future as part of the Group's commitment to social responsibility and solidarity.

  Safran hopes the manpower planning initiative will play a key part in its HR policy in order to provide all employees with a clear view of the development of the Group's business lines and give them the possibility of planning their career in line with the future needs of the Group. In this way each employee can take an active role in his or her career development.

STRENGTHENING SOCIAL COHESION, PRESERVING THE HEALTH OF EMPLOYEES 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, mobility, etc.);
  - establishing employer-employee relations with the creation of a Group Committee and a European Works Council.

- In addition, over the last few months, the Group has begun developing two key areas: preserving the health of its employees and promoting diversity and equal opportunity.

  - The prevention of accidents in the workplace and the preservation of the physical and mental health of employees feature among Safran's ethical commitments. This took concrete form with the signing of an agreement in 2010 on the prevention of stress in the workplace, which was approved by management and all of the labor organizations representing Group employees in January 2011.

  - 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 long-term employment of individuals with disabilities, gender equality, outreach programs for youths from underprivileged areas and providing jobs for senior 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.
    A Group agreement on the employment of seniors was signed in February 2010 for a three-year term. This agreement puts concrete measures in place which favor jobs for senior employees, and includes quantitative and qualitative objectives and performance indicators.
    Sagem and Morpho followed in the footsteps of Messier-Dowty and Snecma by signing an agreement in 2010 aiming to promote diversity and social cohesion.

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 2010, 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 2,100 students carried out internships in 2010.

Safran continued to step up its presence at target schools and universities in France and abroad, through career conferences, yacht sponsorship events, visits to industrial sites, the setting up of Chairs and by strengthening its partnerships with and its participation in the target schools' management bodies. At the end of the year, the Group began rolling out a network of Safran ambassadors within certain schools.

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.

The roll out of the new "career review" mechanism, set up by the Group in 2009 to assist employees, continued throughout the year. 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;
- implementing health and welfare plans to accompany all forms of international mobility;
- 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

Upholding the Law

In all the countries in which the Group operates, its personnel must uphold the law. Care should be taken, as it may be difficult to understand the law in a legal and cultural environment that is very different than that in which the employee has previously worked. When there is a question or there is any doubt, the employee should immediately consult with a superior or the Legal Department.

Personnel working in a subsidiary jointly owned by a Group company and a foreign company must uphold the law of the country in which the subsidiary is based, and the country or countries in which it operates and where its shareholders are based.

Integrity, honesty and transparency should guide each of the Group's employees in their work. Employees are expected to deal with customers, suppliers and other business partners in the Group's interest and in compliance with laws and regulations.

All personnel must take particular care to uphold laws on competition, export and re-export control, labor and employment, safety, health and environmental protection.

Engaging in proper business practices

Zero tolerance of corruption

Safran, its companies and employees do not tolerate any form of corrupt practices, be they active or passive, direct or indirect, for the benefit of those in the public or private sector.

The Group's companies apply all international conventions on combating corruption and the anti-corruption laws in force in the countries where they do business.

The Group, its companies and its employees never use a third party to perform any task that they are ethically or legally forbidden to perform themselves. Engaging a third party for the purpose of bribing a natural person or a legal entity violates anti-corruption laws. Prior to entering any contractual relationship with a business partner, the Group's companies must follow a methodical and documented procedure.

Complying with export laws

As a global company, Safran purchases goods and services from a diverse group of suppliers. The Group also provides goods and services to customers all over the world. It is therefore critical that the Group strictly complies with all applicable regulations that govern its export activities.

Before engaging in any export activity, Group employees must verify the eligibility of both the delivery location and the recipient. They must also obtain, when applicable, all required licenses and permits, including government authorizations and approvals for government-controlled products or technologies. These authorizations can be obtained from the relevant management in cooperation with Safran's export control organization.

Import activities are also subject to various laws and regulations, and it is the responsibility of the Group's employees to comply with all of the applicable standards. Any breach of these regulations on imports and exports has serious consequences for the Group. It is the Group's responsibility to know and comply with the laws and regulations that apply to the Group's activities.

Competing fairly

As part of its commitment to fair competition, the Group must strictly comply with applicable competition laws in the countries where it does business. In general, these laws prohibit agreements or practices likely to restrain or alter competition or trade. Examples of prohibited agreements include: price fixing, bid rigging, allocating markets, territories or clients amongst competitors, or boycotting or discriminating among certain customers or suppliers unless legally justified.

The exchange or disclosure of commercially sensitive information relating to competitors, customers or suppliers may also violate applicable laws.

Gifts and hospitality

Business courtesies, such as gifts and hospitality, given to or received from customers, suppliers and other partners are commonly used to build goodwill and acknowledge appreciation in business relationships. However, these courtesies must not exceed a nominal value and may not influence, or give the appearance of influencing, any business decision. Good judgment, discretion and prudence should always guide the Group in these situations. Business courtesies are prohibited by law under certain circumstances and in certain countries. The Group's personnel must comply with the policies and laws that apply in each country where Safran does business.

Behavior towards customers

Each employee must uphold the principles of fairness and integrity in his or her dealings with customers.

The business of the Group, to a large extent, concerns air transport safety; no compromise can be tolerated for any reason; any situation that may seem questionable to an employee must immediately be referred to a superior or the Quality manager.

Relations with shareholders

The Group ensures that its shareholders receive, on a timely basis, and in an effective manner, complete, relevant, accurate and precise information that is consistent with previous published information. It takes particular care to implement international corporate governance standards and principles.

Relations with suppliers

The Group selects suppliers on the basis of objective criteria and demands high performance from them, in order to ensure that the Group's expectations and those of its customers are fully met.

Under no circumstances will the Group use suppliers that make use of child or forced labor.

In 2010, the Group signed a charter governing relations between major contractors and SMEs, drawn up on the initiative of the French Ministry of Economic Affairs, Industry and Employment.

Integrity

Under no circumstances may employees damage the reputation of the Group or compromise the integrity of its assets or its information systems.

Paid work of any kind that employees may perform outside the scope of their employment with the Group must not cause conflicts of interest with their duties within the Group.

Similarly, considerable caution is required when purchasing shares, directly or via an intermediary, in companies doing business with the Group. Such restrictions do not apply to listed companies, unless confidential information is used which may be construed as insider trading.

Sustainable development

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

Political and religious activities

The Group does not finance any political parties and any political activities must be carried out exclusively outside the work-place and working hours.

Any religious practices in which employees may be involved must be practiced exclusively outside the work-place and working hours, except in the case of a legal obligation.

Behavior inside the Group

Information control

Employees must ensure the protection of information acquired in the course of or in connection with the performance of his or her duties. Employees are to pay particular attention to respect the internal rules of protection and applicable requirements during both written and oral communication.

Protecting the confidential nature of certain information

In the course of their duties, all employees have access to confidential information, which represents a key asset of the Group. Confidential or classified information is sensitive information which must not be disclosed or communicated outside of the Group. Similarly, Group employees may have information concerning the national security of the country in which the Group company is located. Care must therefore be taken to ensure that such information is protected from third parties.

Any information that could influence the value of the Group's stock price must remain confidential, until it has been communicated by the Group to the public. Any personal use of such information would constitute insider trading and could expose the employee to both civil and criminal liability.

Respect for other people

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

The Group is an equal opportunity employer. Recruitment and promotion are based exclusively on professional qualities and performance. The Group respects the dignity and private life of each of its employees. Furthermore, one of the Group's key values is to create the necessary conditions for all employees to achieve fulfillment in their chosen profession. All Group companies comply with the rules of protection of personal data known as the "Binding Corporate Rules" (BCR), applicable to the treatment and transfer of data outside of the European Union.

Compliance with the Ethical Guidelines

Each employee is required to review, understand and comply with these Ethical Guidelines.

In the event of a question or any doubt regarding appropriate conduct, it is the responsibility of the employee to immediately contact a superior or the Group's Legal Department.

Each employee has an affirmative obligation to comply with these Ethical Guidelines.

Implementation of the Ethical Guidelines in business activities

In order to ensure the application of the Ethical Guidelines, Safran has defined common requirements in the form of business-compliance related procedures applicable to all Group companies. These requirements are broken down into a series of specific 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 procedures apply to the two following areas in particular:

Prevention of corruption

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 all other laws in this respect.

The Chairman of Safran's Executive Board has also signed the Global Principles on Business Ethics adopted by the ASD and the Aerospace Industries Association of America (AIA). This text aims to strengthen cooperation between industrial, institutional and State players in the sector, to contribute to the development of equality rules in terms of competition, but also to demonstrate the commitment of manufacturers in this sector to Ethical Trade.

Preventing corruption in its business activities is a fundamental priority for the Group. To ensure that this commitment is 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.

This program includes:

Training and awareness-raising

The Group has set up a bimonthly trade compliance report to keep track of changes in anti-corruption regulations, and practices worldwide and distributes a fortnightly information bulletin on the latest legal issues on ethical trade and recent cases of business crime worldwide to all of its employees, whether they are directly or indirectly concerned.

Specific training programs on ethical trade and understanding the Group's business compliance program are organized regularly. These programs are aimed at Executive Management, the Central Committees and all employees exposed to or concerned by these issues (sales representatives, staff in administrative or financial roles, etc.).

Procedure and organization

The Group has defined strict rules and related procedures with respect to the choice and management of international consultants. This procedure rigorously describes the standards applied by the Group with respect to the selection, evaluation, tracking and payment of consultants. This ensures that consultants proposed by the companies are validated independently and without business pressure and that any related draft agreements meet business integrity requirements. The procedure is updated each year following a review in order to improve and take account of any changes to anti-corruption regulations and disseminate best practices identified throughout the Group.

A network of sixteen Trade Compliance Officers (TCO) within the Group's companies, delegated by their Chairman and CEO or Director, are personally responsible for guaranteeing the strict compliance of business transactions with Group procedure and instructions in relation to anti-corruption. The TCOs report to the Group Trade Compliance Officer. The TCOs must also appoint Trade Compliance Correspondents (TCCs) in their companies or divisions, if those companies have an independent business activity. At end-2010, there were 33 TTCs.

The TCOs and TCCs 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 IDD is responsible for providing the TCOs and TCCs with any useful information in relation to their work. The IDD meets with the TCOs and TCCs each year during a work seminar in order to harmonize their knowledge levels and exchange good practices developed by Group companies.

Control

All of the international consultants working for the Group, as well as some other business partners, are subject to due diligence audits by a company outside of the Group.

Monitoring Group companies' implementation of and compliance with current procedures is carried out by means of regular reviews by the IDD relating to the compliance of consultants' files, and audits carried out by the Group's Audit and Internal Control Department. These audits aim to ensure that accounting procedures are being complied with (in particular that bills issued by the 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.

Export control

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 a dedicated organizational structure; (ii) development of an Internal Export Control Program by each Group company; (iii) training and awareness-raising; (iv) identification of export restrictions; (v) establishment of license/agreement application; (vi) compliance with the terms and conditions of approved licenses; (vii) monitoring and audit of the Export 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 exports 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. In 2010, more than 700 employees in France and 50 in the US 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 2010 and improvement plans are currently being put in place.

In complex cases, Safran also ensures that its companies detect, assess and account for any cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future. The Group's companies or Safran inform the related authorities in each case of non-conformity. Up until present, none of the cases brought to the attention of the authorities have been subject to penalties, which demonstrates their faith in the control system put in place by Safran.

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+

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

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

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

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

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

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

As the majority of projects present numerous economic challenges, they can be measured and target at least one of the following three objectives:

- improving operating profit;
- reducing working capital requirements;
- reducing EUR/USD exchange rate risk.

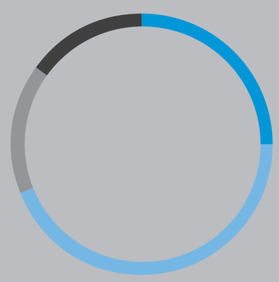
For each of these initiatives, the Group's strategy helps define an annual objective per company.

Regular monitoring, based on common evaluation rules, makes it possible to assess the progress of these actions, from the identification phase to the implementation phase, and ensures that any possible deviation is corrected.

Each company establishes a biannual review, based on visits to different company sites, making it possible for the managers concerned to give a realistic presentation of the progress made to Safran's Executive Management. The dedication of those involved in this initiative was acknowledged in an internal audit in 2010.

2010 PROGRESS PLANS

In 2010, the breakdown of profits was as follows:



In each of the above areas, the most successful initiatives in 2010 were:

- Share purchases in total production costs:
  - transfer of the business to the dollar zone,
  - controlling the increase in commodity prices (titanium);
- Internal share of production cost:
  - limiting underutilized capacity,
  - intensifying Lean Transformations (more than 80 in two years),
  - reorganizing industrial sites:
- Non-production costs:
  - combining non-production purchases functions: the initiative to upgrade management processes has brought non-production buyers together under a single new organization, "Safran Purchasing" with roughly 250 buyers. This pooling of volumes makes it possible to take full advantage of the Group's size in the area of non-production purchasing,
  - setting up a single in-house training center: Safran Corporate University;
- Sales development:
  - offsetting the fall in the spare parts market, particularly with respect to Snecma and Messier Services.

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

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

Company	Site		Activity	Headcount as of Dec. 31, 2010	Occupancy
FRANCE					
Safran	Paris 15	France	Registered office and combined activities	619	O
Sagem Industries	Fougères	France	Electronic subcontracting	676	O
Snecma	Évry/Corbeil	France	Aircraft parts machining and assembly, military engine sales and marketing	2,695	O
Snecma	Gennevilliers	France	Aircraft parts forging, casting and machining	1,447	O
Snecma	Vernon	France	Design and production of rocket engines	1,082	O
Snecma	Villaroche	France	Jet engine design, assembly and testing and commercial engine sales and marketing	3,320	O
Snecma	Montereau/Melun	France	Customer services	503	T
Snecma	Châtellerault	France	Maintenance of military engines, parts, devices and commercial engines	672	O
Snecma	Saint-Quentin-en-Yvelines	France	Commercial engine MRO	664	O
Snecma	Le Creusot	France	Turbine disks machining	185	O
Snecma Propulsion Solide	Le Haillan	France	Registered office, propellant-based propulsion for Ariane and missiles, thermostructural composites	1,194	O
Turbomeca	Bordes	France	Registered office, gas turbine design, manufacture and testing	2,464	O and FL
Turbomeca	Tarnos	France	Production of mechanical components and maintenance of helicopter engines	1,438	O
Microturbo	Toulouse	France	Manufacture of low-power turbines	460	O
Aircelle	Le Havre/Gonfreville	France	Design and production of nacelles and thrust reversers	1,377	O
Hispano-Suiza	Colombes	France	Registered office and research and production center for power transmission systems	676	O
Labinal	Blagnac	France	Registered office, engineering	151	O
Labinal Services	Mérignac	France	Assembly, installation, maintenance	386	T
Labinal	Villemur-sur-Tarn	France	Production of aircraft wiring	507	O
Messier Services	Molsheim	France	Landing gear repair	442	O
Messier-Bugatti	Vélizy-Villacoublay	France	Registered office, brake and equipment design	514	O
Messier-Bugatti	Molsheim	France	Production of wheels and brakes, hydraulic systems	391	O
Messier-Dowty SA	Vélizy-Villacoublay	France	Registered office, landing gear research and testing	342	O
Messier-Dowty SA	Bidos/Oloron-Sainte-Marie	France	Production of landing gear	830	O
Safran Engineering Services[1]	Montigny-le-Bretonneux	France	Engineering	550	T
Safran Engineering Services	Toulouse	France	Registered office, services	385	T
Sagem	Paris 15	France	Registered office	439	O
Sagem	Argenteuil	France	R&D	635	O
Sagem	Éragny	France	R&D	664	O

Company	Site		Activity	Headcount as of Dec. 31, 2010	Occupancy
Sagem	Massy	France	Manufacture of optoelectronics and aircraft - Electronic regulation and control systems	1,635	FL and T
Sagem	Montluçon Domerat	France	Mechanical, optics and electronics manufacture and systems integration	1,216	O
Sagem	Poitiers	France	Manufacture of optoelectronic equipment	541	O
Morpho(2)	Montrouge(3)	France	Administrative and commercial center	271	T
Morpho	Osny	France	R&D	673	O
EUROPE (EXCLUDING FRANCE)					
Aircelle Ltd	Burnley	United Kingdom	Production of nacelles and thrust reversers	637	O
Messier-Dowty Ltd	Gloucester	United Kingdom	Research, testing and production of landing gear	851	O
Aleat	Tirana	Albania	Manufacture and distribution of ID documents	357	T
Labinal GmbH	Hamburg	Germany	Engineering, assembly, installation and maintenance	310	T
Sagem Orga GmbH	Flintbek and Paderborn	Germany	Research, manufacture and sale of smart cards	509	T
Morpho B.V.	Haarlem	Netherlands	Production, customization and sale of cards, ID and security documents and related products	302	T
Sagem Navigation GmbH	Murr	Germany	R&D, production	86	T
Hispano-Suiza Polska sp.zoo	Sedziszow Malopolski	Poland	Production of mechanical parts for various Safran Group companies	378	O
Smartinvest o.o.o. and Smartec z.a.o.	Moscow	Russia	Holding company, research	98	T
Orga Zelenograd Smart Cards and Systems, z.a.o.	Moscow	Russia	Research, manufacture and sale of smart cards	105	O
Techspace Aero	Herstal (Milmort)	Belgium	Registered office, aerospace production, test cell design and jet engine testing	1,216	O
NORTH AMERICA					
Turbomeca Canada, Inc.	Mirabel	Canada	MRO of gas turbines and aircraft equipment and all work on helicopters	126	O
Messier-Dowty, Inc.	Montreal	Canada	Production of landing gear	231	O
Messier-Dowty, Inc.	Toronto	Canada	Production of landing gear	519	O
Safran Electronics Canada, Inc.	Peterborough	Canada	R&D, customer support and production of aircraft equipment	107	T
Optics 1, Inc.	Manchester	United States	R&D, electro-optical and opto-mechanical production	57	T
Vectronix, Inc.	Leesburg	United States	Marketing of observation and localization systems and equipment	54	T
Snecma Mexico	Querétaro	Mexico	Production of commercial engine parts	59	T
Snecma America Engine Services SA de CV (SAMES)	Querétaro	Mexico	Commercial engine MRO	95	T
Labinal de Mexico	Chihuahua	Mexico	Production of aircraft wiring, engineering	2,097	T
Messier Dowty Mexico	Querétaro	Mexico	Production of landing gear	91	T
Messier Services Mexico, SA de CV	Querétaro	Mexico	Landing gear repair	210	T
MorphoTrak	Anaheim/Tacoma	United States	Research, sale and technical support for identity products and services	403	T
Morpho	Mexico	Mexico	Sale of biometric devices	32	T

Company	Site		Activity	Headcount as of Dec. 31, 2010	Occupancy
Propulsion Technologies International	Miami	United States	Engine parts repair	127	T
Cenco, Inc.	Minneapolis	United States	Test cell engineering	56	T
Advanced Components International	Fort Myers	United States	Design and manufacture of reservoirs for aerospace applications	22	O
Turbomeca USA, Inc.	Grand Prairie	United States	Maintenance of delivered engines and delivery of spare parts	352	O
Turbomeca Manufacturing, Inc.	Monroe	United States	Production of helicopter engine parts	89	O
Globe Motors, Inc.	Dothan	United States	Electric engines	186	O
Labinal, Inc.	Corinth	United States	Production of aircraft wiring	705	T
Labinal, Inc.	Everett	United States	Engineering	210	T
Labinal Salisbury Inc.	Salisbury	United States	Production of aircraft wiring	771	O
Messier-Bugatti - USA LLC	Walton	United States	Production of carbon brakes and R&D	189	FL
Sagem Avionics, Inc.	Grand Prairie	United States	Marketing and customer support for aircraft product lines	91	T
Safran Electronics USA, Inc.	Everett	United States	Aircraft and electromechanical equipment maintenance	47	T
Morpho Detection, Inc.	Newark/ Wilmington	United States	Research, manufacture and sale of systems and products for the detection of dangerous or illegal substances	549	T
SOUTH AMERICA					
Turbomeca do Brasil Industria e Comercio Ltda	Rio de Janeiro	Brazil	Design, manufacture, purchase-sale and maintenance of turbo engines	240	O
Sagem Orga do Brasil S.A.	Taubate/ São Paulo	Brazil	Research, manufacture and sale of smart cards	463	T
Morpho	Bogota	Colombia	Local adaptation of government solution software and hardware	93	T
AFRICA AND THE MIDDLE EAST					
Snecma Morocco Engine Services	Casablanca	Morocco	Commercial engine MRO	158	T
Aircelle Morocco	Casablanca	Morocco	Construction of composite parts for engines	374	T
Labinal Morocco	Temara/Ain Atiq	Morocco	Production of aircraft wiring	581	FL
Safran Engineering Services Morocco	Casablanca	Morocco	Automobile and aeronautical engineering	90	FL
Sagem Sécurité Maroc	Casablanca	Morocco	Software development	128	T

Company	Site		Activity	Headcount as of Dec. 31, 2010	Occupancy
Morpho	Abu Dhabi	UAE	Sale of biometric devices	51	T
Morpho South Africa Pty Ltd	Rivonia (Johannesburg)	South Africa	Sale of biometric devices	35	T
Turbomeca Africa	Stanton	South Africa	Production and repair of helicopter engines	203	T
ASIA - OCEANIA					
Morpho Australasia Pty Ltd	Sydney	Australia	Sale and maintenance of Morpho products	51	T
Snecma Xinyi Airfoil Castings Co, Ltd	Guiyang	China	Aircraft parts foundry	115	O
Safran Electronics Asia Pte Ltd	Singapore	Singapore	Aircraft and electromechanical equipment maintenance	83	T
Sagem Orga (Singapore) Pte Ltd	Singapore	Singapore	Sale of smart cards	52	T
Snecma Suzhou Co, Ltd	Suzhou	China	Manufacture and assembly of engine modules	200	O
Messier-Dowty Suzhou Co, Ltd	Suzhou	China	Production of landing gear	282	O
Safran Aerospace India	Bangalore	India	Automobile and aeronautical engineering	417	T
Syscom Corporation Ltd	New Delhi	India	Research, manufacture and sale of smart cards	550	T
Smart Chip Ltd	Noida	India	Research, manufacture and sale of smart cards	609	O
Messier Services Pte Ltd	Singapore	Singapore	Landing gear repair	352	O

(O: Owner - T: Tenant - FL: Finance Lease)

(1) Safran Engineering Services was created following the merger of Teuchos and the Labinal Engineering and Technology department on March 1, 2010. Both of these organizations have more than twenty years' experience on the engineering services market.

(2) Sagem Sécurité became Morpho on May 27, 2010.

(3) Morpho began operations at its new site in Issy-les-Moulineaux on January 1, 2011.

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.

BUSINESS HIGHLIGHTS IN 2010

AEROSPACE PROPULSION

- Leap-X engine chosen by Airbus for the new A320neo;
- Deliveries of CFM56 engines stable in the year, at 1,251 (1,263 in 2009);
- 21,000th CFM56 engine delivered in July;
- 6,263 CFM56 engines in the backlog, representing around five years of production;
- Delivery of 830 helicopter engines (down from 1,032 in 2009);
- Planned merger with SNPE Matériaux Énergétiques (SME) to integrate the development and production of solid propulsion engines with the development and production of the underlying propellants. This transaction is awaiting clearance from the relevant government and EU authorities, and is also subject to a number of conditions precedent.

AIRCRAFT EQUIPMENT

- Ramp-up of production under new programs, notably the A330 program for which 127 nacelles were delivered in 2010 (104 in 2009);
- Acquisition of US-based Harvard Custom Manufacturing in November 2010. This business was classified with Labinal and subsequently renamed Labinal Salisbury.

DEFENCE

- Ongoing robust growth of infantry combat protection systems (€1.2 billion order backlog);
- Notification from the French Army of an order for 16,454 Felin infantry combat systems and 1,175 long-range infrared goggles (JIM LR2).

SECURITY

- Agreement signed to purchase US firm L-1 Identity Solutions, a specialist in secure credentialing solutions, biometric and enterprise access solutions and enrollment services. To satisfy the condition precedent, L-1 signed a final agreement to sell its US government consulting business to third parties. The transaction is still awaiting clearance from the competent US government authorities;
- Renewal of an ID document contract in the Netherlands for a period of seven years.

2010 ADJUSTED KEY FIGURES

	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding company and other		Total	
(in € millions)	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010
Revenue	5,673	5,604	2,767	2,834	1,061	1,240	904	1,041	43	41	10,448	10,760
Recurring operating income (loss)	628	663	73	127	9	55	86	128	(67)	(95)	729	878
Profit (loss) from operations	657	663	2	125	9	55	86	124	(60)	(102)	694	865
Free cash flow	779	620	(113)	163	8	(53)	29	51	115	153	818	934
Acquisitions of property, plant and equipment	145	102	86	61	35	67	18	28	9	13	293	271
Self-funded R&D (1)	336	331	145	112	146	109	63	85	-	-	690	637
Headcount (2)	21,156	20,499	19,945	19,401	6,655	6,747	5,557	5,899	1,559	1,710	54,872	54,256

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

SAFRAN IN 2010

02

2.1 ACTIVITIES AND RESULTS

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 section 3.1, "Accounting policies" in Note 1f).

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

- purchase price allocations with respect to material business combinations. Since 2005, this adjustment concerns the amortization charged against intangible assets relating to aeronautical programs that were revalued at the time of the Sagem-Snecma merger. With effect from the 2010 interim financial statements, the Group decided to restate the impact of purchase price allocations for all material business combinations (and not only those relating to the Sagem-Snecma merger). In particular, this concerns the amortization of intangible assets recognized at the time of the acquisition, and amortized over extended periods due to the length of the Group's business cycles;
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedging rate, i.e., including the costs of the hedging strategy, and
  - the recognition of all mark-to-market changes on outstanding hedging instruments at the closing date – including the "ineffective" portion – is neutralized with effect from the publication of the 2009 financial statements, given that the Group's hedging strategy includes optional hedging instruments and portfolio optimization measures combined with highly volatile market inputs used to mark to market.

2.1.1 RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

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

(in € millions)	2010 consolidated data	Currency hedging: Remeasurement of revenue(1)	Currency hedging: Deferred hedging gains (losses)(2)	Business combinations: Amortization of intangible assets from Sagem-Snecma merger(3)	Business combinations: Impact of other business combinations(4)	2010 adjusted data
Revenue	**11,028**	**(268)**	**-**	**-**	**-**	**10,760**
Other recurring operating income and expenses	(10,077)	8	(15)	159	43	(9,882)
Recurring operating income	**951**	**(260)**	**(15)**	**159**	**43**	**878**
Other non-recurring operating income and expenses	(13)	-	-	-	-	(13)
Profit from operations	**938**	**(260)**	**(15)**	**159**	**43**	**865**
Cost of net debt	(36)	-	-	-	-	(36)
Foreign exchange gains (losses)	(531)	260	275	-	-	4
Other financial income and expense	(136)	-	-	-	-	(136)
Financial income (loss)	**(703)**	**260**	**275**	**-**	**-**	**(168)**
Share in profit from associates	9	-	-	-	-	9
Income tax expense	(14)	-	(90)	(54)	(15)	(173)
Profit from continuing operations	**230**	**-**	**170**	**105**	**28**	**533**
Loss from discontinued operations	(5)	-	-	-	-	(5)
Loss for the period attributable to non-controlling interests	**(18)**	**4**	**-**	**(3)**	**(3)**	**(20)**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**207**	**4**	**170**	**102**	**25**	**508**

(1) Remeasurement of foreign currency denominated revenue net of foreign currency purchases at the hedged rate (including premiums on unwound options) by reclassifying 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 €275 million excluding tax, and the negative impact of including hedges in the measurement of provisions for losses on completion for €15 million.
(3) Cancelation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger.
(4) Cancelation of amortization of intangible assets identified at the time of recent Security branch acquisitions (Morpho BV, MorphoTrack, Morpho Detection).

Readers are reminded that only the consolidated financial statements set out in section 3.1 of this document are audited by the Group's statutory auditors. The consolidated financial statements include revenue and operating profit indicators set out in adjusted data in Note 5, "Segment information".

Adjusted financial data other than the data provided in Note 5, "Segment information" of section 3.1 are subject to verification procedures applicable to all of the information provided in this report.

2.1.2 ADJUSTED INCOME STATEMENT

(in € millions)	2009 restated[(1)] Adjusted data	2010 Adjusted data
Revenue	**10,448**	**10,760**
Other income	156	200
Profit from operations	**10,604**	**10,960**
Change in inventories of finished goods and work-in-progress	(262)	(42)
Capitalized production	242	243
Raw materials and consumables used	(5,943)	(6,247)
Personnel costs	(3,276)	(3,459)
Taxes	(238)	(217)
Depreciation, amortization and increase in provisions net of use	(410)	(387)
Asset impairment	(30)	6
Other recurring operating income and expenses	42	21
Recurring operating income	**729**	**878**
Other non-recurring operating income and expenses	(35)	(13)
Profit from operations	**694**	**865**
Cost of net debt	(38)	(36)
Foreign exchange gains	9	4
Other financial income and expense	(145)	(136)
Financial loss	**(174)**	**(168)**
Share in profit from associates	3	9
Profit before tax	**523**	**706**
Income tax expense	(108)	(173)
Profit from continuing operations	**415**	**533**
Loss from discontinued operations	(4)	(5)
PROFIT FOR THE PERIOD	**411**	**528**
Attributable to:		
• owners of the parent	395	508
• non-controlling interests	16	20
Earnings per share attributable to owners of the parent *(in euros)*		
Basic earnings per share	0.99	1.27
Diluted earnings per share	0.98	1.26
Earnings per share of continuing operations attributable to owners of the parent *(in euros)*		
Basic earnings per share	1.00	1.28
Diluted earnings per share	0.99	1.27
Loss per share of discontinued operations attributable to owners of the parent *(in euros)*		
Basic loss per share	(0.01)	(0.01)
Diluted loss per share	(0.01)	(0.01)

(1) As described in the Foreword, with effect from the publication of the 2010 interim consolidated financial statements, the impact of purchase price allocations for all material business combinations (and not only those relating to the Sagem-Snecma merger) have been neutralized. Accordingly, the adjusted data for the year ended December 31, 2009 presented above have been restated to neutralize €25 million in amortization charges on intangible assets and €6 million of changes in inventories in profit from operations, along with the related tax benefit (€10 million).

Adjusted revenue

Adjusted consolidated revenue edged up 3% year-on-year, from €10,448 million to €10,760 million.

Like-for-like (constant exchange rates and Group structure), revenue fell 1% due mainly to the completion of a major identification project in Côte d'Ivoire. Delays in the ramp-up of production under the A380 and B787 programs prompted a moderate decline in sales of original aircraft equipment. Revenue from service activities inched up 0.7% and represented 50.1% of Aerospace Propulsion revenue and 31.3% of Aircraft Equipment revenue. Consolidated revenue received a strong boost from Defence (especially Optronics) and Security (owing mainly to acquisitions), which delivered growth in excess of 15%.

Adjusted recurring operating income

Adjusted recurring operating income came in at €878 million in 2010, up 20.4% on restated adjusted recurring operating income for 2009 (€729 million). Taking into account the negative €25 million currency impact and the positive €24 million impact resulting from acquisitions and recently consolidated businesses, recurring operating income improved €150 million on an organic basis. The sharp rise in recurring operating income chiefly reflects the impact of the Safran+ cost cutting program as well as productivity gains and the reduction in overheads.

2010 adjusted recurring operating income excludes transaction costs relating to acquisitions of securities during the period or in progress (HCM, L-1 Identity Solutions, SNPE Matériaux Énergétiques), representing an amount of €13 million:

(in € millions)	2009 restated	2010
Recurring operating income	**729**	**878**
% of revenue	*7.0%*	*8.2%*
Total non-recurring items	**(35)**	**(13)**
Capital gain (loss) on disposals	7	-
Impairment reversal (charge)	(70)	-
Other unusual and material non-operating items	28	(13)
PROFIT FROM OPERATIONS	**694**	**865**
% of revenue	6.6%	8.0%

Adjusted profit from operations

Adjusted profit from operations climbed 25% to €865 million in 2010 from €694 million in 2009.

Adjusted financial loss

The adjusted financial loss for 2010 was €168 million, compared to a loss of €174 million in 2009. The only major cash outflow corresponds to the cost of net debt, which remained stable year-on-year (€36 million in 2010 versus €38 million in 2009). The financial loss includes the cost of unwinding discounts on certain assets and liabilities (mainly provisions and repayable advances), as well as any changes in the discount rate used, particularly to calculate provisions. The cumulative impact of these two non-cash items was an expense of €74 million in 2010 versus an expense of €118 million in 2009.

Adjusted income tax expense

The adjusted income tax expense for the year rose from €108 million in 2009 to €173 million in 2010, largely due to the increase in adjusted pre-tax profit. The effective interest rate in 2010 was 24.5%, versus 20.7% in 2009.

Adjusted profit attributable to owners of the parent

Adjusted profit attributable to owners of the parent jumped 28.6% to €508 million in 2010 (€1.27 per share), versus €395 million in 2009 (€0.99 per share).

2.1.3 KEY FIGURES BY BUSINESS (ADJUSTED DATA)

Orders recorded in 2010 were up 9% to €13.1 billion, compared to €12.1 billion in 2009.

These orders are valued at market prices.

	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding company and other		Total	
(in € millions)	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010
Backlog(1)	14,575	16,742	10,797	11,126	2,134	2,052	366	451	NA	NA	27,872	30,371
Orders recorded during the year (2)	6,705	7,150	2,711	3,653	1,766	1,251	869	1,029	NA	NA	12,051	13,083
Revenue	5,673	5,604	2,767	2,834	1,061	1,240	904	1,041	43	41	10,448	10,760
Recurring operating income (loss)	628	663	73	127	9	55	86	128	(67)	(95)	729	878
Profit (loss) from operations	657	663	2	125	9	55	86	124	(60)	(102)	694	865
Free cash flow(3)	779	620	(113)	163	8	(53)	29	51	115	153	818	934
Acquisitions of property, plant and equipment	145	102	86	61	35	67	18	28	9	13	293	271
Self-funded R&D(4)	336	331	145	112	146	109	63	85	NA	NA	690	637
Headcount(5)	21,156	20,499	19,945	19,401	6,655	6,747	5,557	5,899	1,559	1,710	54,872	54,256

(1) The backlog corresponds to orders recorded and not yet recognized in revenue.
(2) Orders recorded represent orders received during the year.
(3) Free cash flow is equal to cash flow from operating activities less changes in working capital and purchases of property, plant and equipment and intangible assets.
(4) Before deduction of the research tax credit.
(5) Headcount at December 31.

2.1.3.1 AEROSPACE PROPULSION

Activities and results

Revenue for 2010 fell 1.2% year-on-year (down 3.1% like-for-like), to €5,604 million from €5,673 million in 2009. Revenue was boosted by the growth of service activities for military engines, leading-edge high-thrust civil engines and helicopters. However, weak sales of spare parts for the CFM56 during the first half of the year weighed heavily on the revenue performance.

Deliveries of new CFM56 engines remained virtually stable year-on-year, at 1,251 units. Following the success of the Farnborough and Zhuhai air shows, 1,583 orders were taken for the CFM56 engine, a two-fold increase on 2009. Revenue from OEM helicopter engines was slightly down, as a result of declining volumes. Space and missile propulsion revenue advanced slightly, thanks to the ramp-up of production in solid propulsion.

Over the year as a whole, service revenue as a proportion of total Aerospace Propulsion revenue was up 50.1%, buoyed by a strong contribution from services for military engines and helicopters, and for leading-edge high-thrust civil engines.

However, growth in service revenue was tempered by the 17% decline in worldwide sales of CFM International spare parts in USD terms, reflecting the economic downturn and the volatility of airline maintenance spending. The total number of estimated[1] CFM civil aircraft engine maintenance operations (“shop visits”) fell to 2,120 in 2010, from 2,305 in 2009. However, this trend reversed as from the middle of the year, with worldwide sales of CFM International spare parts up 16% in the third quarter compared to the second, and up 15% in the fourth quarter compared to the third. In the fourth quarter, service revenue rose 3% on the last quarter of 2009 and 4% on the third quarter of 2010.

Recurring operating income for 2010 came in at €663 million (11.8% of revenue), up 5.6% compared to €628 million in 2009 (11.1% of revenue) based on restated figures. The sharp improvement in performance despite a deterioration in the market for CFM56 engine services reflects vigorous sales of spare parts for military engines and leading-edge high-thrust civil engines, as well as unit price increases in engines for new aircraft (i.e., original equipment). Performance was also driven by the Safran+ cost-cutting program and by better-than-expected productivity gains (supply chain, lean manufacturing). Currency fluctuations had a slight adverse impact on earnings.

(1) The number of shop visits is an estimate; this number may be revised marginally in the future as airlines finalize reports.

Adjusted key figures

	2009	2010	Year-on-year change
Quantities delivered			
CFM56 engines	1,263	1,251	-1.0%
Helicopter turbine engines	1,032	830	-19.6%
(in € millions)			
Backlog	14,575	16,742	14.9%
Orders recorded during the year	6,705	7,150	6.6%
Revenue	5,673	5,604	-1.2%
Recurring operating income	628	663	5.6%
Profit from operations	657	663	0.9%
Free cash flow	779	620	20.4%
Acquisitions of property, plant and equipment	145	102	-29.7%
Self-funded R&D(1)			
Operating expenses	252	233	-7.5%
Gross capitalized expenditure	84	98	-16.7%
Total self-funded R&D	336	331	-1.5%
Headcount(2)	21,156	20,499	-3.1%

(1) Before deduction of the research tax credit.
(2) 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	
Sector	**2009**	**2010**
Civil aviation	60%	59%
Military aviation	12%	12%
Helicopter turbine engines	18%	18%
Ballistics and space	10%	11%

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. The engine, which has clocked up more than 4,700 hours of test flights, was certified by Russian and European authorities (EASA) in 2010. The Sukhoi Superjet 100 should be certified in early 2011 by the Russian authorities.

The first series production engine was delivered to Sukhoi in 2010.

A total of 60 engines were ordered in 2010 and the backlog stood at 192 at the end of the year.

CFM engines (short/medium-haul aircraft)

Passenger and freight airline traffic rallied in 2010. Snecma recorded more orders than it expected, including almost 1,600 orders for CFM engines and nearly 400 orders for high-thrust engine modules.

The Company billed for 1,251 CFM56 engines in the year, as in 2009.

More than 21,500 CFM56 engines have been delivered since the launch of the program. The in-service fleet of CFM56 engines passed the 500 million flying hours mark in 2010. CFM56 engines are used by more than 530 customers and operators.

In-service CFM56 engines deliver industry-leading reliability statistics.

The backlog remained at more than 6,000 engines. CFM is leader on the market for aircraft with seating capacity of more than 100.

Leap-X, already selected in 2009 by Chinese aircraft manufacturer Comac for its C919, was chosen by Airbus in 2010 to upgrade its A320 fleet (A320neo). Leap-X is expected to be in service by the beginning of 2016. This second success, opening up further market opportunities for Safran, vindicates the strategic and technological decisions taken alongside General Electric, a Safran partner.

High-thrust engines (long-haul aircraft)

Production of high-thrust engines fell back 9% year-on year, with 288 engines delivered in 2010.

GE90 family

Snecma has an interest of around 24% in this General Electric program, and in 2010 delivered 155 modules. Production volumes remained upbeat, with Boeing announcing a further ramp-up in production of the B777 as from 2012, following the ramp-up in mid-2011.

GP7000 (engine for the A380)

Snecma delivered 31 modules (nine-stage high-pressure compressor) in 2010. The GP7000 engine has been selected for 59% of the A380 aircraft for which an engine has already been chosen.

CF6 – LM6000 family

In all, 102 modules were billed for in 2010. At the end of the year, Snecma signed an agreement with General Electric to participate in the LM6000 Growth production program.

Services

In 2010, the number of shop visits recorded within the Snecma network (including joint ventures) for CFM engines remained stable compared to 2009 (277 versus 272, respectively). The total number of shop visits for the CFM56 engine was down 8%. Accordingly, Snecma's market share remained stable year-on-year.

The CFM56 spare parts business contracted in 2010, reporting a decline of 17% in its overall USD revenue compared to the previous year. In contrast, sales of spare parts for high-thrust engines were up 24% in 2010.

Military aviation

In all, 19 M88 engines powering the Rafale were delivered in 2010, representing 267 engines delivered since the start of the program. The in-service fleet clocked up its 100,000th flying hour during the year, with a good reliability performance.

Snecma took orders for the fourth tranche of the contract to fit out 60 Rafale planes.

The TP400-D6 engine development program entrusted to the EPI consortium (ITP group, MTU Aero Engines, Rolls-Royce and Snecma) and chosen to power the European Airbus A400M, continued to progress satisfactorily during the year. All Snecma engine certification reports were approved by the EASA. The engine is expected to be certified at the beginning of 2011.

Helicopter turbine engines

In 2010, the number of orders taken for helicopter engines rallied, taking them very close to 2008 levels. Net new orders totaled 930 units versus 724 in 2009. At end-2010, the backlog stood at 1,676 engines. However, deliveries of new equipment continued to decline, to 830 series production helicopter engines, versus 1,032 in 2009.

The impacts of the 2009 crisis continued to take a visible toll on helicopter operators during the year. While flying hours for major civil operators and the military remained at good levels, idle periods were observed in certain worse-hit segments such as utility, charter, tourism and corporate businesses.

Other notable developments in this market included:

- active efforts by global helicopter manufacturers to prepare for the future, including R&T focused on high-speed helicopters, the launch of successor and/or new helicopter families in high-growth segments (4-6 tons and 6-8 tons). In 2010, Turbomeca recorded significant progress in terms of engine development programs, with test flights for Arriel 2+, and the first test of the turboprop version of Ardiden 3);
- continued development in emerging markets:
  - several agreements were signed with China for the supply of Arriel 2 engines and kits, and the development of Ardiden 3C continued apace with partner Dongan,
  - in India, Turbomeca confirmed its strong ties with HAL (OEM and operator support) and secured a contract with Adour for 57 Hawk aircraft,
  - in Brazil, the order for 100 Makila 2A/EC725 was contractualized with Eurocopter, and the related industrial cooperation arrangement put in place,
  - under a government agreement with Kazakhstan, 90 Arriel 1 engines will be supplied for twin-turbine EC145 helicopters;
- the NH90 came into operation for the French Navy and work was completed to prepare the renewal of the MCO contract to provide in-service maintenance for helicopter engines operated by the French State.

Turbomeca continued to upgrade its production facilities. The new J. Szydlowski Bordes plant, opened on June 22 by the French President, has been operational since the beginning of 2010. The new plant at Buchelay, which will house Turbomeca and Hispano-Suiza's engine control systems, will be delivered mid-2011.

Ballistics and space

Six satellite launches were carried out in 2010 (seven in 2009), bringing the total number of satellites to twelve.

In all, 55 Ariane 5 launches have been made. The last launch in 2010 was the 41st consecutive success, confirming Ariane's excellent reliability performance.

Seven Vulcan engines and seven HM7 engines were delivered in 2010.

Six solid propellant MPS engines were delivered during the year for Ariane 5.

At the end of 2010, the French government agreed on the principle of transferring SNPE Matériaux Énergétiques to the private sector, thereby allowing Safran to further consolidate the solid propulsion business, key to the long-term viability of European launch vehicles and missiles. This transaction is awaiting clearance from the relevant government and EU authorities, and is also subject to a number of conditions precedent.

Through its subsidiary SPS, Safran is Europe's leading designer and manufacturer of solid propellant engines. SNPE, via its subsidiary SME, is the European leader in propulsion technologies.

Safran will take over SNPE Matériaux Énergétiques and its subsidiaries – including 50% of Roxel and 40% of Regulus – in a deal that gives the businesses an enterprise value of €296 million. Safran's new solid propulsion business would have some 3,000 employees, an R&D facility staffed with over 600 researchers and engineers, and combined sales of more than €650 million in 2011. The acquisition should be finalized in the first half of 2011, provided that the last few approvals are received and the aforementioned conditions precedent have been met.

2.1.3.2 AIRCRAFT EQUIPMENT

Activities and results

The Aircraft Equipment business posted revenue totaling €2,834 million in 2010, up 2.4% year-on-year (€2,767 million). Like-for-like, revenue for the business remained stable.

Revenue growth was driven by an increase in billings, although this was less than forecast for certain programs – namely landing and wiring systems for the B787. This upward momentum was slightly offset by a temporary contraction in deliveries of large nacelles (74 units for the A380 in 2010, versus 84 in 2009, with the A340 program terminated during the year). Deliveries of small nacelles remained stable.

Over 2010 as a whole, service revenue as a proportion of total Aircraft Equipment revenue slipped from 31.8% to 31.3%.

Recurring operating income for 2010 came in at €127 million (4.5% of revenue), up 74% compared to €73 million in 2009 (2.6% of revenue) based on restated figures. The upsurge results largely from a fledgling recovery in the nacelles business – thanks chiefly to the sharp fall in manufacturing costs for the A380, better trading conditions and a favorable product mix. The nacelles business reached operating break-even in fourth-quarter 2010. Advances in the Aircraft Equipment business were also driven by a strong performance from Messier Services (maintenance and repair of landing gear).

Labinal Salisbury (formerly Harvard Custom Manufacturing) was fully consolidated with effect from its acquisition by the Group, although its contribution to the Group's 2010 results was not material, given that it covered only one month of operations.

Adjusted key figures

	2009	2010	Year-on-year change
Quantities delivered			
Landing gear	1,158	1,013	-12.5%
Carbon wheels and brakes	456	520	14.0%
Power transmission systems	1,628	1,717	5.5%
A320 thrust reversers	486	462	-4.9%
(in € millions)			
Backlog	10,797	11,126	3.0%
Orders recorded during the year	2,711	3,653	34.7%
Revenue	2,767	2,834	2.4%
Recurring operating income	73	127	74.0%
Profit from operations	2	125	NM
Free cash flow	(113)	163	NM
Acquisitions of property, plant and equipment	86	61	-29.1%
Self-funded R&D(1)			
Operating expenses	80	67	-16.3%
Gross capitalized expenditure	65	45	-30.8%
Total self-funded R&D	145	112	-22.8%
Headcount(2)	19,945	19,401	-2.7%

(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	
Sector	**2009**	**2010**
Landing and aircraft systems	47%	50%
Engine systems and equipment	27%	25%
Electrical systems and engineering	22%	22%
Other equipment	4%	3%

Commercial and industrial developments

Landing and aircraft systems

Landing gear

During the year, Safran opened:

- a production plant for large landing gear parts in Querétaro, Mexico (March). This plant will also house a production facility for engine parts, enabling optimum pooling of both infrastructure and management and support functions;
- a new landing gear assembly facility in the French Bidos plant near Oloron-Sainte-Marie (September). This represents the third tranche of investments made to upgrade the site.

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

Discussions with Boeing concerning the B787 culminated in an amendment to the initial agreement taking into account changes in the technical definition of landing gear during the aircraft development phase. All certification documentation for the composite carbon struts has been provided to Boeing. Two test planes are currently flying with these composite struts. The use of the related multi-D woven technology is a world first.

Wheels and brakes and landing/braking control systems

At December 31, 2010, a total of 4,471 aircraft with seating capacity of over 100 are equipped with Safran carbon brakes. This represents a market share of 47.8%, up 1.9 points on 2009.

In September 2010, Safran was the first manufacturer to be awarded EASA certification for its composite carbon brakes for the Boeing 737NG, the latest civil aviation program to use this technology. At December 31, 2010, Safran brakes had been selected for 507 aircraft, including 262 in connection with retrofit projects carried out by competitors.

Messier-Bugatti successfully completed its tests under the B787 program, and was awarded Electrical Brake Actuator Controller (EBAC) certification.

“Green taxiing” (taxiing without the use of the plane’s main engines) tests continued apace.

In its command and control system business, Messier-Bugatti signed several major contracts for in-flight maintenance services, chiefly in Asia, for long-haul planes.

A project was launched aimed at reinforcing ties between Messier companies, covering in particular the merger between French entities Messier-Dowty, Messier-Bugatti and Messier-Services.

Engine systems and equipment

Nacelles and thrust reversers

Airbus selected Aircelle to provide nacelles for its single-aisle A320neo launched at the end of 2010. Aircelle will supply aircraft powered by the new CFM Leap-X engine manufactured by Safran and General Electric.

Aircelle and Middle River Aircraft Systems’ joint venture Nexcelle was selected by Bombardier to supply nacelles for its new business jets Global 7000/Global 8000 (GE TechX engines).

In November, Aircelle signed an agreement with the Chinese group AVIC to create a joint venture (Savi) in Xian. Savi will manufacture and assemble nacelle components, mainly for the C919 program.

All issues outstanding with Airbus concerning the A380 have been resolved.

In its services business, Aircelle opened a new maintenance plant in the Dubai Free Trade Zone in partnership with Air France. The plant will provide support for nacelles used in Airbus, Boeing and other programs operating in the Middle East. Aircelle also signed its first multi-year service agreements and a number of industrial partnership agreements in the Far East.

Power transmissions

Hispano-Suiza was selected by Aircelle to supply the electronic control unit of the thrust reverser actuation system (TRCU) for the Chinese Comac C919 aircraft.

The first tests were carried out on the RR Trent XWB engine designed for the A350. Meanwhile, the testing phase continued for the TP400 engine designed for the A400M aircraft. In both cases, Hispano-Suiza’s accessory gearboxes functioned satisfactorily.

Hispano-Suiza’s Polish subsidiary Hispano-Suiza Polska, based in Rzeszòw, was affected by severe flooding in June 2010. Teams from across the entire Group were called on to help limit the consequences on the affected programs.

Electrical systems and engineering

Electrical wiring and engineering

Following the first 12 months of industrialization, all wiring activities for the A380 (engineering, manufacture of harnesses and on-board installation equipment) were revised under the contract with Airbus. This led to the signature of an “end-to-end” agreement in late 2010.

Labinal signed an important amendment to its initial contract with Boeing concerning the B787, taking into account the changes in the technical definition of wiring during the development phase.

In early 2011, Labinal signed a framework agreement with Chinese firm Comac for the establishment of a joint venture based in Shanghai. The joint venture will focus on the design, development and production of wiring for the 150-seater Comac C919.

The engineering teams of Labinal and Teuchos were merged at the beginning of 2010 to create a single worldwide entity comprising 3,000 engineers specialized in mechanical engineering, thermodynamics, materials and onboard electrical and electronics systems (Safran Engineering Services).

At the end of November, Labinal acquired Harvard Custom Manufacturing based in Maryland in the US. HCM specializes in wiring systems for military aircraft. The new entity will operate under the name Labinal Salisbury and represents annual revenue of around USD 100 million.

2.1.3.3 DEFENCE

Activities and results

The Defence business reported revenue of €1,240 million in 2010, up 17% year-on-year (up 12.4% on a like-for-like basis). This performance was mainly driven by growth of more than 30% in the Optronics activity on the back of a robust order backlog (Felin integrated equipment suites for the French armed forces, long-range infra-red goggles for French and export markets). However, this upward momentum was dampened by a slight contraction in the Avionics business, spurred by a fall in volumes of flight control systems for helicopters and regional jets.

Recurring operating income came in at €55 million (4.4% of revenue), up from €9 million in 2009 based on restated figures (0.8% of revenue). 2009 recurring operating income had been penalized by a €35 million loss on completion under the A400M navigation systems program. The improvement in 2010 was powered by significant earnings growth for the Optronics business. In contrast, the Avionics business saw a fall in volumes for flight control systems.

Adjusted key figures

	2009	2010	Year-on-year change
Quantities delivered			
Inertial units	347	381	9.8%
AASM kits	220	209	-5.0%
JIM LR goggles	375	1,301	246.9%
(in € millions)			
Backlog	2,134	2,052	-3.8%
Orders recorded during the year	1,766	1,251	-29.2%
Revenue	1,061	1,240	16.9%
Recurring operating income	9	55	511.1%
Profit from operations	9	55	511.1%
Free cash flow	8	(53)	NM
Acquisitions of property, plant and equipment	35	67	91.4%
Self-funded R&D(1)			
Operating expenses	113	91	-19.5%
Gross capitalized expenditure	33	18	-45.4%
Total self-funded R&D	146	109	-25.3%
Headcount(2)	6,655	6,747	1.4%

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 branch revenue	
Sector	**2009**	**2010**
Optronics	43%	52%
Avionics	50%	41%
Electronics and critical software (Safran Electronics)	7%	7%

Commercial and industrial developments

Optronics

Modernizing infantry

The Felin infantry combat system demonstrated that it is in phase with the combat modernization requirements of the French Army, amid tighter control over public expenses. The system is now in the production phase. To the customer's satisfaction, the first infantry regiment took delivery of the first 1,000 systems (around 15,000 equipment suites). These systems are currently in the process of being delivered to a second regiment.

On account of its success, the system is increasingly attracting foreign governments. For example, Safran has been asked to participate in the UK's Future Infantry Soldier Technology System (FIST) and in the IMESS program (Integriertes Modulares Einsatzsystem Schweizer Soldat) in Switzerland, in partnership with EADS.

Optronic equipment

Portable optronic equipment

Safran can now reap the full benefits of production and commercial synergies resulting from its cutting-edge technological expertise, helping it to consolidate the positions built up in recent years both through organic and acquisition-led growth. The 1,000th pair of JIM long-range multifunction infrared goggles (JIM LR) manufactured in France was delivered during the year. Goggles also began to be assembled in Switzerland.

Through Vectronix, this branch is enjoying fast-paced growth, resulting in a pipeline of new orders for JIM LR, JIM LR2 and DVO (Direct View Optic) multifunction goggles (LTLM Gen2) under the US Joint Effects Targeting System (JETS) program.

Onboard optronic equipment

Sight equipment

Business was brisk in this segment, particularly for the export of new-generation sight equipment for bullet-proof vehicles.

Gyro-stabilized gimbals/periscopes

Safran's superior technological expertise resulted in a successful launch of navigation systems in India and periscopes in Brazil for Scorpène submarines.

Drones

The Sperwer drone continued to satisfy armed forces in Afghanistan, where it helps to protect military personnel on the ground. Its success recently led the French Defence Procurement Agency (DGA) to purchase NATO interoperability bays and new Sperwer Mk II drones.

Avionics

Navigation systems

Safran invests heavily in this high-tech business. The production of gyrolasers in Montluçon is currently being transferred to a new site, Coriolis, which complies with the highest worldwide production standards.

The US Army expressed an interest in Hemispherical Resonator Gyros (HRG), awarding Safran a contract to adapt HRGs to the specifications of the North Finding Module used on the FTLIP research program. This helped cement Safran's position in major programs such as JETS, despite budgetary cutbacks.

An agreement was reached with Airbus during the year concerning the GPS Air Data Inertial Reference Systems (GADIRS) development program for the A400M.

Guidance systems

More AASM (Modular Air-Ground Armament) modules were delivered to the French Army under good conditions.

The superior quality and performance of this equipment was again confirmed by the success of the two first laser-guided modules.

Automatic pilot and flight control systems

Thanks to Safran's world-renowned expertise in Electrical Thrust Reverser Actuation Systems (ETRAS), it was chosen by the Chinese firm Comac to fit out its C919 aircraft.

Safran is to develop the avionics equipment suite for the X4 helicopter in partnership with Eurocopter and Thalès.

Avionics support/services

Safran is responsible for avionics maintenance of the Emirates A330 and A340 aircraft fleet. This is part of its long-term high value-added commitment to its customers.

Onboard electronics and critical software

Safran Electronics teams are now based at Massy, at the new François Hussenot site. The conditions for its interaction with Sagem Industries' Fougères site have been defined. The Singapore subsidiary Safran Electronics Asia is now fully operational.

Safran continued its partnership with BAE to develop a new version of Full Authority Digital Engine Control (FADEC 3) for the A320. The first rollover took place under optimal conditions.

Safran was awarded several important certifications, including Landing Gear – Steering and Control Unit (LGSCU) for Sukhoi's Superjet 100, FADEC certification for the SAM 146 engine on this aircraft, certification for the electric braking software on the Boeing 787, and FADEC certification for the TP400 engine installed in the A400M aircraft.

2.1.3.4 SECURITY

Activities and results

The Security business delivered a 15.2% increase in revenue year-on-year, up to €1,041 million. Like-for-like, revenue slipped 6%. The like-for-like decrease stems from the expected fall in revenue under the identification solutions contract in Côte d'Ivoire. Excluding the impacts of this contract, like-for-like revenue climbed 7% in 2010, boosted by a positive impact from changes in exchange rates for the Brazilian real and Australian dollar. The smart card business reported double-digit volume growth, partly offset by a less attractive pricing environment.

Recurring operating income for 2010 came in at €128 million (12.3% of revenue), up 49% compared to €86 million in 2009 (9.5% of revenue) based on restated figures. Growth in recurring operating income was powered by recently acquired businesses and by a strong performance from biometric identification businesses in emerging countries, which offset the adverse impact of the contract in Côte d'Ivoire. The smart card business saw higher volumes and a fall in production costs that exceeded the decline in unit prices. The Group continued to expand its footprint in India, and successfully issued the first 12-digit UIDAI identification number in summer 2010. Since then, one and a half million inhabitants have been assigned a unique ID number using a dual biometric security system.

Adjusted key figures

	2009	2010	Year-on-year change
Quantities delivered			
Smart cards (millions of units)	457	543	18.8%
Biometric terminals	142,500	170,000	19.3%
(in € millions)			
Backlog	366	451	23.2%
Orders recorded during the year	869	1,029	18.4%
Revenue	904	1,041	15.2%
Recurring operating income	86	128	48.8%
Profit from operations	86	124	44.2%
Free cash flow	29	51	75.9%
Acquisitions of property, plant and equipment	18	28	55.6%
Self-funded R&D(1)			
Operating expenses	63	67	6.3%
Gross capitalized expenditure	-	18	NM
Total self-funded R&D	63	85	34.9%
Headcount(2)	5,557	5,899	6.2%

(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 branch revenue as follows:

	% of branch revenue	
Sector	**2009**	**2010**
Identification systems	66%	55%
E-documents	26%	24%
Detection systems	8%(1)	21%

(1) GE HLP consolidated for four months in 2009.

Commercial and industrial developments

On September 20, 2010, Safran entered into an agreement with NYSE-listed L-1 Identity Solutions, a leading identity management provider in the United States, to acquire L-1's biometric and enterprise access solutions, secure credentialing solutions and enrollment services businesses, for a total cash amount of USD 1.09 billion. Safran will finance this acquisition with available cash. Prior to this agreement, the finalization of which depends on obtaining clearance from the US authorities mentioned below, L-1 entered into a definitive agreement for the sale of its government consulting services to a third party for USD 0.3 billion. This business is therefore outside the scope of the activities purchased by Safran.

The transaction has been approved by L-1's shareholders and by the US Antitrust Authorities. The approval of the Committee on Foreign Investment in the United States (CFIUS) is still pending.

In certain circumstances, Safran may be contractually obliged to compensate L-1 in an amount of USD 75 million if the transaction fails to go ahead.

This acquisition is expected to be completed during the first half of 2011.

Upon completion of the acquisition, Safran will operate L-1 as part of its existing Security business.

The businesses concerned generated revenue of around USD 0.45 billion in 2009 and 2010.

Identification systems

Twice in 2010, the National Institute of Standards and Technology (NIST) in the US ranked Morpho first in its fingerprint identification benchmark and in a fingerprint recognition technology test.

Key recent developments in the various segments of this business are discussed below.

Identity management

Dutch subsidiary Morpho BV's identity card and passport contract in the Netherlands was renewed for a period of seven years. ALEAT delivered its one millionth ID card and one millionth Albanian passport.

The consortium to which Morpho belongs was one of the three groups selected for the India's Unique Identification Number Program (Aadhaar). The first residents were registered in the pilot system at the end of the year[1].

Criminal identification

Seven new-generation MetaMorpho™ systems (automated finger and palm identification solutions) were delivered to police forces during the year, mainly in France, Germany and Australia.

Border control

A contract was signed to replace the biometric iris identification system for the United Arab Emirates.

Road safety

At the end of the year, Morpho, together with Elsag Datamat, was awarded a contract to supply, install and provide maintenance services for average speed detection equipment. This will round out the instant speed detection equipment which Morpho already installed on French roads and for which it provides maintenance services.

E-documents

Growth of the E-documents segment continues to outpace the market, particularly for bank and SIM cards.

The division boasts state-of-the-art technology and a highly competitive offering thanks to the investments it has made in production facilities over the past few years in Europe (Germany), Latin America (Brazil, Mexico) and Asia (India). The Group's strategy of rolling this technology offering out to all geographical regions and customers across the globe helped it to win a large number of new clients and to post bullish growth in 2010, especially in Latin America.

Thanks to successful transactions with telecoms operators in various countries during the year, the division has reinforced its standing with big multinationals such as Vodafone, Orange, T-Mobile, America Movil and AT&T, as well as in India, where Morpho consolidated its leading position on the market.

The volume of SIM cards sold was up more than 25% against a fiercely competitive backdrop, particularly in Asia.

Vigorous growth continued in the bank cards segment, powered by the acceleration in EMV migration. Growth was led by Latin America, where Morpho reported over 33% growth in value terms, but also in Europe, where the company reported a string of successes – mainly in France, Germany and the UK.

Detection systems

Highlights in this business during the year are described below.

- The fight against known or suspected terrorist attacks was stepped up across the air transport industry (regulatory authorities, airlines, freight companies). This led to new international regulations on the detection of explosives in hand baggage or checked baggage and in air freight. The fight against these new threats prompted a surge in orders of equipment such as Itemiser and Mobile Trace used to detect traces of explosives. The US Transportation Security Administration (TSA) alone ordered 2,500 mobile Itemiser DX detectors in 2010.
- The first orders and deliveries of "systems of systems" combining CTX (tomography) and XRD (X-ray diffraction) technologies were carried out in Israel. This is a first in a promising explosives detection technology.
- The high-throughput (up to 1,000 items of luggage per hour) CTX 9800 device was certified by the TSA and subsequently certified to Standard 3 by the European Civil Aviation Conference (ECAC). Standard 3 is compulsory in the European Union as from 2012.
- A new airport terminal was inaugurated in San Jose (California), equipped with the first CTX 9800 detection machines following their initial certification by the TSA at the end of 2009.
- New-generation solutions for detecting explosives in cabin baggage began to be developed, meeting the new regulations effective in 2013.

(1) The number of registered residents reached one million in January 2011.

2.1.4 CONSOLIDATED INCOME STATEMENT

(in € millions)	2009	2010	Year-on-year change
Revenue	**10,559**	**11,028**	**4.4%**
Other operating income and expenses	(9,930)	(10,077)	
Recurring operating income	**629**	**951**	**51.2%**
Other non-recurring operating income and expenses	(35)	(13)	
Profit from operations	**594**	**938**	**57.9%**
Financial income (loss)	296	(703)	
Share in profit from associates	3	9	
Income tax expense	(235)	(14)	
Profit from continuing operations	658	230	
Loss from discontinued operations	(4)	(5)	
Profit for the period attributable to non-controlling interests	13	18	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**641**	**207**	

Consolidated revenue

Consolidated revenue climbed 4.4% year-on-year, from €10,559 million to €11,028 million.

The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures. Neutralizing the impact of foreign currency hedging added €268 million to consolidated revenue in 2010 and €111 million to consolidated revenue in 2009. This year-on-year change results from movements in average exchange rates with regard to the effective hedged rates for the period on the portion of foreign currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate in 2010 was 1.44, against an annual average rate of 1.33, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is greater than adjusted consolidated revenue. Year-on-year changes in revenue, excluding the impact of adjusting items, is analyzed below (see section 2.1.2).

Recurring operating income

Recurring operating income jumped 51.2%, from €629 million in 2009 to €951 million in 2010. The difference between recurring operating income and adjusted recurring operating income, which came in at €878 million, results from:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem–Snecma business combination, in an amount of €159 million in 2010 (€158 million in 2009); and an expense of €43 million (€31 million in 2009) in respect of other material business combinations;
- a positive €275 million impact resulting from foreign currency transactions (positive impact of €89 million in 2009).

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

Profit from operations

Profit from operations came in at €938 million for the year, compared to €594 million in 2009. Profit from operations includes recurring operating income of €951 million (€629 million in 2009) and a non-recurring loss of €13 million (loss of €35 million in 2009).

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

Financial income (loss)

The Group reported a financial loss of €703 million in 2010, compared to financial income of €296 million in 2009.

Two items account for the difference between the consolidated financial loss for 2010 and the adjusted financial loss analyzed previously:

- changes in the fair value of unwound foreign currency hedging instruments which had a negative impact of €275 million (positive impact of €576 million in 2009). This amount is recognized in full in financial income (loss) in the consolidated financial statements, whereas this impact is neutralized in the adjusted consolidated financial statements;
- the net negative impact of exchange rate hedging on the portion of foreign currency denominated flows hedged by the Group totaling €260 million in 2010 (€105 million in 2009). This impact is recognized in financial income (loss) in the consolidated financial statements, whereas it is recognized in profit from operations (mostly in revenue) in the adjusted income statement.

Share in profit from associates

The €6 million rise in this caption reflects the increase in the Group's share of Ingenico's earnings based on its interest of 22.58% (€10 million), and the change of consolidation method in 2010 for Hydrep and A-Pro, joint ventures specialized in repairs of landing gear. These entities are now proportionately consolidated, whereas they accounted for €4 million of the "Share in profit from associates" line in 2009.

Income tax expense

Income tax expense amounted to €14 million in 2010 compared to €235 million in 2009. The decrease in this caption chiefly reflects a €649 million fall in pre-tax profit. The decrease in pre-tax profit is mainly attributable to material year-on-year differences in the amount recognized for changes in the fair value of unwound currency hedging instruments.

Consolidated profit attributable to owners of the parent

This caption amounted to €207 million for 2010 and €641 million for 2009.

2.1.5 SIMPLIFIED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2010

The simplified consolidated balance sheet at December 31, 2010 presented below is taken directly from the consolidated financial statements presented in section 3.1 of this document.

(in € millions)	2009	2010
Assets		
Goodwill	2,126	2,298
Property, plant and equipment and intangible assets (excl. goodwill)	5,418	5,383
Other non-current assets	722	657
Fair value of financial instruments	63	128
Inventories and work-in-progress	3,382	3,508
Trade and other receivables	4,378	4,475
Cash and cash equivalents	2,080	2,062
Assets held for sale	-	-
TOTAL ASSETS	**18,169**	**18,511**
Equity and liabilities		
Share capital	4,501	4,705
Provisions	2,354	2,424
Borrowings subject to specific conditions	696	701
Interest-bearing liabilities	2,575	2,051
Other non-current liabilities	1,041	871
Trade and other payables	7,002	7,759
Liabilities related to assets held for sale	-	-
TOTAL EQUITY AND LIABILITIES	**18,169**	**18,511**

CHANGE IN NET DEBT

Net debt is defined as cash and cash equivalents less interest-bearing current and non-current liabilities, including the impact of financial instruments used to hedge changes in interest rates.

The Group's financial position improved considerably during the year, from net debt of €498 million at end-2009 to a cash surplus of €24 million at December 31, 2010, reflecting mainly the high levels of free cash flow generated (€934 million). The 2010 figure includes the €100 million cash disbursement to purchase Harvard Custom Manufacturing and the dividends paid to Safran shareholders in an amount of €152 million.

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

(in € millions)	2009	2010
Cash flow from operating activities	**1,042**	**1,142**
Change in working capital requirements	361	317
Acquisitions of intangible assets	(292)	(254)
Acquisitions of property, plant and equipment	(293)	(271)
Free cash flow	**818**	**934**
Financial investments and other	(608)	(251)
Dividends	(73)	(161)
CHANGE IN NET DEBT	**137**	**522**
Net debt at January 1	**(635)**	**(498)**
Net debt at December 31	**(498)**	**24**

Cash flow from operating activities is calculated by taking profit or loss before tax and adjusting for income and expenses with no cash impact, including net charges to depreciation, amortization and provisions and changes in the fair value of hedging instruments not yet unwound at the end of the reporting period [(1)]. The Group's ability to finance working capital requirements, investments and dividends out of operating activities rose by €100 million over the year, from €1,042 million in 2009 to €1,142 million in 2010.

In 2010, changes in working capital generated €317 million in additional cash. This improvement results primarily from the collection of significant advance payments on military contracts and from sound management of operating payables and receivables.

The "Acquisitions of intangible assets" line mostly concerned capitalized research and development expenses, patents and software. The sharp year-on-year decrease in this item results from a temporary slowdown in the capitalization of development costs, with certain aircraft programs nearing maturity (A400M and B787) and the Leap-X and A350 programs in the start-up phase.

Acquisitions of property, plant and equipment remained stable year-on-year, with new plants opened during the period mainly financed under finance lease agreements.

Financial investments mainly relate to the acquisition of Harvard Custom Manufacturing for around €100 million.

The rise in dividends paid in 2010 (€161 million including €152 million to Safran shareholders and €9 million to non-controlling interests) compared to 2009 (€73 million including €68 million to Safran shareholders and €5 million to non-controlling interests) reflects:

- the increase in the amount of dividends in respect of 2009 compared to 2008 (paid in the following period); and
- the payment of €32 million in interim dividends in respect of 2008, paid at the end of 2008 (no such interim dividend payment was made in 2009 or 2010).

The Group's net financial position was a surplus of €24 million at December 31, 2010, breaking down as cash and cash equivalents of €2,062 million (€2,080 million at end-2009), outstanding interest-bearing liabilities of €2,051 million (€2,575 million at end-2009) and the fair value of interest rate hedging instruments, representing a positive €13 million (negative €3 million at end-2009).

The gearing ratio came out at 0% at end-2010, versus 11% one year earlier.

The Group had undrawn confirmed credit lines totaling €2.4 billion at December 31, 2010.

(1) See section 3.1, Note 32 "Consolidated statement of cash flows" for further information.

2.1.6 MANAGEMENT REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements of Safran SA for the year ended December 31, 2010 were prepared using the same accounting principles as those used for the 2009 parent company financial statements.

2.1.6.1 ACTIVITIES AND RESULTS OF SAFRAN SA

(in € millions)	2009	2010
Revenue	107.6	130.0
Other operating income and expenses	(156.4)	(222.3)
Loss from operations	(48.8)	(92.3)
Financial income	295.4	455.8
Non-recurring income (loss)	(2.5)	22.5
Income tax benefit	5.4	111.1
PROFIT FOR THE PERIOD	**249.5**	**497.1**

Revenue came in at €130 million in 2010 versus €107.6 million in 2009, and chiefly includes billings of general assistance services provided by the parent company to its subsidiaries, as well as amounts billed in respect of rent, employees, and miscellaneous services related to projects in place within the Group.

The net balance of "Other operating income and expenses" was an expense of €222.3 million in 2010 versus an expense of €156.4 million in 2009. The rise in other operating expenses stems mainly from the roll-out of groupwide projects and from the rise in the number of Safran SA employees following the implementation of certain projects to upgrade the Group's administrative and support functions.

Loss from operations totaled €92.3 million for 2010 versus €48.8 million in 2009.

The Company reported financial income of €455.8 million in 2010, versus €295.4 million in the prior-year period. This figure mainly includes dividends received from subsidiaries for €426.2 million (€273.2 million in 2009), financing income and expenses, translation gains totaling €76.8 million (€29.4 million in 2009) and net charges to provisions for impairment of financial assets or exchange losses totaling €47.2 million (€7.2 million in 2009).

The Company reported non-recurring income of €22.5 million in 2010, compared to a non-recurring loss of €2.5 million in 2009. Non-recurring income includes mainly a €36.6 million capital gain on the sale of shares to a Group subsidiary and a net €14.7 million addition to the contingency provision.

The balance of the income tax line pursuant to the Group's tax consolidation scheme was a tax benefit of €81.3 million in 2010 compared to a benefit of €130.6 million in 2009. This benefit is increased by a net reversal from the provision for the transfer of the tax saving relating to the French tax group from Safran SA to its loss-making subsidiaries, in an amount of €29.8 million (net charge to the provision of €125.2 million in 2009).

On account of the above, profit for the year came in at €497.1 million, compared to €249.5 million in 2009.

2.1.6.2 SAFRAN SA BALANCE SHEET

(in € millions)	2009	2010
Assets		
Non-current assets	7,706	8,315
Cash and cash equivalents and marketable securities	1,958	1,892
Other current assets	1,677	1,102
TOTAL ASSETS	**11,341**	**11,309**
Equity and liabilities		
Share capital	4,874	5,215
Provisions	823	784
Borrowings	2,245	1,687
Other liabilities	3,399	3,623
TOTAL EQUITY AND LIABILITIES	**11,341**	**11,309**

The increase in non-current assets results chiefly from subscribing to Aircelle's capital increase in an amount of €700 million, via capitalization of the financial current account (hence the fall in other current assets).

The increase in share capital reflects 2010 profit totaling €497 million, the payment of dividends in 2010 in respect of 2009 for €153 million, and the change in tax-driven provisions representing a negative amount of €3 million.

Net cash flow from operating activities enabled the Company to finance its investments over the period and to pay down debt.

2.1.6.3 INFORMATION CONCERNING SUPPLIER PAYMENT PERIODS

(in € millions)		Amounts not yet due		
	Amounts due	Amounts due in 0-30 days	Amounts due in 30-60 days	Total trade payables
December 31, 2010	3.7	12.1	28.0	43.8
December 31, 2009	3.1	9.3	12.2	24.6

2.2 RESEARCH AND DEVELOPMENT EXPENDITURE

Over 53% of the Group's Research, Technology and Development (RTD) expenditure is self-funded, and can be broken down as follows:

- Aircraft programs (mainly Boeing B787, Airbus A350, A400M and Leap-X/Comac): 32%;
- Helicopter engines: 9%;
- Security and Defence, excluding aviation: 22%;
- R&T: 29%;
- Other: 8%.

(in € millions)	2008	2009	2010
Self-funded RTD(1)	**708**	**690**	**637**
Expensed in operating expenses	480	508	458
Capitalized (gross)	228	182	179
RTD expensed(1)	**538**	**663**	**530**
Expensed in operating expenses	480	508	458
Amortization/impairment	58	155	72
RTD capitalized	**170**	**27**	**107**
Capitalized (gross)	228	182	179
Amortization/impairment	(58)	(155)	(72)

(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 (development completed in 2010) and to the fall in development expenditure for the A400M and B787 programs. However, development expenditure for the Leap-X engine and A350 program increased year-on-year.

Amortization and impairment expense for 2010 includes impairment losses of €19.4 million taken on capitalized R&D expenditure under various programs. Of this amount, €5.9 million relates to Aerospace Propulsion, €6 million to Aircraft Equipment, and €7.5 million to Defence. Amortization and impairment expense in 2009 included impairment losses of €71 million taken on capitalized R&D expenditure for the Boeing B787 landing gear project.

02

2.3 HUMAN RESOURCES

2.3.1 HEADCOUNT

BREAKDOWN BY BUSINESS

The Group had 54,256 employees at December 31, 2010.

The following table presents a breakdown of employees by business at that date:

	France	Outside France	Total
Aerospace Propulsion	16,656	3,843	20,499
Aircraft Equipment	9,112	10,289	19,401
Defence	5,971	776	6,747
Security	1,247	4,652	5,899
Holding company and other	1,496	214	1,710
SAFRAN GROUP	**34,482**	**19,774**	**54,256**

BREAKDOWN BY COUNTRY

The Group's international expansion continued apace during the year. At end-2010, the Group had around 20,000 employees working outside France in more than 50 countries. The Group expanded its footprint in China and carried out a major acquisition in the US (Harvard Custom Manufacturing, now Labinal Salisbury).

The following table presents a breakdown of employees by geographic area at December 31, 2010:

		At Dec. 31, 2010	% of total
Europe	France	34,482	63.55%
	United Kingdom	1,985	3.66%
	Belgium	1,448	2.67%
	Germany	990	1.82%
	Other European countries(*)	1,460	2.69%
	Russia	288	0.53%
North America	Mexico	2,708	4.99%
	United States	4,330	7.98%
	Canada	1,015	1.87%
South America	Brazil	703	1.30%
	South America (Uruguay, Colombia, Chile)	101	0.19%
Africa and the Middle East	Morocco	1,336	2.46%
	South Africa	246	0.45%
	Other (UAE, Lebanon, Bahrain, etc.)	92	0.17%
Asia	China	670	1.23%
	Singapore	542	1.00%
	India	1,623	2.99%
	Other (Japan, Taiwan, Vietnam, Philippines, Malaysia, Hong Kong, Thailand, South Korea)	58	0.11%
Oceania	Australia	179	0.33%
TOTAL		**54,256**	**100.00%**

(*) 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.

At December 31, 2010, there were 366 expatriates worldwide, providing customers with commercial and technical services in some 50 countries, primarily in Europe (31%), North America (28%) and Asia (18%). The Group also employs over 55 young interns under the French VIE (International Volunteer) program.

In France, the breakdown of employees by professional category at December 31, 2010 was as follows: 37% managerial-grade staff (*cadres*), 31% technicians, 2% supervisors, 7% office staff and 23% line workers.

More than 20% of French managerial-grade staff are women.

Over 20% of Group employees in France are involved in research and development activities (RTD).

The use of fixed-term contracts remains very limited and concerned less than 1% of employees at the end of 2010.

Temporary staff represented less than 4% of the workforce in 2010, primarily in the Aircraft Equipment, Defence and Security businesses, which make use of this type of labor due to significant fluctuations in business levels.

2.3.2 HUMAN RESOURCES POLICY

RECRUITMENT AND INTEGRATION

Safran continued to recruit in 2010 in order to bring in the fresh skills needed to prepare for future projects involving new generations of aircraft and new technologies. The intake in the year was limited given the business environment, but nevertheless totaled some 1,360 new hires in France. Among the new hires, 81% were for managerial-grade positions and more than 22% were women. Young graduates accounted for approximately 40% of our managerial-level hires.

More than 70% of managerial-level new hires had a scientific or technical background, mainly in the following areas:

- mechanical engineering;
- materials;
- aerodynamics;
- electronics;
- software development (onboard software);
- 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 PhD.

Specific initiatives have been rolled out to encourage a greater percentage of female employees throughout the Group. Two American women were appointed to key positions within Safran during the year. Celeste Thomasson was named Vice President for Legal Affairs on July 1, and on September 1, Karen Bomba was appointed Chairman and Chief Executive Officer of Labinal.

MOBILITY

In 2010, over 500 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 has been extended to internal recruitment. It allows employees to submit applications online or to send a mobility request to HR specifying what sectors and employment pools they are most interested in.

This software is being gradually rolled out to the entire Group.

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

At December 31, 2010, the international mobility program involved 366 French expatriates (including 90 expatriations and 98 repatriations during the year) and 127 other international transfers. Standard contractual arrangements and expatriation packages have been defined at Group level and deployed in all entities to facilitate mobility.

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

TRAINING – SAFRAN CORPORATE UNIVERSITY

Safran invests an average 4% of payroll costs in training.

Over 70% of employees receive training at least once a year. Safran Corporate University offers training in 14 different areas, representing a total of more than one million training hours.

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

The development of managerial skills in an international context represents a second major priority.

The quest for customer satisfaction and enhanced economic and industrial performance are the growth drivers that underpin the training program.

Safran Corporate University runs training courses for all Group employees, positioning itself as an institution with something for everyone. Its aim is to provide relevant training to support the Group's changing needs, maintain the Group's competitive edge by nurturing skills and providing career and mobility opportunities for employees throughout their professional lives, and ensure that all staff are highly employable by teaching them the skills they need.

Safran Corporate University runs:

- leadership programs to ensure management excellence;
- business programs allowing employees to develop their skills in relation to a particular business throughout their professional career;
- transitional programs aimed at assisting employees wanting to change professions and build up the necessary set of skills. The University is also focused on the future business environment, attempting to identify how jobs may change and define the skills needed for these new businesses.

Over 15,000 employees, 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 2010 providing for an average increase in compensation of between 1.9% and 2.7% of payroll, depending on the company. These plans comprised general and individual increases for employees, and specific increases for managerial-grade staff.

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

DIVERSITY AND EQUAL OPPORTUNITIES

In November 2010, Jean-Paul Herteman, Chairman of the Group's Executive Board, signed the Diversity Charter, reinforcing Safran's commitment to diversity and equal opportunities.

Applicable to all Group companies, the Charter condemns discrimination in employment and promotes diversity. In adopting the Charter, Safran has reaffirmed its pledge to combat all forms of discrimination and promote equal opportunities, particularly by:

- integrating and maintaining employees with disabilities in the workforce;
- promoting professional equality between men and women;
- integrating young people from underprivileged 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. Its commitment was enshrined in a two-year agreement signed in May 2010 with Agefiph, a French association promoting the employment of people with disabilities.

The measures specified in the agreement include:

- developing recruitment procedures for people with disabilities (becoming members of various associations, participating in employment forums);
- developing work-study opportunities for young people: as part of the "Elan" program in partnership with the Safran Foundation, taking on young people with disabilities every year as apprentices or under professional training contracts, and helping them find employment after their training.

During the first and second phases of this project between 2006 and 2010, 75 young people were taken on under work-study programs compared to an initial target of 55: 71% of those having been notified of their results were awarded the diploma in question and 44% of them have been recruited within or outside the Group.

The third phase of the project kicks off with the "Elan III" program and spans 2010-2012. A total of 26 young people are already on work-study programs as part of efforts to provide qualifications for 40 young people by the end of 2012.

At the end of 2010, 101 people with disabilities had trained and qualified under various "Elan" initiatives.

Safran is also a partner of "Salto", a program launched in 2009 by Agefiph that offers work-study programs in industry to disabled persons.

Safran is one of the founding members of "Hanvol", an association created in 2010 under the impetus of GIFAS (French Aerospace Industries Association). This association works to place disabled persons in positions within its partner companies. This framework reflects a strong commitment from the aerospace industry to promote the integration, training and employment of disabled persons across a broad spectrum of its businesses.

Safran also runs various communication initiatives for disabled persons and employees, and takes part in the "Un jour, un métier en action" (one day, a proactive profession) event organized by Agefiph.

More than 50 Safran sites took part in the 14th "Employment for persons with disabilities" week, through both internal and external initiatives.

Promoting professional equality between men and women

Promoting gender equality – a driving force for social cohesion and the Group's own development – is one of the overriding aims of Safran's policy to sponsor diversity.

Initiatives focus mainly on ensuring equal compensation, a discrimination-free recruitment policy and career opportunities at all levels of the hierarchy. The Group has signed equal pay agreements in its main subsidiaries that include objectives, progress indicators and progress reviews.

Several initiatives illustrate the Group's efforts to promote gender equality in the workplace and in recruitment, especially when hiring for engineering or managerial-level positions. Safran is a member of the association "Elles bougent" ("Women on the move"), which aims to promote industrial professions among female high school and university students enrolled in a "Bac+2" (two years' post-secondary education) technical program and encourage them to pursue their studies in these fields.

Since 2008, Safran has been a partner of the Women's Forum, an international event bringing together influential men and women. This year, the theme of the forum was "Brokering change in politics, economics, environment, health and leadership". Over three days, around a dozen women from Safran Group companies took part in the debates and conferences.

Integrating young people from underprivileged neighborhoods

On May 15, 2008, the Safran Group signed a national agreement for the integration of young people from underprivileged neighborhoods under the "Plan Espoir Banlieues" ("Hope for the Suburbs Plan") launched by the French Ministry for the Economy, Finance and Employment. All Group companies have signed up to this commitment.

Within the scope of this agreement, the Group has undertaken to recruit 642 people under permanent or fixed-term employment contracts, internships or work-study contracts between 2008 and 2010.

In signing this agreement, the Group has affirmed its willingness to offer young people from underprivileged neighborhoods real opportunities to discover the world of business and provide them with career guidance, professional training and employment.

In 2010, Safran developed partnerships with locally active associations. It is a member of IMS – Entreprendre pour la Cité, a network of 200 companies supporting corporate responsibility. IMS has launched corporate clubs to discuss best diversity practices and initiatives in favor of disadvantaged populations remote from the world of work, such as young people from underprivileged neighborhoods.

Prolonging the working lives of seniors

The Group has developed a proactive career management policy for seniors.

In 2010, 50% of the Group's French employees were aged 45 or over. Holding onto these employees, capitalizing on their vast professional experience and giving them confidence in their professional future is a major priority for the Group.

A Group agreement on the employment of seniors was signed in February 2010 for a period of three years. This agreement puts concrete measures in place to promote the employment of seniors, including quantitative and qualitative objectives and performance indicators.

The main measures resulting from the February 2010 agreement include:

- a commitment to avoid age discrimination in the fields of recruitment, training and career development;
- the creation of special leave for employees aged 50 and over to carry out a professional project or work in the voluntary sector. The special leave is granted for up to six months and is subsidized by the Company. The employee is entitled to return to the Company after this period;
- introduction of subsidized part time allowing any willing employees with 10 years' service in the Company to work 80% of the time and be paid for 90%;
- measures aimed at preventing dangerous or arduous work and improving working conditions and health of seniors in the workplace (medical check-ups, remote working arrangements, etc.).

Other measures are also in place aimed at refreshing and capitalizing on the skills of seniors and improving their career management opportunities.

EMPLOYEE HEALTH

For several years, the Group has worked actively to prevent psychosocial risks in general and work-related stress in particular. In a number of entities it has rolled out a stress prevention policy based on a diagnostic review followed by an action plan.

Following negotiations, a Group-wide agreement was signed on January 19, 2011 on the prevention of work-related stress. Pursuant to this agreement, which is directly enforceable in each Group company:

- work-related stress prevention initiatives will be adopted throughout the Group;
- backed by:
  - measures to raise awareness of and/or train all those concerned in work-related stress prevention,
  - measures aimed at detecting and monitoring employees under stress.

This agreement also provides for an extension of existing measures to protect employee health (such as workstations properly suited to the nature of the tasks carried out) and assistance with changes in the organization as part of a change enablement program.

2.3.3 LABOR RELATIONS

LABOR RELATIONS

Main events in this area in 2010 were:

- meetings of Safran's Group and European works councils in ordinary and extraordinary sessions;
- signature of a Group-wide agreement on the employment of seniors in February;
- Group-wide negotiations on work-related stress prevention, resulting in the signature of an agreement in January 2011;
- ongoing negotiations regarding the Group's career and skills management program (*Gestion Prévisionnelle des Emplois et des Compétences* – GPEC), and its collective retirement savings plan (PERCO);
- meetings with the Group's union representatives to discuss various issues (statutory bargaining round, upgrading management procedures, etc.).

Each Group company also pursues a dynamic contract negotiation policy based on its economic and social profile.

RELATIONS WITH THE LOCAL COMMUNITY

The Group's entities maintain close relations with their local and regional communities and help to raise the Group's profile through active participation in social and economic initiatives at the local level.

The Group devotes considerable resources to 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 made when it signed up to the Apprenticeship Charter in June 2005, Safran welcomed over 1,350 young people under work-study contracts in 2010 (apprenticeship and professional training contracts).

The Safran Group pools the payment of apprenticeship tax for qualification levels of "Bac+5" (five years' post-secondary education) and above across all companies, given the national dimension of these qualifications, in order to ensure overall consistency with the Group's strategic focus. The payment of this tax for other qualification levels is entrusted to each company, as their better understanding of the local environment enables them to support the establishments that train individuals whose expertise matches recruitment profiles within their employment pool.

Safran has developed partnership initiatives with French public research institutes (CEA, CNRS) in scientific and technology sectors, with engineering and business schools, as well as with scientific universities both in France and abroad.

Safran also runs two corporate foundations: *Fondation d'entreprise Safran*, whose purpose is to fight against the exclusion of teenagers and young adults with physical, psychological or social disabilities, 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.

2.3.4 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. This enables an identical percentage of salary to be paid 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**
2009	34.4
2010	**49.1**

The statutory profit-sharing expense for 2010 includes an additional profit-sharing contribution in respect of 2009 totaling €7.5 million.

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**
2009	79.5
2010	**88.6**

2.3.5 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 2010, 10,300 employees in some 40 Group companies in Belgium, Canada, Germany, Mexico, the UK and the US had access to this plan, which will be progressively rolled out to other countries.

2.4 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.

2.5 OUTLOOK

The outlook for 2011 does not take into account contributions from the acquisitions of L-1 Identity Solutions and SME, which are due to be finalized once the relevant government clearance has been obtained.

Given the expected recovery of CFM engine services and original equipment deliveries, and a favorable USD hedging policy, the 2011 outlook is for:

- revenue growth of at least 5% (based on an average spot exchange rate of USD 1.33 for one euro);
- recurring operating income growth of at least 20% (based on a target hedging rate of USD 1.38 for one euro);
- free cash flow representing around one-third of recurring operating income, taking into account the forecast rise in working capital requirement (following particularly favorable conditions at the end of 2010) and R&D investments.

These forecasts are based on the following underlying assumptions:

- a rise of between 10% and 15% in civil aviation services;
- a sharp rally in original equipment deliveries in the Aerospace sector;
- a cautious short-term approach with respect to A380 and B787 programs;
- a rise in R&D expenditure (net impact of over €50 million on the income statement and of more than €200 million on cash, particularly in connection with the development of the Leap-X engine);
- robust profitable growth for the Security business;
- continued implementation of the Safran+ initiatives to enhance profitability and cut overheads.

2011 should mark another big step towards Safran's goal of a double-digit recurring operating margin by 2012. The Group's performance in 2011-2014 will be underpinned by more favorable currency hedging conditions, high growth potential for services provided in connection with new-generation Aerospace products, ongoing development in the Security business, and the expected worldwide recovery of the original equipment business in the aerospace industry.

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.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

Simplified consolidated income statement

(in € millions)	2009	2010
Revenue	10,559	11,028
Recurring operating income	629	951
Profit from operations	594	938
Profit for the period attributable to owners of the parent	641	207

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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	2010
Revenue	108	130
Profit from ordinary activities before tax	247	364
Profit for the year	250	497

DIVIDEND

At the Annual General Meeting of April 21, 2011, the Executive Board will propose the payment of a dividend of €0.50 per share, representing a total payout of €200 million.

	2008	2009	2010
Dividend per share	€0.25	€0.38	€0.50

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 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.*
- *the consolidated and parent company financial statements for the year ended December 31, 2009 and the corresponding audit reports as presented in sections 3.4.1 and 3.4.2 of the 2009 Registration Document filed with the AMF on April 23, 2010 under number D. 10-0314; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.*

Those sections of the 2008 and 2009 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 2010 Registration Document.

3.1 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € millions)	Note	2009	2010
Revenue	5 and 6	10,559	11,028
Other income	6	156	200
Income from operations		10,715	11,228
Change in inventories of finished goods and work-in-progress		(268)	(43)
Capitalized production		242	243
Raw materials and consumables used	6	(5,948)	(6,254)
Personnel costs	6	(3,276)	(3,459)
Taxes		(238)	(217)
Depreciation, amortization and increase in provisions net of use	6	(606)	(575)
Asset impairment	6	(34)	7
Other recurring operating income and expenses	6	42	21
Recurring operating income	5 and 6	629	951
Other non-recurring operating income and expenses	6	(35)	(13)
Profit from operations	5 and 6	594	938
Cost of net debt		(38)	(36)
Foreign exchange gains (losses)		479	(531)
Other financial income and expense		(145)	(136)
Financial income (loss)	7	296	(703)
Share in profit from associates	15	3	9
Profit before tax		893	244
Income tax expense	8	(235)	(14)
Profit from continuing operations		658	230
Loss from discontinued operations	18	(4)	(5)
PROFIT FOR THE PERIOD		654	225
Attributable to:			
• owners of the parent		641	207
• non-controlling interests		13	18
Earnings per share attributable to owners of the parent *(in €)*	9		
Basic earnings per share		1.61	0.52
Diluted earnings per share		1.60	0.51
Earnings per share of continuing operations attributable to owners of the parent *(in €)*	9		
Basic earnings per share		1.62	0.53
Diluted earnings per share		1.61	0.52
Earnings per share of discontinued operations attributable to owners of the parent *(in €)*	9		
Basic loss per share		(0.01)	(0.01)
Diluted loss per share		(0.01)	(0.01)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2010
Profit for the period	**654**	**225**
Other comprehensive income		
Available-for-sale financial assets	25	16
Unrealized gains and losses recognized in other comprehensive income	*11*	*16*
Reclassified to profit for the period following impairment	*14*	*-*
Translation adjustments	5	114
Unrealized foreign exchange gains and losses recognized in other comprehensive income	*5*	*114*
Income tax related to components of other comprehensive income	*-*	*(24)*
Other comprehensive income for the period(*)	**30**	**106**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**684**	**331**
Attributable to:		
• owners of the parent	671	310
• non-controlling interests	13	21

(*) Of which transferred to profit for the period in the amount of €14 million in 2009 (nil in 2010).

At December 31, 2010, translation adjustments include an amount of €71 million in foreign exchange differences relating to long-term financing for two foreign subsidiaries.

This financing is considered as a net investment in a foreign operation and is treated in accordance with IAS 21 (see Note 1.F).

CONSOLIDATED BALANCE SHEET

ASSETS

(in € millions)	Note	Dec. 31, 2009	Dec. 31, 2010
Goodwill	11	2,126	2,298
Intangible assets	12	3,217	3,130
Property, plant and equipment	13	2,201	2,253
Non-current financial assets	14	220	215
Investments in associates	15	238	236
Deferred tax assets	8	263	194
Other non-current assets	19	1	12
Non-current assets		**8,266**	**8,338**
Current financial assets	14	75	110
Fair value of financial instruments and derivatives	33	63	128
Inventories and work-in-progress	16	3,382	3,508
Trade and other receivables	17	4,158	4,219
Tax assets	8	145	146
Cash and cash equivalents	20	2,080	2,062
Current assets		**9,903**	**10,173**
Assets held for sale		-	-
TOTAL ASSETS		**18,169**	**18,511**

EQUITY AND LIABILITIES

(in € millions)	Note	Dec. 31, 2009	Dec. 31, 2010
Share capital		83	83
Consolidated retained earnings	22-c	3,619	4,214
Net unrealized gains on available-for-sale financial assets		10	26
Profit for the period		641	207
Equity attributable to owners of the parent		**4,353**	**4,530**
Non-controlling interests		**148**	**175**
Total equity		**4,501**	**4,705**
Provisions	23	1,315	1,310
Borrowings subject to specific conditions	25	696	701
Interest-bearing non-current liabilities	26	1,208	1,483
Deferred tax liabilities	8	833	685
Other non-current liabilities	28	208	186
Non-current liabilities		**4,260**	**4,365**
Provisions	23	1,039	1,114
Interest bearing current liabilities	26	1,367	568
Trade and other payables	27	6,936	7,236
Tax liabilities	8	53	72
Fair value of financial instruments and derivatives	33	13	451
Current liabilities		**9,408**	**9,441**
Liabilities held for sale		-	-
TOTAL EQUITY AND LIABILITIES		**18,169**	**18,511**

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	Consoli-dated retained earnings	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At Dec. 31, 2008	**83**	**3,360**	**(252)**	**(15)**	**(69)**	**831**	**(205)**	**-**	**3,733**	**141**	**3,874**
Comprehensive income for the period				25	5		641		671	13	684
Acquisitions/disposals of treasury shares			5						5		5
Dividends						(68)			(68)	(5)	(73)
Other movements						(205)	205	12(*)	12	(1)	11
At Dec. 31, 2009	**83**	**3,360**	**(247)**	**10**	**(64)**	**558**	**641**	**12**	**4,353**	**148**	**4,501**
Comprehensive income for the period				16	111		207	(24)	310	21	331
Acquisitions/disposals of treasury shares											
Dividends						(152)			(152)	(9)	(161)
Other movements						641	(641)	19(*)	19	15	34
At Dec. 31, 2010	**83**	**3,360**	**(247)**	**26**	**47**	**1,047**	**207**	**7**	**4,530**	**175**	**4,705**

(*) Of which €12 million in share grants (€9 million in 2009).

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	see Note 32	2009	2010
I. Cash flow from operating activities			
Profit attributable to owners of the parent		641	207
Current taxes		67	133
Deferred taxes		173	(119)
Consolidated profit before tax		**881**	**221**
Tax paid		(73)	(103)
Share in profit from associates (net of dividends received)		(2)	(9)
Income and expenses with no cash impact			
Depreciation and amortization		573	606
Asset impairment		177	(3)
Provisions		25	46
Fair value of financial instruments and derivatives		(546)	310
Expense related to share grants		9	12
Foreign exchange gains (losses)		(3)	(2)
Capital gains on asset disposals		6	31
Accrued interest		7	6
Other items		(24)	4
Profit (loss) before tax from discontinued operations		(1)	5
Profit attributable to non-controlling interests		13	18
Other income and expenses with no cash impact		**236**	**1,033**
Cash flow from operations, before changes in working capital		**1,042**	**1,142**
Change in inventories and work-in-progress		387	55
Change in operating receivables and payables		(45)	185
Change in other receivables and payables		(5)	77
Intercompany change in working capital from discontinued operations		24	-
Change in working capital		**361**	**317**
	Total I	1,403	1,459
II. Cash flows used in investing activities			
Payments for the purchase of intangible assets, net of proceeds		(292)	(254)
Payments for the purchase of property, plant and equipment, net of proceeds		(293)	(271)
Proceeds (payments) arising from the sale (acquisition) of investments		(560)	(122)
Proceeds (payments) arising from the sale (acquisition) of financial assets		(9)	(53)
Other movements		-	1
Cash flow from (used in) intercompany investing activities related to discontinued operations		-	-
	Total II	(1,154)	(699)
III. Cash flow from (used in) financing activities			
Change in share capital(*)		1	6
Acquisitions and disposals of treasury shares		5	-
Repayment of borrowings and long-term debt		(218)	(138)
Repayment of repayable advances		(36)	(35)
Increase in borrowings		794	324
Repayable advances received		69	17
Change in short-term borrowings		381	(802)
Cash flow from (used in) intercompany financing activities related to discontinued operations		(30)	28
Dividends paid to owners of the parent		(68)	(152)
Dividends paid to non-controlling interests		(5)	(9)
	Total III	893	(761)
Cash flow from (used in) operating activites related to discontinued operations	Total IV	5	(29)
Cash flow from (used in) investing activities related to discontinued operations	Total V	-	-
Cash flow from (used in) financing activities related to discontinued operations	Total VI	(1)	-
Effect of changes in foreign exchange rates	Total VII	4	12
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	I+II+III+IV +V+VI+VII	1,150	(18)
Cash and cash equivalents at beginning of year		919	2,080
Cash and cash equivalents at end of year		2,080	2,062
Change in cash and cash equivalents (A)		1,161	(18)
Cash and cash equivalents of discontinued operations and assets held for sale, at end of year (B)		-	-
Cash and cash equivalents of discontinued operations and assets held for sale, at beginning of year (C)		11	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (D) = (A) + (B) - (C)		1,150	(18)
of which change in cash and cash equivalents from continuing operations		1,160	(17)
of which change in cash and cash equivalents from discontinued operations		(10)	(1)
of which change in cash and cash equivalents from assets held for sale		-	-

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

NOTES TO THE SAFRAN GROUP CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The Supervisory Board meeting of February 23, 2011 authorized the publication of Safran's consolidated financial statements for 2010, as approved by the Executive Board on February 21, 2011. 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) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (available from http://ec.europa.eu/internal_market/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Executive Board. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

STANDARDS, INTERPRETATIONS AND REVISED STANDARDS APPLIED AT DECEMBER 31, 2010

New standards applied at January 1, 2010

- IFRS 3 (revised), Business Combinations, and IAS 27 (revised), Consolidated and Separate Financial Statements.

  The revised IFRS 3 and IAS 27 were published by the IASB in January 2008 and are mandatorily applicable for accounting periods beginning on or after July 1, 2009, i.e., as from January 1, 2010 for the Safran Group.

  The main changes introduced by the revised IFRS 3 and IAS 27, along with the impacts on the Group's consolidated financial statements for 2010, are detailed in Note 1.c., "Business combinations" and Note 3, "Change in accounting policies".

  The revised standards are applicable prospectively and therefore do not have an impact on business combinations carried out prior to January 1, 2010.

  Business combinations carried out prior to January 1, 2010 are accounted for in accordance with the principles described in Note 1.c., "Business combinations".

Other revised standards and interpretations published and applied by the Group

The following new standards, amendments and interpretations effective January 1, 2010 and the annual improvements to IFRS issued in April 2009 did not have a material impact on the Group's consolidated financial statements at December 31, 2010:

- IFRS 2 (revised), Share-based Payment – Group Cash-settled Share-based Payment Transactions;
- Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 7 (revised), Financial Instruments: Disclosures – Enhanced Fair Value Disclosure Amendments;
- IAS 39 (revised), Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- Interpretations IFRIC 12, Service Concession Arrangements; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 16, Hedges of a Net Investment in a Foreign Operation; IFRIC 17, Distributions of Non-cash Assets to Owners; and IFRIC 18, Transfers of Assets from Customers, did not have a material impact on the Group's consolidated financial statements;
- Improvements to IFRS published in May 2008 and April 2009.

New standards, revised standards and interpretations published by the IASB but not yet applicable and not early adopted by the Group

- IAS 32 (revised), Financial Instruments: Presentation – Classification of Rights Issues;
- IAS 24 (revised), Related Party Disclosures;
- IFRS 9, Financial Instruments – Classification and Measurement;
- Amendment to IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Voluntary Prepaid Contributions;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments;
- Improvements to IFRS published in May 2010.

These improved or amended standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements for future periods.

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

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

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

B) CONSOLIDATION

Basis of consolidation

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

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

Entities over which Safran exercises significant influence, without having exclusive or joint control, are accounted for under the equity method. Significant influence is presumed to exist when the Group holds at least 20% of voting rights.

A company effectively enters 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.

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

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

Intragroup transactions

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

Transactions between fully and proportionately consolidated companies are eliminated to the extent of the percentage held in the jointly controlled company, regardless of whether or not they have an impact on consolidated profit. 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 carried out after January 1, 2010

As from January 1, 2010, business combinations are to be accounted for in accordance with the revised IFRS 3. Identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date. Where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets. This option is available for all business combinations based on a case-by-case analysis of each transaction.

Acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred.

Any interests held in the acquiree before control was acquired must be remeasured to fair value, with the resulting gain or loss recognized in profit or loss.

Identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date, while changes in fair value after the provisional one-year measurement period will be taken to profit or loss.

Adjustments to contingent consideration for a business combination are measured at fair value at the acquisition date, even if it is unlikely that an outflow of resources will be required to settle the obligation. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss.

The purchase price paid by the acquirer includes a contingent portion and is recognized and measured at its acquisition-date fair value. Any subsequent changes in the fair value of the contingent portion shown in liabilities in accordance with IAS 39, IAS 37 or another applicable IFRS, will be recorded either in profit or loss, or in other comprehensive income (OCI).

At the acquisition date, goodwill determined during each business combination may be remeasured based on either the share in net assets acquired (including fair value adjustments), or on the overall value of the acquiree.

When goodwill arises on the acquisition of fully or proportionately consolidated companies, it is carried under assets in the balance sheet under the heading "Goodwill", 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", in accordance with IAS 28.

Goodwill may be adjusted in the one-year measurement period to take into account the definitive estimate of the fair value of the assets acquired and liabilities assumed. Beyond this period, adjustments are recorded in profit or loss.

Goodwill 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).

Business combinations carried out prior to January 1, 2010

The principles set out above were already applicable, with the exception of the points discussed below.

Business combinations are recorded using the purchase method (IFRS 3). Acquisition-related costs were included in the cost of the combination. Non-controlling interests (previously known as minority interests) were recognized for each combination based on their share in the net identifiable assets of the acquiree (including fair value adjustments).

Business combinations carried out in stages (step acquisitions) were recognized separately. Any additional interest acquired did not impact previously recognized goodwill, and the difference with respect to the fair value at the date control was acquired was recognized in equity.

Adjustments to contingent consideration were only recognized if they represented an obligation for the Group at the acquisition date, it was probable that an outflow of resources would be required to settle the obligation, and the obligation could be estimated reliably. Any subsequent change in these contingent liabilities affected goodwill.

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

E) TRANSLATION METHODS

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

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

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

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)".

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

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency purchases. The Group's forex hedging policy uses forward currency contracts and options. These are described in Note 33, "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 from operations up to December 31, 2007 in line with the underlying cash flows.

G) REVENUE

The main types of contracts 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 on 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, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development expenses incurred during the period. Accordingly, they are classified under the heading "Other income" in the income statement, and not as a decrease in income tax expense.

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 date control was acquired and are amortized on a straight-line basis, as follows:

- aircraft programs (including 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 but are tested for impairment as described in Note 1.L.

Separately acquired intangible assets

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

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

Contributions paid to third parties in connection with aircraft programs (participation in certification costs, etc.) are capitalized if the Group can demonstrate the existence of identified economic benefits and its ability to control those benefits.

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
  - expected 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 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 to 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 of a sale or restructuring of the Group's internal operations which affects the composition of one or more of the CGUs to which goodwill has been allocated, the allocations are revised using a method based on relative value. This method takes the proportion represented by the business sold or transferred in the cash flows and terminal value of the original CGU at the date of sale or transfer.

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. This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

Future cash flows are calculated differently depending on the assets tested:

- (i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group's operating cycles (aircraft and defence), where assets tend to have a long useful life and slow product development;
- (ii) goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years 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 into account a perpetual growth rate.

Should a test on a CGU's assets indicate an impairment loss, the Group first establishes the recoverable amount of the assets considered separately. Any impairment loss is initially allocated to goodwill and then to the assets of the CGU prorata to their carrying amount.

An impairment loss recognized against goodwill may not be reversed. For other assets, indications of impairment loss are analyzed at the end of each subsequent reporting period, and if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed through profit or loss.

M) EQUITY INVESTMENTS, LOANS AND RECEIVABLES

In accordance with IAS 39, Financial Instruments, equity investments in non-consolidated companies are classified as available-for-sale and therefore measured at fair value. For listed securities, fair value corresponds to market price. If fair value cannot be measured reliably, investments are recognized at cost. Changes in fair value are recognized directly in equity, unless there is an objective indication that the financial asset is impaired (see below). In this case, an impairment loss is recognized in profit or loss. The impairment loss is reversed through profit or loss only upon the disposal of the investments.

Loans and receivables are carried at cost and may be written down if there is an objective indication of impairment. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount, and is recognized in profit or loss. It may be reversed if the recoverable amount subsequently increases to above the carrying amount.

In the event of an objective indication of impairment (particularly a significant or 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.).

(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.

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 on completion and backlog losses

A provision for losses on completion or backlog losses 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.

Probable losses on completion (or backlog losses) under onerous contracts subject to a firm commitment are recognized primarily as a deduction from work-in-progress for the completed portion of the contract, and 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 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 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 from operations".

As from the 2009 reporting period, the Group presents interest costs and the expected return on plan assets within financial items.

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 receives public financing in the form of repayable advances to develop aircraft and defence projects. These advances are repaid based on the revenue generated by future sales of engines or equipment.

Repayable advances are treated as sources of financing and are recognized in liabilities in the consolidated balance sheet under the heading "Borrowings subject to specific conditions".

At inception, they are measured at the amount of cash received or, when acquired, at the value of probable future cash flows discounted at market terms at the acquisition date. They are subsequently measured at amortized cost at the end of each reporting period, taking into account the most recent repayment estimations.

The present value of estimated repayments, based on management's best estimates, is regularly compared with the net carrying amount of repayable advances, defined as the sum of amounts received, plus interest capitalized at the end of the reporting period, if any, less repayments made. 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 estimated non-repayable portion of the advances is recognized in profit or loss.

For certain contracts, the Safran Group has to pay a fee based on replacement sales realized under the program once the advance has been fully repaid. This fee is not considered as repayment of an advance but as an operating expense.

U) BORROWINGS

On initial recognition, borrowings are measured at the fair value of the amount received, less any directly attributable transaction costs. Borrowings are subsequently carried at amortized cost, calculated using the effective interest rate method.

V) COMMITMENTS TO PURCHASE NON-CONTROLLING INTERESTS (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 risk management policy is described in Note 33, "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 qualify 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).

The Group uses financial instruments to hedge the risk of fluctuations in the price of certain listed commodities. This price risk affects its purchases of semi-finished products with a high raw material component. The Group's hedging strategy is described in Note 33, "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. Given the difficulty in documenting hedging relationships between these financial instruments and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

X) SALE OF RECEIVABLES

Some Group subsidiaries sell their trade receivables. In the case of sales 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, and hedging instruments, etc.), are presented on an aggregate basis with no separation between current and non-current portions. However, other financial assets and liabilities as well as provisions are considered as current if they mature within 12 months of the end of the reporting period. All other financial assets, liabilities and provisions are considered non-current.

Z) RECURRING OPERATING INCOME

To make the Group's operating performance more transparent, Safran includes an intermediate operating indicator known as "Recurring operating income" in its reporting.

This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature, such as:

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., negotiated sales agreements, changes in production processes, etc.);
- capital gains and losses on disposals of operations;
- other unusual and/or material items not directly related to the Group's ordinary operations.

NOTE 2. MAIN SOURCES OF ESTIMATES

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

The Group formulates assumptions and, on this basis, regularly prepares estimates relating to its various activities. These estimates are based on past experience and factor in the economic conditions prevailing at the end of the reporting period and any information available as of the date of preparation of the financial statements. The Group regularly reviews these estimates and assumptions in light of actual experience and any other factors considered reasonable in determining the carrying amount of its assets and liabilities.

In a global economic climate which was characterized by persistently high volatility and a lack of visibility at December 31, 2010, the final amounts recorded may differ significantly from these estimates as a result of different assumptions or circumstances.

A) ESTIMATES RELATING TO PROGRAMS AND CONTRACTS

The main estimates used by the Group to prepare its financial statements relate to forecasts of future cash flows under programs and contracts (business plans). Estimates relating to programs and contracts cover periods that are sometimes very long (up to several decades) and primarily draw on assumptions about the volumes and selling prices of products sold, associated production costs, exchange rates for foreign currency-denominated sales and purchases 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 on 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.

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, 2010 is based on actuarial calculations. These calculations are performed by an independent actuary using demographic (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 the 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 acquired. One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied. The fair value of certain items acquired in a business combination can be measured reliably, for example property, plant and equipment using market price. However, the fair value of other items such as intangible assets 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 35, "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 ACCOUNTING POLICIES

Safran has applied the revised IFRS 3, Business Combinations, and the revised IAS 27, Consolidated and Separate Financial Statements, with effect from January 1, 2010. The main impact of these two revisions on the Group's 2010 consolidated financial statements consists of recognizing acquisition-related costs as expenses in the period. An amount of €13 million was recognized in non-recurring operating items for the year ended December 31, 2010 in connection with business combinations carried out during the period or that are currently in progress.

NOTE 4. SCOPE OF CONSOLIDATION

CHANGES IN THE SCOPE OF CONSOLIDATION IN 2010

Incorporation of CFM Materials LP

The restructuring of the aircraft spare parts trading business operated by a subsidiary of Snecma and General Electric (GEAM) culminated in an asset swap and the creation of CFM Materials LP, a 50-50 joint venture between the two historic partners, dedicated exclusively to trading CFM spare parts. This entity was proportionately consolidated in the financial statements as from June 1, 2010.

The creation of this joint venture led to the recognition of goodwill in an amount of USD 28 million (€21 million).

Acquisition of Harvard Custom Manufacturing

On November 22, 2010, Safran acquired Harvard Custom Manufacturing Inc. for an amount of USD 136 million (€100 million). This company, since renamed Labinal Salisbury, manufactures electrical wiring systems for major civil and military aviation firms.

Goodwill (before allocation of the purchase price) was calculated as follows:

Acquisition price	USD 136 million
Share in equity acquired	USD 28 million
Goodwill	**USD 108 million**

It was fully consolidated with effect from its acquisition by the Group, although its contribution to the Group's 2010 performance was not material, given that it covered only one month of operations.

The purchase price will be allocated to identifiable assets in first-half 2011.

AGREEMENTS RELATING TO FUTURE ACQUISITIONS

Agreement with L1

On September 20, 2010, Safran entered into a agreement with L-1 Identity Solutions, listed on the NYSE, a leading identity management provider in the United States, to acquire L-1's operating and holding company and its biometric and enterprise access solutions, secure credentialing solutions and enrollment services businesses, for a total cash amount of USD 1.09 billion. Safran will finance this acquisition with available cash. Prior to this transaction, L-1 entered into a definitive agreement to sell its government consulting services business for USD 0.3 billion to a third party, and therefore this business would be excluded from the transaction with Safran.

The transaction has been approved by L-1's shareholders and the US Antitrust Authorities. The approval of the Committee on Foreign Investment in the United States (CFIUS) is still pending.

This acquisition could be completed during the first half of 2011.

Following the closing, Safran intends to operate L-1 as part of its existing Security business.

These businesses generated revenue of USD 0.45 billion in 2009 and in 2010.

Agreement with SNPE

On October 1, 2010, Safran announced the setting up of a commercial and industrial collaboration framework agreement with SNPE to strengthen the solid propulsion industry, a key to the long-term viability of European launch vehicles and missiles.

The project calls for the acquisition by Safran of SNPE Matériaux Energétiques (SME) and its subsidiaries, including a 50% stake in Roxel, and a 40% stake in Regulus, but not including Eurenco or Crossject.

A share transfer agreement was signed on February 14, 2011, in which SNPE granted Safran a specific guarantee concerning environmental liabilities due to past operations. The transaction is expected to be finalized during the first half of 2011 and remains subject to certain conditions precedent including the approval of the European Competition Authorities and the Ministerial decision concerning the French State's environmental counter-guarantee.

In 2009, these businesses generated revenue of €270 million (unaudited data). Revenue data for 2010 are not yet available. The businesses to be acquired by Safran represent a total enterprise value of €296 million. Safran will finance this transaction using available cash.

MAIN 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) at December 31, 2009. In 2010, there were no changes to the purchase price allocation, which is now final.

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 from operations.

In 2010, its estimated contribution to the Group's performance amounted to:

- €38 million to revenue;
- €2 million to profit from operations.

Profit from operations includes an expense of €4.1 million (€4.7 million in 2009) 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 acquired 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 €131 million in 2010 and €125 million in 2009 (see Notes 28 and 29). The put option 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 USD millions)	Definitive allocation	Preliminary allocation
Purchase price of 81% interest	579	579
Earnout and acquisition costs	12	8
Acquisition cost of shares	**591**	**587**
Fair value of net assets based on a 100% interest:		
Net assets at acquisition date	177	132
Fair value of technology	110	110
Fair value of commercial relationships	153	153
Fair value of other identified intangible assets	14	14
Remeasurement of inventories	9	8
Deferred tax liabilities	(114)	(111)
Sub-total	**349**	**306**
Share (81%) of fair value of assets acquired and liabilities assumed	**283**	**248**
Goodwill before impact of minority put granted to non-controlling interests	**308**	**339**
Difference between minority put granted and non-controlling interests	111	108
Goodwill after impact of minority put granted to non-controlling interests	**419**	**447**

The fair value of the assets acquired and liabilities assumed was adjusted in an amount of USD 43 million between the initial and definitive accounting, due chiefly to the cancellation of tax receivable that could not be recovered post acquisition.

After taking into account the USD 4 million negative adjustment to the purchase price allocation as well as the difference between the value of the minority put granted and the non-controlling interest in the fair value of the assets and liabilities at the acquisition date (USD 11 million), residual goodwill stands at USD 447 million, or €335 million (compared to USD 419 million or €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 from operations.

In 2010, its contribution to the Group's performance amounted to:

- €217 million to revenue;
- €22 million to profit from operations.

Profit from operations includes an expense of €25.7 million (€12.5 million in 2009) 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, Safran sold its Connectors business to Bel Fuse for USD 39 million.

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

NOTE 5. SEGMENT INFORMATION

SEGMENTS PRESENTED

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

The Group's operating segments reflect the organization of subsidiaries around tier-one entities ("consolidation sub-groups"). These consolidation sub-groups are organized based on the type of products and services they sell. Four operating segments have been identified based on these criteria.

Aerospace Propulsion

The Group designs, develops, produces and markets propulsion systems for commercial aircraft, military transport, training and combat aircraft, rocket engines, civil and military helicopters, tactical missiles and drones. This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

Aircraft Equipment

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

Defence

Defence includes all businesses serving naval, land and aviation defence industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defence applications.

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and 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 businesses and certain residual activities not included in previous items.

BUSINESS SEGMENT PERFORMANCE INDICATORS

The information presented by business segment in the tables hereafter 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 businesses.

The assessment of each business segment's performance by the Executive Board is based on adjusted contribution figures as explained in the foreword (see Foreword in section 2.1 of the Registration Document).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1), except for the two restatements made in respect of adjusted data (see Foreword in section 2.1 of the Registration Document).

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

Free cash flow represents cash flow 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

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

At December 31, 2010

(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	5,604	2,834	1,240	1,041	10,719	41	10,760	268		11,028
Recurring operating income(1)	663	127	55	128	973	(95)	878	275	(202)	951
Other non-recurring operating income and expenses		(2)		(4)	(6)	(7)	(13)			(13)
Profit (loss) from operations	663	125	55	124	967	(102)	865	275	(202)	938
Free cash flow	620	163	(53)	51	781	153	934			934
Gross working capital requirement	(903)	785	389	172	443	650	1,093			1,093
Segment assets	8,010	3,908	1,645	1,504	15,067	592	15,659			15,659
(1) of which depreciation, amortization and increase in provisions net of use	*(154)*	*(147)*	*(25)*	*(47)*	*(373)*	*(14)*	*(387)*	*14*	*(202)*	*(575)*
of which impairment	*8*	*4*	*5*	*(2)*	*15*	*(9)*	*6*	*1*		*7*

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	86(*)	796	(67)	729	89	(189)	629
Other non-recurring operating income and expenses	29	(71)			(42)	7	(35)			(35)
Profit (loss) from operations	657	2	9	86	754	(60)	694	89	(189)	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)*	*(25)*	*(404)*	*(6)*	*(410)*	*(12)*	*(184)*	*(606)*
of which impairment	*(11)*	*(30)*	*16*	*(6)*	*(31)*	*1*	*(30)*	*(5)*	*1*	*(34)*

(*) As described in the Foreword, with effect from the publication of the 2010 interim consolidated financial statements, the impact of purchase price allocations for all material business combinations (and not only those relating to the Sagem-Snecma merger) have been neutralized. Accordingly, the adjusted data for the year ended December 31, 2009 presented above have been restated to neutralize €25 million in amortization charges on intangible assets and €6 million on changes in inventories in profit from operations, and the related tax benefit (€10 million).

REVENUE (ADJUSTED DATA)

(in € millions)	2009	2010
Aerospace Propulsion		
Original equipment	2,209	2,248
Products and services related to original equipment	373	269
Maintenance, repairs and overhauls	1,100	1,215
Spare parts	1,531	1,449
Lease and exchange fees	156	145
Sales of research and technology studies	47	61
Sales of sustaining engineering studies	144	135
Other	113	82
Sub-total	**5,673**	**5,604**
Aircraft Equipment		
Original equipment	1,477	1,574
Products and services related to original equipment	194	182
Maintenance, repairs and overhauls	384	426
Spare parts	472	452
Lease and exchange fees	13	9
Sales of research and technology studies	4	5
Sales of sustaining engineering studies	78	72
Other	145	114
Sub-total	**2,767**	**2,834**
Defence		
Sales of equipment	594	708
Services	184	202
Sales of studies	246	318
Other	37	12
Sub-total	**1,061**	**1,240**
Security		
Sales of equipment	774	750
Maintenance, repairs and overhauls	102	262
Sales of sustaining engineering studies	15	6
Other	13	23
Sub-total	**904**	**1,041**
Holding company and other		
Sales of equipment	23	25
Other	20	16
Sub-total	**43**	**41**
TOTAL	**10,448**	**10,760**

INFORMATION BY GEOGRAPHIC AREA

At December 31, 2010

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	Total
Revenue by location of customers (adjusted data)	2,798	2,811	2,739	1,332	1,080	**10,760**
%	*26%*	*26%*	*26%*	*12%*	*10%*	
Segment assets by location	11,670	1,744	1,855	96	294	**15,659**
%	*74%*	*11%*	*12%*	*1%*	*2%*	

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%*	*1%*	*2%*	

No individual customer accounted for more than 10% of Group revenue in 2010 or 2009.

NOTE 6. BREAKDOWN OF THE MAIN COMPONENTS OF PROFIT FROM OPERATIONS

REVENUE

(in € millions)	2009	2010
Original equipment	3,736	3,940
Sales of equipment	1,393	1,486
Products and services related to original equipment	574	469
Maintenance, repairs and overhauls	1,649	2,055
Spare parts	2,165	2,064
Lease and exchange fees	171	160
Sales of research and technology studies	53	75
Sales of sustaining engineering studies	486	531
Other	332	248
TOTAL	**10,559**	**11,028**

OTHER INCOME

Other income mainly comprises research tax credits and operating subsidies.

(in € millions)	2009	2010
Research tax credit	98	124(*)
Other operating subsidies	42	67
Other operating income	16	9
TOTAL	**156**	**200**

(*) Of which €11 million in connection with additional research tax credits in respect of 2009.

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

(in € millions)	2009	2010
Raw materials, supplies and other	(1,609)	(1,918)
Bought-in goods	(101)	(162)
Changes in inventories	(118)	(12)
Sub-contracting	(2,368)	(2,264)
Purchases not held in inventory	(253)	(290)
External service expenses	(1,499)	(1,608)
TOTAL	**(5,948)**	**(6,254)**

PERSONNEL COSTS

(in € millions)	2009	2010
Wages and salaries	(2,168)	(2,247)
Social security contributions	(903)	(951)
Share grants	(9)	(12)
Statutory employee profit-sharing	(34)	(49)(*)
Optional employee-profit sharing	(80)	(89)
Additional contributions	(9)	(18)
Other employee costs	(73)	(93)
TOTAL	**(3,276)**	**(3,459)**

(*) Profit-sharing expense for 2010 includes additional profit-sharing contribution in respect of 2009, in the amount of €7 million.

The Group's average workforce over the period by business segment breaks down as follows:

	France	Other countries	Total
Aerospace Propulsion	17,025	3,540	20,565
Aircraft Equipment	9,131	9,888	19,019
Defence	6,153	557	6,710
Security	1,226	4,405	5,631
Holding company and other	1,383	99	1,482
TOTAL	**34,918**	**18,489**	**53,407**

Headcount at the Group's discontinued operations (Sagem Mobiles France) is nil.

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	12,420
Supervisors	935
Technicians	10,973
White-collar employees	2,449
Blue-collar employees	8,141
TOTAL	**34,918**

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS NET OF USE

(in € millions)	2009	2010
Net depreciation and amortization expense		
• intangible assets	(299)	(315)
• property, plant and equipment	(279)	(291)
Total net depreciation and amortization expense(*)	**(578)**	**(606)**
Net increase in provisions	**(28)**	**31**
Depreciation, amortization, and increase in provisions, net of use	**(606)**	**(575)**

(*) Of which depreciation and amortization of assets measured at fair value on the acquisition of the Snecma group, in the amounts of €159 million in 2010 versus €158 million in 2009; and on the acquisition of companies by the Security branch in the amounts of €43 million in 2010 versus €25 million in 2009.

ASSET IMPAIRMENT

	Impairment expense		Reversals (utilizations)	
(in € millions)	2009	2010	2009	2010
Property, plant and equipment and intangible assets	(24)	(45)	24	11
Financial assets	(47)	(5)	18	3
Inventories and work-in-progress	(368)	(334)	353	371
Receivables	(68)	(35)	78	41
TOTAL	**(507)**	**(419)**	**473**	**426**

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2009	2010
Capital gains and losses on asset disposals	(10)	(23)
Royalties, patents and licenses	(11)	(12)
Cost of financial guarantees	-	(15)(*)
Losses on irrecoverable receivables	(9)	(10)
Other operating income and expenses(**)	72	81
TOTAL	**42**	**21**

(*) Offset by a reversal of provisions for contingencies and losses.
(**) Of which income relating to the review of the probability of reimbursement of borrowings subject to specific conditions in the amount of €31 million in 2010 (€61 million in 2009).

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2009	2010
Impairment net of reversals on intangible assets	(70)	-
Capital gains on disposal	7	-
Other non-recurring items	28	(13)
TOTAL	**(35)**	**(13)**

In 2009, impairment losses recognized against intangible assets mainly reflect the write-down of an aviation program in the Equipment branch following an impairment test (see Note 12).

Capital gains on disposal for the year ended December 31, 2009 reflected the 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.

At December 31, 2010, other non-recurring items correspond mainly to acquisition-related costs in connection with business combinations carried out during the period or that are currently in progress (see Note 3).

NOTE 7. FINANCIAL INCOME (LOSS)

(in € millions)	2009	2010
Financial expense on interest-bearing liabilities	(56)	(60)
Financial income on cash and cash equivalents	18	24
Cost of net debt	**(38)**	**(36)**
Gain or loss on financial instruments	576	(275)
Foreign exchange gains and losses	(112)	(220)
Net foreign exchange gains (losses) on provisions	15	(36)
Financial income (expense) arising on foreign currency translation	**479**	**(531)**
Gain or loss on interest rate and commodity hedging instruments	-	(19)
Net expense incurred on disposal of financial assets	(2)	(1)
Impairment of available-for-sale financial assets	(17)	(6)
Write-downs of loans and other financial receivables	16	(12)
Dividends received	6	3
Other financial provisions	(4)	(1)
Interest component of IAS 19 expense	(20)	(20)
Impact of discounting	(118)	(74)
Other	(6)	(6)
Other financial income and expense	**(145)**	**(136)**
FINANCIAL INCOME (LOSS)	**296**	**(703)**
of which financial expense	**(335)**	**(730)**
of which financial income	**638**	**27**

NOTE 8. INCOME TAX

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

(in € millions)	2009	2010
Current income tax expense	(64)	(133)
Deferred tax income (expense)	(171)	119
TOTAL TAX BENEFIT (EXPENSE)	**(235)**	**(14)**

A number of the Group's companies are undergoing tax inspections in France relating to the period 2007-2009. These inspections resulted in non-material tax adjustment proposals that will be disputed by the Group. As part of the inspection, the tax authorities have signaled their intention to disallow a portion of a Group subsidiary's tax deductible research and development expenditure relating to 2007, in the amount of €20.8 million. This tax adjustment is being disputed by the company.

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

(in € millions)	2009	2010
Profit before tax	893	244
Standard tax rate applicable to the parent company	34.43%	34.43%
Tax expense at standard rate	**(307)**	**(84)**
Impact of permanent differences	6	(7)
Impact of research tax credit	34	46
Impact of reduced tax rates	14	31
Decrease in unrecognized deferred tax assets	(3)	16
Impact of tax adjustments	9	(16)
Impact of tax credits and other items	12	-
Current income tax expense recognized in profit or loss	**(235)**	**(14)**
EFFECTIVE TAX RATE	**26.32%**	**5.74%**

DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS IN THE BALANCE SHEET

(in € millions)	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2009	**263**	**833**	**(570)**
Deferred tax income (expenses)	(65)	(184)	119
Deferred taxes recognized directly in equity		24	(24)
Reclassifications	(14)	2	(16)
Translation adjustments	9	10	(1)
Changes in scope of consolidation	1		1
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2010	**194**	**685**	**(491)**

DEFERRED TAX BASE

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(3,237)	(3,109)
Inventories	141	105
Current assets/liabilities	(32)	65
Financial assets/liabilities	238	466
Provisions	1,005	1,195
Tax adjustments	(248)	(380)
Losses carried forward and tax credits	239	275
TOTAL DEFERRED TAX ASSET BASES	**(1,894)**	**(1,383)**
Total gross deferred tax balance (A)	**(482)**	**(448)**
Total deferred tax not recognized (B)	**88**	**43**
TOTAL NET DEFERRED TAXES RECOGNIZED (A) - (B)	**(570)**	**(491)**

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, 2009	**145**	**53**	**92**
Movements during the period	(5)	13	(18)(*)
Changes in scope of consolidation	1	1	-
Reclassifications	4	3	1
Translation adjustments	1	2	(1)
NET TAX ASSETS AT DECEMBER 31, 2010	**146**	**72**	**74**

(*) Of which a negative €133 million impact in the income statement.

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	2009	2010
Numerator *(in € millions)*			
Profit for the period attributable to owners of the parent	(a)	641	207
Profit from continuing operations attributable to owners of the parent	(i)	645	212
Loss from discontinued operations attributable to owners of the parent	(j)	(4)	(5)
Denominator *(in shares)*			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	17,456,468	17,455,168
Number of shares excluding treasury shares	(d)=(b-c)	399,573,117	399,574,417
Weighted average number of shares (excluding treasury shares)	(d')	399,266,788	399,552,920
Potentially dilutive ordinary shares:			
Dilutive impact of share grants	(e)	1,814,551	3,979,642
Weighted average number of shares after dilution	(f)=(d'+e)	401,081,339	403,532,562
Ratio: earnings per share *(in €)*			
Basic earnings per share	(g)=(a*1 million)/(d')	1.61	0.52
Diluted earnings per share	(h)=(a*1 million)/(f)	1.60	0.51
Ratio: earnings per share from continuing operations *(in €)*			
Basic earnings per share	(k)=(i*1 million)/(d')	1.62	0.53
Diluted earnings per share	(l)=(i*1 million)/(f)	1.61	0.52
Ratio: earnings per share from discontinued operations *(in €)*			
Basic loss per share	(m)=(j*1 million)/(d')	(0.01)	(0.01)
Diluted loss per share	(n)=(j*1 million)/(f)	(0.01)	(0.01)

NOTE 10. DIVIDEND DISTRIBUTION

At the Shareholders' Meeting of April 21, 2011 called to approve the financial statements for the year ended December 31, 2010, the Supervisory Board will propose the payment of a dividend in the amount of €0.50 per share in respect of 2010, corresponding to a total payout of €209 million.

In 2010, a dividend of €0.38 was paid in respect of 2009, corresponding to a total payout of €152 million.

NOTE 11. GOODWILL

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2009 Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments	Dec. 31, 2010 Net
Snecma	395						395
Turbomeca SA	225						225
Snecma Propulsion Solide	66						66
Techspace Aero	47						47
CFM Materials LP	-	19				2	21
Microturbo SA	12						12
Other	2					(1)	1
Total Propulsion	**747**	**19**				**1**	**767**
Aircelle	213						213
Labinal	208	75	(24)			6	265
Messier Dowty SAS	94						94
Messier Bugatti	73						73
Safran Engineering Services	52		26				78
Technofan	10						10
Globe Motors Inc.	9					1	10
Sofrance	4						4
Safran Engineering Services Maroc	2		(2)				-
Total Aircraft Equipment	**665**	**75**				**7**	**747**
Sagem	61						61
Vectronix	25	10				6	41
Total Defence	**86**	**10**				**6**	**102**
Identification	291					8	299
Cards	46				2		48
Detection	291				22	22	335
Total Security	**628**				**24**	**30**	**682**
TOTAL	**2,126**	**104**	**-**	**-**	**24**	**44**	**2,298**

MOVEMENTS IN THE PERIOD

The main movements in this caption during the period under review concern:

- the finalization of the purchase price allocation of General Electric's Homeland Protection business, which resulted in a €22 million increase in goodwill for the "Detection systems" CGU (see Note 4);
- the incorporation of CFM Materials LP (see Note 4);
- the creation of Safran Engineering Services which combined the former Teuchos businesses with the engineering businesses of Labinal, and resulted in a reallocation of goodwill. This had no impact on the Group's consolidated financial statements;
- the acquisition of Labinal Salisbury (formerly Harvard Custom Manufacturing), which resulted in a €75 million increase in goodwill for the Labinal CGU (see Note 4). The purchase price will be allocated in first-half 2011;
- the consolidation of Optics 1, which was acquired at the end of 2009, led to the recognition of goodwill in the amount of USD 14 million (€10 million, included in the Vectronix CGU), reflecting the acquisition price of USD 15 million and net debt of USD 1 million. No material unrecognized assets or liabilities were identified.

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 carrying amount.

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

- Operating forecasts take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macro-economic assumptions. Expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years 5 to 10. The average USD exchange rate adopted is 1.36 for years 2011 to 2014 and 1.35 thereafter (2009: 1.43 for years 2010 to 2013 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 2009).
- The benchmark post-tax discount rate used is 8% (unchanged from 2009) 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 (unchanged from 2009).

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized in 2009 further to the annual impairment tests.

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

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

In 2010, as in 2009, the above changes in the main assumptions, taken individually, do not result in values lower than the carrying amounts of goodwill balances.

NOTE 12. INTANGIBLE ASSETS

Intangible assets break down as follows:

	Dec. 31, 2009			Dec. 31, 2010		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Programs	2,683	(916)	1,767	2,670	(1,105)	1,565
Development expenditures	1,201	(422)	779	1,256	(339)	917
Commercial concessions	135	(63)	72	156	(73)	83
Software	279	(233)	46	309	(263)	46
Brands	147	(7)	140	147	(8)	139
Commercial relationships	274	(32)	242	280	(66)	214
Technology	123	(8)	115	131	(22)	109
Other	80	(24)	56	92	(35)	57
TOTAL	**4,922**	**(1,705)**	**3,217**	**5,041**	**(1,911)**	**3,130**

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

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

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2009	4,922	(1,705)	3,217
Internally produced assets	206		206
Separate acquisitions	26		26
Disposals and retirements	(27)	18	(9)
Amortization		(315)	(315)
Impairment losses recognized in profit or loss		(22)	(22)
Reclassifications	(120)	121	1
Changes in scope of consolidation	4	(2)	2
Translation adjustments	30	(6)	24
AT DECEMBER 31, 2010	**5,041**	**(1,911)**	**3,130**

Research costs recognized in expenses for the period totaled €530 million including amortization and excluding discontinued operations (€659 million in 2009 excluding discontinued operations).

Development expenditures capitalized in 2010 totaled €179 million (€182 million in 2009).

Amortization charged against development expenditures in the same period totaled €48 million (€49 million in 2009).

Amortization was also recognized in respect of revalued assets for €202 million (allocation of the cost of the Snecma group business combination and other recent acquisitions).

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 several decades.

2010 IMPAIRMENT TESTS

The main assumptions used to determine the recoverable amount of intangible assets relating to programs, projects and product families are as follows:

- The average USD exchange rate adopted is 1.36 for years 2011 to 2014 and 1.35 thereafter (2009: 1.43 for years 2010 to 2013 and 1.35 thereafter).
- The benchmark discount rate used is 8% (unchanged from 2009). 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 2009.

As a result of the impairment tests carried out in 2010, the Group recognized impairment losses for €5.9 million against development expenditures relating to the GP7200 program in the Aerospace Propulsion branch. These impairment losses were treated as recurring operating expenses.

The Group also recognized impairment losses for €6 million against development expenditures relating to various civil aircraft programs in the Aircraft Equipment branch, as well as €7.5 million on programs in the Defence branch.

2009 IMPAIRMENT TESTS

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, including €71 million in 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 were anticipated to be less favorable than was previously expected, the Group 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 in the first half of 2010 confirmed the Group's assumptions at the end of 2009.

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:

(in € millions)	Dec. 31, 2009 Gross	Dec. 31, 2009 Depreciation/ impairment	Dec. 31, 2009 Net	Dec. 31, 2010 Gross	Dec. 31, 2010 Depreciation/ impairment	Dec. 31, 2010 Net
Land	220		220	223		223
Buildings	1,059	(517)	542	1,108	(548)	560
Technical facilities, equipment and tooling	3,486	(2,358)	1,128	3,701	(2,572)	1,129
Assets in progress, advances	185	(22)	163	184	(3)	181
Site development and preparation costs	31	(18)	13	34	(19)	15
Buildings on land owned by third parties	65	(21)	44	69	(24)	45
Computer hardware and other equipment	390	(299)	91	431	(331)	100
TOTAL	**5,436**	**(3,235)**	**2,201**	**5,750**	**(3,497)**	**2,253**

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2009	**5,436**	**(3,235)**	**2,201**
Internally produced assets	37		37
Additions	267		267
Disposals and retirements	(154)	101	(53)
Depreciation		(291)	(291)
Impairment losses recognized in profit or loss		(12)	(12)
Reclassifications	(2)	4	2
Changes in scope of consolidation	52	(15)	37
Translation adjustments	114	(49)	65
AT DECEMBER 31, 2010	**5,750**	**(3,497)**	**2,253**

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

(in € millions)	Dec. 31, 2009 Gross	Dec. 31, 2009 Depreciation/ impairment	Dec. 31, 2009 Net	Dec. 31, 2010 Gross	Dec. 31, 2010 Depreciation/ impairment	Dec. 31, 2010 Net
Land	5	-	5	5	-	5
Buildings	181	(31)	150	156	(18)	138
Technical facilities, equipment and tooling	48	(26)	22	51	(31)	20
Computer hardware and other equipment	18	(17)	1	19	(18)	1
TOTAL	**252**	**(74)**	**178**	**231**	**(67)**	**164**

NOTE 14. CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets include:

(in € millions)	Dec. 31, 2009 Gross	Dec. 31, 2009 Impairment	Dec. 31, 2009 Net	Dec. 31, 2010 Gross	Dec. 31, 2010 Impairment	Dec. 31, 2010 Net
Non-consolidated investments(*)	328	(159)	169	313	(149)	164
Other financial assets	189	(63)	126	242	(81)	161
TOTAL	**517**	**(222)**	**295**	**555**	**(230)**	**325**

(*) Of which listed securities for €57 million in 2010 and €41 million in 2009.

NON-CONSOLIDATED INVESTMENTS

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

(in € millions)	Year end	Percentage control at Dec. 31, 2010	Shareholders' equity including profit for the period	Profit (loss)	Carrying amount at Dec. 31, 2009	Carrying amount at Dec. 31, 2010
Sichuan Snecma Aero-Engine Maintenance Cie	12/31/2009	28.18	6.8	1.0	3.7	9.7
Messier Dowty Singapore Pte	12/31/2009	100.00	4.7	0.1	5.9	6.4
Arianespace Participation	12/31/2009	10.44	21.6	(60.7)	6.1	10.6
Embraer(*)	12/31/2009	1.12	2,285.8	401.5	31.4	44.4
SMA	12/31/2009	100.00	(11.4)	(13.6)	1.4	0.0
Myriad Group(*)	12/31/2009	6.38	119.3	(38.7)	9.3	12.4
Messier Dowty Mexico	12/31/2009	100.00	7.1	0.8	5.5	14.2

** Valuations of listed securities are based on market values.*

Non-consolidated 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.

No impairment loss was recognized in this respect at December 31, 2010.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Loans to non-consolidated companies	62	90
Loans to employees	24	25
Deposits and guarantees	12	13
Sales-financing loans	-	1
Other	28	32
TOTAL	**126**	**161**
o/w non-current	51	51
o/w current	75	110

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 34). They are recorded in the balance sheet as loans.

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2009	**126**
Increase	73
Decrease	(25)
Impairment	(16)
Reclassifications	(3)
Translation adjustments	3
Changes in scope of consolidation	3
AT DECEMBER 31, 2010	**161**

NOTE 15. INVESTMENTS IN ASSOCIATES

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

	Dec. 31, 2009	Dec. 31, 2010			
(in € millions)	Net	% interest	Shareholders' equity	Share in profit from associates	Net
Ingenico[1]	206	22.58%	218	9	227
Hydrep[2]	7	-	-	-	-
A-Pro Inc.[2]	8	-	-	-	-
Autres[3]	17	100.00%	9	-	9
TOTAL	**238**		**227**	**9**	**236**

(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 2010 was determined based on consensus forecasts provided by analysts. The stock market value was €315 million at December 31, 2010 (11,630,206 shares with a par value of €27.095). The value of the securities includes goodwill in an amount of €73 million.
(2) Proportionally consolidated as from 2010.
(3) Deconsolidated companies whose retained earnings have been frozen, and first-time consolidation of Sagem Navigation GmbH in 2010.

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

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

(in € millions)	
At December 31, 2009	**238**
Share in profit from associates	9
Change in consolidation method	(15)
Other movements[*]	4
AT DECEMBER 31, 2010	**236**

(*) Of which a negative €8 million relating to the consolidation of Sagem Navigation GmbH and a positive €12 million with respect to Ingenico.

NOTE 16. INVENTORIES AND WORK-IN-PROGRESS

Inventories and work-in-progress break down as follows:

	Dec. 31, 2009	Dec. 31, 2010
(in € millions)	Net	Net
Raw materials and supplies	466	535
Finished goods	1,677	1,400
Work-in-progress	1,227	1,540
Bought-in goods	12	33
TOTAL	**3,382**	**3,508**

Movements in inventories and work-in-progress can be analyzed as follows:

(in € millions)	Gross	Impairment	Net
At December 31, 2009	**3,922**	**(540)**	**3,382**
Movements during the period	(55)		(55)
Net impairment expense		37	37
Reclassifications	23	4	27
Changes in scope of consolidation	77	(11)	66
Translation adjustments	57	(6)	51
AT DECEMBER 31, 2010	**4,024**	**(516)**	**3,508**

NOTE 17. TRADE AND OTHER RECEIVABLES

(in € millions)	Dec. 31, 2009 Net	Movements during the period	Net impairment	Changes in scope of consolidation	Reclassifications	Translation adjustments	Dec. 31, 2010 Net
Operating receivables	**3,841**	**31**	**12**	**28**	**(22)**	**31**	**3,921**
Debit balances on trade payables/advance payments to suppliers	255	(13)		3		1	246
Trade receivables	3,571	43	12	25	(22)	30	3,659
Current operating accounts	5	(3)					2
Employee-related receivables	10	4					14
Other receivables	**317**	**(32)**	**-**	**19**	**(15)**	**9**	**298**
Prepaid expenses	70	(11)		2	(15)	2	48
VAT receivables	156	20		1		2	179
Other State receivables	8	4				1	13
Other receivables	83	(45)		16		4	58
TOTAL	**4,158**	**(1)**	**12**	**47**	**(37)**	**40**	**4,219**

NOTE 18. DISCONTINUED OPERATIONS

The following table presents a breakdown of discontinued operations:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Revenue	40	-
Raw materials and consumables used	(70)	(14)
Personnel costs	(14)	-
Depreciation, amortization, impairment and provisions	65	12
Other operating income and expenses	(23)	(3)
Loss from operations	**(2)**	**(5)**
Financial income (loss)	**3**	**-**
Income tax expense (benefit) on discontinued operations	**(5)**	**-**
LOSS FROM DISCONTINUED OPERATIONS	**(4)**	**(5)**

In 2009 and 2010, the loss from “discontinued operations” reflects additional losses arising since the sale of the Communication business in 2008; and in 2009, losses on the sale of Chinese subsidiaries from the former Mobile Phone division.

NOTE 19. OTHER CURRENT AND NON-CURRENT ASSETS

This caption comprises receivables on disposals of property, plant and equipment.

NOTE 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments maturing in less than three months from the trade date with no interest rate risk, readily convertible into cash.

Cash and cash equivalents break down as follows at December 31, 2010:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Negotiable debt securities	450	21
Money-market funds	24	26
Short-term investments	1,191	1,575
Sight deposits	415	440
TOTAL	2,080	2,062

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2009	2,080
Movements during the period	(49)
Changes in scope of consolidation	20
Translation adjustments	11
AT DECEMBER 31, 2010	2,062

NOTE 21. SUMMARY OF FINANCIAL ASSETS

FAIR VALUE OF FINANCIAL ASSETS

The table below presents the carrying amount and fair value of the Group's financial assets at December 31, 2010 and December 31, 2009:

	Carrying amount				
	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
Other non-current financial assets	51				51
Sub-total non-current financial assets	51	-	-	169	220
Current financial assets	75				75
Derivative financial instruments - assets			63		63
Trade receivables	3,571				3,571
Current operating accounts and other receivables	88				88
Cash and cash equivalents			2,080		2,080
Sub-total current financial assets	3,734	-	2,143	-	5,877
TOTAL FINANCIAL ASSETS	3,785	-	2,143	169	6,097

	Carrying amount				
	At amortized cost		At fair value		Total
At December 31, 2010 *(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				164	164
Other non-current financial assets	51				51
Sub-total non-current financial assets	**51**	**-**	**-**	**164**	**215**
Current financial assets	110				110
Derivative financial instruments - assets			128		128
Trade receivables	3,659				3,659
Current operating accounts and other receivables	60				60
Cash and cash equivalents			2,062		2,062
Sub-total current financial assets	**3,829**	**-**	**2,190**		**6,019**
TOTAL FINANCIAL ASSETS	**3,880**	**-**	**2,190**	**164**	**6,234**

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 financial instruments - assets		63		63
Marketable securities: money-market funds and equivalent	2,080			2,080
TOTAL	**2,121**	**63**	**128**	**2,312**

The Group's financial assets at December 31, 2010 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments	57		107	164
Derivative instruments - assets		128		128
Marketable securities: money-market funds and equivalent	1,622			1,622
TOTAL	**1,679**	**128**	**107**	**1,914**

In 2009 and 2010, 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, 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	-
At December 31, 2010									
Current financial assets	**110**	110						-	-
Non-current financial assets[1]	**51**	51						-	-
Trade receivables	**3,659**	3,285	116	113	44	36	60	369	5
Current operating accounts and other receivables	**60**	52	1	5	-	1	1	8	-

(1) Excluding non-consolidated investments.

Average interest rates paid on current and non-current financial assets are as follows:

	Dec. 31, 2009		Dec. 31, 2010	
(in € millions)	Base	Average recorded interest rate	Base	Average recorded interest rate
Non-current financial assets[1]	51	0.60%	51	1.12%
Current financial assets	75	1.49%	110	2.12%
Financial assets	**126**	**1.06%**	**161**	**1.78%**
Cash and cash equivalents	**2,080**	**Eonia/Euribor/Fed**	**2,062**	**Euribor**
TOTAL	**2,206**		**2,223**	

(1) Excluding non-consolidated investments.

NOTE 22. CONSOLIDATED SHAREHOLDERS' EQUITY

A) SHARE CAPITAL

At December 31, 2010, 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 17,455,168 treasury shares have no voting rights.

Changes in the breakdown of share capital and voting rights are as follows:

December 31, 2009

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights
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%**

December 31, 2010

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights
Private investors	198,734,480	47.65%	207,125,614	40.94%
French State	125,940,227	30.20%	150,752,222	29.80%
Employee shareholders	66,599,710	15.97%	131,455,955	25.98%
Areva	8,300,000	1.99%	16,600,000	3.28%
Treasury shares	17,455,168	4.19%	-	-
TOTAL	**417,029,585**	**100.00%**	**505,933,791**	**100.00%**

C) CONSOLIDATED RETAINED EARNINGS

Movements in consolidated retained earnings are as follows:

(in € millions)	
Consolidated retained earnings at December 31, 2009	**3,619**
Allocation of 2009 profit to consolidated retained earnings	641
Dividend distribution	(152)
Translation adjustment	111
Deferred taxes recognized directly in equity	(24)
Share grants	12
Other	7
CONSOLIDATED RETAINED EARNINGS AT DECEMBER 31, 2010	**4,214**

D) SHARE-BASED PAYMENT

On May 28, 2009, the Shareholders' Meeting renewed the authorization granted to the Executive Board to buy and sell shares in the Company. Pursuant to this authorization, in 2010 the Company purchased 207,965 shares on the stock market for €3.5 million, and sold 207,965 shares for €3.6 million. These transactions were carried out under the liquidity agreement in force.

On May 27, 2010, the Shareholders' Meeting renewed the authorization granted to the Executive Board to buy and sell shares in the Company. Pursuant to this authorization, in 2010 the Company purchased 852,500 shares on the stock market for €18.1 million, and sold 852,500 shares for €18.3 million. These transactions were carried out under the liquidity agreement in force.

Share grants

Pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008, the Executive Board decided to implement a share grant plan 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 under the plan.

Terms and conditions of the 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 under such plans 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.

	France	Outside France
Grant date	4/3/2009	4/3/2009
Vesting date	4/3/2011	4/3/2013
Post vesting lock-up period	2 years	none
Number of employee beneficiaries at the grant date	36,785	5,560
Number of shares granted per employee	100	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, 2010 totaled €11.6 million.

NOTE 23. PROVISIONS

Provisions break down as follows:

			Reversals				
(in € millions)	Dec. 31, 2009	Impairment expense	Utilizations	Reclassifications	Surplus provisions	Other	Dec. 31, 2010
Performance warranties	451	258	(128)		(85)	11	507
Financial guarantees	77	7	(15)		(22)		47
Services to be rendered	428	276	(218)	(1)	(8)	5	482
Employee-related commitments	29	15	(19)		(1)	6	30
Post-employment benefits	358	63	(51)		(6)	2	366
Sales agreements and long-term receivables	198	39	(30)	(18)	(21)	(4)	164
Losses on completion and backlog losses	622	230	(99)	(140)	(30)	16	599
Disputes and litigation	62	38	(13)		(21)	(1)	65
Negative equity of non-consolidated companies	6	13					19
Other	123	62	(44)			4	145
TOTAL	**2,354**	**1,001**	**(617)**	**(159)**	**(194)**	**39**	**2,424**
Non-current	**1,315**						**1,310**
Current	**1,039**						**1,114**

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 on completion and on the backlog (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.

The Group's financial position with respect to these commitments is as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010	France	United Kingdom	Other European countries	Americas	Asia
Gross obligations	682	828	397	318	77	35	1
Fair value of plan assets	269	335	7	263	39	26	
Unrecognized past service cost and actuarial gains and losses	55	131	61	56	9	5	
PROVISION RECOGNIZED IN THE ACCOUNTS	**358**	**366**	**329**	**3**	**29**	**4**	**1**
• *Defined benefit retirement plans*	*46*	*35*	*8*	*3*	*22*	*2*	
• *Retirement termination payments*	*285*	*302*	*293*		*7*	*1*	*1*
• *Other employee benefits*	*27*	*29*	*28*			*1*	
Recognized plan assets(*)		(4)		(4)			

(*) Recognized plan assets in respect to defined benefit pension obligations are recorded in "Other receivables" (see Note 17).

The cost of the Group's pension commitments in 2009 and 2010 can be analyzed as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Pension expense		
Current service cost	(24)	(32)
Recognized actuarial gains and losses	1	(1)
Plan curtailments and modifications	8	-
Recognized past service cost	-	(19)
Total operating component of the pension expense	**(15)**	**(52)**
Interest cost	(34)	(39)
Expected return on plan assets	14	19
Total financing component of the pension expense	**(20)**	**(20)**
TOTAL PENSION EXPENSE	**(35)**	**(72)**

Two measures resulted in a significant rise in the pension expense in 2010: one measure specific to the Group and the other resulting from the collective bargaining agreement covering the Group's French employees, which led to an increase in the Group's commitments in respect of retirement termination payments. A provision has been recognized for the cost of these measures over the remaining working lives of the employees concerned, and the corresponding expense for 2010 is €19 million.

On February 12, 2010, the Group signed a triennial agreement related to the employment of seniors, aimed notably at implementing measures to assist with the latter part of careers and at ensuring a smooth transition between working life and retirement. This agreement provides, inter alia, for an increase in contractual end-of-career bonuses subject to certain conditions. The estimated cost of these measures and the related provisions are sensitive to changes in estimated take-up rates among the potentially eligible population. At the end of 2010, the Group based its estimates on maximum take-up rate assumptions that will be adjusted in line with actual rates.

As from July 31, 2010, the rates used as a basis for calculating retirement bonuses applicable under the national collective bargaining agreement for engineers and managerial staff in the metallurgy industry were raised, thereby increasing the Group's commitments accordingly.

Main assumptions used to calculate commitments:

(in € millions)		Eurozone	United Kingdom
Discount rate	*12/31/2009*	*5.25%*	*5.50%*
	12/31/2010	**4.25%**	**5.25%**
Inflation rate	*12/31/2009*	*2.00%*	*3.50%*
	12/31/2010	**2.00%**	**3.20%**
Expected return on plan assets	*12/31/2009*	*4.50%*	*6.95%*
	12/31/2010	**4.00%**	**6.76%**
Rate of future salary increases	*12/31/2009*	*1.50%-5.00%*	*4.25%*
	12/31/2010	**1.50%-5.00%**	**4.00%-4.20%**
Retirement age	*12/31/2009*	*Managerial 63/65*	*65*
		Non-managerial 61/65	
	12/31/2010	**Managerial 64/65**	**65**
		Non-managerial 62/65	

The rise in the legal retirement age in France as a result of pension reform was taken into account in measuring the Group's pension commitments at December 31, 2010. The resulting increase in commitments is not material.

The discount rates are determined by reference to the yield on investment grade bonds (AA), using the Iboxx index.

A 1% increase or decrease in discount rates (assuming all other inputs remain unchanged) would have the following impacts on the value of the projected benefit obligation at December 31, 2010:

Sensitivity (basis points)	-1%	+1%
Change in gross benefit obligation at December 31, 2010 *(in € millions)*	+121	-111

The impact of a 1% increase or decrease in the discount rates on consolidated profit for 2010 and on the provision at end-December 2010 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, 2010	Expected return on plan assets in 2011	% allocation at Dec. 31, 2010	Expected return on plan assets in 2011
Shares	51.96%	8.22%	16.70%	6.65%
Bonds and borrowings	33.85%	4.65%	50.74%	4.16%
Property	5.62%	8.37%	2.93%	4.50%
Cash and cash equivalents	2.70%	1.14%	7.74%	1.89%
Other	5.87%	7.00%	21.89%	4.52%

	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%

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 2010:

Sensitivity (basis points)	-1%	+1%
Increase/(decrease) in expected return on plan assets *(in € millions)*	-3	+3

DEFINED BENEFIT PENSION PLANS

a) Description 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 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.

This type of scheme did not exist within the Sagem group.

At December 31, 2010, 300 claimants remain in active service and the last retirement is planned for 2015.

Other countries

United Kingdom

There are three pension funds involving Messier-Dowty/Messier Services Ltd, Aircelle Ltd and Safran UK (consolidated with effect from January 1, 2010). 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. With the exception of the Safran UK pension fund, the average breakdown of contributions between the employer and the employee is 90% and 10%, respectively. The Safran UK pension fund only covers pensions for retired employees of Cinch UK, which was sold in 2009.

Other European countries

The Group's main commitments in continental Europe are in Belgium and Switzerland.

In Belgium, Techspace Aero took out a policy with an insurer in April 1997 guaranteeing employees the payment of a lump-sum or pension on death or retirement. The amount paid is based on the employee category, age, term of service and final salary. This benefit is funded in full by employer contributions.

In Switzerland, Vectronix AG set up a mutualized retirement plan with Leica, its former shareholder. This defined benefit plan was intended for retired and active employees of Vectronix AG. On June 30, 2006, Vectronix AG terminated its contract with Leica with effect from December 31, 2006. Vectronix's active employees were subsequently removed from the Leica fund, whose future had become uncertain, and transferred to another insurer, Gemini, which granted Vectronix full independence in managing its plan. At the time of the switch, Vectronix AG purchased retirement annuities from the new insurer.

Americas

The main commitments concern Canada.

Two pension plans exist within Messier-Dowty Inc. and Safran Electronics Canada (spin-off of Messier-Dowty Inc.): one plan for employees and a second plan for executives (*cadres*) and top management. These plans are financed by employer (87%) and employee (13%) contributions.

Five-year summary of obligations

(in € millions)	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Gross obligations	397	366	280	374	442
Fair value of plan assets	281	293	195	269	335
Provision recognized in the accounts	100	86	73	47	35
Recognized plan assets	-	-	-	-	(4)
Experience adjustments	NA	NA	65	(25)	(7)
of which experience adjustments on the benefit obligation			*(9)*	*2*	*(3)*
of which experience adjustments on plan assets			*74*	*(27)*	*(4)*
as a % of obligations			*-3%*	*0%*	*-1%*
as a % of plan assets			*38%*	*-10%*	*-1%*

b) Financial position

(in € millions)	Dec. 31, 2009	Dec. 31, 2010	o/w France	o/w other countries (excl. France)
Gross obligations	374	442	21	421
Fair value of plan assets	269	335	7	328
Provision recognized in the accounts	46	35	8	27
Recognized plan assets		(4)		(4)
Unrecognized items	59	76	6	70
• *Actuarial gains and losses*	*58*	*75*	*6*	*69*
• *Past service cost*	*1*	*1*	-	*1*
• *Unrecognized assets*	-	-	-	-

All pension plans are partially or fully funded.

(en millions d'euros)	Gross obligations (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provisions = (a)-(b)-(c)
Position at January 1, 2010	**374**	**269**	**59**	**46**
A. Pension expense				
Current service cost	10			
Interest cost	22			
Expected return on plan assets		19		
Recognized actuarial gains and losses				
Plan curtailments and modifications	(1)	(1)		
Recognized past service cost				
Total pension expense	**31**	**18**	**-**	**13**
B. Employer expense				
Employer contributions		30		
Benefits paid	(21)	(21)		
Total employer expense	**(21)**	**9**	**-**	**(30)**
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation	2	2		
Other movements(*)	24	18	5	
Translation adjustments	16	12	3	
Reclassification to assets held for sale				
Total other recognized items	**42**	**32**	**8**	**2**
Change in amounts recognized in the balance sheet	**52**	**59**	**8**	**(15)**
D. Other unrecognized items				
Employee contributions	3	3		
Actuarial gains and losses for the period	13	4	9	
Past service cost for the period				
Total other unrecognized items	**16**	**7**	**9**	**-**
AMOUNTS RECOGNIZED AT DECEMBER 31, 2010	**442**	**335**	**76**	**31**
Provision recognized in the accounts				35
Recognized plan assets				(4)

(*) The transfer of retired beneficiaries from the Cinch UK pension fund to Safran UK is recognized in "Other movements".

The actual return on plan assets (the sum of the expected return on plan assets and actuarial gains and losses for the period) of defined benefit pension plans amounts to €23 million.

The Group expects to pay a total of €25 million into its defined benefit pension plans in 2011 (€30 million in 2010 and €33 million in 2009).

The Social Security Financing Act for 2011 discontinued the exemption of one third of the French social security annual ceiling for the calculation of the 16% contribution for pension payments as from January 1, 2001. The impact of this rise will be taken into account in 2011. The application of the corridor method would have resulted in a rise of €9 million in the Safran Group's projected benefit obligation as of December 31, 2010, leading to an increase in unrecognized actuarial gains and losses in the same amount.

RETIREMENT TERMINATION PAYMENTS

a) Description of benefits

- In France, this heading includes obligations in respect of statutory termination payments due on retirement and supplementary termination payments required by the collective bargaining agreement for the metallurgy industry. It also includes obligations regarding employees eligible for the Group's 2010-2012 agreement on the employment of seniors.
- Outside France, this heading includes obligations under early retirement plans at Sagem Orga GmbH, Snecma Services Brussels and Vectronix AG. The Group also has employee benefit obligations in respect of Mexico, Poland and India.

b) Financial position

(in € millions)	Dec. 31, 2009	Dec. 31, 2010	France	Other countries (excl. France)
Gross obligations	282	357	348	9
Fair value of plan assets				
Provision recognized in the accounts	285	302	294	8
Unrecognized items	(3)	55	54	1
• *Actuarial gains and losses*	*(6)*	*3*	*2*	*1*
• *Past service cost*	*3*	*52*	*52*	*-*
• *Unrecognized assets*	*-*	*-*	*-*	*-*

(in € millions)	Gross obligations (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provision recognized in the accounts = (a)-(b)-(c)
Position at January 1, 2010	282	-	(3)	285
A. Pension expense				
Current service cost	16			
Interest cost	16			
Expected return on plan assets				
Recognized actuarial gains and losses			(1)	
Plan curtailments and modifications				
Recognized past service cost			(19)	
Total pension expense	32	-	(20)	52
B. Employer expense				
Employer contributions				
Benefits paid	(34)			
Total employer expense	(34)	-		(34)
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation				
Other movements	(1)			
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	(1)	-		(1)
Change in provision	(3)	-	(20)	17
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period	9		9	
Past service cost for the period	69		69	
Total other unrecognized items	78	-	78	
POSITION AT DECEMBER 31, 2010	357	-	55	302

OTHER EMPLOYEE BENEFITS

a) Description of benefits

- In France, this heading mainly comprises obligations in respect of long-service awards, loyalty premiums and executive bonuses granted at Sagem, Morpho and Safran Informatique.
- Outside France, benefits include jubilee awards under plans in the Netherlands and the US.

b) Financial position

(in € millions)	Dec. 31, 2009	Dec. 31, 2010	France	Other countries (excl. France)
Gross obligations	27	29	28	1
Fair value of plan assets				
Provision recognized in the accounts	27	29	28	1
Unrecognized items	NA	NA	NA	NA

(in € millions)	Gross obligations (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provision recognized in the accounts = (a)-(b)-(c)
Position at January 1, 2010	27	-	-	27
A. Pension expense				
Current service cost	6			
Interest cost	1			
Expected return on plan assets				
Recognized actuarial gains and losses				
Plan curtailments and modifications				
Recognized past service cost				
Total pension expense	7	-	-	7
B. Employer expense				
Employer contributions				
Benefits paid	(5)			
Total employer expense	(5)	-	-	(5)
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation				
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	-	-	-	-
Change in provision	2	-	-	2
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period				
Past service cost for the period				
Total other unrecognized items	-	-	-	-
POSITION AT DECEMBER 31, 2010	29	-	-	29

CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

The expense for the period in respect of defined contribution plans amounted to €269 million. The expense is broken down into contributions paid into standard retirement plans and contributions paid into Art. 83 supplemental retirement plans which have been set up within the Group's main French companies.

INDIVIDUAL TRAINING ENTITLEMENT

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and with the industry-wide agreement of July 20, 2004, the Group's French companies grant their employees the right to individual training. Employees are entitled to at least 20 training hours per calendar year, which can be carried forward up and accumulated up to a maximum total of 120 hours.

This is taken into account in the French companies' collective bargaining on in-service training and skills development.

NOTE 25. BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption mainly includes repayable advances granted by the French State.

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2009	**696**
New advances received	17
Advances repaid	(35)
Cost of borrowings	38
Translation adjustments	7
Other	9
Adjustments to the probability of repayment of advances	(31)
AT DECEMBER 31, 2010	**701**

NOTE 26. INTEREST-BEARING LIABILITIES

BREAKDOWN OF INTEREST-BEARING LIABILITIES

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Bond issue	744	763
Finance lease liabilities	179	175
Other long-term borrowings	285	545
Total interest-bearing non-current liabilities (portion maturing > 1 year at inception)	**1,208**	**1,483**
Finance lease commitments	11	16
Other long-term borrowings	215	253
Accrued interest not yet due	4	5
Current liabilities bearing long-term interest at inception	**230**	**274**
Treasury bills	454	201
Short-term bank facilities and equivalent	683	93
Current liabilities bearing short-term interest at inception	**1,137**	**294**
Total interest-bearing current liabilities (< 1 year)	**1,367**	**568**
TOTAL INTEREST-BEARING LIABILITIES	**2,575**	**2,051**

Movements in this caption break down as follows:

(in € millions)	
Total at December 31, 2009	**2,575**
Increase in borrowings	346
Decrease in borrowings	(146)
Movements in short-term bank facilities	(775)
Changes in scope of consolidation	11
Foreign exchange differences	32
Reclassifications	8
TOTAL AT DECEMBER 31, 2010	**2,051**

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 bonds' initial 4.0% fixed-rate interest came out at 2.41% at December 31, 2010, after taking account of interest rate hedges (3-month Euribor floating-rate swaps).

  At December 31, 2010, bond debt totaled €749 million, less the cost and impact of the abovementioned interest rate hedges.
- European Investment Bank (EIB) borrowings: €367 million (€133 million at December 31, 2009).

  On December 17, 2010, the previously undrawn €300 million EIB loan signed on June 17, 2009 was drawn down. The loan is at a floating rate indexed to 3-month Euribor plus 0.73% (i.e., 1.76% at the date the loan was set up, including a margin), and is due to be repaid in half-yearly equal installments between December 17, 2013 and December 17, 2020.

  The outstanding principal of €67 million under the EIB loan consists of four drawdowns with average fixed-rate interest of 2.99%, repayable in half-yearly equal installments of the principal, with the final payment due in July 2012. The amount falling due within one year is €50 million.

  For certain drawdowns, 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.
- Employee savings financing under the Group Employee Savings Plan: €364 million (€300 million at December 31, 2009).

  The maximum maturity is five years and the amount falling due within one year is €175 million.

  The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 3.37% for 2010, 3.82% for 2009 and 4.85% for 2008 (the interest rate adopted for 2011 is 2.91%).
- Messier-Bugatti USA Inc. real estate lease financing contract: USD 45 million (€34 million) [USD 45 million (€31 million) at December 31, 2009], bearing fixed-rate interest of 5.2%. This lease is guaranteed by the parent company, Messier-Bugatti SA.
- Turbomeca real estate lease financing contract: €59 million bearing fixed-rate interest of 4.7%, including €4 million due in less than one year. The lease expires in November 2021.
- Sagem Défense real estate lease financing contract: €56 million bearing floating-rate interest indexed to 3-month Euribor. The lease expires in January 2022.

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

Main short-term borrowings:

- Commercial paper: €200 million (€454 million at December 31, 2009). This amount comprises several drawdowns made under market terms and conditions, with maturities of less than three months.
- Financial current accounts with non-consolidated subsidiaries: €33 million (€38 million at December 31, 2009). Interest is indexed to Euribor.

Other short-term borrowings are not material.

ANALYSIS BY MATURITY

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Maturing in		
1 year	1,367	568
2 to 5 years	1,087	1,182
Beyond 5 years	121	301
TOTAL	**2,575**	**2,051**

Analysis by currency:

	Dec. 31, 2009		Dec. 31, 2010	
(in millions of currency units)	Currency	EUR	Currency	EUR
EUR	2,301	2,301	1,922	1,922
USD	139	96	132	99
CAD	127	84	1	1
GBP	50	56	1	1
Other	NA	38	NA	28
TOTAL		**2,575**		**2,051**

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

	Non-current				Current			
	Dec. 31, 2009		Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2010	
(in € millions)	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	947	4.05%	907	4.09%	94	3.79%	93	3.47%
Floating rate	261	3.03%	576	2.19%	1,273	1.30%	475	1.82%
TOTAL	**1,208**	**3.83%**	**1,483**	**3.35%**	**1,367**	**1.47%**	**568**	**2.09%**

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

	Non-current				Current			
	Dec. 31, 2009		Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2010	
(in € millions)	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	203	4.21%	145	4.54%	94	3.79%	93	3.47%
Floating rate	1,005	2.65%	1,338	2.32%	1,273	1.30%	475	1.82%
TOTAL	**1,208**	**2.91%**	**1,483**	**2.53%**	**1,367**	**1.47%**	**568**	**2.09%**

NET FINANCIAL POSITION

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Cash and cash equivalents (A)	2,080	2,062
Interest-bearing current and non-current liabilities (B)	2,575	2,051
Fair value of interest rate derivatives hedging borrowings (C)	(3)	13
TOTAL (A) - (B) + (C)	**(498)**	**24**

Net debt at end-2010 does not include the following three assigned trade receivables without recourse:

- CFM Inc.:
  - confirmed 24-month facility for USD 200 million granted in October 2009 by General Electric Capital Corp., on which USD 92.1 million (USD 46 million at 50%) has been drawn down at the reporting date, versus USD 79.4 million (USD 40 million at 50%) at December 31, 2009;
  - confirmed 364-day facility for USD 870 million granted by a syndicate of five banks led by BNP Paribas and renewed in December 2010, on which USD 822.2 million (USD 411 million at 50%) has been drawn down at the reporting date, versus USD 827.4 million (USD 414 million at 50%) at December 31, 2009.
- CFM SA:
  - confirmed 24-month facility for USD 110 million granted in July 2010 by Medio Factoring (Intesa San Paolo group), on which USD 48 million (USD 24 million at 50%) has been drawn down to date.

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Net debt	(498)	24
Total equity	4,501	4,705
Gearing	11%	NA

NOTE 27. TRADE AND OTHER PAYABLES

(in € millions)	Dec. 31, 2009	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifi-cations	Dec. 31, 2010
Operating payables	**6,258**	**188**	**67**	**45**	**28**	**6,586**
Credit balances on trade receivables	795	33				828
Advance payments from customers	3,017	167	21	9	1	3,215
Trade and other operating payables	1,713	(59)	43	31	16	1,744
Current operating account	5	(1)		1		5
Employee-related liabilities	728	48	3	4	11	794
Other liabilities	**678**	**(11)**	**5**	**9**	**(31)**	**650**
Other liabilities	203	(64)		4	(33)	110
State aid, accrued payables	20	(2)				18
State, other taxes and duties	109	12	1	1		123
Deferred income	346	43	4	4	2	399
TOTAL	**6,936**	**177**	**72**	**54**	**(3)**	**7,236**

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	6,146	440
Other payables	550	100
TOTAL	**6,696**	**540**

NOTE 28. OTHER CURRENT AND NON-CURRENT LIABILITIES

(in € millions)	Dec. 31, 2009	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifi-cations	Dec. 31, 2010
Payables on purchases of property, plant and equipment and intangible assets	71	(32)	-	-	-	39
Payables on purchases of investments	137	-	(9)	9	10	147
TOTAL	**208**	**(32)**	**(9)**	**9**	**10**	**186**
Non-current	**208**					**186**
Current	**-**					**-**

NOTE 29. SUMMARY OF FINANCIAL LIABILITIES

The fair value of financial liabilities is calculated based on the future cash flows associated with each borrowing, discounted at the market interest rate.

At December 31, 2009	Carrying amount		
(in € millions)	Financial liabilities at amortized cost	Financial liabilities at fair value	Total
Borrowings subject to specific conditions	696		696
Interest-bearing non-current liabilities	1,208		1,208
Interest-bearing current liabilities	1,367		1,367
Trade and other operating payables	1,713		1,713
Minority put granted to non-controlling interests[(1)]	-	125	125
Current operating accounts	5		5
Derivative liabilities	-	13	13
TOTAL FINANCIAL LIABILITIES	**4,989**	**138**	**5,127**

(1) Included in payables on purchases of investments.

At December 31, 2010	Carrying amount		
(in € millions)	Financial liabilities at amortized cost	Financial liabilities at fair value	Total
Borrowings subject to specific conditions	701		701
Interest-bearing non-current liabilities	1,483		1,483
Interest-bearing current liabilities	568		568
Trade and other operating payables	1,744		1,744
Minority put granted to non-controlling interests[(1)]	-	131	131
Current operating accounts	5		5
Derivative instruments - liabilities	-	451	451
TOTAL FINANCIAL LIABILITIES	**4,501**	**582**	**5,083**

(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 instruments - liabilities		13		13
Committments to buy out non-controlling interests			125	125
TOTAL	**-**	**13**	**125**	**138**

The Group's financial liabilities carried at fair value as of December 31, 2010 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Derivative instruments - liabilities		451		451
Committments to buy out non-controlling interests			131	131
TOTAL	**-**	**451**	**131**	**582**

In 2010, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

NOTE 30. 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.

New companies entering the scope of consolidation in 2010:

- Hydrep: repair of landing gear for regional and business jets;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts.

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, 2009	Dec. 31, 2010
Current assets	269	378
Non-current assets	386	368
Current liabilities	362	395
Non-current liabilities	40	47
Operating income	279	342
Operating expenses	(234)	(287)
Financial income (loss)	(9)	(3)
Income tax expense	(4)	(14)
Profit for the period	32	38
Cash flows from operating activities(1)	237	102
Cash flows used in investing activities	(3)	(2)
Cash flows used in financing activities(1)	(198)	(30)

(1) See Note 26 on the sale of trade receivables by CFM Inc.

Average figures include the workforce of the following proportionately consolidated companies (based on the percentage of consolidation):

Shannon Engines Support	14
Europropulsion	44
Sofradir	148
Ulis	49
Famat	217
SEMMB	23
Matis Aerospace	183
CFAN	190
Hydrep	48
A-Pro	40
TOTAL	**956**

NOTE 31. 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, 2009	Dec. 31, 2010
Sales to related parties	2,455	2,609
Purchases from related parties	(138)	(204)

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Receivables from related parties	1,171	1,338
Payables to related parties	1,710	1,790

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Guarantees granted to related parties (off-balance sheet)	457	729

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, 2009	Dec. 31, 2010
Short-term benefits	8.8	10.6
Post-employment benefits	0.5	0.9
Other long-term benefits	-	-
Termination payments	0.6	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, additional income tax contributions and the annual minimum tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, pursuant to the provisions of article 223-A of the French Tax Code (*Code général des impôts*).

  In accordance with the tax consolidation agreement in France, tax-consolidated subsidiaries bear their own tax charge as if they were not members of the tax group, and pay the corresponding amounts to Safran as their contribution to the Group tax payment.
- Services rendered by the holding company to its subsidiaries are generally billed to beneficiaries based on assistance agreements.

NOTE 32. CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method, which shows the adjustments made to profit in order to obtain cash flow from operating activities. 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. They have a term of less than three months and are convertible into a known amount of cash.

These amounts are analyzed in Note 20.

PAYMENTS FOR THE PURCHASE OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

These items break down as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Acquisitions of intangible assets	(269)	(232)
Acquisitions of property, plant and equipment	(354)	(286)
Change in payables on purchases of intangible assets	(24)	(23)
Change in payables on purchases of property, plant and equipment	(14)	(9)
Change in receivables on disposals of property, plant and equipment	-	-
Proceeds from disposals of intangible assets	1	1
Proceeds from disposals of property, plant and equipment	75	24
TOTAL	**(585)**	**(525)**

MATERIAL NON-CASH TRANSACTIONS

Certain transactions carried out by the Group did not have any impact on cash and cash equivalents.

These mainly concern:

• depreciation, amortization, impairment and provision expenses	€649 million
• impact of changes in the fair value of financial instruments[1]	€310 million
• capital gains on asset disposals	€30 million
• elimination of profit before tax paid relating to discontinued operations	€5 million
• other	€39 million
TOTAL	**€1,033 MILLION**

(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 33. 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, 2009		Dec. 31, 2010	
(in € millions)	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	*-*	*(4)*	*13*	*-*
Floating-for-fixed interest rate swaps	-	(1)	13	-
Fixed-for-floating interest rate swaps	-	(3)	-	-
Foreign currency risk	*63*	*(9)*	*107*	*(451)*
Currency swaps	-	(4)	-	-
Buy and sell forward currency contracts	50	(2)	24	(240)
Currency options	13	(3)	83	(211)
Management of commodity risk	*-*	*-*	*8*	*-*
Forward purchases of commodities	-	(1)	8	-
TOTAL	**63**	**(13)**	**128**	**(451)**

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 4.01 billion for 2010 (USD 4.23 billion in 2009).

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 SA for most of its subsidiaries:

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

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a 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, 2009				Dec. 31, 2010			
(in millions of currency units)	Fair value[(1)]	Notional amount[(1)]	Less than 1year	1 to 5 years	Fair value[(1)]	Notional amount[(1)]	Less than 1 year	1 to 5 years
Forward exchange contracts	**48**				**(216)**			
Short USD position	52	11,274	5,692	5,582	(229)	10,737	6,467	4,270
Of which against EUR	*88*	*10,282*	*5,076*	*5,206*	*(198)*	*9,938*	*5,748*	*4,190*
Long USD position	(1)	(12)	(12)	-	5	(1,103)	(903)	(200)
Of which against EUR	-	-	-	-	*10*	*(800)*	*(600)*	*(200)*
Short GBP position against EUR	-	-	-	-	0,2	21	21	-
Long GBP position against EUR	(5)	(20)	(20)	-	(0,1)	(3)	(3)	-
Long PLN position against EUR	2	33	11	22	3	(225)	(85)	(140)
Short EUR position against CHF	-	(23)	(11)	(12)	(11)	(83)	(56)	(27)
Long MXN position against USD	-	-	-	-	16	(3,149)	(999)	(2,150)
Currency swaps	**(4)**				-			
Of which against USD	*(1)*	*22*	*22*	-	-	-	-	-
Currency option contracts	**10**				**(128)**			
Puts purchased	*20*	*2,024*	*2,024*	-	*69*	*1,500*	*1,500*	-
Puts sold	*(20)*	*(2,024)*	*(2,024)*	-	*(1)*	*(100)*	*(100)*	-
Calls sold	*(3)*	*1,024*	*1,024*	-	*(155)*	*7,222*	*4,174*	*3,048*
Accumulators – sell USD[(2)]	*(1)*	*7,089*	*3,619*	*3,470*	*(55)*	*9,872*	*6,309*	*3,563*
Accumulators – buy USD[(2)]	*14*	*(1,745)*	*(1,745)*	-	*11*	*(1,702)*	*(1,702)*	-
Accumulators – sell GBP[(2)]	-	*61*	*61*	-	*3*	*302*	*302*	-
TOTAL	**54**				**(344)**			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.
(2) Notional amounts for accumulators represent the maximum cumulative amount.

The €398 million decrease in the fair value of foreign currency derivatives between December 31, 2009 and December 31, 2010 includes decreases in the fair value of currency hedging instruments not yet settled at December 31, 2010 (€275 million), premiums received (€95 million), and premiums matured (€28 million).

In view of the constraints resulting from the application of IAS 39, the Group decided not to apply hedge accounting and to recognize all changes in the fair value of its financial instruments in "Financial income (loss)". Accordingly, all changes in the fair value of hedging instruments not yet settled at the end of the reporting period (€275 million) and premiums matured (€28 million) have been recognized in "Financial income (loss)".

In order to reflect the economic effects of its currency hedging policy, the Group also prepares adjusted financial statements in which gains or losses on the hedging instruments are presented for the same periods as the gains or losses on the items hedged (see Foreword in section 2.1 of the Registration Document).

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, 2009						Dec. 31, 2010					
(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	1,273	70	80	**1,423**	28	21	1,232	4	21	**1,257**	54	86
Total liabilities excluding financial derivatives	1,719	67	21	**1,807**	50	127	1,581	7	17	**1,605**	26	1
Financial derivatives	130	(50)	4	**84**	(5)	-	(441)	(47)	12	**(476)**	1	-
Net balance sheet exposure after financial instruments	**(315)**	**(47)**	**63**	**(299)**	**(27)**	**(106)**	**(790)**	**(50)**	**16**	**(824)**	**29**	**85**

The above table is presented in foreign currencies.

The table below shows the sensitivity of the balance sheet to an increase or decrease of 5% in the EUR/USD exchange rate:

Impact on balance sheet positions	Dec. 31, 2009		Dec. 31, 2010	
(in € millions)	USD		USD	
Closing rate	**1.44**		**1.34**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.37	1.51	1.27	1.40
Net impact of exposure after financial derivatives	(401)	394	(776)	544

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, 2010, the Group had contracted "pay floating/ received fixed" interest rate swaps for terms of three to five years for a total of €750 million. These swaps are intended as hedges of the coupon payable on bonds and are eligible for fair value hedge accounting.

	Dec. 31, 2009				Dec. 31, 2010			
(in € millions)	Fair value	Notional amount	Less than 1 year	1 to 5 years	Fair value	Notional amount	Less than 1 year	1 to 5 years
Interest rate swaps								
Fixed-for-floating – fair value hedge	(3)	750	-	750	13	750	-	750
Floating-for-fixed – not eligible for hedge accounting	(1)	650	-	650	-	-	-	-
TOTAL	**(4)**	**1,400**	**-**	**1,400**	**13**	**750**	**-**	**750**

Debt in respect of employee savings is at floating rates, but resets only yearly. The Group's remaining long-debt is mostly at floating rates and includes a €750 million swap hedging the fixed coupon payable on the November 2009 bonds, as well as the €300 million EIB loan initially signed on June 17, 2009 and fully drawn down at December 17, 2010 (see Note 26).

A 1% rise in interest rates would therefore increase the cost of debt by €8 million, compared to €6 million in 2009.

MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five 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 cash flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2010 represents 2,817 tons of nickel, including contracts for 604 tons maturing in less than one year and 2,213 tons in one to five years. The fair value of these instruments was €8.3 million at end-2010.

EQUITY RISK MANAGEMENT

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, the only listed shares it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity, compared to a negative impact of €2 million at end-2009.

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

- short-term investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or traded over-the-counter with investment-grade counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

At December 31, 2010, no material counterparty risk had been identified by the Group that had not been covered by a provision 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, 2005 and 2010 (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 facilities at December 31, 2010 totaled €2,400 million and comprised two syndicated credit lines for €800 million and €1,600 million, maturing in January 2012 and December 2015, respectively. The latter is subject to a financial covenant (net debt/EBITDA of less than 2.5).

NOTE 34. OFF-BALANCE SHEET COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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, 2009	Dec. 31, 2010
Employee-related commitments	17	86
Commitments given to customers (completion warranties, performance bonds)	257	275
Commitments given to third parties	651	1,096
Commitments given to customs authorities	79	78
Vendor warranties given	117	110
Actuarial adjustments	55	131
Other commitments	169	164
TOTAL	**1,345**	**1,940**

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

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Commitments received from banks on behalf of suppliers	15	15
Completion warranties	17	19
Endorsements and guarantees received	1	53
Vendor warranties received	223	203
Other commitments received	9	3
TOTAL	**265**	**293**

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, 2009	Dec. 31, 2010	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	From 1 to 5 years	Beyond 5 years
Long-term borrowings at inception	504	803	258	355	190
Finance lease commitments	190	191	16	64	111
Operating lease commitments	190	218	56	122	40
Non-cancelable purchase commitments	-	-	-	-	-
Bond issue	744	762	-	762	-
TOTAL	**1,628**	**1,974**	**330**	**1,303**	**341**

Lease payments recognized in profit or loss for the year amounted to €103 million.

VENDOR WARRANTIES

Vendor warranties are given or received on the acquisition or sale of companies. At December 31, 2010, 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, 2010, capital expenditure commitments totaled €108 million (excluding discontinued operations), versus €104 million at end-2009.

FINANCIAL GUARANTEES GRANTED ON THE SALE OF GROUP PRODUCTS

These guarantees generate risks which represented a total gross amount of USD 127.5 million at December 31, 2010. 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 35. 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 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 reasonably estimated. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although the occurrence of events during the proceedings can nonetheless lead to a reassessment of the risk. Safran believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

- A number of criminal and/or civil lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.
- At the end of 2002, a request for arbitration against a group of French manufacturers, including the future Snecma group, was filed by a common customer seeking the payment of no less than USD 260 million and for which the group of manufacturers may be jointly and severally 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 request for arbitration 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 brought 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, these claims are not expected to result in any significant losses for the Group.
- At the end of 2008, proceedings were brought against three employees of a Group subsidiary in connection with the alleged payment by Sagem SA of commissions to local intermediaries between 2000 and 2003. These payments were allegedly made in an attempt to corrupt employees of the Nigerian government with the aim of being awarded the State's electronic ID card contract. Safran was also placed under judicial investigation in connection with this case in February 2009. In September 2009, a tax collection notice was issued for €11.7 million, further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment has been challenged.
- In 2009 and 2010, Safran received several requests for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA 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, but does not rule out the possibility of being served a statement of objections.

Tax litigation and contingencies

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expense between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007. No provision has yet been set aside in respect of this risk.
- Two of the Group's subsidiaries in Brazil were served tax deficiency notices for €56.2 million and €19.3 million, respectively, chiefly in connection with unpaid import levies and duties. In light of existing legislation and case law with regard to the customs clearance for aviation products, along with information supplied by the subsidiaries, these tax adjustments have been challenged.

NOTE 36. SUBSEQUENT EVENTS

None.

NOTE 37. LIST OF CONSOLIDATED COMPANIES

Corporate name, Legal form, Registered office	Siren registration no. or country	2009 Consolidation method	2009 % interest	2009 % control	2010 Consolidation method	2010 % interest	2010 % 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 - 75015 Paris	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 - 92707 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	93.32	100.0	FC	93.91	100.0
Morpho USA Inc.(1)	United States	-	-	-	FC	100.00	100.0
Messier-Bugatti SA - 78141 Vélizy	712 019 538	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty SA - 78142 Vélizy	552 118 846	FC	100.0	100.0	FC	100.0	100.0
Europropulsion SA - 92150 Suresnes	388 250 797	PC	50.0	50.0	PC	50.0	50.0
SEM MB SA - 95815 Argenteuil	592 027 312	PC	50.0	50.0	PC	50.0	50.0
Safran Engineering Services (formerly Teuchos SA) - 78990 Elancourt(3)	352 876 197	FC	100.0	100.0	-	-	-
Safran UK (formerly Snecma Ltd)	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Sagem Télécommunications							
Sagem Mobiles – 75015 Paris(2)	440 349 181	FC	100.0	100.0	FC	100.0	100.0
Sagem Industries – 75015 Paris	440 293 637	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Sagem Mobiles(2)							
Sagem Communication Poland Sp Zo.o	Poland	NC(*)	-	-	NC(*)	-	-
Sagem Industria e Comercio de Comunicacoes LDA	Portugal	NC(*)	-	-	NC(*)	-	-
Sagem Communication Suisse	Switzerland	NC(*)	-	-	NC(*)	-	-
Sagem Communicaçoes Ltda	Brazil	NC(*)	-	-	NC(*)	-	-
Subsidiaries of Sagem Défense Sécurité							
Morpho (formerly Sagem Sécurité) – 75015 Paris	440 305 282	FC	100.0	100.0	FC	100.0	100.0
Sagem Avionics Inc.(4)	United States	FC	100.0	100.0	-	-	-
Sofradir	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

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method. NC: Not consolidated. (*) Frozen retained earnings.
(1) Incorporated on July 28, 2010.
(2) Classified within assets held for sale.
(3) Sold by Safran to Labinal SA in 2010.
(4) Sold to Safran USA Inc. in 2010.

Corporate name, Legal form, Registered office	Siren registration no. or country	2009 Consolidation method	2009 % interest	2009 % control	2010 Consolidation method	2010 % interest	2010 % control
Safran Electronics Canada (formerly Hispano-Suiza Canada)	Canada	FC	100.0	100.0	FC	100.0	100.0
Sagem Navigation GmbH	Germany	NC(*)	-	-	FC	100.0	100.0
Safran Electronics Asia Pte Ltd	Singapore	-	-	-	FC	51.0	100.0
Subsidiaries of Morpho (formerly Sagem Sécurité)							
Sagem Orga GmbH	Germany	FC	100.0	100.0	FC	100.0	100.0
Ingenico	317 218 758	EQ	22.38	19.35	EQ	22.58	31.73
Morpho BV (formerly Sagem Identification BV)	Netherlands	FC	100.0	100.0	FC	100.0	100.0
Morpho Australasia Pty Ltd	Australia	FC	100.0	100.0	FC	100.0	100.0
Sagem Sécurité Maroc	Morocco	FC	100.0	100.0	FC	100.0	100.0
Aleat	Albania	FC	75.0	75.0	FC	75.0	75.0
Confidence	404 401 887	NC(*)	-	-	NC(*)	-	-
Sagem Xelios(1)	437 782 535	NC(*)	-	-	-	-	-
Sagem Security International Trading Co, Ltd	China	NC(*)	-	-	NC(*)	-	-
Morpho UK Ltd	United Kingdom	-	-	-	FC	100.0	100.0
Morpho South Africa (Pty) Ltd	South Africa	-	-	-	FC	100.0	100.0
Subsidiary of Confidence							
Positive	339 650 335	NC(*)	-	-	NC(*)	-	-
Subsidiaries of Sagem Orga GmbH							
Orga Carte et Système	400 337 432	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga Pte Ltd	Singapore	FC	100.0	100.0	FC	100.0	100.0
Orga Zelenograd Smart Cards and Systems	Russia	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga do Brasil	Brazil	FC	100.0	100.0	FC	100.0	100.0
Orga 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
Orga Card Portugal	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
Sagem Orga Mexico	Mexico	-	-	-	FC	100.0	100.0
Subsidiary of Sofradir							
ULIS	440 508 331	PC	34.01	40.0	PC	34.01	40.0
Subsidiaries of Vectronix AG							
Vectronix Inc.	United States	FC	100.00	100.0	FC	100.00	100.0
Optics1 Inc.	United States	-	-	-	FC	100.00	100.0
Subsidiaries of Snecma							
CFM International SA - 75105 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 - 44614 Saint-Nazaire cedex	321 853 798	PC	50.0	50.0	PC	50.0	50.0
Snecma Participations	440 291 888	FC	100.0	100.0	FC	100.0	100.0
Snecma Services Participations SA - 75015 Paris(2)	414 815 399	FC	100.0	100.0	-	-	-
Fan Blade Associates	United States	FC	100.0	100.0	FC	100.0	100.0
Snecma Xinyi Airfoil Castings Co Ltd	China	-	-	-	FC	90.0	100.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method. NC: Not consolidated. (*) Frozen retained earnings.
(1) Merged into Morpho SA in 2010.
(2) Merged into Snecma Participations Inc.

Corporate name, Legal form, Registered office	Siren registration no. or country	2009 Consolidation method	2009 % interest	2009 % control	2010 Consolidation method	2010 % interest	2010 % control
Subsidiaries of Snecma Participations							
Snecma Suzhou	China	FC	100.0	100.0	FC	100.0	100.0
Snecma Services Brussels - 1200 Woluwé Saint Lambert	Belgium	FC	100.0	100.0	FC	100.0	100.0
Snecma Morocco Engine Services	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
Snecma America Engine Services	Mexico	-	-	-	FC	100.0	100.0
Subsidiary of Fan Blades Associates							
CFAN	United States	PC	50.0	50.0	PC	50.0	50.0
Subsidiary of Hispano-Suiza							
Hispano-Suiza Polska	Poland	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of CFM International Inc.							
Shannon Engine Support Ltd - Shannon, Co Clare	Ireland	PC	50.0	50.0	PC	50.0	50.0
Subsidiaries of Snecma Services Participation Inc.							
Propulsion Technologies International - Miami, Florida 33122	United States	FC	51.0	100.0	FC	51.0	100.0
CFM Materials LP	United States	-	-	-	PC	50.0	50.0
Subsidiaries of Aircelle							
Aircelle Ltd - Burnley, Lancashire	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
SLCA - 57192 Floranges	317 401 065	FC	100.0	100.0	FC	100.0	100.0
Aircelle Maroc	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
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
Subsidiaries of Labinal							
Labinal GmbH - 21129 Hamburg	Germany	FC	100.0	100.0	FC	100.0	100.0
Labinal Maroc	Morocco	FC	74.92	100.0	FC	74.92	100.0
Matis Aerospace	Morocco	PC	33.33	33.3	PC	33.33	33.3
Safran Engineering Services (formerly Teuchos SA) - 78990 Élancourt(1)	352 876 197	-	-	-	FC	100.0	100.0
Subsidiaries of Safran USA Inc.							
Labinal Inc. - Wilmington/Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Safran Electronics Inc. (formerly Messier-Bugatti Systems Inc.) - Wilmington/Delaware 19808	United States	FC	100.0	100.0	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
Turbomeca USA Inc. Wilmington/Delaware 19808	United States	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 by Safran to Labinal SA in 2010.

Corporate name, Legal form, Registered office	Siren registration no. or country	2009 Consolidation method	2009 % interest	2009 % control	2010 Consolidation method	2010 % interest	2010 % control
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. (formerly Sagem Morpho Inc.)(1)	United States	FC	100.0	100.0	-	-	-
MorphoDetection Inc.(1)	United States	FC	81.00	81.00	-	-	-
Sagem Avionics Inc.(2)	United States	-	-	-	FC	100.0	100.0
Messier-Bugatti USA(2) Walton - Kentucky 41094	United States	-	-	-	FC	100.0	100.0
Subsidiaries of Morpho USA Inc.							
MorphoTrak Inc. (formerly Sagem Morpho Inc.)(1)	United States	-	-	-	FC	100.0	100.0
MorphoDetection Inc.(1)	United States	-	-	-	FC	81.00	81.00
Subsidiary of Labinal Inc.							
Labinal Salisbury Inc. Maryland	United States	-	-	-	FC	100.0	100.0
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	Mexico	FC	100.0	100.0	FC	100.0	100.0
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	Australia	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Canada	Canada	FC	100.0	100.0	FC	100.0	100.0
Turbomeca do Brasil	Brazil	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Germany	Germany	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Asia Pacific	Singapore	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Sud Americana	Uruguay	FC	100.0	100.0	FC	100.0	100.0
Turbomeca America Latina	Uruguay	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Beijing Helicopter Engines Trading Cie Ltd	China	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Safran UK (formerly Snecma Ltd)							
Turbomeca UK	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Messier-Bugatti							
Messier-Bugatti USA(2) Walton - Kentucky 41094	United States	FC	100.0	100.0	-	-	-
Sofrance SA - 87800 Nexon	757 502 240	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Messier-Dowty SA							
Messier-Dowty Ltd Gloucester GL2 9QH	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
Suzhou I(3)	China	FC	100.0	100.0	-	-	-
Suzhou II	China	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Safran Engineering Services (formerly Teuchos SA)							
Safran Engineering Services Maroc (formerly Teuchos Maroc)	Morocco	FC	100.0	100.0	FC	100.0	100.0
Safran Engineering Services India (formerly Safran Aerospace India Pvt Ltd)	India	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) Contribution of MorphoTrak and MorphoDetection shares to Morpho USA on August 31, 2010.
(2) Sold to Safran USA Inc. in 2010.
(3) Merged into Suzhou II.

Corporate name, Legal form, Registered office	Siren registration no. or country	2009 Consolidation method	2009 % interest	2009 % control	2010 Consolidation method	2010 % interest	2010 % control
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 GL2 9QH	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
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	PC	50.0	50.0
Interest in Messier Services Inc.							
A-Pro Inc. Tallahassee Florida 32301	United States	EQ	50.0	50.0	PC	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 MorphoDetection Inc.							
MorphoDetection International Inc.	United States	FC	81.0	81.0	FC	81.0	81.0
Quantum Magnetics Inc.	United States	FC	81.0	81.0	FC	81.0	81.0
MorphoDetection GmbH	Germany	FC	81.0	81.0	FC	81.0	81.0
MorphoDetection UK	United Kingdom	FC	81.0	81.0	FC	81.0	81.0
MorphoDetection Hong Kong	China	FC	81.0	81.0	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, 2010

(in € millions)	Note	Dec. 31, 2009	Dec. 31, 2010		
ASSETS		Net	Gross	Deprec., amort. and provisions	Net
Non-current assets					
• Purchased goodwill	2	3,268.2	3,268.2		3,268.2
• Other intangible assets	2	1.3	9.9	3.8	6.1
• Payments on account		2.5	-		-
Total intangible assets		3,272.0	3,278.1	3.8	3,274.3
Property, plant and equipment	2	14.6	41.2	27.4	13.8
• Equity investments	2	3,022.0	4,948.0	526.8	4,421.2
• Other financial assets	2	1,397.6	605.4	-	605.4
Total financial assets		4,419.6	5,553.4	526.8	5,026.6
Total non-current assets		7,706.2	8,872.7	558.0	8,314.7
Current assets					
• Payments on account		0.8	1.3		1.3
Accounts receivable:	3				
• Trade receivables		16.7	43.2		43.2
• Other receivables		233.7	156.5		156.5
• Group current accounts		1,360.4	857.1		857.1
Marketable securities:					
• Treasury shares	6	63.2	119.1	20.1	99.0
• Other securities	6	1,631.6	1,551.2		1,551.2
Cash at bank and in hand		262.9	241.6		241.6
Prepayments	5	1.0	3.8		3.8
Total current assets		3,570.3	2,973.8	20.1	2,953.7
Redemption premiums	7	0.2	0.2		0.2
Unrealized foreign exchange losses		64.6	40.6		40.6
TOTAL ASSETS		11,341.3	11,887.3	578.1	11,309.2

	Note	Dec. 31, 2009	Dec. 31, 2010
EQUITY AND LIABILITIES			
Share capital (fully paid up)	8	83.4	83.4
Additional paid-in capital	8	3,288.6	3,288.6
Reserves:			
• Legal reserve	8	8.3	8.3
• Tax-driven reserves	8	302.0	302.0
• Other reserves	8	934.7	1,028.7
Retained earnings	8	4.1	6.5
Profit for the year	8	**249.5**	**497.1**
Tax-driven provisions	8 and 9	3.1	0.8
Total equity		4,873.7	5,215.4
Provisions for contingencies	9	49.0	11.1
Provisions for losses	9 and 10	774.2	772.9
Total provisions for contingencies and losses		823.2	784.0
Liabilities	3		
Bonds	11	750.0	750.0
Loans and borrowings		1,495.1	937.3
Group current accounts		3,013.3	3,137.4
Trade payables		24.6	43.8
Due to suppliers of non-current assets		10.5	10.5
Other liabilities		333.6	396.5
Total liabilities		5,627.1	5,275.5
Unrealized foreign exchange gains		17.3	34.3
TOTAL EQUITY AND LIABILITIES		11,341.3	11,309.2

SAFRAN SA INCOME STATEMENT

(in € millions)	2009	2010
Revenue (Note 13)	**107.6**	**130.0**
Other operating income	11.3	14.1
Expense reclassifications (Note 14)	18.0	11.2
Reversal of depreciation, amortization and provisions (Note 9)	2.2	13.0
Operating income	**139.1**	**168.3**
Non-group cost of goods sold	(92.1)	(127.7)
Taxes and duties other than income tax	(4.8)	(5.8)
Payroll costs	(76.4)	(94.8)
Charges to depreciation, amortization and provisions:		
Charges to depreciation and amortization	(2.5)	(3.3)
Charges to provisions for contingencies and losses (Note 9)	(10.8)	(26.9)
Other expenses	(1.3)	(2.1)
Operating expenses	**(187.9)**	**(260.6)**
Profit (loss) from operations	**(48.8)**	**(92.3)**
Income from equity investments	273.2	426.2
Income from other marketable securities and long-term loans	47.6	38.3
Other interest and similar income	32.4	48.9
Reversal of provisions and expense reclassifications	68.1	252.1
Foreign exchange gains	0.0	61.5
Net proceeds from sales of marketable securities	0.0	0.1
Financial income	**421.3**	**827.1**
Charges to provisions for financial items	(75.3)	(299.3)
Interest and similar expenses	(43.6)	(72.0)
Foreign exchange losses	(7.0)	(0.0)
Net losses on sales of marketable securities	0.0	0.0
Financial expenses	**(125.9)**	**(371.3)**
Net financial income (Note 15)	**295.4**	**455.8**
Profit from ordinary activities before tax	**246.6**	**363.5**
Non-recurring income from non-capital transactions	1.5	0.1
Non-recurring income from capital transactions	28.3	480.7
Reversal of provisions and expense reclassifications	5.5	4.6
Non-recurring income	**35.3**	**485.4**
Non-recurring expenses on non-capital transactions	(0.7)	(3.6)
Non-recurring expenses on capital transactions	(35.1)	(444.1)
Charges to provisions for non-recurring items	(2.0)	(15.2)
Non-recurring expenses	**(37.8)**	**(462.9)**
Net non-recurring income (expense) (Note 16)	**(2.5)**	**22.5**
Employee statutory profit-sharing (Note 18)	0.0	0.0
Income tax benefit arising from tax consolidation (Note 18)	130.6	81.3
Movements in provisions for income tax of loss-making subsidiaries	(125.2)	29.8
PROFIT FOR THE YEAR	**249.5**	**497.1**

SAFRAN SA STATEMENT OF CASH FLOWS

(in € millions)	2009	2010
Cash flows from operating activities		
Profit for the year	249.5	497.1
Elimination of non-cash items and income and expenses not relating to operations		
• Net charge to depreciation, amortization and provisions	140.1	45.2
• Capital gains/losses on asset disposals	7.1	(36.4)
Dividends received in the form of securities	0.0	0.0
Net cash from operations before changes in working capital	**396.7**	**505.9**
Changes in working capital(*)	348.2	977.1
Net cash from operating activities	**744.9**	**1,483.0**
Cash flows from investing activities		
Purchases of intangible assets and PP&E	(4.6)	(5.0)
Increase in financial assets	(4.8)	(1,741.8)
Loans granted	(700.1)	(34.9)
Loan repayments	3.2	807.6
Sales of intangible assets and PP&E	0.0	0.0
Sales of financial assets	27.9	100.2
Net cash used in investing activities	**(678.4)**	**(873.9)**
Cash flows from financing activities		
Dividends paid to shareholders	(68.4)	(153.1)
New borrowings	0.0	300.0
Bond issue	750.0	0.0
Repayments of borrowings	(66.7)	(66.7)
Change in share capital	0.0	0.0
Change in short-term borrowings	401.8	(791.0)
Net cash from (used in) financing activities	**1,016.7**	**(710.8)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,083.2**	**(101.7)**
Opening cash and cash equivalents	930.4	1,994.1
Treasury shares reclassified as financial assets (2009) and marketable securities (2010)	(19.5)	19.5
Increase (decrease) in cash and cash equivalents	1,083.2	(101.7)
Closing cash and cash equivalents(**)	1,994.1	1,911.9

(*) In view of the nature of the Company's operations this line includes changes in current accounts.

(**) Closing cash and cash equivalents:	2009	2010
Treasury shares	99.6	119.1
Other	1,631.6	1,551.2
Cash at bank and in hand	262.9	241.6
Short-term bank facilities and bank overdrafts	0.0	0.0
Closing cash and cash equivalents	**1,994.1**	**1,911.9**
Closing cash and cash equivalents	1,994.1	1,911.9
Provisions for impairment of treasury shares	(36.4)	(20.1)
Net cash and cash equivalents recorded in the balance sheet	**1,957.7**	**1,891.8**

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, 2010 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 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 permitted 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, whereby the gross carrying amount of equity investments purchased after this date corresponds to the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of 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 recognized 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, determined based on their value in use and their probable trading value, is less than their purchase cost. The fair value of listed securities is determined based on their average stock market price for the month preceding the period end.

Treasury shares

Treasury shares are recorded at purchase cost. Fair value is equal to the lower of purchase cost and the average stock market price for the month preceding the period end. A provision for impairment is recorded when the purchase cost exceeds the average stock market price. However, the following specific accounting rules apply for stock option 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 plan 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, swaps 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 2010, 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
- Microturbo
- Morpho (formerly Sagem Sécurité)
- Positive
- Safran Conseil
- Safran Engineering Services (formerly Teuchos)
- Safran Informatique
- Safran International Resources
- Safran Sixty
- Sagem Défense Sécurité
- Sagem Industries
- Sagem Mobiles
- Sagem Télécommunications
- Société Lorraine de Constructions Aéronautiques
- Société de Motorisations Aéronautiques
- Snecma
- Snecma Participations
- Snecma Propulsion Solide
- Snecmasat
- Sofrance
- SSI
- 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 reversed 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	3.8	6.1		9.9
Purchased goodwill/(merger deficit)[(1)]	3,268.2			3,268.2
Payments on account	2.5		2.5	0.0
TOTAL	**3,274.5**	**6.1**	**2.5**	**3,278.1**
Property, plant and equipment				
Land	2.9			2.9
Buildings	30.8	0.7	0.1	31.4
Technical installations, equipment and industrial tools	0.1			0.1
Other property, plant and equipment	6.3	0.7	0.2	6.8
TOTAL	**40.1**	**1.4**	**0.3**	**41.2**
Financial assets				
Equity investments[(2)(3)]	3,269.9	2,122.0	443.9	4,948.0
Loans to equity investments[(4)]	1,300.1	27.5	806.2	521.4
Loans	2.7	0.1		2.8
Other[(5)]	94.8	7.3	20.9	81.2
TOTAL	**4,667.5**	**2,156.9**	**1,271.0**	**5,553.4**

(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; Sagem Défense Sécurité – €31 million; Labinal and Safran Engineering Services – €214 million; Snecma SA – €2,098 million; Techspace Aero – €164 million; Snecma Propulsion Solide – €143 million; Turbomeca and Microturbo – €205 million).

(2) Increases in this item primarily reflect (i) the recapitalization of companies whose equity had fallen to below half of their share capital (€700 million for recapitalizing Aircell, €324 million for Sagem Télécommunications and €8 million for Arianespace Participations), (ii) the purchase of shares in subsidiaries in the United States (€344 million worth of Safran USA Inc. shares and €315 million worth of Morpho USA shares), (iii) the acquisition from other Group companies of shares in other US subsidiaries that were subsequently sold on to Safran USA Inc. (€30 million worth of Messier-Bugatti USA shares, €18 million worth of Sagem Avionics Inc. shares and €2 million worth of Messier-Bugatti Inc. shares), and (iv) the recognition of €380 million worth of Messier-Dowty shares received in exchange for Messier-Dowty Int. Ltd shares following the merger of the two companies. Decreases related to the aforementioned transactions concerning shares in Messier-Dowty Int. Ltd, Messier-Bugatti USA, Sagem Avionics Inc and Messier-Bugatti Inc., as well as the sale of €14 million worth of shares in Safran Engineering Services (formerly Teuchos) to Labinal.

(3) The 1.12% stake in Embraer, considered of strategic interest and a long-term investment, has been included in equity investments for €38.4 million (gross and net).

(4) The increase in this item includes a €19 million loan granted to Messier-Dowty Suzhou II. The decrease corresponds to repayments of loans, primarily by (i) Safran USA Inc. (€541 million) in connection with the transaction referred to above, (ii) Morpho (€47 million), and (iii) Messier-Dowty Ltd (€79 million).

(5) A total of 1,496,000 treasury shares representing €19.5 million were reclassified as marketable securities in 2010.

B) DEPRECIATION AND AMORTIZATION

(in € millions)	Accumulated opening balance	Charges	Reversals	Accumulated closing balance
Intangible assets				
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	2.5	1.3		3.8
TOTAL	**2.5**	**1.3**		**3.8**
Property, plant and equipment				
Land	0.0			0.0
Buildings	21.0	1.6		22.6
Technical installations, equipment and industrial tools	0.0			0.0
Other property, plant and equipment	4.5	0.4	0.1	4.8
TOTAL	**25.5**	**2.0**	**0.1**	**27.4**

See Note 9 for details on provisions for impairment of financial assets.

NOTE 3. MATURITIES OF RECEIVABLES AND LIABILITIES

	Gross carrying amount	Maturing in		
(in € millions)		1 year or less	between 1 and 5 years	beyond 5 years
Receivables				
Non-current assets				
Loans to equity investments	521.4	110.8	410.4	0.2
Loans	2.8		2.8	
Other non-current financial assets	6.1		6.0	0.1
Sub-total	**530.3**	**110.8**	**419.2**	**0.3**
Current assets				
Payments on account	1.3	1.3		
Trade receivables	43.2	43.2		
Prepaid and recoverable taxes	118.0	52.9	65.1	
Miscellaneous receivables	38.5	38.5		
Group current accounts	857.1	857.1		
Prepayments	3.8	3.8		
Sub-total	**1,061.9**	**996.8**	**65.1**	
TOTAL – RECEIVABLES	**1,592.2**	**1,107.6**	**484.3**	**0.3**
Liabilities				
Loans and borrowings	1,687.3	620.5	879.2	187.6
Payments received on account	0.0	0.0		
Group current accounts	3,137.4	3,137.4		
Trade payables	43.8(*)	43.8		
Due to suppliers of non-current assets	10.5	10.5		
Other liabilities	396.5	189.3	92.8	114.4
TOTAL – LIABILITIES	**5,275.5**	**4,001.5**	**972.0**	**302.0**

(*) The balance of trade payables comprises 35% payable in 30 days and 65% payable in 60 days (contractual payment period).

NOTE 4. ACCRUED INCOME

In accordance with the accruals principle, accrued income is recorded in the following asset headings:

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Trade receivables	12.8	34.4
Loans	12.4	8.4
Group current accounts	0.1	0.2
TOTAL	25.3	43.0

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-2010 or end-2009.

NOTE 6. MARKETABLE SECURITIES

TREASURY SHARES

(number of shares)	
Opening treasury shares	**14,197,361**
Acquisitions	1,060,465
Disposals	(1,060,465)
Share grants vested early due to the death of thirteen beneficiaries	(1,300)
Closing treasury shares	**14,196,061**
■ o/w recorded in "Marketable securities" (gross: €119.1 million; net: €99.0 million)	
• Shares earmarked for stock option plans	0
• Shares previously earmarked for expired plans	2,245,918
• Shares earmarked for share grant plans	5,694,700
• Shares held under a liquidity agreement	0
	7,940,618
■ o/w recorded under "Financial assets" (see Note 2) (gross: €75.1 million, net: €75.1 million)	
• Shares held for the purpose of payment or exchange in external growth transactions (after reclassification of 1,496,000 shares as marketable securities for the purpose of allocating them to share grant plans)	**6,255,443**

SHARE GRANT PLAN

Pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008, the Executive Board decided to implement a share grant plan 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 under the plan.

Terms and conditions

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 under such plans are equity-settled. A provision has been set aside for the full amount of the Group's obligations to the employees included in the share grant plan. An accrual is booked in the Company's financial statements for the portion of the obligation concerning employees of Safran subsidiaries.

Measurement of rights to share grants

Employee rights under the share grant plan were measured based on the closing share price on the grant date, i.e. €7.54 per share.

	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	
Total number of shares granted	3,678,500	556,000
Market value of shares at the grant date	€7.54	

The expense recognized for these shares in 2010 totaled €0.1 million and only corresponded to the expense related to Safran SA employees.

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.

NOTE 8. EQUITY

Changes in equity were as follows in 2010:

(in € millions)	Opening balance	Appropriation of 2009 profit	Increase	Decrease	Closing balance
Share capital	83.4				83.4
Additional paid-in capital	3,288.6				3,288.6
Legal reserve	8.3				8.3
Tax-driven reserves	302.0				302.0
Other reserves(1)	934.7	94.0			1,028.7
Retained earnings	4.1	2.4			6.5
2009 profit	249.5	(96.4)		153.1(2)	0
2010 profit	0		497.1		497.1
Interim dividends	0				0
Tax-driven provisions	3.1		0.4	2.7	0.8
TOTAL	**4,873.7**	**0.0**	**497.5**	**155.8**	**5,215.4**

(1) Including €194.2 million in reserves hedging treasury shares held at December 31, 2010.
(2) Dividends paid.

SHARE CAPITAL

At December 31, 2010 the Company's share capital comprised 417,029,585 ordinary shares with a par value of €0.20 each, listed on the Eurolist market (Compartment A) of NYSE Euronext Paris under ISIN code FR0000073272 (SAF).

Share ownership at December 31, 2010

	Shares		Voting rights	
	Number	%	Number	%
Private investors	198,734,480	47.65	207,125,614	40.94
French State	125,940,227	30.20	150,752,222	29.80
Employee shareholders	66,599,710	15.97	131,455,955	25.98
Areva	8,300,000	1.99	16,600,000	3.28
Treasury shares	17,455,168	4.19	-	-
TOTAL	**417,029,585**	**100.0**	**505,933,791**	**100.0**

NOTE 9. PROVISIONS

(in € millions)	Opening balance	Charges	Reversals[1]	Reclassifications	Closing balance
Tax-driven provisions:					
Investment provisions	2.5		2.5		0.0
Accelerated tax depreciation	0.6	0.4	0.2		0.8
Sub-total	3.1	0.4	2.7	0.0	0.8
Contingency provisions:					
Foreign exchange losses	47.2	11.1	47.2		11.1
Litigation	1.8		1.8		0
Sub-total	**49.0**	**11.1**	**49.0**	**0.0**	**11.1**
Loss provisions:					
Retirement benefits and similar obligations	8.5	4.1	3.2		9.4
Subsidiary tax losses carried forward	748.1	70.1	99.9		718.3
Other loss provisions[2]	17.6	37.5	9.9		45.2
Sub-total	**774.2**	**111.7**	**113.0**	**0.0**	**772.9**
Provisions for impairment:					
Of financial assets[3]	247.9	288.1	9.2		526.8
Of other receivables[4]	179.4		179.4		0
Of marketable securities	36.4		16.3		20.1
Sub-total	**463.7**	**288.1**	**204.9**	**0.0**	**546.9**
TOTAL	**1,290.0**	**411.3**	**369.6**	**0.0**	**1,331.7**
Breakdown in the income statement:					
• operating income and expenses		26.9	13.0		
• financial income and expenses		299.3	252.1		
• non-recurring income and expenses		15.2	4.6		
• income tax		69.9	99.9		

(1) Including €42.5 million in reversals of surplus provisions (€17.0 million relating to income taxes of subsidiaries, €9.2 million concerning financial assets and €16.3 million relating to treasury shares).
(2) Including €22.5 million relating to the Company's employee share grant obligations and €14.7 million concerning tax audits.
(3) Including a €279 million charge relating to Sagem Télécommunications shares and a €9.2 million reversal of provisions for Embraer shares.
(4) The reversal of this provision relates to Sagem Mobiles' current account.

NOTE 10. RETIREMENT BENEFIT OBLIGATIONS

The main assumptions used to calculate the Company's retirement benefit obligations were as follows:

	2009	2010
Discount rate	5.25%	4.25%
Inflation rate	2.00%	2.00%
Expected return on plan assets	4.50%	4.00%
Rate of future salary increases	1.50% – 5.00%	1.50% – 5.00%
Probable retirement age of managerial staff	63/65	64/65
Probable retirement age of non-managerial staff	61/65	62/65
Mortality table used	(1)	TV/TD 2004-2006

(1) Tables showing data for men and women by generation, approved in August 2006 and applicable from January 1, 2007.

The rise in the statutory retirement age in France as a result of pension reforms introduced in 2010 was taken into account in measuring the Company's retirement benefit obligations at December 31, 2010 although the impact was not material.

Top-hat retirement plans

(in € millions)	2009	2010
Vested rights	3.3	6.5
Fair value of plan assets	0	(0.6)
Funding shortfall	**3.3**	**5.9**
Actuarial gains and losses	(0.1)	(3.6)
Benefit obligations covered by a provision in the balance sheet	**3.2**	**2.3**
Contributions paid	0.0	(1.1)
Service cost	0.0	0.0
Other movements (actuarial gains and losses)	0.0	0.0
Interest cost	0.1	0.1
Amortization of actuarial gains and losses	(0.6)	0.0
Expected return on plan assets	0.0	0.0
Provision charge/(reversal)	**(0.5)**	**(1.0)**

Retirement bonuses

(in € millions)	2009	2010
Vested rights	9.2	14.8
Unrecognized actuarial gains and losses	(4.0)	(7.8)
Benefit obligations covered by a provision in the balance sheet	**5.2**	**7.0**
Service cost	0.4	3.1
Interest cost	0.6	0.8
Expense	**1.0**	**3.9**
Benefits paid	(1.6)	(2.1)
Provision charge/(reversal)	**(0.6)**	**1.8**

Two measures resulted in a significant rise in the pension expense in 2010: one measure specific to the Group and the other resulting from the collective bargaining agreement applicable to the metallurgy industry, which led to an increase in the Company's obligation in respect of statutory retirement bonuses. A provision has been recognized for the cost of these measures over the remaining working lives of the employees concerned, and the corresponding expense for 2010 was €2.5 million.

On February 12, 2010, the Group signed a triennial agreement related to the employment of seniors, aimed notably at implementing measures to assist with the latter part of careers and at ensuring a smooth transition between working and retired life.

This agreement provides, inter alia, for an increase in contractual end-of-career bonuses subject to certain conditions. The estimated cost of these measures and the related provisions are sensitive to changes in estimated take-up rates among the potentially eligible population. At the end of 2010, the Group based its estimates on maximum take-up rate assumptions that will be adjusted in line with actual rates.

As from July 31, 2010, the rates used as a basis for calculating retirement bonuses applicable under the national collective bargaining agreement for engineers and managerial staff in the metallurgy industry were raised, thereby increasing the Group's commitments accordingly.

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, 2009	Dec. 31, 2010
Loans and borrowings	5.1	3.8
Trade payables	12.2	28.0
Taxes and payroll costs/(other liabilities)	23.6	29.1
TOTAL	**40.9**	**60.9**

NOTE 13. BREAKDOWN OF REVENUE

(in € millions)	2009	2010
General assistance	70.8	79.0
Real estate income	3.1	2.8
Seconded employees	12.3	12.5
Group projects	16.5	31.3
Other	4.9	4.4
TOTAL	**107.6**	**130.0**

NOTE 14. EXPENSE RECLASSIFICATIONS

Expense reclassifications totaled €11.2 million in 2010 and mainly concerned the rebilling of expenses to Group subsidiaries.

NOTE 15. FINANCIAL INCOME AND EXPENSES

Dividends received totaled €426.2 million in 2010, versus €273.2 million in 2009. A breakdown of dividends received is presented in the table of subsidiaries and associates.

The €299.3 million in charges to provisions for financial items in 2010 broke down as follows: (i) provisions for impairment of shares in Sagem Télécommunications (€279.0 million), Arianespace Participations (€3.8 million), Établissements Vallaroche (€2.5 million), Safran UK (€2.4 million) and Aerofund II (€0.5 million) and (ii) €11.1 million in additions to the provision for foreign exchange losses. Reversals totaled €252.1 million and primarily broke down as (i) €47.2 million from the provision for foreign exchange losses, (ii) €179.4 million from the provision for impairment of the Sagem Mobiles current account, (iii) €16.3 million from provisions for impairment of treasury shares and (iv) €9.2 million from the provision for impairment of Embraer shares. 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 (i) a €1.8 million expense relating to a legal dispute, offset by a provision reversal in the same amount and (ii) the recognition in 2010 of the full €1.7 million expense concerning a multi-year commitment granted in relation to Safran's corporate foundations.

Non-recurring items from capital transactions break down as follows:

- Income: (i) proceeds from disposals of shares in Safran Engineering Services (€51.0 million), (ii) the derecognition of shares in Messier-Dowty Int. Ltd (€380.2 million) as well as subsidiaries' shares that were sold on to Safran USA Inc. (€49.2 million), and (iii) a €0.3 gain on sales of treasury shares.
- Expenses: write-downs of (i) shares in Safran Engineering Services (€14.4 million) and Messier-Dowty Int. Ltd (€380.2 million) and (ii) subsidiaries' shares that were sold on to Safran USA Inc. (€49.2 million).

Movements in provisions for non-recurring items in 2010 were as follows:

(in € millions)	
• Charge to a contingency provision for tax audits	(14.7)
• Reversal from a provision for investments	2.5
• Reversal from a provision for a legal dispute	1.8
• Net charge to provisions for accelerated tax depreciation	(0.2)
Net charge	**(10.6)**

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.

(in € millions)	**Related-party amounts**
Equity investments	4,947.9
Loans to equity investments	521.4
Trade receivables	42.1
Other receivables	864.1
Other liabilities	3,263.0
Investment income	426.2
Other financial income	73.7
Financial expenses	11.4

NOTE 18. INCOME TAX AND STATUTORY EMPLOYEE PROFIT-SHARING

INCOME TAX BENEFIT ARISING FROM TAX CONSOLIDATION

2010 group relief

Income tax due to Safran SA by subsidiaries included in the tax consolidation group totaled €15.6 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 €47.3 million. After offsetting €110.7 million in tax credits, Safran SA recorded a net tax benefit of €63.4 million.

The total income tax benefit for Safran SA arising from group relief in 2010 therefore amounted to €79.0 million.

Other impacts

In 2010, Safran SA also recorded a €2.3 million tax benefit due to adjustments made concerning 2009 as well as a tax credit for its corporate sponsorship activities.

Provisions set aside to cover income taxes of loss-making subsidiaries

Charges to provisions set aside to cover income taxes of loss-making subsidiaries amounted to €70.1 million in 2010 and reversals totaled €99.9 million (including €72.9 million concerning Sagem Télécommunications and €22.1 million relating to companies that have left the consolidated tax group).

No statutory employee profit-sharing expense was incurred either in 2010 or 2009.

INFORMATION ON EXPENSES DISALLOWABLE FOR TAX PURPOSES

These expenses totaled €0.1 million and corresponded to the portion of depreciation and lease payments on vehicles that are not deductible for tax purposes.

NOTE 19. AVERAGE HEADCOUNT AND MANAGEMENT COMPENSATION

BREAKDOWN OF AVERAGE EMPLOYEE NUMBERS

	2009	2010
Supervisors	1	1
Technicians	22	42
White-collar employees	74	71
Engineers and managerial staff	329	361
TOTAL	**426**	**475**

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 2010 and the provision for variable compensation that will be paid in 2011.

(in € millions)	2009	2010
Short-term benefits	8.8	10.6
Post-employment benefits	0.5	0.9
Other long-term benefits	-	-
Termination payments	0.6	0.6
Share-based payments	0.0	0.0

NOTE 20. INDIVIDUAL TRAINING ENTITLEMENT

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and with the industry-wide agreement of July 20, 2004, Safran grants its employees the right to individual training. Employees are entitled to at least 20 training hours per calendar year, which can be carried forward up and accumulated up to a maximum total of 120 hours.

NOTE 21. OFF-BALANCE SHEET COMMITMENTS

COMMITMENTS GIVEN

(in € millions)	Dec. 31, 2009	Dec. 31, 2010
Commitments given to customers	596.3	890.6
Commitments given to third parties	0.1	13.3
Vendor warranties	30.0	30.0
Customs bonds	66.3	66.1
Actuarial gains and losses on retirement bonus obligations	4.0	7.8
Other commitments	175.4	401.3
TOTAL[(1)]	**872.1**	**1,409.1**
(1) Of which related parties.	*597.9*	*1,158.6*

COMMITMENTS RECEIVED

Commitments received totaled €400.2 million at December 31, 2010 versus €172 million at year-end 2009 and primarily corresponded to commitments for the financing of civil programs as well as a commitment received from a Group subsidiary concerning portfolio securities.

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 order backlog and budget forecasts and (ii) the net balance sheet position of foreign-currency denominated trade receivables and payables of subsidiaries.

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2009				Dec. 31, 2010			
(in millions of foreign currency units)	Fair value(1)	Notional amount(1)	< 1 year	1 to 5 years	Fair value(1)	Notional amount(1)	< 1 year	1 to 5 years
Forward exchange contracts	**48**				**(216)**			
Short USD position	52	11,274	5,692	5,582	(229)	10,737	6,467	4,270
Of which against EUR	*88*	*10,282*	*5,076*	*5,206*	*(198)*	*9,938*	*5,748*	*4,190*
Long USD position	(1)	(12)	(12)	-	5	(1,103)	(903)	(200)
Of which against EUR	-	-	-	-	*10*	*(800)*	*(600)*	*(200)*
Short GBP position against EUR	-	-	-	-	0.2	21	21	-
Long GBP position against EUR	(5)	(20)	(20)	-	(0.1)	(3)	(3)	-
Long PLN position against EUR	2	33	11	22	3	(225)	(85)	(140)
Long EUR position against CHF	-	(23)	(11)	(12)	(11)	(83)	(56)	(27)
Short MXN position against USD	-	-	-	-	16	(3,149)	(999)	(2,150)
Currency swaps	**(4)**				-			
Of which against USD	(1)	22	22	-	-	-	-	-
Currency option contracts	**10**				**(128)**			
Puts purchased	*20*	*2,024*	*2,024*	-	*69*	*1,500*	*1,500*	-
Puts sold	*(20)*	*(2,024)*	*(2,024)*	-	*(1)*	*(100)*	*(100)*	-
Calls sold	*(3)*	*1,024*	*1,024*	-	*(155)*	*7,222*	*4,174*	*3,048*
Accumulators – sell USD(2)	*(1)*	*7,089*	*3,619*	*3,470*	*(55)*	*9,872*	*6,309*	*3,563*
Accumulators – buy USD(2)	*14*	*(1,745)*	*(1,745)*	-	*11*	*(1,702)*	*(1,702)*	-
Accumulators – sell GBP(2)	-	*61*	*61*	-	*3*	*302*	*302*	-
TOTAL	**54**				**(344)**			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.
(2) Notional amounts for accumulators represent the maximum cumulative amount.

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, 2010, the Company had contracted "pay floating/received fixed" interest rate swaps for terms of three to five years for a total of €750 million. These swaps are intended as hedges of the coupon payable on bonds.

MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five 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 cash flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2010 represented 2,817 metric tons of nickel, including contracts for 604 tons maturing in less than one year and 2,213 tons in one to five years. The fair value of these instruments was €8.3 million at end-2010.

CREDIT LINES

Undrawn confirmed liquidity facilities at December 31, 2010 totaled €2,400 million and comprised two syndicated credit lines for 800 million and €1,600 million.

NOTE 22. 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 best of the Company's knowledge, no such proceedings are pending or threatened 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 reasonably estimated. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although the occurrence of events during the proceedings can nonetheless lead to a reassessment of the risk. Safran believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

- A number of criminal and/or civil lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.
- At the end of 2002, a group of French manufacturers including the former Snecma Group was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. The claim related 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 aim of being awarded the State's electronic ID card contract. Safran was also placed under judicial investigation in connection with this case in February 2009. In September 2009, a tax collection notice was issued for €11.7 million, further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment has been challenged.
- In 2009 and 2010, Safran received several requests for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA 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, but does not rule out the possibility of being served a statement of objections.

NOTE 23. 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 2010 financial statements totaled €1 million and fees billed for audit-related work came to €33 thousand.

NOTE 24. SUBSEQUENT EVENTS

None.

LIST OF 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	(1.1)	100.0	100.0
• Établissements Vallaroche	Holding company	15.6	3.3	100.0	100.0
• Aircelle	Aircraft equipment	56.7	136.7	88.5	88.5
• Hispano-Suiza	Aircraft equipment	36.8	35.4	100.0	100.0
• Labinal	Aircraft equipment	19.3	10.6	100.0	100.0
• Messier-Dowty	Aircraft equipment	194.3	174.4	99.3	99.3
• Messier-Bugatti	Aircraft equipment	33.6	131.5	100.0	100.0
• Safran Informatique	Holding company	7.2	4.1	100.0	100.0
• Sagem Télécommunications	Communications	46.7	0.0	100.0	100.0
• Sagem Défense Sécurité	Defence Security	372.9	54.1	95.5	95.5
• Snecma	Propulsion	154.1	148.5	97.4	97.4
• Snecma Propulsion Solide	Propulsion	20.0	13.3	100.0	100.0
• SnecmaSat	Holding company	0.2	0.0	100.0	100.0
• Turbomeca	Propulsion	38.8	119.2	100.0	100.0
• Technofan	Aircraft equipment	1.4	36.6	93.9	86.0
b) Foreign companies					
• Safran UK Ltd	Holding company	18.8	(3.1)	100.0	100.0
• Safran USA Inc.	Holding company	423.8	80.9	100.0	100.0
• Morpho USA	Security	559.9	0.0	97.6	97.6
• Techspace Aero (Belgium)	Propulsion	54.9	131.9	55.8	55.8
2. Associates (10% to 50%-owned)					
a) French companies					
• Arianespace Participation(2)	Holding company	21.9	36.3	10.4	10.4
• Corse Composites Aéronautiques(2)	Aircraft equipment	1.7	6.3	24.8	24.8
• Eurotradia International(2)	Aircraft equipment	3.0	30.3	11.2	11.2
• FCPR Aerofund II	Investment fund	75.0		16.6	16.6
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, 2010.

(1) Taking into account the €199.8 million contingency provision recorded to cover the risk of Safran SA having to pay back the tax benefit generated from the use of the tax losses of this company and its subsidiaries, the net "adjusted" carrying amount of the Company's investment in Sagem Télécommunications shares amounts to €8.0 million.

(2) As at December 31, 2009.

Carrying amount of investments		Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2010 revenue	2010 profit (loss)	Dividends received by Safran in 2010	Receivables	Liabilities
gross	net							
11.3	11.3			0.8	(0.4)		0.0	12.2
62.8	16.9			0.0	(1.8)		0.0	8.5
924.2	924.2		255.6	681.9	(41.1)		180.6	5.7
163.8	163.8		41.7	194.1	(2.0)		19.9	3.5
185.6	185.6		363.3	291.7	5.4	17.5	1.7	3.9
380.2	380.2	70.3		497.5	(20.8)		62.8	3.9
180.3	180.3		0.8	431.3	13.7	5.2	1.8	42.9
8.7	8.7			75.3	1.0	0.3	0.4	10.1
625.0	207.8[(1)]			11.1	(38.0)		13.8	0.0
595.0	595.0			1,150.1	16.9	41.5	6.8	48.2
199.4	199.4		52.2	4,210.8	309.1	321.5	20.5	2,351.9
23.9	23.9			287.2	31.9	22.5	1.7	159.6
9.3	0.2			0.0	0.0		0.0	0.2
539.0	539.0	32.7	4.7	939.8	22.1		4.6	59.9
32.7	32.7			43.4	1.1		0.2	24.7
40.0	16.1			0.0	0.9	5.0	0.0	5.7
473.1	473.1		135.5	2.7	(8.4)		3.5	0.3
315.5	315.5			0.0	(4.3)		4.4	0.0
79.1	79.1			318.1	12.5	5.1	0.7	166.3
40.1	10.6			0.0	(67.8)			
1.0	1.0			24.4	(2.0)			
2.1	2.1			56.0	3.7	0.4		
15.0	14.5							
0.5	0.5					5.6		4.9
0.5	0.5					0.2		
1.3	0.5							

3.3 PROPOSED APPROPRIATION OF PROFIT

(in €)	
Profit for the year	497,099,620.77
Retained earnings	
• Prior year retained earnings	1,162,875.61
• Dividend on treasury shares held by Safran at the dividend payment date	5,394,655.18
Total retained earnings	6,557,530.79
Total distributable profit	**503,657,151.56**
Proposed appropriation:	
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 €0.49 per share)	204,344,496.65
Optional reserves	294,000,000.00
Retained earnings	1,142,359.06
TOTAL	**503,657,151.56**

The resulting dividend per share is €0.50, representing a total payout of €208,514,792.50.

Dividends relating to treasury shares held by the Company on the dividend payment date will be added to retained earnings, resulting in a net dividend payout of €201,416,762.00, based on the number of treasury shares held at December 31, 2010 (see Note 6 to the parent company financial statements).

DIVIDEND PAYMENT POLICY

Fiscal year	Type of shares	Number of shares	Dividend per share (in €) Actual	Tax credit[2] (in €) Actual	Net dividend (in €)		Total dividend payout (in €)
					Actual	Adjusted[3]	
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
2010	**OS**	**417,029,585**	**0.50**	**/**	**0.50**	**0.50**	**208,514,792**

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 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 (PS) were converted into ordinary shares (OS) 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' REPORT

3.4.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (YEAR ENDED DECEMBER 31, 2010)

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the group's management report. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2010, 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, 2010 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 3 to the consolidated financial statements, entitled "Change in method", which describes the changes in accounting methods resulting from the application, as from January 1, 2010, of the new standards IFRS 3 (Revised) "Business Combinations" and IAS 27 (Revised) "Consolidated and Separate Financial Statements".

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 stated in Note 2 to the consolidated financial statements, the preparation of the Group's consolidated financial statements requires Safran's Management to define assumptions in order to make estimates that have an impact on the book values of the assets and liabilities and on the income and expenses recorded in the consolidated financial statements, as well as on the disclosures in the notes to the consolidated financial statements.

We consider that the matters that are the subject of significant estimates and for which our assessments require justification include fixed asset impairment tests, the valuation of certain provisions, and the allocation of the purchase price of business combinations.

Fixed asset impairment tests

At each annual close, the Group performs impairment tests on goodwill and on assets with a defined useful life (development costs and tangible assets used in production), if there are indications of impairment. These tests are based on the discounting of future cash flows expected from the subsidiaries, projects, programs or product lines to which the dedicated assets are attached, according to the conditions described in Note1.L to the consolidated financial statements. We reviewed the conditions of implementation of these impairment tests and verified the consistency of the assumptions adopted. We also verified that Notes 11 and 12 to the consolidated financial statements give the appropriate disclosure.

Provisions

Safran recognizes provisions for losses upon completion, provisions for financial guarantees relating to sales and provisions for commercial guarantees, as described in Note 1.R to the consolidated financial statements. Our work consisted notably in assessing the assumptions, the contractual and forecast data, and the technical and statistical bases on which these estimates are based, reviewing Group's calculations by means of sampling, and examining the procedures for the Management's approval of these estimates. On that basis, we assessed the reasonable nature of these estimates.

Allocation of the purchase price of business combinations

Within the context of business combinations, the identifiable assets and liabilities of the companies purchased are accounted for at their fair value as at the date of takeover according to the method and conditions described in Note 1.C to the consolidated financial statements. We verified that the fair value of the assets acquired and the liabilities assumed had been determined by independent experts using appropriate methods and assumptions, and that Notes 2.D and 4 to the consolidated financial statements provided the appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Neuilly-sur-Seine and Courbevoie, March 30, 2011

The Statutory Auditors

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

3.4.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (YEAR ENDED DECEMBER 31, 2010)

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the document addressed to the shareholders. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying financial statements of Safran;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the 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, 2010 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 the provisions for impairment of financial fixed assets, including equity investments on the basis of their value in use. Value in use is assessed according to each company's net equity, adjusted where applicable for significant unrealized capital gains net of taxes or profitability outlook. Our work consisted in assessing the data and assumptions on which the estimates are based and in reviewing the calculations made by the company. Within the scope of our assessment of the estimates used for the account closing, we have assured ourselves of the reasonableness of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Executive Board and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your Company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Courbevoie, March 30, 2011

The Statutory Auditors

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

IN BRIEF | SECTION 4

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 and supplier risks

Commodity risks

Acquisition and restructuring risks

Human resources risks

Market and financial instrument risks

Legal risks

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

54 sites certified ISO 14001 (environmental management systems)

At December 31, 2010

10 sites certified OHSAS 18001 (Occupational Health and Safety Assessment Series)

At December 31, 2010

53 internal audits carried out in 2010 based on ISO 14001, OHSAS 18001 and Safran's internal guidelines

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 as of the date of the Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

The scenarios built on these assumptions are derived from action plans supervised by 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 (gross domestic product) 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, aviation disasters and adverse weather conditions could prompt a temporary but sharp drop in air traffic and hence impact the civil aircraft engine and equipment market.

In 2010, approximately 60% of adjusted consolidated revenue was generated by civil aviation activities. Safran has a large fleet of installed engines, including more than 20,800 CFM56 engines which have equipped most of the single-aisle aircraft with over 100 seats delivered to airline companies for more than 30 years. The increase in the age of the fleet enabled the Group to generate service revenue representing 50.1% of Aerospace Propulsion branch revenue and 31.3% 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 in research and development and contributions to aircraft manufacturers' costs. These investments only produce returns in the long term. The market and profitability assumptions determined by the Group may not prove accurate, and the products for which the investments are made may not enjoy sufficient commercial success to ensure a return on the initial investment. Capitalized R&D assets (excluding goodwill and program reassessments) recognized in the balance sheet at December 31, 2010 total approximately €900 million after amortization.

CHANGES IN MILITARY ORDERS

Government spending, especially on defence budgets, is determined according to the geopolitical environment and budgetary constraints. An adverse change in economic and political conditions could result in a change in priorities for government spending.

Military spending cuts or delays in certain programs could impact Safran's business.

In 2010, approximately 22% 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, A380 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. On December 1, 2010, Airbus selected the new-generation CFM engine, LEAP-X, for the new A320neo. This partnership should begin production in spring 2016.

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 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 General Electric. Safran estimates that these programs (CFM and turbo engines) account for between 25% and 30% of its consolidated revenue.

In July 2008, GE and Safran signed an agreement to extend their civil aerospace propulsion partnership until 2040. They also entered into an agreement for the development, production and support of engine nacelles for future 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 and AVIC [China]). If these programs were suspended or if Safran's partners ceased to fulfill their role in the development or marketing of the products in question, the Group's 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 or hedging exposure to changes in the price of certain listed commodities (see section 4.1.7).

4.1.5 ACQUISITION AND RESTRUCTURING RISKS

As part of its growth strategy, Safran may acquire, merge and/or set up companies. Although a stringent procedure exists for monitoring such transactions, they may have a negative impact on the Group's business, expected results or its image, should Safran fail to consolidate the operations and employees of the acquired entities, unlock the expected synergies and cost savings, or maintain good commercial or labor relations within the acquired entities following changes in management or control.

4.1.6 HUMAN RESOURCES RISKS

The Group's different activities harness a wide range of employee expertise and skills across many different sectors. The Group may experience difficulties in finding the appropriate skills at the right time and in the right place that it needs to deploy its strategy and carry out its new programs effectively. In order to limit this risk, it continually strives to acquire, hold onto, redeploy and renew the skills that it will need in the future. Programs to promote cross-functional mobility, systems that confer appropriate recognition, training, and career development are all used to boost the Group's attractiveness as an employer.

4.1.7 MARKET AND DERIVATIVE RISKS

The main risks arising on the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

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 4.01 billion for 2010 (USD 4.23 billion in 2009).

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 SA for most of its subsidiaries:

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

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a 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 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 changing the original minimum threshold (unless this has been specifically authorized). 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 in exchange for enhanced market rates.

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 2011, and has also launched portfolio optimization measures for the same period designed to improve the minimum exchange rate parity.

After having set the minimum threshold at 1.43 at the end of 2008, the Group lowered it to 1.40 and then to 1.39 for the publication of its 2009 interim and annual financial statements, respectively, and is now confident that it will achieve the exchange rate parity of 1.38 announced in its press release accompanying the publication of its 2010 annual financial statements (a rate of 1.39 has already been reached).

The Group also set up a progressive hedging strategy for its forex exposure in 2012 and 2013.

At February 24, 2011, on top of an existing portfolio of USD 3.7 billion in forward hedges at an average rate of 1.34, the Group set up USD 1.0 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 in 2011. 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 1.34 in 2012.

At February 24, 2011, on top of an existing portfolio of USD 3.7 billion in forward hedges at an average rate of 1.30, the Group set up USD 1.0 billion in accumulators for 2013, enabling it to supplement its day-to-day hedging operations at an average rate of 1.29, provided that the EUR/USD exchange rate parity remains below 1.52 in 2011. If the EUR/USD exchange rate parity were to go above 1.52, the positions contracted at 1.29 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 1.29 (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 1.29 (for these products only). This hedge may increase by USD 0.5 billion at a rate of 1.28 depending on changes in the EUR/USD exchange rate parity through to 2013.

Given that the level at which accumulators are no longer effective (provisionally set at 1.52) is significantly above the current market exchange rate, the Group considers that it can reasonably expect to achieve a hedging rate of 1.30 in 2013, instead of 1.31 as announced previously.

For 2014, the Group set up a hedge in early 2011. On top of an existing portfolio of USD 1.3 billion in forward hedges at an average rate of 1.29, the Group set up USD 1.6 billion in accumulators, enabling it to supplement its day-to-day hedging operations at an average rate of 1.26, provided that the EUR/USD exchange rate parity remains below 1.52 for 2011 and part of 2012. If the EUR/USD exchange rate parity were to go above 1.52, the positions contracted at 1.26 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 1.26 (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 1.26 (for these products only). This hedge may increase by USD 0.6 billion at a rate of 1.29 depending on changes in the EUR/USD exchange rate parity through to 2014.

The Group's policy is to leverage the current EUR/USD exchange rate of around 1.35 to supplement its 2014 hedging portfolio. The target hedging rate for 2014 has therefore been set at 1.28.

For the record, the estimated annual exposure of approximately USD 4.7 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.

BALANCE SHEET AND INCOME STATEMENT 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, 2009						Dec. 31, 2010					
(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	1,273	70	80	**1,423**	28	21	1,232	4	21	**1,257**	54	86
Total liabilities excluding financial derivatives	1,719	67	21	**1,807**	50	127	1,581	7	17	**1,605**	26	1
Financial derivatives	130	(50)	4	**84**	(5)	-	(441)	(47)	12	**(476)**	1	-
Net balance sheet exposure after financial instruments	**(315)**	**(47)**	**63**	**(299)**	**(27)**	**(106)**	**(790)**	**(50)**	**16**	**(824)**	**29**	**85**

The above table is presented in foreign currencies.

The sensitivity of the balance sheet to a 5% increase or decrease in the EUR/USD exchange rate is as follows:

Impact on positions in the balance sheet (in € millions)	Dec. 31, 2009		Dec. 31, 2010	
	USD		USD	
Closing exchange rate	1.44		1.34	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.37	1.51	1.27	1.40
Net impact of exposure after financial derivatives	(401)	394	(776)	544

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 data:

Adjusted data (in € millions)	2009		2010	
	-5%	+5%	-5%	+5%
Average monthly exchange rate	1.38		1.33	
Average exchange rate used for sensitivity analysis	1.31	1.45	1.26	1.40
Closing exchange rate	1.44		1.34	
Closing exchange rate used for sensitivity analysis	1.37	1.51	1.27	1.40
Revenue	61	(76)	139	(126)
Profit (loss) from operations	(24)	0	0	0
Financial income (loss)	(17)	16	(18)	17
Profit (loss) before tax	(41)	16	(18)	17

The same sensitivity analysis would have the following impacts on the consolidated financial statements:

Non-adjusted consolidated data (in € millions)	2009		2010	
	-5%	+5%	-5%	+5%
Average monthly exchange rate	1.38		1.33	
Average exchange rate used for sensitivity analysis	1.31	1.45	1.26	1.40
Closing exchange rate	1.44		1.34	
Closing exchange rate used for sensitivity analysis	1.37	1.51	1.27	1.40
Revenue	253	(229)	300	(272)
Profit (loss) from operations	169	(153)	161	(146)
Financial income (loss)	(593)	547	(937)	690
Profit (loss) before tax	(424)	394	(776)	544

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, 2010, the Group had contracted "pay floating/receive fixed" interest rate swaps for terms of three to five years for a total of €750 million. These swaps are intended as hedges of the fixed coupon payable on bonds and are eligible for fair value hedge accounting.

The fair value of these interest rate derivatives was a positive amount of €13 million at December 31, 2010.

Debt in respect of employee savings is at floating rates, but resets only yearly. The Group's remaining long-term debt is mostly at floating rates and includes a €750 million swap hedging the fixed coupon payable on the November 2009 bonds, as well as the €300 million EIB loan initially signed on June 17, 2009 and fully drawn down at December 17, 2010.

A 1% rise in interest rates would therefore increase the cost of debt by €8 million, compared to €6 million in 2009.

MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2010 represents 2,817 tons of nickel, including 604 tons maturing in less than one year and 2,213 in one to five years. The fair value of these instruments was €8.3 million at end-2010.

EQUITY RISK MANAGEMENT

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, the only listed shares it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity, compared to a negative impact of €2 million at end-2009.

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

- short-term investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or traded over-the-counter with investment-grade counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

At December 31, 2010, no material counterparty risk had been identified by the Group that had not been covered by a provision 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.

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, 2005 and 2010.

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.

Undrawn confirmed liquidity facilities at December 31, 2010 totaled €2,400 million and comprised two syndicated credit lines for €800 million and €1,600 million, maturing in January 2012 and December 2015, respectively. The €1,600 million credit line is subject to the following financial covenant: "Net debt/EBITDA < 2.5".

4.1.8 LEGAL RISKS

In the same way as other industrial groups, Safran is exposed to technical and commercial risks as a result of its activities. From a legal standpoint, Safran is particularly exposed to the risk of non-compliance with commercial regulations and anti-trust law.

The main risks identified in this respect are disclosed in the litigation section of this document (see section 3.1.2, Note 35). 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 2010.

4.2.2 RISK AND INSURANCE DEPARTMENT

The Group Risk and Insurance Department reports to the Executive Vice-President in charge of Quality, Audit and Risk for the Group 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 assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

Each quarter, the Risk Manager of each 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. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved annually by the Group Risk Committee.

Functional departments and processes

The Risk Department prepares a mapping of major risks by functional department based on individual interviews. These maps are then approved by functional departments. For each identified risk, a risk owner is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

Risk management is also supported by the 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 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. 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 550 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.).

The maximum payout under the policy is €300 million, or up to €800 million for certain claims, excluding market-imposed sub-limits for certain risks such as flooding, earthquakes and natural catastrophes.

"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 €235 million per annum that can be used during the year.

Total premiums paid by the Group under all policies in 2010 represented 0.18% of adjusted consolidated revenue for that year.

Soreval, a captive reinsurance company based in Luxembourg, participates in the risk coverage scheme.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

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 (HSE), 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 HSE and Sustainable Development Department and validated by the Chairman of the Executive Board, are in line with a 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 2010, the Group's HSE and 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 into 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

In 2010, the Group overhauled its organizational structure: the Sustainable Development Department became the HSE and Sustainable Development Department, made up of three teams:

- a steering group consisting of three area coordinators and a Health advisor for all three areas covering all of Safran's sites and facilities worldwide;
- a Program Support team to provide assistance with all Group HSE programs and applications;
- a network of specialists to facilitate HSE skills pooling.

At Group level, the new department liaises with other departments in coordinating overall HSE policy. At local or site level, HSE Prevention Officers, in conjunction with the local HSE 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 overseen by the Group's Industrial Management Department as well as the HSE and 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-annual HSE objectives are rolled out across Group entities by the operating divisions, advised and assisted by their HSE Prevention Officers. The 2010 objectives focused mainly on:

- Consolidating and perpetuating the Group's prior-year HSE objectives by means of:
  - measuring the carbon footprint of all of the Group's major sites for 2009; 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 known as CORP[2] that supervises and checks compliance with applicable regulations;
  - 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. In 2010 an English language version of TESSE was developed for international Group-wide rollout of the application;
  - 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. In France, an agreement was signed with the trade unions that rounds out the Group's recommended approach;
  - applying the EVREST[2] health observatory program at 36 sites in France and Belgium, representing 77% of Safran's total employees in these countries;
  - continuing to reduce the consumption of non-renewable energy and the production of industrial waste.
- Structuring risk management and enhancing performance by applying the Safran guidelines:
  - in 2010, the manual was reorganized. It now covers 26 HSE standards and any Group site can use the manual to evaluate each standard in terms of the maturity of its risk management process on a 1-to-4 scale.
- Keeping the Group's HSE organization up to date; see section 4.4.2 "Organization".

(1) REACh: Registration, Evaluation and Authorization of Chemicals.
(2) CORP: Customized Regulatory Compliance.
(3) EVREST: Assessment of Occupational Health.

Each company organizes an annual HSE review, during which its Chairman and the HSE and Sustainable Development Department 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 HSE and 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 2010:

- five sessions provided training to 47 executives on the ongoing HSE improvement drive;
- a one-day forum brought over 100 HSE Prevention Officers together to pool their experiences.

4.4.4 CERTIFICATION

At December 31, 2010, the environmental management systems of 54 Group facilities had been certified to ISO 14001[1], representing 63% of total Group employees.

Twenty-two facilities – mainly focused on research and development – whose environmental management systems had already been certified, have also been certified to ISO 14001 for their design processes.

At the end of 2010, the health and safety management systems of 10 facilities had been certified to OHSAS 18001[2].

Fifty-three inter-company internal audits were carried out in 2010 based on ISO 14001 and/or OHSAS 18001, and four specific audits were carried out based on the Group's internal HSE guidelines comprising 26 different standards. These internal audits enabled the facilities to correct and enhance their HSE management systems.

Forty-five HSE auditors, whose internal certification is kept up to date by the HSE and Sustainable Development Department, undertake reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year. In 2010, 38 auditors were certified to ISO 14001, including 9 for environmental consideration in design, while 26 were certified to OHSAS 18001.

The Group's HSE policy will be rolled out to a larger number of entities over the next few years.

In addition to ISO 14001 and OHSAS 18001, the policy also covers specific requirements. It must be applied in Group facilities in all countries and each standard is evaluated in terms of the maturity of its risk management process.

The Group is aiming for maturity level 3 (on a scale of 1 to 4) for all standards at all sites within three years.

4.4.5 SCOPE

The scope of reporting includes all sites whose businesses and products may present HSE risks and related impacts in 2010. It is virtually identical to the scope adopted in 2009 and covers some 47,851 employees at 96 sites spread throughout the world, or 88% of the Group's total 2010 headcount of 54,256.

This year's HSE reporting scope includes the Sagem employees and activities transferred from Réau to Massy (France) in 2009.

Eight new sites were added:

- Casablanca (Morocco) - Matis Aerospace (joint venture with Labinal);
- Suzhou (China) - Snecma;
- several Safran Engineering Services sites: Bangalore (India), Casablanca (Morocco), Chihuahua (Mexico), Vitrolles, Bordes, Villaroche (France).

(1) ISO 14001: Environmental management systems : requirements with guidance for use.
(2) OHSAS 18001: Occupational Health and Safety Assessment Series: implementation guidance.

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 2010 (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.

Company	Location	Activity	CO_2 emissions reported in 2010 *(metric tons)*	2008-2012 annual allowance *(metric tons)*
Snecma	Villaroche (France)	Manufacture of engines	9,820	27,918
Snecma	Gennevilliers (France)	Manufacture of engines	0	16,773
Messier-Bugatti	Villeurbanne (France)	Manufacture of carbon brakes	11,271	22,722
TOTAL			**21,091**	**67,411**

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 use its allowance in 2009 and 2010.

Messier Bugatti's CO_2 emissions relate directly to its carbon-based materials manufacturing processes and not chiefly to combustion processes.

In accordance with its aim of fighting global warming, Safran measures its carbon footprint and energy consumption.

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). The Group activities that leave the largest carbon footprint are freight, energy consumption and employee travel (in decreasing order of importance).

In 2010, an initiative was launched to reduce greenhouse gas emissions at key facilities and each site was asked to propose specific action plans. The Group's HSE and Sustainable Development Department selected proposals submitted by 16 sites covering a total of 47 action plans, including 14 energy saving plans, 12 freight impact reduction plans and 12 industrial waste treatment plans.

Four additional sites were added to the 65 sites already committed to carbon footprint reduction: Fougères (France) for Sagem Industries, Osny (France), Flintbek (Germany) and Taubate (India) for Morpho.

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 covered non-friable materials, thereby anticipating future legal requirements.

All risks identified have either been treated by direct removal or are subject to monitoring programs, in accordance with regulations in the countries in which the facilities are located.

This issue is tracked in the "HSE Standards" 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 HSE and 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 2010, out of a total of 199 transformers, all had been replaced and the plan has been completed on time.

(1) PCB: Polychlorinated biphenyl.
(2) PCT: Polychlorinated terphenyl.

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 deployed in 2008 to ensure compliance with new regulations relating to dangerous substances.

In 2010, in addition to work on compliance with REACh regulations, the measures taken included:

- designing and deploying guidelines on the use of dangerous chemical substances that incorporate different regulations and techniques in the aerospace, defence and security sectors;
- preparing the standard relating to the most critical substances from a Group perspective, using original, rigorous methodology;
- consolidating the database for all substances used by the Group;
- requesting information from Group suppliers upon the chemical content of products they deliver to Safran;
- developing and rolling out replacement solutions for substances deemed as critical in liaison with the different departments involved: the Materials and Procedures, Purchasing and Quality Departments, etc.

European CLP[1] regulations concerning classification, labeling and packaging of dangerous substances and mixtures also came into force in 2010 and the Group prepared a multi-annual action plan for training employees and raising their awareness of chemical hazards. Applications have been updated, communication initiatives have been stepped up and the necessary changes have been identified and implemented. The different Group companies also notified the European Chemicals Agency (ECHA) of substances placed on the market pursuant to regulatory requirements.

The Safran Group is also a stalwart member of the French aerospace industries association (GIFAS) which provides a forum for various professional associations and public institutions to focus on the implementation and consequences of EU regulations such as REACh and CLP.

4.4.6.7 FIRE PROTECTION AND PREVENTION

Since 2007, the HSE and 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, 123 audits have been scheduled throughout Safran under this multi-annual plan. 30 audits were carried out in 2010 on Safran sites that receive technical assistance from the Group in terms of fire prevention. The Group has addressed more than 380 requests for assistance since 2007.

These include 103 reviews of fire protection and prevention initiatives based on investment in new buildings or facilities equipped with automatic sprinklers.

The IT application for managing this risk allows each site, company and the Group via consolidation, to:

- identify, assess and understand potential risks and damage;
- identify and assess the remedial and preventive measures taken to manage these risks;
- address any recommendations made;
- manage improvements;
- define the strategy for mitigating identified risks.

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.

Rules governing the choice and use of chemical substances have been defined and are reiterated in a new edition of Group procedures that are currently being circulated to all of the Group's suppliers. Since 2009, the Group has been harmonizing its procedures in line with its guidelines on the selection of chemical substances in order to devise a list of processes applicable to any new program.

4.4.7 OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL DATA

Since 2005, the Group has been consolidating HSE data using the SCORE[2] reporting tool. In 2010, 96 Group facilities were involved in the reporting process.

In 2010, the coverage rates for the data compiled in the following tables were as follows:

- 88% of employees were covered by the occupational health and safety data collected; and
- 86% of employees were covered by the environmental data collected.

(1) Classification Labeling Packaging.
(2) SCORE: Safran Corporate Reporting.

4.4.7.1 OCCUPATIONAL HEALTH AND SAFETY

Based on a reporting scope of 96 sites (47,851 employees), the number of serious occupational accidents recorded in 2010 (471) is virtually identical year on year. Since 2005, the proportion of accidents resulting in lost worktime has remained stable at between 6.0% and 6.8%.

	2009	2010
Frequency rate	6.0	6.2
Severity rate	0.19	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 workstations risk and track employee exposure and rolled it out to 25 sites in 2007-2008.

In 2009 and 2010, this application was rolled out to all of the French sites, bringing the total number of sites using the application in France, Belgium and Morocco to 60 at the end of the year. This represents a major objective in the understanding, analysis, use and traceability of HSE data.

In 2011, an English version of the application will be available, and the tool will go live at six Group sites in the UK and Canada.

After implementing tools to analyze the ergonomics of workstations, Safran offers the sites the training necessary to their rollout, in order to increase the focus placed on ergonomics in the analysis of workstation risks.

The number of reported occupational illnesses increased in 2010. Based on employee numbers, the number of occupational illnesses was 2.2 per thousand in 2010, 1.7 per thousand in 2009, and 1.4 in 2008. The proportion of reported occupational illnesses attributed to musculoskeletal symptoms (MSS) in 2010 was in the order of 70% which is in line with national statistics. The number of occupational illnesses linked to prior exposure to asbestos remained stable at fewer than twenty cases in 2010.

Group expatriate employees benefit from especially close 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 Group's occupational health units stepped up the rollout 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 analyzing psychosocial risks (stress) consisting 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 members in psychosocial risks, raising employee awareness, performing studies of expectations and feasibility.

3/ Performing diagnostic reviews: a framework agreement was signed with the University of Liege, 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 focus groups, drawing up an action plan by sector and/or on a cross-functional basis, and reviewing action plans.

On January 19, 2011, the Group signed an agreement on stress prevention in the workplace with five trade unions representing the Group's employees in France.

This agreement plans to:

- roll out the occupational stress prevention program to all Group facilities;
- round out the approach with awareness-raising and training programs for all those involved (employees, managers, HR departments, employee representatives, occupational health units) and initiatives to detect and care for employees suffering from stress.

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.

(cu.m/employee)	2009	2010
TOTAL SAFRAN GROUP	106	104

Large volumes of water are used to produce carbon/carbon brake disks and pads, resulting in high ratios for Messier-Bugatti Villeurbanne (France) and Walton (United States).

In 2010, Turbomeca Bordes remained the Group's largest water user at more than 1.6 million cubic meters, of which 70% was surface water extracted from the Baniou canal and used mainly for cooling engine testcells.

Energy consumption

Electricity is the prime energy source, representing 45% 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 testing and backup equipment.

The following table does not include the energy impact of transporting goods.

(metric tons of oil equivalent/employee)	2009	2010
Electricity	1.37	1.36
Gas	1.17	1.19
Fuel	0.36	0.45
TOTAL SAFRAN GROUP	**2.90**	**3.00**

The conversion factor used for electricity consumption (1 MWh = 0.082 metric tons of oil equivalent) is taken from "The new methodology for preparing energy consumption reports in France" published in February 2002.

Energy consumption has risen by about 3% year on year. The 25% increase in fuel consumption is mainly attributable to the greater number and longer duration of engine trials held in 2010.

Atmospheric emissions

(metric tons)	2009	2010
Carbon dioxide	177,102	194,523
Nitrogen oxides	184	201
Sulfur oxides	67	84

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 from 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 reduce 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.

(metric tons/employee)	2009	2010
Ordinary waste excluding metallic chips	0.41	0.43
Hazardous industrial waste excluding metallic chips	0.56	0.59

Waste is either recycled and transformed or stored.

(% of total processed)	2009	2010
Percentage recycled	31%	34%
Percentage transformed into energy	52%	50%
Percentage sent to landfill	17%	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.

These objectives are still being pursued and the time horizon may be extended beyond the initial three-year period.

IN BRIEF | SECTION 5

In 2010, Safran was a French *société anonyme* (corporation) with an Executive Board and a Supervisory Board.

EXECUTIVE BOARD (AT DECEMBER 31, 2010)

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, Legal and Institutional 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 (AT DECEMBER 31, 2010)

The members of the Supervisory Board were 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
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, member of the Audit Committee
Bernard Vatier, independent member

17 members **including** **4** representatives of the French State **7** independent members **2** representatives of employee shareholders

COMMITTEES

Strategy Committee

Five 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 proposals for strategic agreements and partnerships as well as external growth transactions and transactions that impact Group structure.

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

The role and responsibilities of the Executive Board and its operating procedures are 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 authorized by French law and the Company's bylaws.

Since this date, the members of Safran's Executive Board are as follows:

Members of the Executive Board	Duties at Safran	Date of first appointment Expiration of term of office	Number of Safran shares held as of December 31, 2010
Jean-Paul Herteman 60 years old	**Chairman of the Executive Board**	September 3, 2007 2011 AGM	19,282 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)
Olivier Andriès 49 years old	**Member of the Executive Board** Executive Vice-President, Defence Security branch	July 29, 2009 2011 AGM	2,512 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)
Dominique-Jean Chertier 60 years old	**Member of the Executive Board** Executive Vice-President, Social, Legal and Institutional Affairs	January 1, 2007 2011 AGM	4,190 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)
Xavier Lagarde 63 years old	**Member of the Executive Board** Executive Vice-President, Quality, Audit and Risk	January 1, 2007 2011 AGM	129,588 shares held directly and 62,040 via units in the Safran Group Corporate Mutual Fund (FCPE) and Club Sagem units(*)
Yves Leclère 60 years old	**Member of the Executive Board** Executive Vice-President, Aircraft Equipment branch	July 29, 2009 2011 AGM	19,650 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)
Ross McInnes 57 years old	**Member of the Executive Board** Executive Vice-President, Economic and Financial Affairs	July 29, 2009 2011 AGM	1,381 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)
Marc Ventre 60 years old	**Member of the Executive Board** Executive Vice-President, Aerospace Propulsion branch	July 29, 2009 2011 AGM	8,961 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)

(*) Conversion based on the Safran share price as of December 31, 2010.

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 French Defence Procurement Agency (*Délégation générale pour l'armement*) 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 French aerospace industries association (GIFAS) 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 the French Defence industries advisory council (CIDEF) 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 Civil Aviation Research Council (CORAC) created in 2008 by the French Minister of Ecology, Energy, Sustainable Development and Territorial Development and of the European Security Research and Innovation Forum (ESRIF). He has been Vice-Chairman of the advisory authority on French Defence agency issues (*Conseil général de l'armement*) since March 2010.

Current offices

Safran Group:

- *Chairman of the Executive Board:* Safran
- *Director:* Snecma

Non-Group:

- *Chairman:* GIFAS; CIDEF, since January 2010
- *Vice-Chairman: Conseil général de l'armement*, since March 2010
- *Director:* CNRS

Offices that expired in 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
- *Member of the Supervisory Board:* Sagem Orga GmbH (Germany), up to July 2007
- *Permanent representative of Safran on the Board of Directors of:* 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
- *Permanent representative of Sagem Défense Sécurité on the Board of Directors of:* Sagem Sécurité, up to September 2007

Non-Group: None

Olivier Andriès

Expertise and experience

Born in 1962, Olivier Andriès is a graduate of *École Polytechnique* (1981) and *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
- *Director:* Morpho (formerly Sagem Sécurité); Morpho Detection Inc. (United States)
- *Permanent representative of Safran on the Board of Directors of:* Sagem Défense Sécurité, since February 2010

Non-Group: None

Offices that expired in the last five years

Safran Group:

- *Director:* Sagem Défense Sécurité, up to February 2010
- *Member of the Supervisory Board:* Morpho BV (formerly Sagem Identification BV) (Netherlands), up to December 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 the School of Information Sciences and Communication (Celsa). He started his professional career in 1976 as Assistant to the Director, Administration Services and Personnel at Renault International, where his duties included conducting audit assignments in the subsidiaries outside France and assignments regarding the establishment of Renault in the United States and Portugal.

In 1982, he joined Sacilor as Head of Employee Management Relations in the Group, to negotiate and implement personnel restructurings related to the French Steel Plan. He became Director of Human Resources at Air Inter in 1986. He was responsible, in particular, for personnel management related to the renewal of the aircraft fleet and the launch of the Airbus A320, a complete overhaul of the employee classification grid, as well as the development of contractual policy. During the period between 1992 and 2002, as Director General of the French national association for employment in trade and industry (Unedic), Dominique-Jean Chertier managed a large number of transformations including reforms of the unemployment insurance information systems and the treasury system, putting in place of statutory audits of the accounts and launching of the reorganization of the unemployment authorities' (Assedic) networks.

In March 2002, he joined the Snecma group as Vice-President, Human Resources but left this position in May to become an advisor to the French Prime Minister on social affairs. He returned to Snecma in October 2003 as Executive Vice-President, responsible for Social and Institutional Affairs, where he coordinated the definition of the employment policy and internal and external communications for the whole group. He also developed the group's relations with public institutions. In May 2005, when the Safran Group was created, he became Executive

Vice-President, responsible for Social and Institutional Affairs. He has been a member of the Executive Board since 2007.

Dominique-Jean Chertier is also the Chairman of the Board of Directors of Pôle Emploi (the new French unemployment agency resulting from the merger of the Assedic and the ANPE) and the Employment Policy Council (COE). He was a member of the Economic and Social Council (CES) up to September 2010.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran
- *Chairman and CEO:* Établissements Vallaroche
- *Director and Chairman of the Board:* Safran Employment Services Inc. (United States)
- *Director:* Safran Human Resources Support, Inc. (United States)
- *Permanent representative of Établissements Vallaroche on the Board of Directors of:* Vallaroche Conseil; Safran Consulting (formerly Safran Conseil)

Non-Group:

- *Chairman of the Board of Directors:* Pôle Emploi
- *Director:* Air France

Offices that expired in 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 Human Resources Support, Inc. (United States), up to October 2010
- *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 *École nationale supérieure d'ingénieurs de constructions aéronautiques* (ENSICA) (1972), which became *Institut supérieur de l'aéronautique et de l'espace* (ISAE) in 2007 following its link-up with Supaéro. He also obtained a Master of Sciences in Aeronautics from the California Institute of Technology (Caltech) 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 a weapon system 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 Société de Fabrication d'Instruments de Mesure (SFIM), which he restructured and integrated into Sagem.

In 2001, Xavier Lagarde became Quality Director of the Sagem group, and in 2003 was appointed Industrial and Quality Director, in charge of the production centers in France and abroad. 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 of the Group's Quality, Audit and Risk Department.

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 Consulting (formerly Safran Conseil); Sagem Mobiles
- *Permanent representative of Sagem Télécommunications on the Board of Directors of:* Sagem Industries

Non-Group: None

Offices that expired in 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:* Safran (formerly Sagem SA), 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 *École nationale supérieure de l'aéronautique* (commonly known as Supaéro, 1973), which became *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 position 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 the French aerospace industries association (GIFAS) since 1999.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran
- *Chairman of the Board of Directors:* Globe Motors Inc. (United States); Messier-Dowty SA, since January 2011
- *Director:* Messier Services International; Sagem Défense Sécurité; Technofan; Labinal Investments, Inc. (United States); Messier Services Asia Pte Ltd (Singapore); Singapore Precision Repair and Overhaul Pte Ltd (Singapore)
- *Permanent representative of Safran on the Board of Directors of:* Aircelle; Hispano-Suiza; Labinal; Messier-Bugatti

Non-Group: None

Offices that expired in the last five years

Safran Group:

- *Chairman and CEO:* Messier-Bugatti, up to September 2006; Messier-Goodrich, up to September 2006
- *Director and Vice-Chairman:* 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:* Messier-Dowty International Ltd (UK), up to June 2010; Cinch Connectors Ltd (UK), up to January 2010; Aircelle, up to September 2009; Messier-Bugatti, up to July 2009; Sofrance, up to February 2007; 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
- *Permanent representative of Safran on the Board of Directors of:* Messier-Dowty SA, up to January 2011

Non-Group: None

Ross McInnes

Expertise and experience

Born in 1954, Ross McInnes has dual French and Australian nationality and is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson bank, first of all in London then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America) in which he held several positions as Vice-President in the corporate finance arm, in Chicago and then in Paris.

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 position 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 on July 29, 2009.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran
- *Director:* Aircelle, since April 2010; Turbomeca, since April 2010; Messier-Bugatti, since February 2010; Sagem Défense Sécurité, since February 2010; Morpho (formerly Sagem Sécurité), since April 2010; Snecma, since April 2010; Vallaroche Conseil; Safran USA, Inc. (United States), since February 2010
- *Permanent representative of Safran on the Board of Directors of:* Établissements Vallaroche; Messier-Dowty SA, since January 2011
- *Permanent representative of Établissements Vallaroche on the Board of Directors of:* Soreval (Luxembourg), since January 2010

Non-Group:

- *Director:* Faurecia; Financière du Planier; Limoni SpA (Italy)
- *Board advisor:* Générale de Santé SA

Offices that expired in the last five years

Safran Group:

- *Director:* Messier-Dowty SA, from June 2010 to January 2011

Non-Group:

- *Chairman of the Executive Board:* Générale de Santé SA, up to June 2007
- *Chairman:* Chartreuse & Mont-Blanc SAS, up to May 2009
- *Vice-President:* Macquarie Capital Europe Ltd (UK), up to May 2009
- *Director:* Santé SA (Luxembourg), up to May 2010; Macquarie Autoroutes de France SAS, up to May 2009; Eiffarie SAS, up to June 2009; Société des Autoroutes Paris-Rhin-Rhône, up to June 2009; AREA – Société des Autoroutes Rhône-Alpes, up to June 2009; 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; Bienfaisance Holding, up to June 2009; Électro Banque, up to February 2007
- *Member of the Supervisory Board:* Générale de Santé SA, up to May 2010; Pisto SAS, up to May 2009
- *Permanent representative of Établissements Vallaroche on the Board of Directors of:* La Financière de Brienne, up to January 2010
- *Permanent representative of Santé Sarl on the Supervisory Board of:* Générale de Santé SA, up to March 2007

Marc Ventre

Expertise and experience

Born in 1950, Marc Ventre is a graduate of *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 worked at General Electric Aircraft Engines in Cincinnati in the United States, where he represented Snecma in connection with the development of the CFM56 engine, produced jointly by the two joint venture partners. From 1981 to 1988, after an assignment at the site in Villaroche, Marc Ventre became head of the Quality department at the Snecma plant in Gennevilliers.

He was Deputy Director of Production at Snecma from 1988 until 1991when 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 ramp-up of CFM56 engine production.

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 the French aerospace industries association (GIFAS) and in January 2011 was appointed head of the Civil Aviation Research Council (CORAC). He was Chairman of the Governing Board of Clean Sky up to December 31, 2010. He is also President of the Alumni Association and director of *École centrale de Paris*.

Current offices

Safran Group:

- *Member of the Executive Board:* Safran
- *Director:* Techspace Aero (Belgium)
- *Permanent representative of Safran on the Board of Directors of:* Europropulsion; Snecma; Snecma Propulsion Solide; Turbomeca

Non-Group:

- *Permanent representative of Safran on the Board of Directors of:* Arianespace Participation; Arianespace SA
- *Member of the Supervisory Board:* Radiall, since December 2010

Offices that expired in the last five years

Safran Group:

- *Chairman and CEO:* 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 of Snecma on the Board of Directors of:* various Group companies

Non-Group: None

5.2 SUPERVISORY BOARD

The role and responsibilities of the Supervisory Board and its operating procedures are set out in section 6.1.2.1.2. The report of the Chairman of the Supervisory Board to the 2011 Annual General Meeting is set out in section 5.6.

MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board of Safran has seventeen members – including four representatives of the French State and two representatives of employee shareholders – appointed by the Ordinary Shareholders' Meeting.

The Board has been comprised of the following members since April 14, 2010:

Members of the Supervisory Board	Duties on the Supervisory Board	Date of first appointment Expiration of term of office	Number of Safran shares held as of December 31, 2010	Main position Address
Francis Mer 71 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 (held directly)	Chairman of the Supervisory Board of Safran, 2, bd du Général Martial Valin, 75015 Paris
Michel Lucas 71 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 (held directly)	Chairman of the Executive Board of CIC, 6, avenue de Provence, 75009 Paris
Areva Permanent representative: **Luc Oursel** 51 years old	**Member of the Supervisory Board** Member of the Strategy Committee	April 15, 2009 2011 AGM	8,300,000 (held directly)(1)	33, rue La Fayette, 75009 Paris
Pierre Aubouin 40 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 and Defence Investments at the State Investments Agency, APE, 139, rue de Bercy, 75012 Paris
Christophe Burg 47 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
François de Combret 69 years old	**Member of the Supervisory Board** *(independent)* Member of the Appointments and Compensation Committee	October 30, 2002 2011 AGM	1,500 (held directly)	Senior Advisor to Crédit Agricole CIB, 9, quai du Président Paul Doumer, 92400 Courbevoie
Armand Dupuy 62 years old	**Member of the Supervisory Board**	April 24, 2001 2011 AGM	78,240 shares held directly and 55,070 via units in the Safran Group Corporate Mutual Fund (FCPE) and Club Sagem units(*)	2, rue Boucicaut, 75015 Paris
Jean-Marc Forneri 51 years old	**Member of the Supervisory Board** *(independent)* Member of the Appointments and Compensation Committee	March 17, 2005 2011 AGM	1,512 (held directly)	Chairman of Bucéphale Finance, 17, avenue George V, 75008 Paris

Members of the Supervisory Board	Duties on the Supervisory Board	Date of first appointment Expiration of term of office	Number of Safran shares held as of December 31, 2010	Main position Address
Patrick Gandil 55 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 88 years old	**Member of the Supervisory Board** *(independent)*	April 21, 2004 2011 AGM	1,500 (held directly)	13, rue René Bazin, 75016 Paris
Christian Halary 57 years old	**Member of the Supervisory Board representing employee shareholders**	May 12, 2006 2011 AGM	12,450 shares held directly and 2,862 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)	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 63 years old	**Member of the Supervisory Board** *(independent)* Chairman of the Audit Committee	March 17, 2005 2011 AGM	1,500 (held directly)	Company director, 170, rue de la Pompe, 75116 Paris
Michèle Monavon 53 years old	**Member of the Supervisory Board representing employee shareholders**	May 12, 2006 2011 AGM	33 shares held directly and 2,624 via units in the Safran Group Corporate Mutual Fund (FCPE)(*)	External Relations Manager for employee shareholders at Safran, 2, bd du Général Martial Valin, 75015 Paris
Jean-Bernard Pène 57 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 68 years old	**Member of the Supervisory Board** *(independent)* Member of the Strategy Committee and the Audit Committee	March 17, 2005 2011 AGM	1,640 (held directly)	4, rue du Sommet des Alpes, 75015 Paris
Michel Toussan 71 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	146,910 shares held directly and 29,396 via Club Sagem units(*)	Judge at the Paris Commercial Court, 61, rue de Sannois, 95120 Ermont
Bernard Vatier 63 years old	**Member of the Supervisory Board** *(independent)* Member of the Appointments and Compensation Committee	April 24, 2001 2011 AGM	1,626 (held directly)	Attorney at the Paris Court of Appeals, Vatier & Associés, 12, rue d'Astorg, 75008 Paris

(1) Shares directly held by Areva. Luc Oursel does not directly or indirectly hold any Safran shares.
(*) Conversion based on the Safran share price as of December 31, 2010.

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.

The only change which took place in the membership of the Supervisory Board in 2010 was the resignation of Mario Colaiacovo from his position as member with effect from April 14, 2010. The Board was informed of this decision at its meeting of May 20, 2010 and decided not to fill the vacant position since the terms of office of all the Supervisory Board members are shortly due to expire. There was no change to the membership of the Supervisory Board between January 1, 2011 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; Rhodia; Adecco (Switzerland); Borusan Holding (Turkey)

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *Chairman of the Supervisory Board:* Oenoholding, up to April 2008
- *Director:* Alstom, up to 2006; Inco (Canada), up to 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:

1971-1985	Advisor to the Chairman of Crédit Mutuel
1973-1998	Head of the IT Department
Ongoing	Chairman of the Executive Board of CIC
Ongoing	CEO of Confédération Nationale du Crédit Mutuel
Ongoing	CEO of Fédération du Crédit Mutuel Centre Est Europe
Ongoing	CEO of Caisse Fédérale du Crédit Mutuel Centre Est Europe
Ongoing	Chairman and CEO of 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; Banque Fédérative du Crédit Mutuel
- *Chairman:* Crédit Mutuel Cartes de Paiements SAS; Europay France SAS; Confédération Nationale du Crédit Mutuel; Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale du Crédit Mutuel
- *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 SFM; Banque du Crédit Mutuel Île-de-France; Banco Popular Hipotecario; Républicain Lorrain; Direct Phone Services; International Information Developments
- *Chairman of the Supervisory Board:* Cofidis; Cofidis Participations; Euro Information Production; Fonds de Garantie des Dépôts; Banque de l'Economie, du Commerce et de la Monétique; Targo Deutschland GmbH (Germany); Targo Management AG (Germany); Targobank AG (Germany); CM-CIC Capital Finance
- *Vice-Chairman of the Supervisory Board:* CIC Interbanco; Banque de Luxembourg (Luxembourg)
- *Director:* ACMN Iard; Astrée (Tunisia); Banque de Tunisie (Tunisia); Banque Marocaine du Commerce Extérieur (Morocco); Banque Transatlantique Belgium (Belgium); Caisse de Crédit Mutuel Grand Cronenbourg; CIC Banque Transatlantique; CIC Lyonnaise de Banque; CRCM Midi-Atlantique; Crédit Mutuel Paiements Électroniques; Assurances Générales des Caisses Desjardins (Canada); Sofedis
- *Member of the Supervisory Board:* CM-CIC Asset Management; CM-CIC Services; Manufacture Beauvillé
- *Member of the Management Committee:* Euro Information; Euro Information Développement; EBRA

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *CEO:* Caisse Centrale du Crédit Mutuel
- *Member of the Supervisory Board:* CIC Investissements; Société Alsacienne de Publications "L'Alsace"
- *Vice-Chairman of the Supervisory Board:* Mastercard Europe Région (Belgium)

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 Ministry 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 of Areva SA on the Supervisory Board of:* 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 in the last five years

Safran Group: None

Non-Group:

- *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 in 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 in the last five years

None

François de Combret

Expertise and experience

Graduate of the French School of Administration (ENA) – Graduate of the Paris School of Political Science (IEP) – Graduate in Law

1967-1971	Auditor at the French Audit Office (Cour des comptes)
1972-1974	Advisor for Industrial Affairs on the private staff of the French Minister 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 in the last five years

Safran Group: None

Non-Group:

- *Director:* Renault, up to 2008

Armand Dupuy

Expertise and experience

Graduate of the Supélec Engineering School

1975-1979	Research Engineer at Sagem
1979-1988	Product 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 in the last five years

Safran Group:

- *Permanent representative of Safran on the Board of Directors of:* 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	General Finance Inspectorate
1987-1988	Advisor to the 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); Société Casino Municipal d'Aix Thermal
- *Director:* Balmain; Intercontinental Exchange (United States)
- *Manager:* Perseus Participations

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *Director:* Bonnasse Lyonnaise de Banque, up to May 2008

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 in 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 in 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 and Works Council representative at Sagem Défense Sécurité

Former Secretary of the Sagem Défense Sécurité Central Works Council

Former Secretary of the Sagem SA Group Committee

Member of the CFE/CGC Coordination Committee for the Safran Group

Union representative on the economic committee of the Central Works Council

Representative of the Éragny Plant Works Council

Current offices

Safran Group:

- *Member of the Supervisory Board representing employee shareholders:* Safran
- *Chairman of the Supervisory Boards of the corporate mutual funds:* Partifond; Interfond; Avenir; Safran Investissement

Non-Group: None

Offices that expired in 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 in the last five years

Safran Group: None

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:* Actio's (Association of Safran employee shareholders)

Non-Group:

- *Chair:* French Federation of associations of shareholders who are current or past employees (FAS)

Offices that expired in the last five years

Safran Group:

- *Chair of the Supervisory Board:* Safran Investissement corporate mutual fund, up to March 2010

Non-Group: 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 successively Deputy Head and Head of the Land Armament Department's Ordnance 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 in 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 Chief of Air Staff

French Airforce general (2nd section)

Former head judge at the French Audit Office (Cour des comptes) (2000-2004)

Expert Consultant in strategic and international affairs for two consulting firms

Chairman of the EuroDéfense France Association

Member of the French Scientific Defence Council

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 in the last five years

Safran Group: None

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 in 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 Vatier & Associés
1974-1985	Lecturer at *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 in the last five years

Safran Group: None

Non-Group:

- *Member of the Supervisory Board:* Aviva France, up to October 2008

5.3 REFERENCE 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 April 2010. The French version of the code can be consulted at www.code-afep-medef.com.

Where certain recommendations included in this code, or guidelines adopted subsequently for its enforcement, 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).

5.4 CORPORATE OFFICER COMPENSATION

5.4.1 MEMBERS OF THE EXECUTIVE BOARD

PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF 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 compensation corresponding to full achievement of objectives set is 100% of fixed compensation, for the Chairman and Executive Board members. 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 2010 fiscal year, the fixed compensation of the Chairman and the members of the Executive Board was frozen at the level for 2009, which itself had been frozen at the level for 2008 for members who already held this position.

With regard to the variable component, half of this component is determined on the basis of individual objectives (around five explicitly documented criteria) and half on economic objectives. At the beginning of the year the Chairman of the Executive Board proposes these objectives to the Appointments and Compensation Committee.

For the 2010 fiscal year, half of the economic objectives are based on EBIT[3] and half on WCR[4]. 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.

For the 2011 fiscal year, the principles and rules for determining the compensation of executive corporate officers will be set by the Board of Directors on the recommendation of its Appointments and Compensation Committee. The Board and the Committee will both be established following the Annual General Meeting on April 21, 2011, subject to approval by the shareholders during this Meeting of the change in governance structure.

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 a 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 (*Code du travail*) 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 determi-

(1) AFEP: Association française des Entreprises Privées.
(2) MEDEF: Mouvement des Entreprises de France.
(3) Profit (loss) from operations.
(4) Working capital requirements.

nation of variable compensation, are attained during the last year of his term of office as Chairman of the Executive Board. The Supervisory Board shall hold a special meeting in order to assess attainment of these objectives and set the exact amount of this compensation.

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 led to the formation of Safran in May 2005. The last plan dated April 21, 2004 expired on April 21, 2009.

Performance shares

Safran did not allocate any performance shares to the members of the Executive Board.

Free share grants

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 grant an amount of one hundred shares per beneficiary, free of consideration, to employees of Group companies within the scope of the European Works Council.

The members of the Executive Board who could have benefited from this share grant plan 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

	2009	2010
Compensation due for the year (broken down in the table below)	€1,505,958 incl. a fixed component of €700,000	€1,406,294 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

	2009		2010	
(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	€800,000	€665,000(1)	€700,000	€800,000(2)
Extraordinary compensation	None	None	None	None
Attendance fees	None	None	None	None
Benefits-in-kind(3)	€5,958	€5,958	€6,294	€6,294
TOTAL	**€1,505,958** incl. a fixed component of €700,000	**€1,370,958** incl. a fixed component of €700,000	**€1,406,294** incl. a fixed component of €700,000	**€1,506,294** incl. a fixed component of €700,000

(1) For 2008.
(2) For 2009.
(3) Company car.

Olivier Andriès, member of the Executive Board

Summary of compensation, stock options and shares granted

	2009	2010
Compensation due for the year (broken down in the table below)	€610,126 incl. a fixed component of €315,000	€599,342 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

(gross)	2009 Amounts due for the year	2009 Amounts paid during the year	2010 Amounts due for the year	2010 Amounts paid during the year
Fixed compensation	€315,000	€315,000	€315,000	€315,000
Variable compensation	€267,000	€195,000(1)	€275,600	€267,000(2)
Extraordinary compensation	€21,988(3)	€22,278(4)	€2,000(5)	€21,988(6)
Attendance fees	None	None	None	None
Benefits-in-kind(7)	€6,138	€6,138	€6,742	€6,742
TOTAL	**€610,126** incl. a fixed component of €315,000	**€538,416** incl. a fixed component of €315,000	**€599,342** incl. a fixed component of €315,000	**€610,730** incl. a fixed component of €315,000

NB: This compensation was paid to Olivier Andriès for 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, when he joined the Group, to December 31, 2008).
(2) For 2009.
(3) Payments under statutory and optional profit-sharing schemes; company contribution.
(4) Payments for 2008 under statutory and optional profit-sharing schemes; 2009 company contribution.
(5) Company contribution. Excluding payments 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 2009 under statutory and optional profit-sharing schemes; 2010 company contribution.
(7) Company car: €5,533 in 2009 and 2010.

Dominique-Jean Chertier, member of the Executive Board

Summary of compensation, stock options and shares granted

	2009	2010
Compensation due for the year (broken down in the table below)	€944,450 incl. a fixed component of €460,000	€916,320 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

(gross)	2009 Amounts due for the year	2009 Amounts paid during the year	2010 Amounts due for the year	2010 Amounts paid during the year
Fixed compensation	€460,000	€460,000	€460,000	€460,000
Variable compensation	€460,000	€437,000(1)	€449,400	€460,000(2)
Extraordinary compensation	€19,988(3)	€21,006(4)	€2,000(5)	€21,988(6)
Attendance fees	None	None	None	None
Benefits-in-kind(7)	€4,462	€4,462	€4,920	€4,920
TOTAL	**€944,450** incl. a fixed component of €460,000	**€922,468** incl. a fixed component of €460,000	**€916,320** incl. a fixed component of €460,000	**€946,908** incl. a fixed component of €460,000

NB: This compensation was paid to Dominique-Jean Chertier for his duties as Executive Vice-President, Social, Institutional and Legal Affairs. He does not receive any compensation as a member of the Executive Board.
(1) For 2008.
(2) For 2009.
(3) Payments under statutory and optional profit-sharing schemes.
(4) Payments for 2008 under statutory and optional profit-sharing schemes.
(5) Company contribution. Excluding payments 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 2009 under statutory and optional profit-sharing schemes; 2010 company contribution.
(7) Company car.

Xavier Lagarde, member of the Executive Board

Summary of compensation, stock options and shares granted

	2009	2010
Compensation due for the year (broken down in the table below)	€835,456 incl. a fixed component of €410,000	€811,664 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

	2009		2010	
(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	€398,000	€410,000(1)	€393,700	€398,000(2)
Extraordinary compensation	€21,988(3)	€23,006(4)	€2,000(5)	€21,988(6)
Attendance fees	None	None	None	None
Benefits-in-kind(7)	€5,468	€5,468	€5,964	€5,964
TOTAL	**€835,456** incl. a fixed component of €410,000	**€848,474** incl. a fixed component of €410,000	**€811,664** incl. a fixed component of €410,000	**€835,952** incl. a fixed component of €410,000

NB: This compensation has been paid to Xavier Lagarde for 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.

(1) For 2008.
(2) For 2009.
(3) Payments under statutory and optional profit-sharing schemes; company contribution.
(4) Payments for 2008 under statutory and optional profit-sharing schemes; 2009 company contribution.
(5) Company contribution. Excluding payments 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 2009 under statutory and optional profit-sharing schemes; 2010 company contribution.
(7) Company car: €4,864 in 2009 and €4,755 in 2010

Yves Leclère, member of the Executive Board

Summary of compensation, stock options and shares granted

	2009	2010
Compensation due for the year (broken down in the table below)	€513,073 incl. a fixed component of €315,000	€621,816 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

	2009		2010	
(gross)	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€315,000	€315,000	€315,000	€315,000
Variable compensation	€170,000	€174,000(1)	€298,700	€170,000(2)
Extraordinary compensation	€21,988(3)	€23,006(4)	€2,000(5)	€21,988(6)
Attendance fees	None	None	None	None
Benefits-in-kind(7)	€6,085	€6,085	€6,116	€6,116
TOTAL	**€513,073** incl. a fixed component of €315,000	**€518,091** incl. a fixed component of €315,000	**€621,816** incl. a fixed component of €315,000	**€513,104** incl. a fixed component of €315,000

NB: This compensation was paid to Yves Leclère for his duties as Executive Vice-President, Aircraft Equipment branch. He does not receive any compensation as a member of the Executive Board.

(1) For 2008.
(2) For 2009.
(3) Payments under statutory and optional profit-sharing schemes; company contribution.
(4) Payments for 2008 under statutory and optional profit-sharing schemes; 2009 company contribution.
(5) Company contribution. Excluding payments 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 2009 under statutory and optional profit-sharing schemes; 2010 company contribution.
(7) Company car.

Ross McInnes, member of the Executive Board

Summary of compensation, stock options and shares granted

	2009(*)	2010
Compensation due for the year (broken down in the table below)	€578,701 incl. a fixed component of €288,846	€846,083 incl. a fixed component of €420,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

(*) For the period from March 15, 2009 to December 31, 2009 (he joined the Group on March 15, 2009).

Summary of compensation

	2009		2010	
(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	€420,000	€420,000
Variable compensation	€265,000	None	€417,200	€265,000(1)
Extraordinary compensation	€21,413(2)	€2,000(3)	€2,000(4)	€21,413(5)
Attendance fees	None	None	None	None
Benefits-in-kind(6)	€3,442	€3,442	€6,883	€6,883
TOTAL	**€578,701** incl. a fixed component of €288,846	**€294,288** incl. a fixed component of €288,846	**€846,083** incl. a fixed component of €420,000	**€713,296** incl. a fixed component of €420,000

(*) For the period from March 15, 2009, when he joined the Group, to December 31, 2009.
NB: This compensation was paid to Ross McInnes for his duties as Advisor to the Chairman from March 15, 2009 (the date on which he joined the Group) 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) For 2009 (for the period from March 15, 2009 to December 31, 2009).
(2) Payments under statutory and optional profit-sharing schemes; company contribution (for the period from March 15, 2009 to December 31, 2009).
(3) Company contribution.
(4) Company contribution. Excluding payments 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 2009 under statutory and optional profit-sharing schemes (for the period from March 15, 2009 to December 31, 2009); 2010 company contribution.
(6) Company car: €2,623 in 2009 (for the period from March 15, 2009 to December 31, 2009) and €5,245 in 2010.

Marc Ventre, member of the Executive Board

Summary of compensation, stock options and shares granted

	2009	2010
Compensation due for the year (broken down in the table below)	€826,000 incl. a fixed component of €400,000	€838,548 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

	2009		2010	
(gross)	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	€400,000	€288,800(1)	€432,500	€400,000(2)
Extraordinary compensation	€19,988(3)	€21,006(4)	None(5)	€19,988(6)
Attendance fees	None	None	None	None
Benefits-in-kind(7)	€6,012	€6,012	€6,048	€6,048
Total	€826,000 incl. a fixed component of €400,000	**€715,818** incl. a fixed component of €400,000	**€838,548** incl. a fixed component of €400,000	**€826,036** incl. a fixed component of €400,000

NB: This compensation was paid to Marc Ventre for his duties as Executive Vice-President, Aerospace Propulsion branch. He does not receive any compensation as a member of the Executive Board.
(1) For 2008.
(2) For 2009.
(3) Payments under statutory and optional profit-sharing schemes.
(4) Payments for 2008 under statutory and optional profit-sharing schemes.
(5) Excluding payments 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 2009 under statutory and optional profit-sharing schemes.
(7) Company car: €5,976 in 2009 and 2010.

SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS, COMPENSATION FOR TERMINATION AND NON-COMPETITION AGREEMENTS OF EXECUTIVE BOARD MEMBERS

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits liable to be due for termination of office, change in duties, or non-competition agreements
Jean-Paul Herteman	Chairman of the Executive Board	Yes(1)	No	Yes(2)
Olivier Andriès	Member of the Executive Board	Yes	No	No
Dominique-Jean Chertier	Member of the Executive Board	Yes	No	No
Xavier Lagarde	Member of the Executive Board	Yes	No	No
Yves Leclère	Member of the Executive Board	Yes	No	No
Ross McInnes	Member of the Executive Board	Yes	No	No
Marc Ventre	Member of the Executive Board	Yes	No	No

(1) Employment contract suspended since September 3, 2007
(2) Commitment in respect of the termination of the office of the Chairman of the Executive Board (see section 5.4.1 – Principles and rules for determining the compensation of members of the Executive Board).

5.4.2 MEMBERS OF THE SUPERVISORY BOARD

PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF 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 and attendance fees, and a vehicle with a driver is made available to him.

Only the two members of the Supervisory Board representing employee shareholders have an employment contract with the Company and the salaries they receive under their employment contracts with Safran do not have 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 date.

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 a portion of these fees in favor of the two Board advisors (*censeurs*), who are considered as one member for the purposes of allocating the fees. A fixed portion of these fees, representing two-thirds of the total amount, is allocated 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 share grants

Among the members of the Supervisory Board, only the two representatives of employee shareholders benefited, in their capacity as employees of the Company, from the grant of one hundred existing Safran shares free of consideration, in relation to the share grant plans set up by the Executive Board on April 3, 2009 to employees of the Group companies that fall within the scope of the European Works Council.

These share grants in favor of employees were not subject to performance conditions. The free shares will be awarded to their beneficiaries on April 3, 2011 for employees of the Group's French companies and on April 3, 2013 for employees of the Group's foreign subsidiaries.

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

	2009	2010
Compensation due for the year (broken down in the table below)	€434,050	€447,978
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

	2009		2010	
(gross)	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	€34,050	€45,340	€47,978	€34,050
Benefits-in-kind	None	None	None	None
TOTAL	**€434,050**	**€445,340**	**€447,978**	**€434,050**

SUMMARY TABLE OF ATTENDANCE FEES PAID TO SUPERVISORY BOARD MEMBERS

Members of the Supervisory Board in office in 2010 (excluding representatives of the French State)	Amount of attendance fees 2009 (paid in 2010)	2010 (paid in 2011)
Francis Mer	€34,050	€47,978
Michel Lucas	€48,394	€31,852
Luc Oursel representing Areva (term of office started on April 15, 2009)	€22,104	€32,726
Mario Colaiacovo (term of office ended on April 14, 2010)	€32,746	€10,043
François de Combret	€36,658	€33,563
Armand Dupuy	€31,442	€33,563
Jean-Marc Forneri	€34,050	€32,290
Yves Guéna	€31,442	€32,726
Christian Halary	€31,442	€33,563
Shemaya Levy	€44,482	€45,393
Michèle Monavon	€31,442	€33,563
Jean Rannou	€39,266	€45,830
Michel Toussan	€39,266	€39,897
Bernard Vatier	€34,050	€35,674
Total attendance fees paid to members of the Supervisory Board in office in 2010	**€497,563**	**€488,661**
Total attendance fees paid	€670,000(1)	€670,000(2)

(1) Including attendance fees for 2009 paid to:
– the French Treasury for State representatives: €140,111
– Board advisors: €32,326 (Georges Chodron de Courcel: €15,673; Pierre Moraillon: €16,653)
– a Supervisory Board member whose term of office ended in 2009: €6,729 (Anne Lauvergeon, term of office ended on April 15, 2009)
(2) Including attendance fees for 2010 paid to:
– the French Treasury for State representatives: €150,781
– Board advisors: €30,558 (Georges Chodron de Courcel: €16,001; Pierre Moraillon: €14,557)

SUMMARY TABLE OF 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

In accordance with the provisions of article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), Safran's corporate officers disclosed to the French financial markets authority (*Autorité des marchés financiers*) and to the Company the following transactions performed in 2010 in Safran shares and related financial instruments:

Corporate officer	Nature of the transaction	Value date	Number of shares	Price per share
Dominique-Jean Chertier	Acquisition(1)	February 26, 2010	172(2)	€17.28
Olivier Andriès	Acquisition(1)	February 26, 2010	410(2)	€17.28
Yves Leclère	Acquisition(1)	February 26, 2010	410(2)	€17.28
Xavier Lagarde	Acquisition(1)	February 26, 2010	410(2)	€17.28
Ross McInnes	Acquisition(1)	February 26, 2010	361(2)	€17.28
Michel Toussan	Sale	March 15, 2010	3,000	€18.57
Michel Toussan	Sale	March 16, 2010	3,700	€18.89
Michel Toussan	Sale	March 16, 2010	4,000	€18.60
Dominique-Jean Chertier	Acquisition(3)	March 31, 2010	66(2)	€19.30
Olivier Andriès	Acquisition(3)	March 31, 2010	132(2)	€19.30
Xavier Lagarde	Acquisition(3)	March 31, 2010	132(2)	€19.30
Ross McInnes	Acquisition(3)	March 31, 2010	105(2)	€19.30
Armand Dupuy	Sale	March 31, 2010	5,579	€19.30
Mario Colaiacovo	Sale	April 9, 2010	9,315	€19.73
Michel Toussan	Sale	May 10, 2010	5,000	€20.04
Michel Toussan	Sale	May 14, 2010	6,750	€22.90
Jean-Paul Herteman	Acquisition	May 14, 2010	217(2)	€22.67
Dominique-Jean Chertier	Acquisition	May 14, 2010	217(2)	€22.67
Dominique-Jean Chertier	Acquisition(1)	June 11, 2010	171(2)	€23.39
Olivier Andriès	Acquisition(1)	June 11, 2010	171(2)	€23.39
Xavier Lagarde	Acquisition(1)	June 11, 2010	372(2)	€23.39
Ross McInnes	Acquisition(1)	June 11, 2010	409(2)	€23.39
Yves Leclère	Acquisition(1)	June 11, 2010	372(2)	€23.39
Olivier Andriès	Acquisition(3)	June 22, 2010	24(2)	€23.45
Xavier Lagarde	Acquisition(3)	June 22, 2010	24(2)	€23.45
Ross McInnes	Acquisition(3)	June 22, 2010	19(2)	€23.45
Yves Leclère	Acquisition(3)	June 22, 2010	24(2)	€23.45
Dominique-Jean Chertier	Acquisition(4)	June 30, 2010	80(2)	€22.97
Olivier Andriès	Acquisition(4)	June 30, 2010	80(2)	€22.97
Yves Leclère	Acquisition(4)	June 30, 2010	80(2)	€22.97
Xavier Lagarde	Acquisition(4)	June 30, 2010	80(2)	€22.97
Ross McInnes	Acquisition(4)	June 30, 2010	80(2)	€22.97
Areva	Sale	September 22, 2010	440,000	€21.55
Areva	Sale	September 23, 2010	527,044	€21.38
Areva	Sale	September 24, 2010	233,775	€21.33
Areva	Sale	September 27, 2010	107,469	€21.40
Areva	Sale	September 28, 2010	66,522	€21.31
Areva	Sale	September 29, 2010	83,200	€21.30
Areva	Sale	September 30, 2010	170,000	€20.75
Areva	Sale	October 1, 2010	172,942	€20.50
Areva	Sale	October 4, 2010	31,967	€20.26
Areva	Sale	October 5, 2010	4,800,000	€20.94
Areva	Sale	October 6, 2010	92,153	€21.07
Areva	Sale	October 7, 2010	380,759	€20.58
Areva	Sale	October 8, 2010	5,000	€20.23
Areva	Sale	October 12, 2010	15,362,094	€20.23

(1) Optional employee profit-sharing.
(2) Number of subscribed shares corresponding to units in the Safran Group corporate mutual fund.
(3) Statutory employee profit-sharing.
(4) Company contribution.

Information on service contracts between the members of the Executive Board or Supervisory Board and the Company or one of its subsidiaries

There are no service contracts between the members of the Executive Board or Supervisory Board and Safran or any of its subsidiaries providing for the award of benefits.

Disclosure of family ties and the absence of convictions involving members of the Executive Board or 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 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 an administrative, management or supervisory body, 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.

However, Pierre Aubouin and Christophe Burg, representatives of the French State on the Supervisory Board, pointed out that they were also representatives of the French State on SNPE's Board of Directors, which, in certain specific cases, could generate a conflict of interests.

The restrictions accepted by certain members of the Executive Board and the Supervisory Board on the sale of their shares in Safran came to an end on March 29, 2010 and 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 APRIL 21, 2011, 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 on February 21, 2011 before being submitted to the Supervisory Board, which approved it at its meeting on March 4, 2011.

5.6.1 COMPOSITION, ORGANIZATION AND WORK OF THE SUPERVISORY BOARD

THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

When Sagem formed an alliance with Snecma, which led to the privatization of Snecma and the formation of Safran in May 2005, the managers of the two companies chose to ensure continuity in terms of governance by maintaining the two-tier structure of an Executive Board and a Supervisory Board, the structure originally in place in the absorbing company.

At the time this was the most appropriate structure for ensuring the successful merger of the two companies and the integration of their various subsidiaries.

The terms of office of all the members of Safran's Supervisory Board and Executive Board are set to expire at the Group's Annual General Meeting in 2011. This factor led the members of the Supervisory Board and the Appointments and Compensation Committee to consider which form of corporate governance would be most appropriate for the Group's future development, and to then share their views with the members of the Executive Board.

As a result of this process, a recentralized corporate governance structure has been chosen with a view to streamlining the investment and development decision-making processes and enabling the Group to respond better to the new challenges it faces in a changing economic, financial and competitive environment.

Subsequently, on February 23, 2011, following the consultation process conducted by the employee representative bodies and in accordance with the proposals of the Appointments and Compensation Committee, the Supervisory Board has, with the agreement of the Executive Board, decided to recommend to shareholders the adoption of a corporate governance structure with a Board of Directors.

Shareholders will therefore be called upon to approve this change of corporate governance structure (under the 5th resolution), as well as the Group's revised bylaws (under the 6th resolution), at the Ordinary and Extraordinary Shareholders' Meeting to be held on April 21, 2011.

The proposed new bylaws were included with the notice of meeting for the Annual General Meeting of April 21, 2011. In its report for this meeting, the Executive Board provides shareholders with useful information to allow them to understand the main changes that have been made to the current bylaws, thus giving them the necessary facts to enable them to approve these new bylaws, if they agree with them, at the Annual General Meeting.

The Supervisory Board also unanimously recommends the adoption of Safran's new bylaws since, beyond the changes directly relating to the adoption of a corporate governance structure with a Board of Directors, these bylaws, having been revised to take into account the latest legislative and regulatory changes and the more recent change in the rules to enable corporate governance quality to be optimized, should contribute to the proper running and development of the Company and the Group on a legal level.

Assuming the 5th and 6th resolutions are adopted at the Annual General Meeting as presented, a Board of Directors would be established and its members nominated to replace the members of the Executive Board and the Supervisory Board, whose terms of office are, in any case, due to expire at that same meeting.

The Supervisory Board's observations on the management report prepared by the Executive Board, on the financial statements and on the present document are therefore expected to be the last observations to be presented to shareholders by the members of the Supervisory Board.

From this perspective, the Chairman of the Supervisory Board wishes, both personally and on behalf of the Supervisory Board as a whole, to express his full confidence in Safran, which was born out of the merger of Sagem and Snecma and which owes its success to the efforts of many, and to assure shareholders of his firm belief in the Group's future prospects.

Reference Corporate Governance Code

Safran refers to the "Corporate Governance Code of Listed Corporations", drawn up jointly by two French employers' associations, AFEP(1) and MEDEF(2), and last updated in April 2010.

Where certain recommendations included in this code are not implemented, this is justified in section 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 *sociétés anonymes* (corporations). However, since the French State owns more than 10% of the share capital, pursuant to article 12 of French Law 49-985 of July 25, 1949, a number of seats are reserved for the French State in proportion to its stake, on the understanding that it may not hold more than two-thirds of the total number of seats on the Supervisory Board.

The number of members making up the Supervisory Board was reduced from eighteen to seventeen, with effect from April 14, 2010, following the resignation and subsequent non-replacement of a member. The members of the Supervisory Board are appointed by the Ordinary Shareholders' Meeting. They include four representatives of the French State appointed by Ministerial Decree and then put to the vote at the Shareholders' 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 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 during which the annual and interim financial statements and the documents prepared for Shareholders' Meetings are reviewed. They may also be invited to any other Board meeting.

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.

As of December 31, 2010, the Supervisory Board was composed of the following members:

- Francis Mer *(Chairman)*;
- Michel Lucas *(Vice-Chairman)*;
- Areva (permanent Board representative: Luc Oursel);
- 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 *(French State representatives)*;
- Christian Halary and Michèle Monavon *(representatives of employee shareholders).*

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(1) AFEP: Association Française des Entreprises Privées.
(2) MEDEF: Mouvement des Entreprises de France.

The only change which took place in the membership of the Supervisory Board in 2010 was the resignation of Mario Colaiacovo from his position as member of the Supervisory Board which took effect on April 14, 2010. The Board was informed on this decision during its meeting of May 20, 2010 and decided not to fill the vacant position since the terms of office of all the Supervisory Board members are due to end soon (AGM 2011).

No other changes in the composition of the Supervisory Board have taken place since January 1, 2011.

Independence of members of the Supervisory Board

The independence of Board members is periodically reviewed by the Supervisory Board based on the report written by the Appointments and Compensation Committee. No changes were made to the list of independent members following the last review conducted in February 2009.

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:

- the persons concerned may not help to prepare or solicit service offers targeting the Company at the bank by which they are employed;
- the persons concerned may not effectively take part in the activities of the bank by which they are employed if said bank is executing a mandate on behalf of the Company;
- the persons concerned may not vote on any resolution concerning a project in which the bank by which they are employed may be involved as an advisor.

The members of the Supervisory Board falling into this category (François de Combret, Jean-Marc Forneri and Michel Lucas) have undertaken to abide by the above principles.

This undertaking was taken into account when assessing their position with regard to independence criteria.

Based on these criteria, seven of the seventeen (previously eighteen) members of the Supervisory Board are classified as independent members. These members are François de Combret, Jean-Marc Forneri, Yves Guéna, Shemaya Levy, Michel Lucas, Jean Rannou and Bernard Vatier.

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.

In this context, Areva's permanent representative, Luc Oursel, was temporarily suspended as a member of the Supervisory Board and as a member of the Strategy Committee over the period during which the operations involving Areva's withdrawal from Safran's share capital were being conducted. Luc Oursel was therefore not sent any of the documents that were addressed or presented to the Supervisory Board during this period.

Female representation on the Supervisory Board

The Supervisory Board has one female member, appointed by the Shareholders' Meeting as an employee shareholder representative. The proportion of women on the Supervisory Board thus works out at 5.9%.

Duration of Supervisory Board members' terms of office

The members of the Supervisory Board are appointed by the Ordinary Shareholders' Meeting for a duration of six years, pursuant to Article 24 of the Company's current bylaws.

The current members' terms of office are all due to expire at the end of the Annual General Meeting to be held on April 21, 2011.

Compulsory shareholdings

In accordance with Article 23 of the Company's bylaws, each member of the Supervisory Board, except for representatives of the French State or employee shareholders, must hold at least 20 registered shares in the Company.

This obligation was reinforced by a Supervisory Board decision of June 23, 2005, which states that members of the Supervisory Board who are subject to the compulsory shareholding obligation must hold at least 1,500 registered shares in the company as of December 31, 2008.

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.

ORGANIZATION AND WORK OF THE SUPERVISORY BOARD

Internal Rules of the Supervisory Board

In addition to the provisions of the law and the bylaws that govern its functioning, the Supervisory Board has a set of Internal Rules that clarify certain conditions relating to its meetings, list the operations that require its prior approval, define the duties and the operating rules of its special committees and set out the rules for the allocation of attendance fees to Board members.

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 Executive Board decisions require the prior authorization of the Supervisory Board:

1/ Decisions subject to prior authorization, regardless of the amount of the transaction:

- issues of any kind of securities liable to entail a change in 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 withdraw from 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 importance of decisions or operations.

2/ Decisions subject to prior authorization where the transaction amount exceeds €50 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 issues 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;
- creation of collateral on company assets.

The prior authorization procedure does not however apply to operations and decisions aimed at tying up agreements exclusively between entities controlled by the Company and the Company itself.

3/ Decisions subject to prior authorization where the transaction amount exceeds €150 million:

- grant or contract any loan, credit or advance;
- acquisition or disposal of any receivable by any means.

Furthermore, in accordance with legal provisions, the Executive Board must obtain prior authorization from the Supervisory Board to be able to grant guarantees, endorsements and sureties in the Company's name. Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Executive Board; any commitment exceeding this ceiling must be specifically authorized by the Supervisory Board.

The threshold for 2010 was set at €500 million and special authorization was granted by the Supervisory Board on January 26, 2010 to guarantee the pension fund commitments of the Safran UK Ltd subsidiary.

On December 16, 2010, the Supervisory Board decided to renew the annual threshold of €500 million for 2011.

Supervisory 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 Supervisory Board members.

Before each meeting and approximately one week prior to the meeting date, Supervisory Board members receive the agenda and all documents necessary to inform them on the matters to be discussed during the meeting, as well as the draft minutes of the previous meeting. Prior to the meeting, they may request any additional documents they consider useful.

In addition, the 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 the Company's press releases and a monthly press review, together with the minutes of all Audit Committee meetings.

Supervisory 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 Supervisory Board's Internal Rules state that meetings may be held, where necessary, by conference call or videoconference.

The effective presence of at least half of the members is necessary in order to validate majority decisions. Decisions are voted by the majority of members present or their representatives; in the event of a split decision, the Chairman shall have the casting vote.

Under their responsibility, Supervisory Board members may be represented by another Board member, by means of a proxy, each member having only one such proxy.

Minutes are drawn up for each Supervisory Board meeting and forwarded to all Supervisory Board members with a view to their adoption at the next meeting.

Activities of the Supervisory Board in 2010

The Supervisory Board met eight times in 2010, including twice by conference call, with an average attendance rate of 83.4%.

In accordance with the provisions of the 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 activities of the Supervisory Board in 2010 were as follows:

In connection with its supervisory role:

- the Supervisory Board reviewed the parent company and consolidated financial statements for 2009 and the first half of 2010 provided by the Executive Board. The financial statements were the subject of a detailed presentation given by the Executive Vice-President in charge of Economic and Financial Affairs, after which the Chairman of the Audit Committee and the statutory auditors gave an account of their tasks and the conclusions of their work. The Supervisory Board ratified the 2010 guidance in relation to revenue and profit from operations and examined the planned budget for 2011. Press releases of a financial nature were submitted to the Supervisory Board as well as to the Audit Committee prior to publication;

- at its meeting of April 13, the Supervisory Board approved all the documents prepared by the Executive Board for the Annual General Meeting of May 27, 2010, particularly the management report and proposed resolutions. It proceeded to review the report prepared by its Chairman on the functioning of the Supervisory Board and the internal control and risk management procedures and, based upon the recommendation of the Audit Committee, approved the terms of this report;
- on July 20, the Supervisory Board approved the introduction of a new method for presenting PPA (Purchase Price Allocation) impacts in its half-year 2010 financial statements. The Audit Committee and the statutory auditors had both offered a favorable opinion on this method. Based on the financial reports it received, the Supervisory Board was satisfied that analysts had correctly understood the notion of "recurring operating income" adopted in the accounts in 2009.

In the area of corporate governance:

- on April 13, the Chairman of the Audit Committee reported on the work conducted by the Committee with respect to the appointment of a panel of statutory auditors for the 2010 to 2015 period: he described the various stages of the process of selecting the firms in conjunction with the members of the selection committee, as well as the evaluative points of the offers, and informed the Board of the results of the selection procedure. The Board approved this selection and decided to ask shareholders to approve the selected firms at the Shareholders' Meeting;
- in line with the recommendations of the AFEP-MEDEF Corporate Governance Code, on April 13, 2010, the Supervisory Board instructed the Appointments and Compensation Committee to report on the implementation of the staggered election of Directors and on the status of the Chairman of the Executive Board who will be appointed when the term of office of the current holder of the post expires, particularly with regard to how this tenure would combine with a suspended employment contract;
- at the meeting on May 20, 2010, the Supervisory Board considered the letter addressed to its Chairman by Mario Colaiacovo, informing him of his decision to resign from his post as member of the Supervisory Board with effect from April 14, 2010. Upon the recommendation of the Chairman, the Supervisory Board decided not to appoint a new member due to the imminent expiry of the terms of office of all members of the Supervisory Board;
- the Chairman of the Supervisory Board informed the Supervisory Board in May that he had instructed the firm Korn/Ferry to carry out an evaluation of the work of the Supervisory Board, to allow everyone to express themselves totally freely and independently;
- with regard to the compensation of executive corporate officers, on February 24, 2010, the Supervisory Board adopted the proposals of the Appointments and Compensation Committee concerning the amount of variable compensation to be paid to the members of the Executive Board in respect of 2009. The Board approved the Committee's proposal to maintain the fixed compensation of Executive Board members for 2010 at the same level as 2009; it ratified the criteria used to determine the variable portion as proposed by the Committee for this year, as well as the personal targets set by the Chairman of the Executive Board and accepted by the Committee; and
- at the meeting on December 16, the Chairman of the Supervisory Board invited the members of the Supervisory Board to reflect on the change in the Company's governance structure, in view of the imminent expiration of the terms of office of all the members of the Supervisory Board and Executive Board at the next Annual General Meeting. He specified that the Appointments and Compensation Committee recommended adopting a governance structure with a Board of Directors and announced that a consultation procedure conducted by employee representatives would be launched in January 2011, after which the Supervisory Board would make a decision.

Concerning the economic and financial position of the Group:

- throughout the year the Supervisory Board was briefed by the Chairman and the members of the Executive Board, notably at the quarterly business report presentations, on the business highlights, business conditions in the aviation industry, business trends by branch, the Group's financial position, the currency hedging situation, the financial guarantees granted to clients, and disputes and outstanding cases;
- the Executive Vice-President in charge of the Aircraft Equipment branch presented a detailed report on the financial performance of this branch and on the improvement initiatives that are being undertaken;
- the Executive Vice-President in charge of Quality, Audit and Risk described the Group's position in terms of quality, which was defined as the key objective for 2010 by the Chairman of the Executive Board. He presented the Group's quality improvement program and gave details of areas in which progress could be made;
- in May, the Chairman and the members of the Executive Board presented and commented on the medium-term 2010-2013 plan and the long-term strategy looking ahead to 2020;
- on December 2, pursuant to article L.225-86 of the French Commercial Code, the Supervisory Board authorized the establishment of a €1.6 billion five-year renewable credit facility granted by a group of 13 banks. At this same meeting, the Executive Vice-President in charge of Economic and Financial Affairs presented the Company's currency hedging arrangements for 2010-2014;
- at the meeting held on December 16, the Executive Vice-President in charge of Economic and Financial Affairs commented on the documents submitted to the members of the Supervisory Board regarding the status of the main indicators relating to the 2010 budget, the assumptions retained for the 2011 budget and the detailed review of this budget. The Chairman of the Audit Committee reported on the review of the budgetary assumptions, the budget and the audit plans for 2010-2011, and announced the Committee's conclusions. The Committee deemed all the information to be perfectly appropriate.

In terms of strategy:

- at every Supervisory Board meeting, the Chairman of the Executive Board provided an update on progress made with regards to external growth plans, ongoing negotiations and the difficulties encountered;
- detailed presentations were given by the managers involved in the specific acquisition projects at their various stages of development. These were then followed by discussions among the Board members. The Chairman of the Strategy Committee reported on the work of this Committee and its recommendations; and
- on July 27, 2010, the Supervisory Board authorized the Executive Board to continue negotiations for L-1 Identity Solutions and set a price limit on the offer. At the same meeting, pursuant to the procedure governed by article L.225-86 of the French Commercial Code on related-party agreements, the Supervisory Board confirmed its agreement in principle to the opportunity of acquiring SNPE Matériaux Énergétiques (SME) from SNPE and, after examining the guarantees agreed to by SNPE, set the price limit for the finalization of an agreement.

In terms of employee policy:

- the Executive Vice-President in charge of Social and Institutional Affairs kept the Supervisory Board up-to-date on progress made with various projects to modernize the running of the Group; in April he gave a presentation of the Group's employee policy; he informed the Supervisory Board of the conclusion of an agreement relating to the employment of seniors and the undertaking of negotiations with union representatives on the prevention of stress-related risks at work.

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 terms of office coincide 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 have the casting 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, since April 14, 2010, been comprised of five members, including one independent member: Francis Mer (Chairman), Pierre Aubouin, Christophe Burg, Luc Oursel and Jean Rannou(*). Mario Colaiacovo, a member of this committee until April 13, 2010, has not been replaced.

(*) Independent member of the Supervisory Board.

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 proposed strategic and partnership agreements. It also 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 2010

The Strategy Committee met six times in 2010 (on February 22, May 19, June 7, July 26, October 4 and December 17), with an average attendance rate of 87.1%.

The meetings predominantly focused on potential external growth opportunities and on progress made with ongoing acquisition projects. At the meeting held on December 17, the Committee discussed Safran's decision not to tender its shares to the takeover offer for Ingenico that was launched by an industry player.

Audit Committee

Composition

The Audit Committee has five members, including three independent members: Shemaya Levy(*) (Chairman), Pierre Aubouin, Michel Lucas(*), Jean Rannou(*) 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 in charge of Economic and Financial Affairs, and the Heads of the Group's Accounts, Consolidation, Audit and Internal Control, and Risk Departments may attend Audit Committee meetings.

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 Committee is responsible for monitoring:

- the preparation of financial information;
- the effectiveness of the internal control and risk management systems;
- the auditing of the full-year and, as the case may be, consolidated financial statements, by the statutory auditors;
- the independence of the statutory auditors.

The role of the Audit Committee is to review the accounts and accounting procedures. It also analyzes 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 half-year and annual parent company 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 the end of the annual and half-year reporting periods;
- 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 statutory auditors and their fees;
- conducting an annual review with the statutory auditors of their audit plan, findings, recommendations and the subsequent action to be taken.

Checking the effectiveness of the internal control systems

- 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 parent 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 monitoring the effectiveness of the risk management systems:

- 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.

Activities in 2010

The Audit Committee met six times in 2010, with an average attendance rate of 86.7%.

The Executive Vice-President in charge of Economic and Financial Affairs and the Head of Audit and Internal Control Department attended all the meetings. The Chairman of the Supervisory Board and the statutory auditors were also present at all the meetings, except for the meeting held for the purpose of selecting a new panel of statutory auditors. The Chairman of the Executive Board attended most of the meetings and, when required, the Heads of the Group's Accounts, Consolidation and Risk and Insurance Departments were also invited to participate in certain meetings.

- *February 22:* Review of the parent company and consolidated financial statements for 2009 as approved by the Executive Board; the Audit Committee obtained the opinion of the statutory auditors on the conditions of the closing of the annual accounts; the statutory auditors, the Head of Audit and Internal Control and the Executive Vice-President in charge of Economic and Financial Affairs were all questioned separately in the absence of all other parties; the draft press release was reviewed.
- *April 1:* Meeting of the Audit Committee and other members of the selection committee in connection with the bid-based selection process to determine the panel of statutory auditors for the 2010 to 2015 period. Review of the revised bids submitted by the audit firms. Ranking of the audit firms in accordance with the voting of the members of the selection committee. Decision by the Audit Committee in the absence of the other members of the selection committee on the two audit firms to be selected.
- *April 12:* Review of the draft report put forward by the Chairman of the Supervisory Board on internal control and risk management procedures as well as draft resolutions with regard to financial authorizations to be submitted for approval at the Annual General Meeting. Review of Group risks (presentation of the updated risk map by the Risk Committee; review of risk management system maturity maps for each company). Review of the internal audit charter by the Audit Department. Status of internal control, internal audit work and follow-up initiatives. Presentation of new Group account reporting and management system.

- *July 26:* Approval of a new account presentation method (*Purchase Price Allocations - PPA impacts).* Review of the half-year financial statements for the period ended June 30, 2010 and the outlook for the full year; review of the draft press release; the statutory auditors presented their comments on the conditions at the end of the reporting period. Update on the responsibilities of the Audit and Internal Control Department. Review of the June 2010 AMF recommendations on the functioning of Audit Committees.
- *October 20:* Update on the internal control and internal audit situation (IFACI certification; progress of the internal audit program and associated action points). Update on the Group risk situation. Update on the currency hedging situation. Third quarter 2010 revenues. 2011 Audit Committee meeting schedule.

  This meeting was preceded by a meeting between the members of the Audit Committee and the new panel of statutory auditors, held in the presence of the Government Commissioner. The statutory auditors were invited to give their views on the conditions in which they will perform their responsibilities, the transparency and the fluidity of the information provided by Group companies, as well as areas that need improving. The Chairman of the Audit Committee reiterated the expectations of the Committee and a particular point was made on the specific issue of audits relating to newly acquired companies.
- *December 13:* 2011 Budget. Currency hedging. Review of Group risks. Status of the audit and the planned 2011 audit program.

Appointments and Compensation Committee

Composition

The Appointments and Compensation Committee has six members, including four independent members: Michel Lucas(*) (Chairman), Pierre Aubouin, Christophe Burg, François de Combret(*), Jean-Marc Forneri(*) and Bernard Vatier(*).

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 Supervisory 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 for eligible members of the Supervisory Board and Executive Board concerning: compensation and attendance fees, any modifications or changes to pension and welfare 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 stock options in the Company or any other Group company, the distribution of shares to employees and share issues reserved for employees.

Activities in 2010

The Appointments and Compensation Committee met twice in 2010, with an average attendance rate of 83.3%.

- *February 24:* Determination of variable compensation payable to members of the Executive Board in respect of 2009, using predefined criteria. Put forward proposals for compensation to be paid in 2010 to members of the Executive Board: amount of fixed compensation; criteria for determining variable component; validation of individual targets.
- *December 16:* Presentation of possible alternative corporate governance models. Proposals for the fixed compensation to be paid in 2011 to members of the Executive Board.

Assessment of the work of the Supervisory Board

In view of the imminent expiry of the terms of office of all the members of the Supervisory Board, the Chairman of the Supervisory Board instructed the firm Korn/Ferry to carry out appraisals of the work of the Supervisory Board, these being intended to serve as a basis for the formation of a new Board.

The report drawn up by Korn/Ferry was presented to the members of the Supervisory Board in January 2011.

The conclusions indicated that the corporate governance structure, consisting of an Executive Board and a Supervisory Board, was appropriate in the context of the merger that gave rise to Safran, with the styles and personalities of the Chairman of the Supervisory Board and the Chairman of the Executive Board complementing each other and being conducive to continuously improving constructive dialogue; the quality of the information produced has improved remarkably, which has favored the content of the dialogue.

The main areas for improvement that were identified were:

- reducing the size of the Supervisory Board;
- reinforcing skills in certain fields relating to the Group's businesses;
- increasing female representation;
- increasing diversity in terms of nationalities.

(*) Independent member of the Supervisory Board.

5.6.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF CORPORATE OFFICERS

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 compensation corresponding to full achievement of objectives set is 100% of fixed compensation, for the Chairman and members of the Executive Board. 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 2010 fiscal year, the fixed compensation of the Chairman and the members of the Executive Board was frozen at the level for 2009, which itself had been frozen at the level for 2008 for members who already held this position. With regard to the variable component, half of this component is determined on the basis of individual objectives (around five explicitly documented criteria) and half on economic objectives. The Chairman of the Executive Board proposes these objectives to the Appointments and Compensation Committee at the beginning of the year.

For 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. For 2011, in the event that the variable component of the compensation of executive officers is determined on the basis of economic objectives, these will be set when the time comes by the competent body (i.e., the Board of Directors in the event that this governance structure is adopted by the Annual General Meeting of April 21, 2011).

For 2011, the fixed and variable compensation of executive officers (namely that of the Chief Executive Officer and any Chief Operating Officers in the event that a corporate governance structure with a Board of Directors is adopted) will be determined by the competent body (i.e., the Board of Directors in the aforementioned scenario).

Pension plans

No special supplementary pension plans have been set up for members of Safran's Executive Board.

(1) Recurring operating income.
(2) Working capital requirements.

Compensation or benefits paid in respect of the termination of office or a change of duties

Members of the Executive Board do not benefit from any provisions other than those inherent in 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 a 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 of the Executive Board. The Supervisory Board shall hold a special meeting in order to assess attainment of these objectives and set the exact amount of this compensation.

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 led to the formation of Safran in May 2005. The last plan dated April 21, 2004 expired on April 21, 2009.

Performance shares

Safran did not allocate any performance shares to the members of the Executive Board.

Free share grants

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 grant an amount of one hundred shares per beneficiary, free of consideration, to employees of Group companies within the scope of the European Works Council.

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.

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. Supervisory Board members waive the right to part of the fees in favor of the two Board advisors, 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 share grants

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, in relation to the share grant plans set up by the Executive Board on April 3, 2009 to employees of Group companies within the scope of the European Works Council.

These share grants in favor of the employees were not subject to performance conditions. The free shares will be awarded to their beneficiaries on April 3, 2011.

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 April 2010. The French version of the code can be consulted at www.code-afep-medef.com.

Where code recommendations, or directives issued subsequently for application thereof, have not been implemented, reasons are given in the following table.

AFEP-MEDEF code recommendations	Safran practices – Reasons
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 17 members of the Supervisory Board, seven are deemed to be independent, representing 41%. Please note that four seats are reserved for the French State, pursuant to the legal provisions in effect (see section 5.6.1 – Composition, organization and work of the Supervisory Board – of this Registration Document).
Periodic review of the independent status of Supervisory Board members Qualification as an independent member should be discussed by the Appointments Committee and reviewed annually by the Supervisory Board before publication of the annual report.	In light of the fact that the terms of office of all the Supervisory Board members are due to end soon, and that no change in the status of the seven independent members has occurred since the previous review in February 2009, the independent status of Supervisory Board members was not reviewed in 2010.
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.	Supervisory Board members' terms of office are set by the current bylaws at six years. With regard to the recommendations of the AFEP-MEDEF code, shareholders at the Annual General Meeting of April 21, 2011 are invited to approve new terms of office for members of the Board of Directors being set under the bylaws at five years. Preference has been given to a five-year term over the four-year term recommended by the AFEP-MEDEF code as this is more in line with the nature of Safran's activities, the majority of which have a long cycle.

(1) AFEP: Association Française des Entreprises Privées.
(2) MEDEF: Mouvement des Entreprises de France.

AFEP-MEDEF code recommendations	Safran practices – Reasons
Staggering of terms of office Terms should be staggered so as to avoid replacement of the entire body at the same time.	Supervisory Board members' terms of office all expire at the Annual General Meeting in 2011 because the Supervisory Board was formed in its entirety during the merger of Sagem and Snecma, which led to the formation of Safran in May 2005. Resigning members have been replaced through co-optation for the residual duration of terms of office. The Annual General Meeting of April 21, 2011, which shall have the task of appointing a Board of Directors, will be called on to decide on the appointment of seven Board members for two-year terms, four members for six-year terms and two members for four-year terms so as to stagger the terms of office, and as an exception to the proposed five-year term being set by the bylaws.
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 term of office. Since that date, the Supervisory Board has considered that although the recommendation of the AFEP-MEDEF code was reasonably applicable to an executive officer who had recently joined the Company, it was not justified with regard to Jean-Paul Herteman, who has reached the position of Chairman of Safran's Executive Board after a 23-year career within the Group as an employee; the major responsibilities entrusted to him as a result of this successful career should not cause him to lose the enjoyment of benefits acquired throughout his time in the Safran Group. Following the Annual General Meeting of April 21, 2011, the Board of Directors appointed by this meeting will be called on to decide on the suspension of Jean-Paul Herteman's employment contract for the entire duration of his term of office as Chairman and Chief Executive Officer or as Chief Executive Officer (in the event that such a term of office is entrusted to him by the Board of Directors following the change in corporate governance structure to a Board of Directors).

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 capacity as a shareholder, provided that the shareholder's shares are registered in their name in the Company's share register managed by BNP Paribas, or in the securities accounts managed by the authorized intermediary, no later than midnight (CET) on the third business day preceding the Meeting.

As regards voting rights, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or the provisions concerning double voting rights stipulated in Article 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 holders for at least two years, of which evidence must be provided at least five days prior to the meeting, shall carry 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 2010 management report drawn up by Safran's Executive Board, which is included in this Registration Document, meets this legal obligation. The required information can be found under the following headings in the Registration Document:

- 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 to face certain risks that may have a negative impact on the attainment of set targets. These risks are set out in section 4 of the Registration Document.

By assisting in managing the Group's activities, internal control and risk management contribute jointly to the prevention and mitigation of risk. Internal control and risk management measures aim to:

- identify and assess the Group's major risks;
- reduce critical risks to a level deemed acceptable through the implementation of appropriate measures or actions.

INTERNAL CONTROL REFERENCE FRAMEWORK AND TARGETS

The Safran Group implements its internal control system on the basis of general principles advocated by the AMF.

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;
- effective conduct of operations, particularly those contributing to the protection of assets;
- 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. Nevertheless, as with all control systems, it can only provide a reasonable assurance that the objectives described above are fully achieved.

COMPONENTS OF INTERNAL CONTROL AND RISK MANAGEMENT

Internal control environment

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

The Group has a prevention, detection and assessment program for cases of potential internal fraud. A system for the centralizing of information on fraud or attempted fraud identified within companies is in place. This information is acted upon by the Industrial Protection and Audit and Internal Control departments.

Standards and regulations

Standards and regulations are monitored and followed up by specialist central departments which, within their respective areas of expertise, lead and coordinate a network of counterparts in the various Group companies.

ISO 9000-compliant quality management systems in the industrial companies provide valuable support to the internal control system.

For most of its activities, in France and in other countries, the Group is subject to controls imposed by civil and military authorities as well as by its customers. These controls round out the Group's own arrangements in this area.

Group organizational structure

Safran is 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 the Group's strategic management, organization and development. This Company is managed by the two-tier governance 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, 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.

Control activities

Procedures relating to Group operations

The main procedures governing Group operations are collated in a documentation manual, accessible via the Group intranet. This manual is organized by major process.

It primarily includes:

- with respect to the management process:
  - corporate governance rules: delegation of authority, governance of Group companies, internal control principles and Ethical Guidelines,
  - risk management rules: risk management, crisis management, industrial protection, HSE, legal, and information systems,
  - quality management rules;
- with respect to the operational process: sales-related rules;
- with respect to the support process: rules on procurement and asset management.

Every month, a list of updates to the manual is published. 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, Safran's 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 (overview and comments). 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:

- final quarter review and validation of the budget ;
- current-year budget forecast updates three times per year;
- second quarter review and validation of the medium-term business development plan.

In addition, performance-level meetings are held regularly with representatives from the Group's principal tier-one companies.

Organization and management of internal control

The internal control system is managed by the Audit and Internal Control Department.

Internal control framework

The Safran Group has devised an internal control framework for key accounting and reporting processes on the one hand, and the security of such information on the other.

As a result, the internal control framework is built around 13 processes, ten of which contribute directly to financial and accounting information, two of which contribute to the security of this information, and one which contributes to creating a reliable internal control environment. Tier-one companies assessed this new "Internal Control Environment" process in its first year.

The check points contained in this internal control framework have been defined using an analysis of risks inherent in the accounting and reporting processes and with support from Group specialists in each of these areas. For these 13 processes, 198 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.

Appraisal principle

The Group has upheld the principle whereby each company appraises its own internal control arrangements in relation to the framework. A testing program is devised annually; it investigates all of the processes over two years in tier-one companies and over four years in tier-two companies.

The Group can order an audit to verify compliance with rules that it has put in place.

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 Group. In 2010, it was up and running in 82 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.

Management

The central 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 central team and internal control managers communicate important news. Methodological insights into the internal control system are also sent by the central team to internal control managers.

Each tier-one company has an Internal Control Committee, comprising members of its Management Committee, to review progress made in evaluations and analyze results, including for the related tier-two companies.

Each year, the central team brings together internal control managers to conduct a review of obstacles encountered, suggest enhancements to the framework and define areas in which progress can still be made. The meeting also serves as a forum for exchanging internal control best practices.

The Group has designated the adaptation of frameworks to reflect organizational changes (resulting from the introduction of Shared Service Centers) as a primary area in which progress needs to be made in 2011.

Tool

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 to operational departments.

Risk management and organization

The Group Risk Committee, made up of members of the Executive Board, approves the risk management policy, the Group's risk mapping and risk mitigation, the cross-sector action plans of the Risk and Insurance Department and makes sure that the risk management process works effectively and that there is an adequate level of risk-awareness. This Committee met twice in 2010.

Risk management involves identification, categorization and handling by:

The Risk and Insurance Department

The Risk and Insurance Department reports to the Executive Vice-President in charge of the Group Quality, Audit and Risk, and member of the Executive Board.

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. The degree of control is essential in characterizing risk.

Risk appraisals lead to action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability.

Company-level Risk Managers

Each tier-one company appoints a Risk Manager who carries out risk mapping for the company which is reviewed during Risk/ Management Committee meetings. Risk management operates based on a common methodology, with risk analysis as the starting point. A Risk Manager is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The goal is continuous control of risks until they have been fully mitigated.

Each quarter, the Risk Manager in each tier-one company supplies the Risk and Insurance 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 and Insurance 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 by the Group Risk Committee.

Support departments

The Risk and Insurance Department prepares the 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 Manager is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Management Committee.

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 close to 550 managers throughout the Group to date. It is a joint initiative run by the Risk and Insurance Department and the Group's Risk Managers.

The Risk and Insurance 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's 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.

KEY PLAYERS IN INTERNAL CONTROL AND RISK MANAGEMENT

Group Executive Management

The Executive Board

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

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 subsidiaries' finance departments.

The Quality, Audit and Risk Department

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 and risk management systems

Audit and Internal Control Department

The Audit and Internal Control Department reports to the Executive Vice-President member of the Executive Board responsible for the Group Quality, Audit and Internal Control, and Risk Departments.

Internal Audit has been certified compliant with the international standards of the Institute of Internal Auditors by the Institut Français de l'Audit et du Contrôle Internes (IFACI).

Certification was confirmed in 2010 by IFACI in response to a recertification 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.

The audit 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.

Risk and Insurance Department

The Risk and Insurance Department is responsible for defining the methods and criteria to be used to organize risk management.

Its main responsibilities are as follows:

- identifying risks;
- defining and organizing risk and crisis management;
- ensuring the implementation of a Products & Services Integrity Program (PSIP) in companies.

Inspection bodies

The Supervisory Board's Audit Committee

The Supervisory Board's 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 Group's Internal Control Guidelines are approved by the Chairman of the Supervisory Board Audit Committee.

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's Audit Committee on their assignment.

The statutory auditors adopt the following approach:

- review of documentation on controls carried out by companies;
- tests to verify the effectiveness of procedures implemented;
- review of completed action plans;
- review of results of tests performed by companies.

5.7. STATUTORY AUDITORS' REPORT ON THE CHAIRMAN OF THE SUPERVISORY BOARD'S REPORT

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF SAFRAN

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

To the Shareholders,

In our capacity as statutory auditors of Safran and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company's Supervisory Board in accordance with article L.225-68 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L.225-68 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L.225-68 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L.225-68 of the French Commercial Code (*Code de commerce*).

OTHER INFORMATION

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by article L.225-68 of the French Commercial Code (*Code de commerce*).

Neuilly-sur-Seine and Courbevoie, March 30, 2011

The statutory auditors

French original signed by:

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

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 the statutory audit engagement with regard to the consolidated financial statements. The fees shown for subsidiaries are those consolidated according to the full consolidation method.

	Fiscal year ended December 31, 2009				Fiscal year ended December 31, 2010			
	Constantin Associés Member of Deloitte Touche Tohmatsu		Mazars		Ernst & Young		Mazars	
(in € thousands)	Amount (excl. VAT)	%	Amount (excl. VAT)	%	Amount (excl. VAT)	%	Amount (excl. VAT)	%
Audit								
1) Statutory audit, certification, review of parent company and consolidated financial statements								
1.a) Safran (issuer)	527.0	*13%*	527.0	*14%*	500.0	*11%*	500.0	*14%*
1.b) Subsidiaries	2,847.5	*71%*	3,049.4	*79%*	2,293.2	*52%*	2,847.5	*79%*
2) Other engagements and services related to the statutory audit engagement								
2.a) Safran (issuer)	92.9	*2%*	61.0	*1%*	-	*0%*	3.0	*0%*
2.b) Subsidiaries	342.4	*9%*	234.8	*6%*	386.0	*9%*	239.6	*7%*
Sub-total	**3,809.8**	***95%***	**3,872.2**	***100%***	**3,179.2**	***72%***	**3,590.1**	***100%***
Other services rendered by the network to subsidiaries								
3.a) Legal, tax, employee related	186.7	*5%*	-	*0%*	765.7[(1)]	*18%*	-	*0%*
3.b) Other (provide details if >10% of audit fees)		*0%*	-	*0%*	448.7[(1)]	*10%*	-	*0%*
Sub-total	**186.7**	***5%***	**-**	***0%***	**1,214.4**	***28%***	**-**	***0%***
TOTAL	**3,996.5**	***100%***	**3,872.2**	***100%***	**4,393.6**	***100%***	**3,590.1**	***100%***

(1) Tax services essentially refer to companies outside of France. These services respect the independence rules applicable in France. Following the outcome of the invitation to tender whereby Ernst & Young were designated the Group's statutory auditors, these services were for the most part transferred to other service providers during the fiscal year ended December, 31 2010. "Other services" refer to assistance for expatriate relocation (tax and immigration regulations).

NOTE 1 – STATUTORY AUDIT, CERTIFICATION, REVIEW OF PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

These services include, but are not limited to, the engagements defined by applicable laws and regulations and set out in sections 2, 5 and 6 of the manual of professional standards drafted by the French institute of statutory auditors (*Compagnie nationale des commissaires aux comptes* – CNCC).

They mainly concern the professional services rendered by the statutory auditors and other persons responsible for audits, members of their networks, certifying the parent company and consolidated financial statements of the parent company and fully consolidated 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 6

GENERAL INFORMATION

In 2010, Safran was 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.

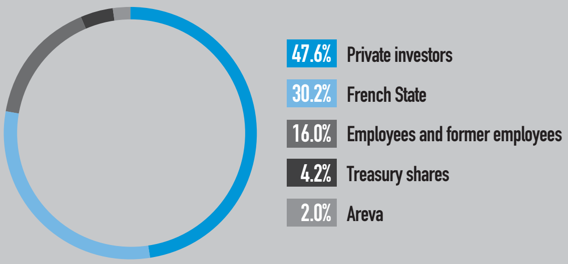
Safran's registered office is located at 2, boulevard du Général-Martial-Valin, 75015 Paris, France.

SHARE CAPITAL (AS OF DECEMBER 31, 2010)

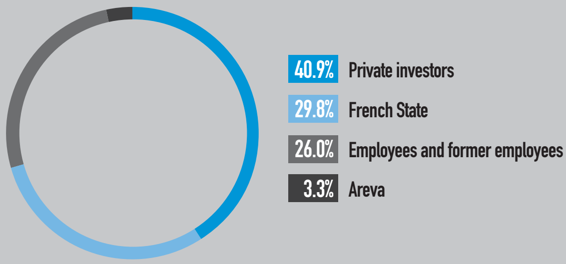
Safran's share capital amounts to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS (AS OF DECEMBER 31, 2010)

Capital



Exercisable voting rights



SAFRAN SHARE PRICE

	2008	2009	2010
Number of shares as of December 31	**417,029,585**	**417,029,585**	**417,029,585**
Safran share price *(in €)*			
High	15.260	13.800	27.950
Low	8.120	6.587	13.670
Closing	9.634	13.690	26.500
Market capitalization as of December 31 *(in € millions)*	4,018	5,709	11,051

INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

06

6.1 INFORMATION ABOUT THE COMPANY

The Ordinary and Extraordinary Shareholders' Meeting of April 21, 2011, deliberating in extraordinary session, is called to decide on the change in the Company's governance structure. The change of the dual governance structure would involve replacing the Executive Board and Supervisory Board with a Board of Directors. The Shareholders' Meeting will also decide on various other changes submitted to the shareholders for approval in the context of the Company's revised bylaws.

A detailed description of the Company's new governance structure, subject to approval by the Annual General Meeting of April 21, 2011, is provided in section 8 of this Registration Document.

Additional information is also provided in section 7.2 – Proposed resolutions.

6.1.1 GENERAL INFORMATION

Corporate name

Safran

Registered office

2, boulevard du Général Martial Valin, 75015 Paris, France
Tel.: +33 (0)1 40 60 80 80

Legal form

Safran is a French *société anonyme* (corporation) 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 for a term of 99 years from its date of registration with the Trade and Companies Registry, i.e., until August 28, 2023, unless such period is extended or the Company is wound up early.

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 devices that produce or use energy in any form or any equipment designed to be used with these devices 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, 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

The fiscal year begins on January 1 and ends on December 31.

6.1.2 PRINCIPAL PROVISIONS OF THE BYLAWS

6.1.2.1 EXECUTIVE BOARD AND SUPERVISORY BOARD

6.1.2.1.1 Executive Board

Membership structure

Under Article 16 of the bylaws, the number of Executive Board members is set by the Supervisory Board, at a minimum of two members and a maximum of seven.

Executive Board members must be individuals who need not be shareholders.

The Supervisory Board appoints one of the members of the Executive Board as 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 at the close of the Ordinary Shareholders' Meeting held during the year in which their term of office expires in order to approve the financial statements for the previous year.

The term of office of all Executive Board members shall end on the same date. Executive Board members may be re-elected.

The age limit for Executive Board members is set at 66 years. No members may be elected to the Executive Board after the age of 66. Executive Board members shall be deemed to have resigned at the end of the fiscal year in which they reach this age.

Meetings

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 its members, and voting by proxy is prohibited. In the event of a split decision, the Chairman shall have the casting 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 authorization, regardless of the amount of the transaction:
- issues of any kind of 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 withdraw from 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 importance 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 issues 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;
- creation of collateral on company assets.

3/ Decisions subject to prior authorization where the transaction amount exceeds €150 million:
- grant or contract any loan, credit or advance;
- acquisition or disposal of any receivable by any means.

Furthermore, in accordance with legal provisions, the Executive Board must obtain prior authorization from the Supervisory Board to be able to grant guarantees, endorsements and sureties in the Company's name. Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Executive Board; any commitment exceeding this ceiling must be specifically authorized by the Supervisory Board.

Every year the Executive Board shall report to the Supervisory Board on the use of the authorizations given.

6.1.2.1.2 Supervisory Board

Membership structure

Under Article 22 of the bylaws, the Supervisory Board is comprised of at least three members and no more than eighteen, either individuals 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 French 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 must be individuals.

Shareholding

Article 23 of the bylaws stipulates that each member of the Supervisory Board shall own a minimum of 20 registered shares throughout their term of office. Notwithstanding the legal provisions, this shareholding obligation shall not apply to representatives of the French State or to employee shareholder representatives.

Moreover, following its meeting on June 23, 2005, the Supervisory Board decided that each of its members, with the exception of representatives of the French State and 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 at the close of the Ordinary Shareholders' Meeting held during the year in which their term of office expires in order to approve the financial statements for the previous year. Supervisory Board members may be re-elected.

Article 24 of the bylaws stipulates that the number of Supervisory Board members over the age of 70 shall not exceed one third of the total number of 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 Supervisory Board's last meeting of the calendar year. 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 close of the first Ordinary Shareholders' Meeting following the date on which 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.

Meetings

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 decision, the Chairman shall have the casting 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 to perform 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 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 individuals 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 SHAREHOLDERS' MEETINGS

Notice of meetings and conditions for admission

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 owned, has the right, on proof of identity and their capacity as shareholder, to attend Shareholders' Meetings, provided that (i) their shares are recorded in their name or in the name of an authorized intermediary registered on their behalf, no later than midnight (CET) on the third business day preceding the Meeting:

- for registered shares: in the Company's share register managed by the Company or its agent;
- for bearer shares: in a securities account managed by an authorized intermediary;

and, (ii) if applicable, the Company is provided with all elements enabling the shareholder's identification, in accordance with the prevailing regulations.

The recording of shares in bearer share accounts kept by an authorized intermediary must be certified by a share ownership certificate issued by the latter.

Exercising voting rights
Double voting rights

Each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, without limit, subject to certain exceptions under the law and the following provisions concerning double voting rights.

Under Article 33 of the bylaws, fully-paid up shares that have been registered in the name of the same holder for at least two years, of which evidence must be provided at least five days prior to the meeting, shall carry double voting rights.

In the event of a capital increase paid up by capitalizing reserves, profits or additional paid-in capital and, in general, all available amounts that may be capitalized, the double voting right shall also be granted, from the issue thereof, to the registered shares allocated for free to any shareholder as a result of existing shares for which it 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 double voting rights, which may be exercised within the surviving company, if its bylaws so provide.

Double voting rights shall be forfeited if registered shares are converted into bearer shares or transferred. However, registered shares shall not be stripped of double voting rights and the qualifying period of two years shall continue to run following a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an inter vivos gift to a spouse or a relative in the direct line of succession.

The list of registered shares with double voting rights is determined by a committee of the 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 entitle its holder to a proportion of the Company's profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.

Where a shareholder must own a specific number of shares to exercise a particular right, any shares held that fall below the required number shall not confer any rights on their holders with respect to the Company, and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares.

6.1.2.4 CONDITIONS GOVERNING CHANGES TO SHARE CAPITAL AND SHAREHOLDERS' RIGHTS

The Company's bylaws do not require that the conditions to change share capital and shareholders' rights be more restrictive than prevailing legislation. These changes are subject to the approval of the shareholders at the Extraordinary Shareholders' Meeting deliberating in accordance with the rules of quorum and majority in accordance with the applicable laws and regulations.

6.1.2.5 DISCLOSURE OBLIGATION IN THE EVENT OF EXCEEDING THE LEGAL THRESHOLD FOR OWNERSHIP

Article 14 of the bylaws specifies that any shareholder, acting alone or in concert with others, who holds 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, failure to comply with these disclosure requirements 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, where requested by one or more shareholders holding at least 5% of the Company's capital and/or voting rights (with said request duly recorded in the minutes of the relevant Shareholders' Meeting).

6.1.2.6 PROVISIONS THAT COULD DELAY, POSTPONE OR PREVENT A CHANGE IN CONTROL OF THE COMPANY

Subject to (i) the granting of double voting rights to any shareholder owning fully paid-up shares which the shareholder must prove have been registered in the name of the same shareholder for at least two years and (ii) a three-way agreement with the French State (see section 6.1.4.2), there are no provisions of the bylaws or other contractual documents related to the Company that could delay, postpone or prevent a change in the Company's control.

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 net assets, or a net profit (loss) equal to at least 10% of the consolidated net profit (loss).

Companies	Currency	Registered office	Business activity	% share capital and voting rights (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 (loss) for 2009	Dividends collected in 2010	Outstanding loans and advances granted and not repaid
1) Main French subsidiaries and sub-subsidiaries – more than 50% of capital held[4]											
Snecma	EUR	Paris 75015	Propulsion	100%	154	29	-	225	309	330[1]	7
Turbomeca SA	EUR	Bordes 64510	Propulsion	100%	39	73	-	539	22	-	33
Aircelle	EUR	Harfleur 76700	Aircraft Equipment	100%	57	97	-	964	(41)	-	-
Sagem Défense Sécurité	EUR	Paris 75015	Defence	100%	373	17	-	617	17	44[1]	-
Morpho SA formerly Sagem Sécurité	EUR	Paris 75015	Security	100%	160	113	-	160	47	18[1]	296
Messier Services SA	EUR	Paris 75015	Aircraft Equipment	100%	13	23	-	34	19	18	-
Snecma Propulsion Solide	EUR	Le Haillan 33187	Propulsion	100%	20	2	-	24	32	23	-
Sagem Télécommunications	EUR	Paris 75015	Holding	100%	47	-	-	625	(38)	-	-
2) Main foreign subsidiaries and sub-subsidiaries – more than 50% of capital held[5]											
Safran USA	USD	USA	Holding	100%	424	81	-	473	(8)	-	-
Messier-Dowty Ltd	GBP	UK	Aircraft Equipment	100%	131	(29)	-	170	9	-	-
Morpho USA	USD	USA	Security	100%	560	-	-	564	(5)	-	-
Vectronix AG	CHF	Switzerland	Defence	100%	3	42	-	35	28	2	-

(1) Dividends were paid to Safran or the shareholding company owned directly or indirectly by Safran.
(2) Direct and indirect investment.
(3) Excluding tax-driven provisions and investment grants.
(4) In € millions.
(5) In millions of US dollars, pounds sterling or Swiss francs, as applicable.

6.1.3.2 INVESTMENTS

In accordance with the provisions of articles L.233-6 and L.247-1 of the French Commercial Code (*Code de commerce*), following Safran SA's subscription to the share capital increase reserved for Aircelle, approved by the Shareholders' Meeting on October 29, 2010, Safran SA now directly holds 88.5% of Aircelle's capital, compared to 52.7% held previously.

However, Aircelle is still wholly owned, directly and indirectly, by Safran SA.

6.1.4 TRANSACTIONS WITH RELATED PARTIES

The list of equity-accounted companies and proportionately consolidated companies is presented in Note 37 of section 3.1.2.

Quantified information is presented in:

- Note 15 of section 3.1.2 for equity-accounted companies;
- Note 30 of section 3.1.2 for proportionately consolidated companies.

Information on management compensation is presented in Note 31 of section 3.1.2 and in section 5.4.

Information on sales to related parties is presented in Note 31 of section 3.1.2.

6.1.4.1 RELATIONS WITH THE FRENCH STATE

In 2010, Safran generated adjusted revenue of €1,133 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-to-ground missiles such as the Scalp and the Apache, and the very short-range ground-to-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 and Security branches (see sections 1.3.3 and 1.3.4) apply advanced technology across all defence and security areas (national defence and the security of private individuals, assets, transport and information systems) on behalf of French government agencies:

- inertia, for 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.).

The branches supply modular air-to-ground weapons (AASM), submarine periscopes, unmanned aerial vehicles, mission preparation systems, the Felin infantry combat system (integrated equipment and communications infantryman), and a number of other systems to safeguard French territorial security and citizen safety, including automatic radar systems under the road safety program, 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 a "golden share" with regard to Snecma of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to a "golden share", the French State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of a "golden share" was entered into by Sagem, 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 Safran's strategic 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 defence[(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.

In light of the inclusion in the new bylaws of certain provisions similar to those of the three-way agreement, this agreement will be amended accordingly in the event that the Annual General Meeting of April 21, 2011 approves the proposed resolutions related to the change in the Company's governance structure and the new bylaws.

6.1.4.3 OTHER RELATED-PARTY AGREEMENTS

The related-party agreements authorized in 2010, and the related-party agreements and commitments authorized in previous years and which had continuing effect during this period, are presented in the Statutory Auditors' special report in section 7.4.1.

Safran has not entered into any new related-party agreements between January 1, 2011 and the filing date of this 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 defence contracts, and which concern prime contractor, 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 INFORMATION ON SHARE CAPITAL

6.2.1 SHARE CAPITAL

As of December 31, 2010, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

There were no changes to the amount or structure of the share capital during 2010 and up until the filing date of the Registration Document.

6.2.2 CAPITAL AUTHORIZED BUT NOT ISSUED

6.2.2.1 AUTHORIZATIONS GRANTED BY THE SHAREHOLDERS' MEETING TO THE EXECUTIVE BOARD WITH RESPECT TO SHARE CAPITAL INCREASES

Type of authorization	Date of the authorization	Term of the authorization Expiration	Authorized amount *(par value)*	Amount used at Dec. 31, 2010
Issue with pre-emptive subscription rights of common shares or securities carrying rights to shares of the Company	AGM of May 28, 2009 (9th resolution)	26 months July 28, 2011	Share capital increase: €20 million(a)(b) Debt securities carrying rights to shares of the Company: €850 million(c)	None
Issue without pre-emptive subscription rights of common shares and/or securities carrying rights to shares of the Company • via a public offering, or • via a private placement, or • in consideration for the shares tendered to a public exchange offer	AGM of May 28, 2009 (10th resolution)	26 months July 28, 2011	Share capital increase: €20 million(a)(b) Debt securities carrying rights to shares of the Company: €850 million(c)	None
Capitalizing of reserves, profits or additional paid-in capital	AGM of May 28, 2008 (10th resolution)	26 months July 28, 2010	€100 million(b)	None
	AGM of May 27, 2010 (10th resolution)	14 months July 27, 2011	€100 million	None
Issue of shares reserved for employees who are members of the Safran Group employee savings plans	AGM of May 28, 2009 (11th resolution)	26 months July 28, 2011	1.5% of share capital on the day of the Executive Board's decision(b)	None
Allocation of stock subscription options	AGM of May 28, 2008 (12th resolution)	38 months July 28, 2011	1.5% of share capital on the day of the Executive Board's decision(b)	None

(a) This amount is included in the sub-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 for the ninth and tenth resolutions (twelfth resolution).
(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 securities carrying immediate or deferred rights to the shares of the Company, set at €1.4 billion by the Annual General Meeting of May 28, 2009 for the ninth and tenth resolutions (twelfth resolution).

The authorizations to increase share capital granted by the Shareholders' Meeting to the Executive Board were not used in 2010 or up until the filing date of this Registration Document.

6.2.2.2 AUTHORIZATIONS SUBMITTED FOR APPROVAL AT THE ANNUAL GENERAL MEETING OF APRIL 21, 2011 WITH RESPECT TO SHARE CAPITAL INCREASES

The table of authorizations submitted for approval at the Annual General Meeting of April 21, 2011 with respect to share capital increases is presented in section 7.2.4 of this Registration Document.

6.2.3 COMPANY'S SECURITIES

6.2.3.1 OTHER SECURITIES

As of the date of this Registration Document, Safran has not issued any securities not representing capital.

6.2.3.2 SECURITIES CARRYING RIGHTS TO SHARES OF THE COMPANY

As of December 31, 2010, 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	Additional paid-in capital *(cumulative amount in € thousands)*
Situation as of December 31, 2010		0.20	83,405,917	417,029,585	3,288,568
May 11, 2005	Merger of Snecma into Sagem SA, now Safran	0.20	83,405,917	417,029,585	3,288,568
March 17, 2005	Settlement-delivery of Sagem shares exchanged as part of the Sagem public exchange offer for Snecma shares	0.20	73,054,834	365,274,170	3,214,696
Situation as of January 1, 2005		0.20	35,500,000	177,500,000	163,366

6.2.5 PLEDGING OF SHARES

To the best of the Company's knowledge 4,695,422 shares representing 1.13% of the share capital were pledged as of December 31, 2010, compared with 6,966,794 shares representing 1.67% of the share capital as of December 31, 2009.

6.2.6 TREASURY SHARES

Situation as of December 31, 2010

	Number of shares	% capital	Carrying amount as of Dec. 31, 2010 *(in €)*	Total nominal value *(in €)*
Treasury shares, held directly	14,196,061	3.41	174,016,904	2,839,212.20
Treasury shares, held indirectly(*)	3,259,107	0.78	53,612,310	651,821.40
TOTAL	**17,455,168**	**4.19**	**227,629,214**	**3,491,033.60**

(*) 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 27, 2010, by its ninth 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 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 employee stock ownership plan;
- for cancelation of shares;
- to maintain a liquid market in the Company's shares under 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:

- €25.

Total maximum amount that may be invested in the share buyback program:

- €1,040 million.

As of May 27, 2010, this program superseded the previous program authorized by the Annual General Meeting of May 28, 2009 (eighth resolution), with the same purpose and a maximum purchase price of €20 per share and a total maximum amount of €834 million to be invested in the buyback program.

6.2.7.1 TREASURY SHARE TRANSACTIONS IN 2010

Share buybacks

In 2010, Safran purchased 1,060,465 treasury shares under a liquidity contract with Rothschild & Cie Banque:

- 207,965 shares were purchased between January 1 and May 27, 2010, at an average price of €17.07;
- 852,500 shares were purchased between May 28 and December 31, 2010, at an average price of €21.24.

Sales of shares

In 2010, Safran sold 1,060,465 treasury shares under a liquidity contract:

- 207,965 shares were sold between January 1 and May 27, 2010, at an average price of €17.46;
- 852,500 shares were sold between May 28 and December 31, 2010, at an average price of €21.48.

Cancelation of shares

None.

Liquidity contracts

A liquidity contract was entered into on December 17, 2009 with Rothschild & Cie Banque.

Situation as of December 31, 2010

As of December 31, 2010, Safran directly held 14,196,061 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 companies of the Group: 5,694,700 shares*;
- holding shares in treasury for subsequent delivery as payment or exchange for external growth transactions: 6,255,443 shares;
- allocation on exercise of options held under Sagem group stock option plans, the last of which expired on April 21, 2009: 2,245,918.

As of December 31, 2010, 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.

** 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, for a total of 4,198,700 shares. Another 1,300 shares were granted to the beneficiaries of deceased employees. The 1,496,000 unused shares were mistakenly allocated to treasury in 2009 for "subsequent delivery as payment or exchange for external growth transactions". In accordance with the AMF's recommendations relating to the share buyback programs, in 2010 these shares were reallocated to their initial purpose, namely "granting shares free of consideration to employees of the Company or companies of the Group".*

6.2.7.2 DESCRIPTION OF THE SHARE BUYBACK PROGRAM TO BE APPROVED BY THE ANNUAL GENERAL MEETING OF APRIL 21, 2011

Under the twenty-second resolution, the Annual General Meeting of April 21, 2011, is invited to authorize a new share buyback program. Drafted in accordance with the provisions of article 241-2 of the AMF's General Regulations, the program's description is presented below and will not be published separately pursuant to article 241-3-III of said Regulations.

Number of shares and percentage of share capital held directly or indirectly by the Company as of February 28, 2011

As of February 28, 2011, the Company directly and indirectly held 17,455,168 Safran shares, representing 4.19% of the total capital, breaking down as follows:

- treasury shares held directly: 14,196,061 shares or 3.41% of the share capital;
- treasury shares held indirectly (through the intermediary of its wholly-owned 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 February 28, 2011

The 14,196,061 Safran shares held directly by the Company as of February 28, 2011 are held for the following purposes:

- granting shares free of consideration to employees of the Company or companies of the Group: 5,694,700 shares;
- holding shares in treasury for subsequent delivery as payment or exchange for external growth transactions: 6,255,443 shares;
- 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 share buyback program

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 April 21, 2011 are to purchase shares:

- for allocation or sale to employees or officers of the Company or of other Group companies, in accordance with the law, notably in connection with a profit-sharing plan, share grant plan, stock option plan or an employee stock ownership plan;
- for cancelation subject to the approval of the 35th 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 Association of Financial and Investment Firms (*Association Française des Marchés Financiers* – AMAFI) approved by the AMF, entered into with an investment services firm;
- to deliver shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means; and
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions.

Maximum percentage of share capital, maximum number and purchase price, and characteristics of the shares the Company wishes to acquire

The number of shares that may be bought back under the program may not exceed 10% of the Company's total shares. This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity contract, the number of shares included for the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the authorization period.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

As of December 31, 2010, the Company's capital was composed of 417,029,585 shares. Given the 17,455,168 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 24,247,790 shares.

Shares may not be purchased at a price of more than €35 per share and the maximum amount that may be invested in the program is €1.4 billion.

The maximum purchase price may be adjusted to reflect the impact on the share price of any share capital actions carried out by the Company.

Share buyback program procedures

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, on one or more occasions, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

The Board of Directors appointed at the Annual General Meeting of April 21, 2011 may use this authorization at any time subject to the limitations set down by the applicable regulations, including during a tender offer for the Company's shares, subject to strict compliance with article 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 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 April 21, 2011, i.e., until October 20, 2012 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, 2010

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2010:

	Shares		Exercisable voting rights		Theoretical voting rights[3]	
Shareholders	Number	% capital	Number	%	Number	%
Private investors	198,734,480	47.65	207,125,614	40.94	207,125,614	39.57
French State	125,940,227	30.20	150,752,222	29.80	150,752,222	28.80
Employees	40,145,303	9.63	78,547,141	15.52	78,547,141	15.01
Club Sagem[1]	26,454,407	6.34	52,908,814	10.46	52,908,814	10.11
Areva	8,300,000	1.99	16,600,000	3.28	16,600,000	3.17
Treasury shares, held directly	14,196,061	3.41	0	0.00	14,196,061	2.71
Treasury shares, held indirectly[2]	3,259,107	0.78	0	0.00	3,259,107	0.63
TOTAL	**417,029,585**	**100.00**	**505,933,791**	**100.00**	**523,388,959**	**100.00**

(1) *Club Sagem is a simplified corporation with variable share capital* (société par actions simpliée 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 59.4% by current and former employees of the Safran Group (current and former employees of Sagem), notably via a corporate mutual fund and at 40.6% 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 (art. 223-11 of the AMF's General Regulations).*

To the best of the Company's knowledge, no shareholder apart from those listed in the table below holds more than 5% of Safran's share capital or voting rights.

Double voting rights

As of December 31, 2010, 88,904,206 shares are entitled to double voting rights pursuant to Article 22 of the Company's bylaws.

The main Safran shareholders do not have different voting rights from those of other shareholders. Any shareholder may be entitled to double voting rights in accordance with the conditions stipulated in Article 22 of the Company's bylaws (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 GEOGRAPHIC ORIGIN

According to a survey on identifiable bearer shares carried out by Euroclear France, as of December 31, 2010 Safran's private investor shareholders break down as 83% institutional investors, 12% individual shareholders and 5% unidentified.

Of the 83% of institutional investors identified, 26% were from the UK and Ireland, 25% from North America and 24% from France.

Individual shareholders represent 12% of Safran's share capital, the majority of them being French.

6.3.1.3 SIGNIFICANT MOVEMENTS DURING 2010

1/Between September 22 and October 12, 2010, the Areva group sold the majority of its shares in Safran, on the market and over the counter, in order to raise funds for its future investments. Following these disposals, Areva indirectly held, via its subsidiary Areva NC, 1.99% of the Company's capital and 3.17% of theoretical voting rights, compared to 7.38% of capital and 11.24% of theoretical voting rights as of August 31, 2010. Areva specified that the shares were transferred to its "end of life cycle obligations fund", an asset portfolio to cover future costs for the cleaning and decommissioning of nuclear sites.

The sale of these shares led to an increase in the Company's free float. A large portion of the shares put on the market by Areva were purchased by international institutional investors.

In connection with these transactions, Areva made two disclosures regarding the crossing of legal thresholds:

- voting rights fell below the 10% threshold as of October 5, 2010 (AMF recommendation 210C1043);
- capital and voting rights fell below the 5% threshold as of October 12, 2010 (AMF recommendation 210C1070).

2/ Club Sagem, on behalf of the funds it manages, made two disclosures regarding the crossing of legal thresholds in 2010:

- voting rights fell below the 10% threshold as of August 2, 2010 following the sale of the Company's shares; as of that date Club Sagem, on behalf of the funds it manages declared owning 27,834,407 shares representing 6.67% of capital and 9.99% of theoretical voting rights (AMF recommendation 210C1033);
- voting rights automatically rose above the 10% threshold as of October 12, 2010, as a result of the decrease of the Company's total number of voting rights due to shares sold by Areva; as of that date Club Sagem, on behalf of the funds it manages declared owning 26,904,407 shares representing 6.45% of capital and 10.27% of theoretical voting rights. Club Sagem disclosed that it had no intention, for the next six months, to purchase additional Safran shares or to take control of the Company, nor did it ask for additional positions on the Supervisory Board or Executive Board (AMF recommendation 210C1068).

3/ In accordance with legal disclosure thresholds and the provisions of Article 14 of the Company's bylaws, on October 11, 2010 the French Government Shareholding Agency (*Agence des Participations de l'État* – EPA) declared that the French State's voting rights amounting to 27.5% had automatically increased over the threshold based on the total number of voting rights published by Safran on October 8, 2010. The number of shares and voting rights held by the French State remained identical and the increase over the threshold is a result of the decreased total number of the Company's voting rights. As of September 30, 2010, the French State's theoretical voting rights amounted to 27.68% of the Company's total voting rights compared to 27.5% one month earlier.

6.3.1.4 SIGNIFICANT MOVEMENTS SINCE JANUARY 1, 2011

To the best of the Company's knowledge, no disclosures were made regarding the crossing of legal share ownership thresholds since January 1, 2011 and up until the date the Registration Document was filed.

6.3.1.5 CHANGE IN THE BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS OVER THE LAST THREE YEARS

	December 31, 2008			December 31, 2009			December 31, 2010		
Shareholders	Number of shares	% capital	% voting rights[(1)]	Number of shares	% capital	% voting rights[(1)]	Number of shares	% capital	% voting rights[(1)]
Private investors	153,952,241	36.92	30.94	159,071,928	38.14	32.07	198,734,480	47.65	40.94
French State	125,940,227	30.20	27.94	125,940,227	30.20	28.06	125,940,227	30.20	29.80
Employees	56,506,213	13.55	18.32	52,183,610	12.51	17.09	40,145,303	9.63	15.52
Club Sagem	32,004,842	7.67	11.79	31,604,407	7.58	11.73	26,454,407	6.34	10.46
Areva	30,772,945	7.38	11.01	30,772,945	7.38	11.05	8,300,000	1.99	3.28
Treasury shares, held directly	14,594,010	3.50	0.00	14,197,361	3.41	0.00	14,196,061	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 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 decided not to extend this agreement.

6.3.6 STOCK OPTIONS

6.3.6.1 STOCK SUBSCRIPTION OPTIONS

Safran has not granted stock subscription options since the Company was created on May 11, 2005.

As of the date this Registration Document was filed, the Executive Board did not use the 38-month authorization approved by the Annual General Meeting of May 28, 2008 to give stock options granting entitlement to subscribe for new shares of the Company. This authorization expires on July 28, 2011.

Safran affiliates do not grant stock subscription options.

6.3.6.2 STOCK PURCHASE OPTIONS

Safran has not granted stock purchase options since the Company was created on May 11, 2005.

As of the date this Registration Document was filed, the Executive Board has not used the 38-month authorization approved by the Annual General Meeting of May 28, 2008 to grant options to purchase existing shares bought back by the Company. This authorization expires on July 28, 2011.

Safran affiliates do not grant stock purchase options.

Sagem SA had set up stock purchase option plans prior to the Sagem-Snecma merger which gave rise to Safran on May 11, 2005. Options granted under the last plan dated April 21, 2004 could no longer be exercised after April 21, 2009.

6.3.7 SHARE GRANTS

Pursuant to the authorization granted to the Executive Board under the fourteenth resolution of the Annual General Meeting of May 28, 2008, on April 3, 2009 the Board decided to grant 4,200,000 existing Safran shares, representing roughly 1% of the share capital and in the amount of one hundred shares per beneficiary, free of consideration, to employees of Group companies within the scope of the European Works Council.

For employees of the Group's French companies, beneficiaries are subject to a two-year vesting period from the grant date ending April 3, 2011 at which time more than 3,500,000 free shares will be granted to the beneficiaries. This will be followed by a two-year lock-up 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-up period, and ends April 13, 2013 at which time more than 700,000 free shares will be awarded to the beneficiaries.

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 could have benefited from this plan for the grant of free shares under their employment contract individually waived such rights.

No free shares were granted to Safran's corporate officers or to its employees in 2010.

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).

In 2010, the Safran share is included in the Euronext SBF 80, SBF 120, SBF 250, Euronext 100, CAC IT, CAC IT 20, CAC All-Share, CAC NEXT 20, CAC INDUSTRIALS and Euronext FAS IAS indices. As of March 21, 2011, the Safran share will also be included in the CAC Large 60, CAC NEXT 20, SBF 120, CAC All-Tradable, CAC All-Share, CAC Industrials, CAC Aero. & Def., Euronext 100 and Euronext FAS IAS indices.

Main stock market data over three years

	2008	2009	2010
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price *(in €)*			
High	15.260	13.800	27.950
Low	8.120	6.587	13.670
Closing	9.634	13.690	26.500
Market capitalization as of December 31 *(in € millions)*	4,018	5,709	11,051

Change in share price from January 1, 2010 to February 28, 2011

		Average share price* *(in €)*	High *(in €)*	Low *(in €)*	Average daily transactions *(in number of shares)*	Average market capitalization** *(in € millions)*
January	**2010**	14.436	15.010	13.690	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
April		19.250	19.950	18.000	1,173,002	8,028
May		21.117	23.000	18.505	1,729,815	8,806
June		22.886	23.890	21.245	1,736,882	9,544
July		21.045	22.835	19.610	1,077,306	8,776
August		19.691	21.140	18.600	673,177	8,212
September		20.575	22.480	19.155	1,051,904	8,580
October		20.880	22.900	19.810	1,300,735	8,708
November		23.201	25.000	20.785	1,002,523	9,676
December		26.256	27.950	24.015	806,139	10,950
January	**2011**	27.244	28.680	25.840	1,039,996	11,362
February		25.839	26.860	24.090	1,001,989	10,776

* *Average closing price.*
** *Out of the 417,029,585 shares that comprised the share capital from January 1, 2010 to February 28, 2011.*
Source: NYSE Euronext

IN BRIEF | SECTION 7

The Annual General Meeting will be held on April 21, 2011 at "Espace Grande Arche", La Défense in Paris, France.

AGENDA

ORDINARY RESOLUTIONS

- Approval of the parent company financial statements for the year ended December 31, 2010 – Discharge given to the members of the Executive Board and Supervisory Board for the performance of their duties.
- Approval of the consolidated financial statements for the year ended December 31, 2010.
- Appropriation of net profit and approval of the recommended dividend.
- Approval of related-party agreements and commitments governed by articles L.225-86 and L.225-90-1 of the French Commercial Code.
- Appointment of Jean-Paul Herteman as a Director.
- Appointment of Francis Mer as a Director.
- Appointment of Giovanni Bisignani as a Director.
- Appointment of Jean-Lou Chameau as a Director.
- Appointment of Odile Desforges as a Director.
- Appointment of Jean-Marc Forneri as a Director.
- Appointment of Xavier Lagarde as a Director.
- Appointment of Michel Lucas as a Director.
- Appointment of Élisabeth Lulin as a Director.
- Appointment of four Directors representing the French State.
- Appointment of Christian Halary as a Director upon the recommendation of the employee shareholders of the Safran group.
- Appointment of Marc Aubry as a Director upon the recommendation of the employee shareholders of the Safran group.
- Appointment of Caroline Grégoire-Sainte Marie as a Board advisor.
- Amount of attendance fees.
- Authorization for the Board of Directors to implement a share buyback program.

EXTRAORDINARY RESOLUTIONS

- Change of management system: adoption of a governance structure with a Board of Directors.
- Approval of the revised bylaws.
- Amendment to the new bylaws to provide for a restriction on voting rights.
- Authorization for the Board of Directors to increase the share capital through the issue, with pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company.
- Authorization for the Board of Directors to increase the share capital through the issue, without pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company, via a public offering.
- Authorization for the Board of Directors to issue shares of the Company and securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company.
- Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock or securities carrying rights to the capital, via a private placement as referred to in article L.411-2-II of the French Monetary and Financial Code without pre-emptive subscription rights for existing shareholders.
- Authorization for the Board of Directors to increase the number of shares to be issued in the event of a share issue with or without pre-emptive subscription rights for existing shareholders.
- Authorization for the Board of Directors in the event of the issue, without pre-emptive subscription rights for existing shareholders, of shares or any securities carrying immediate or deferred rights to the Company's shares to set the issue price according to the terms and conditions adopted by the General Meeting, within the limit of 10% of the Company's share capital.
- Delegation of powers for the Board of Directors to increase the share capital through the issue of shares of common stock in consideration for contributions in kind granted to the Company and consisting of capital stock or securities carrying rights to shares.
- Authorization for the Board of Directors to increase the share capital by capitalizing reserves, profits or additional paid-in capital.
- Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran group employee savings plans.
- Authorization for the Board of Directors to grant stock subscription options or stock purchase options to employees and corporate officers of the Company and companies of the Safran group.
- Blanket ceilings on authorizations for share or securities issues.
- Authorization for the Board of Directors to make free share grants of the Company's existing shares or shares to be issued to employees and corporate officers of the Company and companies of the Safran group.
- Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares.
- Authorization for the Board of Directors to issue stock warrants without consideration in the event of a tender offer for the Company.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 21, 2011

07

7.1 AGENDA

ORDINARY RESOLUTIONS

First resolution:	Approval of the parent company financial statements for the year ended December 31, 2010 – Discharge given to the members of the Executive Board and Supervisory Board for the performance of their duties
Second resolution:	Approval of the consolidated financial statements for the year ended December 31, 2010
Third resolution:	Appropriation of net profit and approval of the recommended dividend
Fourth resolution:	Approval of related-party agreements and commitments governed by articles L.225-86 and L.225-90-1 of the French Commercial Code

EXTRAORDINARY RESOLUTIONS

AMENDMENTS TO THE BYLAWS

Fifth resolution:	Change of management system: adoption of a governance structure with a Board of Directors
Sixth resolution:	Approval of the revised bylaws
Seventh resolution:	Amendment to the new bylaws to provide for a restriction on voting rights

ORDINARY RESOLUTIONS

Eighth resolution:	Appointment of Jean-Paul Herteman as a Director
Ninth resolution:	Appointment of Francis Mer as a Director
Tenth resolution:	Appointment of Giovanni Bisignani as a Director
Eleventh resolution:	Appointment of Jean-Lou Chameau as a Director
Twelfth resolution:	Appointment of Odile Desforges as a Director
Thirteenth Resolution:	Appointment of Jean-Marc Forneri as a Director
Fourteenth resolution:	Appointment of Xavier Lagarde as a Director
Fifteenth resolution:	Appointment of Michel Lucas as a Director
Sixteenth resolution:	Appointment of Élisabeth Lulin as a Director
Seventeenth resolution:	Appointment of four Directors representing the French State
Eighteenth resolution:	Appointment of Christian Halary as a Director upon the recommendation of the employee shareholders of the Safran group
Nineteenth resolution:	Appointment of Marc Aubry as a Director upon the recommendation of the employee shareholders of the Safran group
Twentieth resolution:	Appointment of Caroline Grégoire-Sainte Marie as a Board advisor
Twenty-first resolution:	Amount of attendance fees
Twenty-second resolution:	Authorization for the Board of Directors to implement a share buyback program

EXTRAORDINARY RESOLUTIONS

FINANCIAL AUTHORIZATIONS

Twenty-third resolution:	Authorization for the Board of Directors to increase the share capital through the issue, with pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company
Twenty-fourth resolution:	Authorization for the Board of Directors to increase the share capital through the issue, without pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company, via a public offering
Twenty-fifth resolution:	Authorization for the Board of Directors to issue shares of the Company and securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company
Twenty-sixth resolution:	Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock or securities carrying rights to the capital, via a private placement as referred to in article L.411-2-II of the French Monetary and Financial Code without pre-emptive subscription rights for existing shareholders
Twenty-seventh resolution:	Authorization for the Board of Directors to increase the number of shares to be issued in the event of a share issue with or without pre-emptive subscription rights for existing shareholders
Twenty-eighth resolution:	Authorization for the Board of Directors in the event of the issue, without pre-emptive subscription rights for existing shareholders, of shares or any securities carrying immediate or deferred rights to the Company's shares to set the issue price according to the terms and conditions adopted by the General Meeting, within the limit of 10% of the Company's share capital
Twenty-ninth resolution:	Delegation of powers for the Board of Directors to increase the share capital through the issue of shares of common stock in consideration for contributions in kind granted to the Company and consisting of capital stock or securities carrying rights to shares
Thirtieth resolution:	Authorization for the Board of Directors to increase the share capital by capitalizing reserves, profits or additional paid-in capital
Thirty-first resolution:	Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran group employee savings plans
Thirty-second resolution:	Authorization for the Board of Directors to grant stock subscription options or stock purchase options to employees and corporate officers of the Company and companies of the Safran group
Thirty-third resolution:	Blanket ceilings on authorizations for share or securities issues
Thirty-fourth resolution:	Authorization for the Board of Directors to make free share grants of the Company's existing shares or shares to be issued to employees and corporate officers of the Company and companies of the Safran group
Thirty-fifth resolution:	Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares
Thirty-sixth resolution:	Authorization for the Board of Directors to issue stock warrants without consideration in the event of a tender offer for the Company

POWERS

Thirty-seventh resolution	Powers to carry out formalities

7.2 PROPOSED RESOLUTIONS

7.2.1 TEXT OF THE RESOLUTIONS

ORDINARY RESOLUTIONS

FIRST RESOLUTION

Approval of the parent company financial statements for the year ended December 31, 2010 – Discharge given to the members of the Executive Board and 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, 2010 as presented – showing net profit for the year of €497,099,620.77 – together with the transactions reflected in these financial statements and referred to in these reports.

Pursuant to article 223 *quater* of the French Tax Code (*Code général des impôts*), the shareholders approve the non-deductible expenses governed by article 39-4 of said code, which totaled €118,769.73 and gave rise to a tax charge of €40,892.42.

Consequently, the shareholders give discharge to the members of the Executive Board and the Supervisory Board for the performance of their management duties during 2010.

SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2010

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, 2010 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, 2010 as follows:

Net profit for 2010	€497,099,620.77
Retained earnings(1)	€6,557,530.79
Net profit available for distribution	€503,657,151.56
Appropriation:	
Dividend(2)	€208,514,792.50
Optional reserves	€294,000,000.00
Retained earnings	€1,142,359.06

(1) Including €5,394,655.18 corresponding to the 2009 dividend due on shares held in treasury at the dividend payment date.
(2) Including the dividend provided for in the Company's bylaws equal to 5% of the par value of the shares.

Accordingly, the dividend paid will be €0.50 per share.

The dividend will be paid out on April 29, 2011. The ex-dividend date will be April 26, 2011.

Individuals 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 19% 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 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	Total payout(3)
2009	402,833,124	€0.38	€153,076,587.12
2008	402,443,027(2)	€0.25	€100,610,160.59
2007	414,783,667	€0.40	€165,913,466.80

(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 articles L.225-86 and L.225-90-1 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the statutory auditors' special reports on related-party agreements and commitments governed by articles L.225-86 and L.225-90-1 of the French Commercial Code, the shareholders approve the new agreements entered into in 2010 as presented in these reports.

EXTRAORDINARY RESOLUTIONS

AMENDMENTS TO THE BYLAWS

FIFTH RESOLUTION

Change of management system: adoption of a governance structure with a Board of Directors

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Executive Board, the shareholders decide, subject to the approval of the 6th resolution below, to change the management system of the Company by adopting a governance structure with a Board of Directors governed by the provisions of articles L.225-17 to L.225-56 of the French Commercial Code.

This decision will be effective from the close of this Meeting.

Consequently, subject to the approval of the 6th resolution below, the shareholders:

- note that the terms of office of the Supervisory Board members, Board advisors and Executive Board members are due to expire at the close of this Meeting;
- resolve that the financial statements for the year starting January 1, 2011 will be closed and presented in accordance with legal rules and the provisions of the bylaws applicable to French *sociétés anonymes* (corporations) with a Board of Directors.

SIXTH RESOLUTION

Approval of the revised bylaws

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 new bylaws submitted for approval, subject to the approval of the 5th resolution above, the shareholders approve the new revised bylaws of the Company, which – in addition to the amendment related to the Company's governance structure with a Board of Directors – include:

- the amendment of the corporate purpose (Article 3 of the new bylaws);
- the cancelation of the provisions in the bylaws providing for a first dividend and a surplus dividend;
- exercising of voting rights for shares with both a legal and a beneficial owner (Article 10 of the new bylaws);
- the amendment of rules relating to disclosure thresholds (Article 13 of the new bylaws);
- setting the number of Directors at no more than thirteen, plus, where appropriate, the representatives of the employee shareholders (Article 14, § 14.1 of the new bylaws);
- representation of employee shareholders on the Board of Directors (Article 14, § 14.8 of the new bylaws);
- Directors' terms of office and staggered election of Directors (Article 16 of the new bylaws);
- setting the age limit for the (i) Directors (Article 16, § 16.3 of the new bylaws), (ii) the Chairman and Vice-Chairman of the Board of Directors (Article 15, § 15.1 and 15.3 of the new bylaws), and (iii) the Chief Executive Director and Chief Operating Officers (Article 25 of the new bylaws);
- requirement in the bylaws to appoint a Vice-Chairman of the Board of Directors when the duties of Chairman and Chief Executive Officer are not separated (Article 15, § 15.3 of the new bylaws);
- the ability for the French State to appoint a Board advisor if it were to hold less than 10% of the share capital (Article 20 of the new bylaws); and
- introduction of e-voting for shareholders (Article 30, § 30.2 of the new bylaws).

Accordingly, the General Meeting resolves to approve the new bylaws article by article and in their entirety, which will govern the Company in the form of a French *société anonyme* (corporation) with a Board of Directors as from the close of the Meeting. The text of the bylaws will be attached to the minutes of this Meeting.

SEVENTH RESOLUTION

Amendment to the new bylaws to provide for a restriction on voting rights

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Executive Board, subject to the approval of the 6th resolution above, the shareholders decide to include an additional paragraph (§31.12) to Article 31 of the new bylaws submitted for approval under the previous resolution, as follows:

"Restriction on Voting Rights

31.12 By way of an exception to the provisions of Articles 31.7 and 31.8 here above, no shareholder at a given General Meeting may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself and in the capacity as proxy for another shareholder that are attached to shares (i) that he holds directly or indirectly and (ii) that are owned by another shareholder for which he is acting as proxy.

For the purposes of these provisions:

- the total number of voting rights attached to the Company's shares taken into account shall be calculated as at the date of the General Shareholders' Meeting concerned and the shareholders shall be informed thereof at the start of the Meeting;

- the number of voting rights held directly or indirectly shall mean those voting rights attached to shares held by (i) a private individual, either personally or as part of jointly-owned property, or (ii) a company, group of entities, association or foundation, as well as voting rights attached to shares held by a company that is controlled – within the meaning of article L.233-3 of the French Commercial Code – by a company, private individual, association, group of entities or foundation;
- the restrictions set out above shall not include voting rights exercised by the Chairman of a General Shareholders' Meeting when said voting rights are (i) attached to shares for which a proxy form has been returned to the Company without any named proxy and (ii) do not individually infringe the specified restrictions.

The above-mentioned restrictions shall not affect the calculation of the total number of voting rights – including double voting rights – attached to the Company's shares and which must be taken into account for the application of any legal or regulatory provisions or the provisions of these bylaws that set out specific obligations based on the number of the Company's outstanding voting rights or the number of shares with voting rights attached.

The restrictions provided for above shall automatically become null and void, without the requirement for a new decision by shareholders in an Extraordinary General Meeting, in the event that an individual or entity – acting alone or in concert with one or more other individuals or entities – acquires an interest in the Company representing two-thirds of the Company's capital or voting rights following a public tender offer for all of the Company's shares. In such a case, the Board of Directors shall place on record that the above-mentioned restrictions are null and void and shall amend the bylaws accordingly."

RESOLUTIONS 8 TO 36 ARE SUBMITTED TO THE GENERAL MEETING FOR APPROVAL SUBJECT TO THE APPROVAL OF THE 5TH AND 6TH RESOLUTIONS ABOVE.

ORDINARY RESOLUTIONS

EIGHTH RESOLUTION

Appointment of Jean-Paul Herteman as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Jean-Paul Herteman as a Director for a four-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, 2014.

NINTH RESOLUTION

Appointment of Francis Mer as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, and having considered the report of the Executive Board, the shareholders appoint Francis Mer as a Director for a two-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, 2012.

TENTH RESOLUTION

Appointment of Giovanni Bisignani as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, and having considered the report of the Executive Board, the shareholders appoint Giovanni Bisignani as a Director 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, 2016.

ELEVENTH RESOLUTION

Appointment of Jean-Lou Chameau as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Jean-Lou Chameau as a Director for a four-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, 2014.

TWELFTH RESOLUTION

Appointment of Odile Desforges as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Odile Desforges as a Director 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, 2016.

THIRTEENTH RESOLUTION

Appointment of Jean-Marc Forneri as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Jean-Marc Forneri as a Director for a two-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, 2012.

FOURTEENTH RESOLUTION

Appointment of Xavier Lagarde as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Xavier Lagarde as a Director 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, 2016.

FIFTEENTH RESOLUTION

Appointment of Michel Lucas as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Michel Lucas as a Director for a two-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, 2012.

SIXTEENTH RESOLUTION

Appointment of Élisabeth Lulin as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Élisabeth Lulin as a Director 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, 2016.

SEVENTEENTH RESOLUTION

Appointment of four Directors representing the French State

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders note that four Directors representing the French State will be appointed by ministerial decree for a term of two years expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2012 in accordance with the provisions of Article 16.4 of the new bylaws of the Company submitted for approval under the 6th resolution.

EIGHTEENTH RESOLUTION

Appointment of Christian Halary as a Director upon the recommendation of the employee shareholders of the Safran group

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Christian Halary as a Director for a five-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.

NINETEENTH RESOLUTION

Appointment of Marc Aubry as a Director upon the recommendation of the employee shareholders of the Safran group

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Marc Aubry as a Director for a five-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.

TWENTIETH RESOLUTION

Appointment of Caroline Grégoire-Sainte Marie as a Board advisor

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders appoint Caroline Grégoire-Sainte Marie as a Board advisor for a four-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, 2014.

TWENTY-FIRST RESOLUTION

Amount of attendance fees

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Executive Board, the shareholders set:

- the amount of attendance fees allocated to the Supervisory Board for the first part of 2011, up until the date of this Meeting at €203,700; and
- the amount of attendance fees allocated to the Board of Directors for the second part of 2011, starting on the date of this Meeting at €466,300.

TWENTY-SECOND RESOLUTION

Authorization for the Board of Directors 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, the shareholders authorize the Board of Directors, which may delegate under the conditions set by law, to purchase or have purchased 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 22nd, 2003, the AMF's General Regulations, and any other laws and regulations that may be applicable in the future.

The authorization may be used to purchase shares:

- for allocation or sale to employees or officers of the Company or of other Group companies, in accordance with the law, notably in connection with a profit-sharing plan, share grant plan, stock option plan or an employee stock ownership plan;
- for cancelation subject to the approval of the 35th 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 Association of Financial and Investment Firms (*Association Française des Marchés Financiers* - AMAFI) approved by the AMF, entered into with an investment services firm;
- to deliver shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means; and
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions.

The shares may be purchased, sold, or transferred by any method allowed under the laws and regulations applicable at the transaction date, on one or more occasions, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, including during a tender offer for the Company's shares, subject to strict compliance with article 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 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, 2010). 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 share capital.

The shares may not be purchased at a price of more than €35 per share and the maximum amount that may be invested in the program is €1.4 billion. The Board of Directors may adjust the maximum purchase price to reflect the impact on the share price of any share capital transactions carried out by the Company.

The shareholders give the Board of Directors full powers, which may delegate under the conditions set by law, to implement this share buyback program, to set the applicable terms and conditions, make the required adjustments as a result of any share capital transactions, place any and all buy and sell orders, enter into any and all agreements notably for the keeping of registers of share purchases and sales, make any and all filings with the AMF and any other 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.

It supersedes the authorization given to the Executive Board for the same purpose in the 9th resolution of the Annual General Meeting held on May 27, 2010.

EXTRAORDINARY RESOLUTIONS

FINANCIAL AUTHORIZATIONS

TWENTY-THIRD RESOLUTION

Authorization for the Board of Directors to increase the share capital through the issue, with pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company

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 the applicable provisions of the law, and in particular articles L.225-129-2, L.225-132 and the provisions of articles L.228-91 *et seq.* of the French Commercial Code, and having noted that the share capital has been paid up in full, the shareholders:

1. authorize the Board of Directors, which may delegate under the conditions set by law, to decide to carry out in France or abroad, in euros, or in any other currency or monetary unit determined by reference to a basket of currencies, share capital increases through the issue, with pre-emptive subscription rights for existing shareholders, on one or several occasions, in the proportions and at the times it will determine:
   - of shares of common stock of the Company; or
   - of securities carrying immediate or deferred rights by any means, to existing shares of common stock of the Company or shares of common stock to be issued, with or without consideration;
2. resolve to set the authorized amounts in the event of use by the Board of Directors of this authorization as follows:
   - the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this authorization is set at €25 million, it being specified that (i) this amount will be counted against the blanket ceilings set in paragraphs 1 and 2 of the 33rd resolution of this General Meeting and (ii) the nominal amount of the shares to be issued in accordance with the laws and regulations and applicable contractual provisions, to preserve the rights of the holders of securities carrying rights to shares will be added to the above amount; and
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1 billion (or the equivalent value on the issue date of such amount in any other currency or any other monetary unit determined by reference to a basket of currencies) it being specified that (i) this amount will be counted against the blanket ceiling set in paragraph 3 of the 33rd resolution of this General Meeting and (ii) this amount is independent and separate from the amount of the debt securities which the Board of Directors may decide to issue or have issued in accordance with article L.228-40 of the French Commercial Code;
3. resolve that existing shareholders will have a pre-emptive right to subscribe for the securities issued pursuant to this authorization, in proportion to their existing holdings;
4. note that the Board of Directors may moreover, in accordance with the law, grant the shareholders the right to subscribe for a number of securities in excess of those to which they are entitled as of right in proportion to their subscription rights, within the limit of their requests;
5. resolve that if the subscriptions as of right and, where applicable, those for excess shares have not covered the entire amount of the issue, the Board of Directors may use one or more of the following courses of action in accordance with the conditions provided for by law and in the order it chooses:
   - limit the increase in capital to the amount of the subscriptions received provided that they reached at least three-quarters of the share issue decided;
   - freely allocate all or some of the unsubscribed shares or securities carrying rights to shares that the Board has decided to issue;
   - offer some or all of the unsecured securities to the public, either in France or abroad;
6. resolve that issues of stock warrants of the Company may be offered for subscription, but also by allocation without consideration to the holders of the shares of the Company, it being specified that the Board of Directors will have the possibility to decide that rights to fractional shares will not be transferable and the corresponding shares will be sold;
7. resolve that the Board of Directors may suspend the exercise of the rights attached to the securities carrying rights to shares of the Company for a maximum period of three months, and take all useful measures in respect of the adjustments to be made in accordance with the laws and regulations in force and, applicable contractual provisions to protect the holders of rights attached to the securities carrying rights to shares of the Company;
8. note that this authorization will automatically entail a waiver by the shareholders of their pre-emptive rights to subscribe for the shares to which these securities may grant rights of entitlement in favor of the holders of the securities carrying rights to shares of the Company.

The shareholders give full powers to the Board of Directors, which may delegate under the conditions set by law, to:

- use this authorization, and in particular set the terms and conditions of the share issues, set the dates and the terms and conditions of the issues as well as the terms and conditions of the securities issued, set the opening and closing dates of the subscription periods, the price and the date of entitlement to dividend and other rights with regard to the shares issued, the methods of payment of the shares, the methods by which the securities issued on the basis of this resolution will give a right to the Company's shares and, in the case of debt securities, their subordination level;
- deduct the costs of the share issue from the amount of the related additional paid-in capital and withhold from this amount the necessary sums to set aside to the legal reserve; and more generally
- take all appropriate steps and enter into all agreements to successfully complete the proposed issues, place on record the completion of the capital increases, amend the Company's bylaws accordingly and carry out all required formalities for admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 28, 2009 (9th resolution).

TWENTY-FOURTH RESOLUTION

Authorization for the Board of Directors to increase the share capital through the issue, without pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company, via a public offering

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 the provisions of articles L.225-129 *et seq.* of the French Commercial Code, and in particular articles L.225-129-2, L.225-135 and L.225-136, and the provisions of articles L.228-91 *et seq.* of such code, and having noted that the share capital has been paid up in full, the shareholders:

1. authorize the Board of Directors, which may delegate under the conditions set by law, to carry out on one or several occasions, in the proportions and at the times it will determine in France or abroad, in euros, or in any other currency or monetary unit determined by reference to a basket of currencies, an increase in the share capital of the Company through the issue and public offering:
   - of shares of common stock of the Company; or
   - of securities carrying immediate or deferred rights, by any means to existing shares of common stock of the Company or shares of common stock to be issued, with or without consideration;
2. resolve to set the authorized amounts in the event of use by the Board of Directors of this authorization as follows:
   - the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this authorization is set at €15 million, it being specified that (i) this amount will be counted against the blanket ceilings set in paragraphs 1 and 2 of the 33rd resolution of this General Meeting and (ii) the nominal amount of the additional shares to be issued to preserve the rights of the holders of securities carrying rights to shares will be added to the above amount where applicable; and
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €600 million (or the equivalent value on the issue date of this amount in any other currency or any other monetary unit determined by reference to a basket of currencies) it being specified that (i) this amount will be counted against the blanket ceiling set in paragraph 3 of the 33rd resolution of this General Meeting and (ii) this amount is independent and separate from the amount of the debt securities which the Board of Directors may decide to issue or have issued in accordance with article L.228-40 of the French Commercial Code;
3. resolve to eliminate the existing shareholders' pre-emptive rights to subscribe for the shares and securities issued under the authorization. However, the Board of Directors may decide, pursuant to articles L.225-135 paragraph 2 and R.225-131 of the French Commercial Code, to give the shareholders a priority subscription period not giving rise to the creation of negotiable rights and which must be exercised in proportion to the number of shares held by each shareholder;
4. resolve that if the subscriptions, including, where applicable, those of the shareholders do not cover the entire share issue, the Board of Directors may use one or more of the following courses of action in accordance with the conditions provided for by law and in the order it chooses:
   - limit the increase in capital to the amount of the subscriptions received provided that they reached at least three-quarters of the share issue decided;
   - freely allocate all or some of the unsubscribed shares or securities carrying rights to shares that the Board has decided to issue;
5. note that this authorization will automatically entail the waiver by the shareholders of their pre-emptive rights to subscribe for the shares to which the securities may grant rights of entitlement in favor of the holders of the securities carrying rights to shares of the Company;
6. resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum authorized by the laws and regulations in force on the date of the issue (i.e., for information purposes, on the date of this General Meeting, a price at least equal to the weighted average trading price for the last three trading days prior to the setting of the price, less a maximum potential discount of 5%).

The shareholders give full powers to the Board of Directors, which may delegate under the conditions set by law, to:

- use this authorization, and in particular set the terms and conditions of the share issues, set the dates and the terms and conditions of the issues as well as the terms and conditions of the securities issued, set the opening and closing dates of the subscription periods, the price and the date of entitlement to dividend and other rights with regard to the shares issued, the methods of payment of the shares, the methods by which the securities issued on the basis of this resolution will give a right to the Company's shares and, in the case of debt securities, their subordination level;
- deduct the costs of the share issue from the amount of the related additional paid-in capital and withhold from this amount the necessary sums to set aside to the legal reserve; and more generally
- take all appropriate steps and enter into all agreements to successfully complete the proposed issues, place on record the completion of the capital increases, amend the Company's bylaws accordingly and carry out all required formalities for admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 28, 2009 (10th resolution).

TWENTY-FIFTH RESOLUTION

Authorization for the Board of Directors to issue shares of the Company and securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company

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 the provisions of articles L.225-129-2, L.225-148 and L.228-92 of the French Commercial Code, and subject to the adoption of the 24th resolution, the shareholders:

1. authorize the Board of Directors, on the basis of the 24th resolution submitted to this General Meeting and under the conditions provided for by that resolution, to issue shares of the Company or securities carrying immediate or deferred rights to the Company's shares by any means, in consideration for the shares tendered to a public exchange offer initiated in France or abroad, by the Company with regard to another company whose shares are admitted for trading on one of the regulated markets referred to in the above-mentioned article L.225-148 and decide, where necessary, to eliminate the pre-emptive right of the shareholders to subscribe for the shares and securities in favor of the holders of such shares;
2. record that this authorization entails in accordance with the provisions of article L.225-132 of the French Commercial Code, a waiver by the shareholders of their pre-emptive right to subscribe for the shares to which the securities carrying immediate or deferred rights to shares in the Company which would be issued on the basis of this authorization, may grant rights of entitlement;
3. resolve that the maximum limit on the nominal amount of the capital increase to be carried out immediately or in the future, resulting from all the issues carried out pursuant to this authorization is set at €15 million, it being specified that this amount will be counted against the ceiling of €15 million provided for by the above-mentioned 24th resolution and the blanket ceilings provided for in paragraphs 1 and 2 of the 33rd resolution submitted to this General Meeting and that it does not include the nominal value of the shares of the Company to be issued, where applicable, in respect of the adjustments made in accordance with the law and, applicable contractual provisions, to protect the holders of the rights attached to securities carrying rights to shares of the Company;
4. resolve that the Board of Directors will have full powers in order to implement the public exchange offers covered by this resolution and in particular to:
   - set the exchange ratio as well as, where applicable, the amount of the cash adjustment to be paid;
   - record the number of securities tendered in the exchange;
   - determine the dates, conditions of issue, in particular the price and date of entitlement to dividend and other rights, possibly with retroactive effect, of the new shares, or, where applicable, the securities carrying immediate or deferred rights to the shares of the Company;
   - record the difference between the issue price of the new shares and their par value in an "additional paid-in capital" account in the balance sheet liabilities to which all the shareholders will have rights;
   - deduct from such "additional paid-in capital" account where applicable all the costs and expenses incurred in respect of the transaction concerned; and
   - more generally, take all appropriate steps and enter into all agreements to successfully complete the transaction concerned, place on record the resulting increase(s) in share capital and amend the bylaws accordingly;
5. authorize the Board of Directors, within the limits that have previously been set, to delegate to the Chief Executive Officer or, in agreement with him, to one or more Chief Operating Officers, the authorization which is given to it pursuant to this resolution.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 28, 2009 (10th resolution).

TWENTY-SIXTH RESOLUTION

Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock or securities carrying rights to the capital, via a private placement as referred to in article L.411-2-II of the French Monetary and Financial Code without pre-emptive subscription rights for existing shareholders

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 the provisions of articles L.225-129 *et seq.* of the French Commercial Code, and in particular articles L.225-129-2, L.225-135 and L.225-136, the provisions of articles L.228-91 *et seq.* of such code, and the provisions of article L.411-2-II of the French Monetary and Financial Code, the shareholders:

1. authorize the Board of Directors, which may delegate under the conditions set by law, to increase the capital on one or several occasions, in the proportions and at the times it will determine in France or abroad, in euros, or in any other currency or monetary unit determined by reference to a basket of currencies, through an issue and private placement meeting the conditions set in article L.411-2-II of the French Monetary and Financial Code:
   - of shares of common stock of the Company; or
   - of securities carrying immediate or deferred rights, by any means to existing shares of common stock of the Company or shares of common stock to be issued, with or without consideration;
2. resolve to set the authorized amounts in the event of use by the Board of Directors of this authorization as follows:
   - the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this authorization is set at €10 million, it being specified that (i) this amount will be counted against the ceiling applicable to capital increases without pre-emptive subscription rights set in paragraph 2 of the 24th resolution of this General Meeting and the blanket ceilings set in paragraphs 1 and 2 of the 33rd resolution of this General Meeting, (ii) the nominal amount of the additional shares to be issued

to preserve the rights of the holders of securities carrying rights to shares will be added to the above amount where applicable and (iii) in any event, the issues of shares and securities made pursuant to this authorization are limited in accordance with the law to 20% of the share capital per year;

– the maximum principal amount of debt securities that may be issued pursuant to this authorization may not exceed €600 million (or the equivalent value on the issue date of this amount in any other currency or any other monetary unit determined by reference to a basket of currencies), it being specified that (i) this amount will be counted against the ceiling set in paragraph 2 of the 24th resolution of this General Meeting for the issue of debt securities without pre-emptive subscription rights and the ceiling set in paragraph 3 of the 33rd resolution of this General Meeting and (ii) this amount is independent and separate from the amount of the debt securities which the Board of Directors may decide to issue or have issued in accordance with article L.228-40 of the French Commercial Code;

3. resolve to eliminate the existing shareholders' pre-emptive rights to subscribe for the shares and securities issued under this authorization;
4. resolve that if the subscriptions do not cover the entire amount of the share issue, the Board of Directors may limit the capital increase to the amount of the subscriptions received provided that they reached at least three-quarters of the share issue decided;
5. note that this authorization will automatically entail a waiver by the shareholders of their pre-emptive rights to subscribe for the shares to which the securities may grant rights of entitlement in favor of the holders of the securities carrying rights to the shares of the Company;
6. resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum authorized by the laws and regulations in force on the date of the issue (i.e., for information purposes, on the date of this General Meeting, a price at least equal to the weighted average trading price for the last three trading days prior to the setting of the price, less a maximum potential discount of 5%).

The shareholders give full powers to the Board of Directors, which may delegate under the conditions set by law, to:

- use this authorization, and in particular set the terms and conditions of the share issues, adopt the dates and the terms and conditions of the issues as well as the terms and conditions of the securities issued, set the opening and closing dates of the subscription periods, the price and the date of entitlement to dividend and other rights with regard to the shares issued, the terms and conditions of paying them in, the methods by which the securities issued on the basis of this resolution will give a right to the Company's shares and, in the case of debt securities, their subordination ranking;
- deduct the costs of the share issue from the amount of the related additional paid-in capital and withhold from this amount the necessary sums to set aside to the legal reserve; and more generally
- take all appropriate steps and enter into all agreements to successfully complete the proposed issues and private placements, place on record the completion of the capital increases, amend the Company's bylaws accordingly and carry out all required formalities for admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 28, 2009 (10th resolution).

TWENTY-SEVENTH RESOLUTION

Authorization for the Board of Directors to increase the number of shares to be issued in the event of a share issue with or without pre-emptive subscription rights for existing shareholders

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Executive Board and the statutory auditors' special report, in accordance with the laws and regulations governing commercial companies and in particular articles L.225-135-1 and R.225-118 of the French Commercial Code, and subject to the adoption of the 23rd, 24th and 26th resolutions, the shareholders:

1. authorize the Board of Directors, which may delegate under the conditions set by law, to increase the number of securities to be issued in the event of an increase in the Company's share capital with or without pre-emptive subscription rights decided by the Board of Directors pursuant to the 23rd, 24th or 26th resolution of this General Meeting, at the same price as that adopted for the initial share issue, within the time periods and the limits provided for by the provisions of the laws and regulations in force on the date of the share issue (at the date of this meeting, within thirty days of the close of the subscription period and within the limit of 15% of the initial share issue), in particular with a view to granting an overallocation option in accordance with market practices;
2. resolve that the nominal amount of the capital increases decided under this resolution will be counted against the ceiling provided for in the resolution pursuant to which the initial issue is decided.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

TWENTY-EIGHTH RESOLUTION

Authorization for the Board of Directors in the event of the issue, without pre-emptive subscription rights for existing shareholders, of shares or any securities carrying immediate or deferred rights to the Company's shares to set the issue price according to the terms and conditions adopted by the General Meeting, within the limit of 10% of the Company's share capital

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the statutory auditors' special report, in accordance with the provisions of the French Commercial Code, and in particular article L.225-136, the shareholders:

1. authorize the Board of Directors, which may delegate under the conditions set by law, subject to (i) the adoption of the 24th and 26th resolutions put to the vote of this General Meeting and (ii) compliance with the ceiling(s) provided for in the resolution pursuant to which the issue is decided, for each of the issues decided on the basis of such 24th and 26th resolutions, to set the issue price according to the terms and conditions set out below, within the limit of 10% of the Company's share capital per year, including the share issues made pursuant to the 27th resolution of this General Meeting (this percentage of 10% applies to the capital as adjusted as a result of capital transactions that may have been carried out after this General Meeting):
   - the issue price of the shares of common stock will be at least equal to the weighted average trading price of the share on Euronext Paris for the last three trading days prior to the setting of the price, less a maximum potential discount of 10%;
   - the issue price of the securities carrying rights to shares other than shares of common stock will be such that the amount received immediately by the Company, plus, where applicable, that liable to be received subsequently by the Company is, for each share of common stock issued as a result of the issue of these securities, at least equal to the amount referred to in the above paragraph, after adjustment, where applicable, of this amount to take account of the difference in the date of dividend rights; and
2. resolve that the Board of Directors will prepare an additional report, certified by the statutory auditors, describing the definitive conditions of the transaction and providing elements for assessment of the actual impact on the shareholders' situation.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

TWENTY-NINTH RESOLUTION

Delegation of powers for the Board of Directors to increase the share capital through the issue of shares of common stock in consideration for contributions in kind granted to the Company and consisting of capital stock or securities carrying rights to shares

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 the provisions of articles L.225-129 *et seq.* of the French Commercial Code, and in particular article L.225-147 paragraph 6 of such code, the shareholders:

1. delegate to the Board of Directors, which may delegate them in turn under the conditions set by law, the necessary powers to increase the capital on one or several occasions, through the issue of shares of capital stock of the Company in consideration for contributions in kind made to the Company consisting of capital stock or securities carrying rights to shares where the provisions of article L.225-148 of the French Commercial Code are not applicable;
2. resolve to set the ceiling for the nominal amount of the capital increases that may be carried out within the scope of this delegation at 10% of the share capital as of the date of the decision made by the Board of Directors, it being specified that the nominal amount of the capital increases made pursuant to this authorization will be counted against the blanket ceiling applicable to capital increases set in paragraph 2 of the 33rd resolution of this General Meeting.

The shareholders give the Board of Directors full powers, which may be delegated under the conditions set by law, to use this authorization and in particular to approve the valuation of the contributions, decide on the share issues to be made in consideration for the contributions, set the terms and conditions under which the preservation of the rights of holders of securities carrying rights to shares will be ensured, where applicable, deduct the costs of the share issue from the additional paid-in capital and withhold from such additional paid-in capital the sums required to set aside to the legal reserve, and more generally take all appropriate steps and enter into all agreements to complete the proposed issues successfully, place on record the completion of the capital increases, amend the bylaws accordingly and carry out all the formalities required for the admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

THIRTIETH RESOLUTION

Authorization for the Board of Directors to increase the share capital by capitalizing reserves, profits or additional paid-in capital

Deliberating in extraordinary session and 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 statutory auditors' special report, in accordance with the provisions of articles L.225-129-2 and L.225-130 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors, which may delegate under the conditions set by law, to increase the Company's share capital, on one or several occasions, by successive or simultaneous capitalization of reserves, profits, additional paid-in capital or other amounts that may be capitalized in accordance with the applicable laws and the Company's bylaws, through issuing bonus shares to the shareholders or increasing the par value of the existing shares of common stock. The amounts and timing of such transactions shall be determined at the Board's discretion;
2. resolve to set the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization at €15 million, it being specified that the amount of the capital increases carried out using this authorization will be counted against the blanket ceiling applicable to capital increases set in paragraph 2 of the 33rd resolution of this General Meeting;
3. resolve that the fractional share rights will not be tradable or transferable and that the corresponding shares will be sold, with the proceeds from the sales being allocated to the holders of the rights under the conditions of the regulations in force.

The shareholders give the Board of Directors full powers, which may be delegated under the conditions set by law, to use this authorization, 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 completion of the capital increase(s) and amend the Company's bylaws accordingly.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 27, 2010 (10th resolution).

THIRTY-FIRST RESOLUTION

Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran group employee savings plans

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 the provisions of articles L.225-129-2, L.225-129-6 and L.225-138-1 of the French Commercial Code, and the provisions of articles L.3332-18 *et seq.* of the French Labor Code, the shareholders:

1. authorize the Board of Directors, which may delegate under the conditions set by law, to increase the Company's share capital, on one or several occasions, by issuing shares of common stock of the Company, the subscription of which will be reserved for employees of the Company and the French or foreign companies affiliated with it within the meaning of article L.225-180 of the French Commercial Code, who are members of the Group employee savings plan or any company employee savings plan existing in the Safran group. The amounts and timing of such transactions shall be determined at the Board's discretion;
2. resolve to set the ceiling for the nominal amount of capital increases that may be made pursuant to this authorization at 1.5% of the existing share capital on the date of the decision made by the Board of Directors, it being specified that the nominal amount of the capital increases carried out pursuant to this authorization will be counted against the blanket ceiling applicable to capital increases set in paragraph 2 of the 33rd resolution of this General Meeting;
3. resolve that the subscription price of the shares may not be lower than the average closing trading price on the twenty trading days prior to the date when the Board of Directors makes its decision setting the opening date of the subscription period, less the maximum discount provided for by law on the date of the Board of Directors' decision;
4. record that this authorization entails a waiver by the shareholders of their pre-emptive subscription rights in favor of the employees for whom the capital increase is reserved.

The shareholders give the Board of Directors full powers, which may be delegated under the conditions set by law, to use this authorization, and in particular to set the terms and conditions of the capital increases, adopt the list of companies of which the employees will be entitled to benefit from the share issue, set the conditions, particularly in terms of length of service, that the beneficiaries will have to meet in order to be able to subscribe, on an individual basis or through an investment fund, for the shares which will be issued pursuant to this authorization, set the dates and terms and conditions of the share issues, set the opening and closing dates of the subscription periods, the price and date when the shares issued will grant entitlement to dividend and other rights and the methods of payment of the shares, deduct the costs of the capital increase from the amount of related additional paid-in capital and withhold from such amount the necessary sums to set aside to the legal reserve, and more generally take all appropriate measures and enter into any agreements to complete the proposed share issues successfully, place on record the completion of the capital increases, amend the bylaws accordingly and carry out all the formalities required for the admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 28, 2009 (11th resolution).

THIRTY-SECOND RESOLUTION

Authorization for the Board of Directors to grant stock subscription options or stock purchase options to employees and corporate officers of the Company and companies of the Safran group

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 the provisions of articles L.225-177 *et seq.* of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to grant, on one or several occasions, (i) to employees or certain employees and (ii) to corporate officers who are entitled to benefit from grants of stock options pursuant to law, or some of them, whether they are officers of the Company or of companies that are affiliated with it within the meaning of article L.225-180 of the French Commercial Code, stock options granting entitlement to:
   - the subscription of new shares of the Company issued pursuant to an increase in its share capital, or
   - the purchase of existing shares of the Company resulting from the share buybacks made by the Company under the conditions provided for by law;
2. resolve that the stock subscription options and the stock purchase options granted pursuant to this authorization may not grant entitlement to a total number of shares exceeding 1.5% of the number of shares making up the Company's share capital on the date of the decision by the Board of Directors to grant the stock options, it being specified that the nominal amount of the capital increases resulting from the exercise of stock subscription options will be counted against the blanket ceiling applicable to capital increases set in paragraph 2 of the 33rd resolution of this General Meeting;
3. resolve with regard to the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Chief Operating Officers of the Company:
   - that the Board of Directors will be responsible for determining, on the recommendation of the Appointments and Compensation Committee, (i) the number of stock options

to be granted and (ii) the terms and conditions of implementation of the provisions of the fourth paragraph of article L.225-185 of the French Commercial Code;
 - that the exercise of these stock options will be linked to performance conditions that will be set by the Board of Directors, on the recommendation of the Appointments and Compensation Committee, at the time of the stock option grants;

4. resolve that the subscription or purchase price of the shares by the beneficiaries will be set by the Board of Directors on the date when the options are granted, according to the following terms and conditions:
   - in the event that stock subscription options are granted, the subscription price of the shares may not be lower than the average closing trading price for the twenty trading days prior to the date on which the stock subscription options are granted;
   - in the event that stock purchase options are granted, the purchase price of the shares may not be lower than either the average closing trading price for the twenty trading days prior to the date on which the stock purchase options are granted or lower than the average purchase price of the treasury shares held by the Company pursuant to articles L.225-208 and L.225-209 of the French Commercial Code;

The price set for the subscription or purchase of the shares may not be modified, unless during the period in which the stock options can be exercised, the Company carries out one of the financial transactions provided for by law; in such case, the Board of Directors will make an adjustment, under the conditions provided for by the regulations, to the subscription or purchase price, as applicable, or the number of shares that may be obtained by exercising the stock options granted in order to take into account the impact of that transaction;

5. resolve, subject to application by the Board of Directors of the provisions of the fourth paragraph of article L.225-185 of the French Commercial Code, that the stock options must be exercised within a maximum time period of ten years as from the date on which they are granted although the Board of Directors may reduce this time period, particularly for beneficiaries who are residents of countries in which a shorter period is provided for by law;
6. resolve that the Board of Directors may impose a prohibition on the immediate resale of the shares subscribed or purchased on exercise of the stock options granted, although the time period for which the beneficiaries may be required to retain their shares may not exceed three years as from the option exercise date;
7. record that this authorization entails a waiver by the shareholders of their pre-emptive rights to subscribe for the shares which will be issued as and when the stock options are exercised in favor of the beneficiaries of stock subscription options.

The shareholders give the Board of Directors full powers, which may be delegated under the conditions set by law, to determine all the other terms and conditions of the stock option grants and the exercise thereof, within the limits set by the laws and regulations in force and in particular to:

- adopt the list or categories of beneficiaries and the number of stock options granted to each of them;
- set the dates or option exercise periods, it being specified that the Board of Directors may (i) bring forward the option exercise dates or periods, (ii) maintain the exercisable nature of the options or (iii) change the dates or periods during which the shares obtained on exercise of the stock options cannot be transferred or converted to bearer shares;
- where applicable, limit, suspend, restrict or prohibit the exercise of the stock options or the sale or conversion to bearer shares of the shares obtained as a result of exercise of the stock options, during certain periods or as from certain events, and its decision may relate to some or all of the stock options or shares and concern some or all of the beneficiaries;
- set the date of entitlement to dividend and other rights with regard to the new shares resulting from the exercise of the stock subscription options, place on record the capital increases resulting from exercise of the stock options, amend the bylaws accordingly and more generally do everything that may be necessary.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 28, 2008 (12th resolution).

THIRTY-THIRD RESOLUTION

Blanket ceilings on authorizations for share or securities issues

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Executive Board, the shareholders resolve:

1. to set at €35 million the maximum aggregate nominal amount of any capital increases, that may be carried out immediately or in the future pursuant to the authorizations granted to the Board of Directors in the 23rd, 24th and 26th resolutions of this General Meeting, it being specified that the nominal amount of the shares to be issued to preserve the rights of holders of securities carrying rights to shares in accordance with the laws and regulations and, applicable contractual situations will be added to this ceiling where applicable;
2. to set at €60 million the maximum aggregate nominal amount of any capital increases, that may be carried out immediately or in the future pursuant to the authorizations granted to the Board of Directors in the 23rd, 24th, 26th, 29th, 30th, 31st and 32nd resolutions of this General Meeting, it being specified that the nominal amount of the shares to be issued to preserve the rights of holders of securities carrying rights to shares in accordance with the laws and regulations and, applicable contractual situations will be added to this ceiling where applicable;
3. to set at €1.4 billion the maximum aggregate principal amount of debt securities to be issued pursuant to the authorizations given to the Board of Directors in the 23rd, 24th and 26th resolutions of this General Meeting, it being specified that this amount is independent and separate from the amount of debt securities, which the Board of Directors may decide to issue or have issued in accordance with article L.228-40 of the French Commercial Code.

THIRTY-FOURTH RESOLUTION

Authorization for the Board of Directors to make free share grants of the Company's existing shares or shares to be issued to employees and corporate officers of the Company and companies of the Safran group

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 the provisions of articles L.225-197-1 *et seq.* of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to make, on one or several occasions, free grants of existing shares or shares to be issued (i) to employees or certain categories of employees and (ii) to corporate officers who are entitled to benefit from free share grants pursuant to law, or some of them, whether they are officers of the Company or of companies that are affiliated with it within the meaning of article L.225-197-2 of the French Commercial Code. The amounts and timing of such free share grants shall be determined at the Board's discretion;
2. resolve that the total number of free shares granted pursuant to this authorization may not exceed 1.5% of the number of shares making up the Company's share capital at the date of the decision to grant free shares made by the Board of Directors;
3. resolve that the grant of shares to their beneficiaries will only become definitive at the end of a vesting period the duration of which will be set by the Board of Directors, but which may not be less than two years, and that the beneficiaries will have the obligation to hold such shares for a minimum period set by the Board of Directors, which may not be less than two years, as from the date of definitive grant; however:
   - if the vesting period covers a term of at least four years for some or all of the shares granted, the shareholders authorize the Board of Directors to reduce or abolish the mandatory holding period for such shares;
   - in the event of disability of the beneficiary corresponding to classification in the second or third categories provided for in article L.341-4 of the French Social Security Code (*Code de la sécurité sociale*), the shares will be definitively granted to him before the expiration of the vesting period and will furthermore be immediately transferable;
4. resolve that the shares granted pursuant to this authorization may be made, under the conditions provided for by law, to the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Chief Operating Officers of the Company if they are granted to them subject to performance conditions and if the number of such shares does not represent a percentage of over 0.1% of the number of shares making up the Company's capital on the date of the decision to grant the shares made by the Board of Directors.

The shareholders give the Board of Directors full powers, which may be delegated under the conditions set by law, to use this authorization within the limits set by the laws and regulations in force and in particular to:

- determine whether the free shares granted are existing shares or shares to be issued;
- decide on the list or categories of beneficiaries of the shares;
- set the conditions and, where applicable, the criteria for the grant of shares, and in particular the length of the vesting period and the duration of the holding period required for each beneficiary;
- provide for the possibility to provisionally suspend the rights to the grant;
- place on record the dates of definitive grant and the dates as from which the shares may be freely disposed of, in light of the legal restrictions;
- make, where applicable during the vesting period, the adjustments to the number of free shares granted needed in order to preserve the rights of beneficiaries;
- in the event of the issue of new shares, deduct, where applicable, from the reserves, profits or additional paid-in capital, the sums necessary to pay in the shares, place on record the completion of the capital increases carried out pursuant to this authorization, make the corresponding amendments to the bylaws; and generally
- take all appropriate measures and enter into any agreements to complete the proposed grants of shares successfully.

This authorization is given for a period of twenty-six months from the date of this General Meeting.

It supersedes, as of that date, the authorization granted to the Executive Board for the same purpose by the Annual General Meeting of May 28, 2008 (14th resolution).

THIRTY-FIFTH RESOLUTION

Authorization for the Board of Directors to reduce the Company's capital by canceling 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 the provisions of article L.225-209 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to reduce the Company's capital on one or several occasions, in the proportions and at the times it shall determine, by canceling all or some of the treasury shares held by the Company as a result of the implementation of a share buyback program, within the limit of 10% of the Company's capital per 24-month period and to reduce the share capital accordingly, it being specified that the 10% limit applies to the amount of the Company's capital which will be adjusted, where applicable, to take into consideration the capital transactions that may potentially be carried out after this General Meeting;
2. resolve that the Board of Directors will have full powers, which may be delegated under the conditions set by law, to implement this resolution and in particular to:
   - set the definitive amount of the reduction in capital;
   - set the terms and conditions of the reduction in capital and carry it out;
   - charge the difference between the carrying amount of the canceled shares and their par value against all available reserves and additional paid-in capital accounts;
   - place on record the completion of the capital reduction and amend the bylaws accordingly; and

- carry out any formalities, take all steps and generally do whatever is necessary to make the capital reduction effective.

This authorization is given for a period of twenty-four months from the date of this General Meeting. It cancels and supersedes, as of that date, the unused portion of the previous authorization granted by the Annual General Meeting of May 27, 2010 in its 11th resolution.

THIRTY-SIXTH RESOLUTION

Authorization for the Board of Directors to issue stock warrants without consideration in the event of a tender offer for the Company

Deliberating in extraordinary session and 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 statutory auditors' special report, and in accordance with articles L.233-32-II and L.233-33 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to decide in the event of a tender offer for the Company on:
   - the issue, on one or several occasions of warrants making it possible to subscribe, under preferential conditions, for one or more shares of the Company, with the possibility of deferring the exercise thereof or waiving the right thereto. The amounts and timing of such warrant issues shall be determined at the Board's discretion;
   - the free grant of these warrants to all the shareholders of the Company who have such capacity before the expiration of the tender offer period; and
   - the conditions for exercise of these warrants and their features, such as their exercise price, and generally the terms and conditions of any issue of stock warrants made pursuant to this resolution;
2. resolve that the total nominal amount of the capital increase that may result from the exercise of these warrants may not exceed €40 million, it being specified that this ceiling (i) is set independently of any other ceiling relating to the issues of capital stock or securities carrying rights to the shares of the Company authorized by this General Meeting and (ii) does not include the par value of the shares of the Company to be issued, where applicable, in respect of adjustments made in accordance with the law and, applicable contractual provisions to protect the holders of rights attached to securities carrying rights to the Company's shares;
3. resolve that the maximum number of stock warrants that may be issued may not in any event exceed the number of shares making up the share capital at the time of issue of the warrants;
4. resolve that this authorization may only be used in the event of a tender offer for the Company and that these stock warrants will automatically lapse as soon as the tender offer and, where applicable, any potential rival offer fail, lapse or are withdrawn;
5. resolve that in the event of use of this authorization, the Board of Directors will report to the shareholders at the time of issue of the warrants on:
   - the circumstances and reasons for which it considers that the offer is not in the interests of the Company and its shareholders and which justify the issue of such warrants;
   - and the criteria and methods pursuant to which the terms and conditions for determining the exercise price of the warrants will be determined;
6. resolve that the Board of Directors, which may delegate within the limits set by law, will have full powers to use this authorization under the conditions provided for by law.

This authorization is given to the Board of Directors for a term expiring at the end of the offer period in respect of any tender offer for the Company filed within eighteen months as from this General Meeting.

POWERS

THIRTY-SEVENTH 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 General Meeting to carry out any and all filing, publication, declaration and other formalities required by the applicable laws and regulations.

7.2.2 PROPOSED BYLAWS

CHAPTER I – LEGAL FORM – COMPANY NAME – CORPORATE PURPOSE – REGISTERED OFFICE – TERM

Article 1 – Legal Form of the Company

The Company is a French *société anonyme* (corporation) with a Board of Directors, governed by the laws and regulations applicable in France and these bylaws.

Article 2 – Company Name

2.1. The Company's name is Safran.

2.2. In all deeds and documents issued by the Company for the attention of third parties, the Company's name shall be preceded or immediately followed by the words "*société anonyme*" or "SA" and by the amount of the issued capital.

Article 3 – Corporate Purpose

The Company's purpose is to engage in the following activities in any and all countries, for its own account, on behalf of third parties, or directly or indirectly in conjunction with third parties:

To carry out research, design, development, testing, manufacturing, sales, maintenance and support operations for high-technology activities, and notably for:

All aviation and aerospace activities for the civilian and military markets, particularly those related to (i) aviation and aerospace propulsion solutions, including the operation of systems that produce or use energy, and equipment designed to be used with such systems, and (ii) equipment and sub-systems used in aircraft, helicopters, launch vehicles and missiles.

All air, land and naval defense activities, particularly those related to (i) optronics, avionics and navigation solutions and services, and (ii) electronics and critical software for aviation and defense applications.

All security activities, particularly those related to (i) multi-biometric identification solutions, identity management solutions, smart cards and secure transactions, and (ii) detection solutions for explosives and illicit substances.

And generally, to conduct any and all transactions of a commercial, industrial or financial nature or involving moveable assets or real estate that relate directly or indirectly to the above corporate purpose or to anything incidental or conducive to the achievement of said corporate purpose.

Article 4 – Registered Office

4.1. Safran's registered office is located at 2, boulevard du Général Martial Valin, 75015 Paris, France.

4.2. In accordance with the applicable laws and regulations, the Board of Directors may transfer the registered office to another location in the same *département* or a neighboring *département*, subject to ratification of the Board's decision at the Ordinary General Meeting following said decision. The transfer of the registered office to any other location shall be subject to a decision by shareholders in an Extraordinary General Meeting.

If the Board of Directors decides to transfer the registered office, it shall be authorized to amend the bylaws accordingly.

Article 5 – Term

The Company's term has been set at ninety-nine years from the date of registration with the Trade and Companies Registry, i.e., expiring on August 28, 2023, unless said term is extended or wound up in advance.

CHAPTER II – SHARE CAPITAL – SHARES

Article 6 – Share Capital

The Company's share capital amounts to €83,405,917, divided into 417,029,585 shares with a par value of €0.20 each, all in the same class.

Article 7 – Amendments to the Company's Share Capital

7.1. The Company's share capital may be increased or reduced by way of a decision taken in a General Shareholders' Meeting in accordance with the applicable laws and regulations and these bylaws.

7.2. The shareholders may grant the Board of Directors the necessary powers to carry out such a capital increase or reduction and may also authorize the Board to decide to carry out a capital increase at its own initiative.

Article 8 – Paying up Shares

8.1. In the event of a capital increase, the newly issued shares shall be paid up pursuant to the applicable laws and regulations and in accordance with the decisions taken by the Board of Directors and by shareholders in an Extraordinary General Meeting.

8.2. Any remaining sums to be paid for the shares in cash shall be called by the Board of Directors, which shall also determine the dates and amounts concerned.

8.3. Any shareholder who does not pay up their shares by the required date(s) shall be automatically subject to late payment interest, calculated as from the due date of the payment concerned at the legal interest rate in force plus three basis points.

8.4. If any payable amounts are not settled, the Company shall sell the shares that have not been paid up, in accordance with the conditions provided for in the applicable laws and regulations.

Article 9 – Form of Shares

9.1. Fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion, subject to compliance with the provisions of the applicable laws and regulations and the Board of Directors' Internal Rules concerning the form of shares held by certain categories of shareholder.

9.2. In accordance with the applicable laws and regulations the Company shall be entitled to request details of the identity of the holders of securities carrying immediate or deferred rights to vote at General Shareholders' Meetings, as well as the number of securities held.

Article 10 – Indivisibility of Shares – Legal Ownership and Beneficial Ownership

10.1. Shares are indivisible vis-à-vis the Company.

10.2. Joint owners of shares that are indivisible shall be represented at General Shareholders' Meetings by one of the owners or by a jointly appointed representative. In the event of disagreement, said representative shall be appointed by the Court at the request of the first joint owner to enter a petition. Where shares have both a legal owner (*nu propriétaire*) and a beneficial owner (*usufruitier*), the voting rights attached to the shares shall be exercisable by the beneficial owner at all General Shareholders' Meetings, both Ordinary and Extraordinary.

10.3. However, the legal owner and the beneficial owner may agree on any other form of division for the purpose of exercising their voting rights at General Shareholders' Meetings.

In such a case, the owners concerned shall inform the Company of their agreement by way of a registered letter with recorded delivery. The Company shall then be required to respect said agreement for all General Shareholders' Meetings held after the expiry of a one month period following the date of receipt of the registered letter.

10.4. The rights granted to shareholders to obtain or view documents issued by the Company may be exercised by each of the joint owners of jointly-owned shares and both by the legal and beneficial owners of shares that have such forms of ownership rights.

Article 11 – Share Transfers

11.1. The Company's shares shall be freely transferable, unless otherwise provided for under the applicable laws and regulations.

11.2. All shares shall be recorded in securities accounts and ownership shall be transferred by way of inter-account transfers in accordance with the applicable laws and regulations.

ARTICLE 12 – RIGHTS AND DUTIES ATTACHED TO SHARES

12.1. Each share shall entitle its holder to a proportion of the Company's profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.

12.2. Share ownership shall automatically entitle shareholders to participate in General Meetings and to vote on resolutions, in accordance with the applicable laws and regulations and these bylaws.

In addition, all shareholders shall be entitled to be informed of the Company's performance and to obtain copies of certain corporate documents at the times and under the conditions provided for by the applicable laws and regulations.

12.3. Shareholders shall be liable for losses only up to the amount of their capital contributions.

12.4. Where a shareholder must own a specific number of shares to exercise a particular right, notably in the event of an exchange or allocation of shares, a stock split, reverse stock-split, a capital increase or reduction, a merger, demerger, partial asset transfer, dividend payment or any other corporate action, any shares held that fall below the required number shall not confer any rights on their holders with respect to the Company, and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares or rights, including through purchases or sales of shares or rights where required.

12.5. Share ownership shall automatically require shareholders to comply with these bylaws and the decisions made at General Shareholders' Meetings.

12.6. The rights and duties attached to shares shall be transferred with title to the shares.

Article 13 – Disclosure Thresholds

13.1. In addition to the disclosures required under the applicable laws and regulations when certain ownership thresholds are crossed, any person or legal entity, acting alone or in concert with others, that becomes the owner – directly or indirectly through one or more companies controlled by said person or entity within the meaning of article L.233-3 of the French Commercial Code (*Code de commerce*) – of 1% or more of the Company's capital or voting rights or any multiple thereof, as calculated in accordance with articles L.233-7 and L.233-9 of the French Commercial Code, must notify the Company of the total number of shares and voting rights held as well as the total number of securities held that carry deferred rights to the Company's capital and the potential voting rights attached thereto. Said notification shall be sent to the Company by registered letter with recorded delivery within four trading days of the relevant threshold being crossed.

13.2. The same disclosures are required – within the same timeframe and in accordance with the same conditions – in cases where a shareholder's interest falls below any of the thresholds referred to in Article 13.1 above.

13.3. The sanctions provided for by law in the event of a failure to comply with the disclosure requirements applicable when a legal threshold is crossed shall also apply if a shareholder does not comply with the disclosure requirements applicable in these bylaws, where requested by one or more shareholders holding at least 5% of the Company's capital or voting rights (with said request duly recorded in the minutes of the relevant General Shareholders' Meeting).

CHAPTER III – ADMINISTRATION AND MANAGEMENT

Board of Directors

Article 14 – Membership Structure of the Board of Directors

14.1. The Company shall be administered by a Board of Directors with at least three and no more than thirteen members, including any representatives of the French State appointed in application of article 12 of Act 49-985 dated July 25, 1949. The French State shall be entitled to have at least two representatives on Safran's Board for as long as it holds at least 10% of the Company's capital.

14.2. The maximum number of thirteen Board members may be increased to allow for the inclusion of any Directors representing employee shareholders, elected in accordance with the conditions specified in Article 14.8 below.

14.3. Directors may be either individuals or legal entities. Legal entities elected to the Board of Directors are required to appoint a permanent representative who shall be subject to the same conditions and duties and have the same responsibilities as if he were a Director in his own name, without prejudice to the joint and several liability of the legal entity he represents.

14.4. Directors shall be elected, re-elected and removed from office in accordance with the conditions set down in the applicable laws and regulations.

14.5. Each Director – other than the representatives of the French State and Directors representing employee shareholders – shall be required to own a certain number of shares in the Company in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. If a Director no longer holds the required number of shares, he will have a specific period of time (as set out in the Board of Directors' Internal Rules) to remedy the situation, after which he will be automatically deemed to have resigned.

14.6. Directors shall be subject to the applicable laws and regulations concerning multiple directorships.

14.7. In accordance with the applicable laws and regulations, and subject to compliance with the conditions concerning combining directorships with an employment contract, the number of Directors holding an employment contract with the Company (not including Directors representing employee shareholders) must not exceed one third of the Board's members.

The employment contract of a Director shall not be automatically terminated when his term of office as a Director expires or if he is removed from office.

14.8. If the report presented by the Board at the Annual General Meeting in accordance with article L.225-102 of the French Commercial Code shows that the shares held by employees of the Company – or of companies related to it within the meaning of article L.225-180 of said Code – represent more than 3% of the share capital, then two Directors representing employee shareholders shall be elected at an Ordinary General Meeting in accordance with the terms and conditions set down in the applicable laws and regulations as well as in these bylaws. This requirement shall not, however, apply if the Board's members already include (i) one or more Directors who are employee representative members of the Supervisory Board of a corporate mutual fund or (ii) one or more employee Directors elected in application of article L.225-27 of the French Commercial Code.

Prior to the Ordinary General Meeting at which Directors representing employee shareholders are to be elected, the Chairman of the Board of Directors shall contact the Supervisory Boards of the corporate mutual funds set up as part of the Group's employee share ownership program – whose investments mainly comprise shares in the Company – in order to carry out a consultation procedure with the employee shareholders in accordance with the conditions set down in these bylaws.

Candidate Directors representing employee shareholders shall be selected as follows:

- When the voting rights attached to the shares held by the employees concerned are exercised on their behalf by the members of the Supervisory Board of a corporate mutual fund, said Supervisory Board may select two candidates from among its members who represent employees. When there are several corporate mutual funds, the Supervisory Boards of these funds may agree together to present two joint candidates, selected from among all of their members representing employees.
- When the voting rights attached to the shares held by the employees concerned are exercised directly by the employees, candidates may be selected through consultation procedures organized by the Company. These consultations, which must be preceded by calls for candidates, may be organized by the Company using any technical means that offer a secure voting process, including electronic or postal voting systems. In order to be eligible, candidate applications must be presented by a group of shareholders representing at least 5% of the shares held by employees who exercise their voting rights directly.

A special-purpose electoral committee set up by the Company may be tasked with ensuring that the overall process is properly conducted.

The only candidates submitted for election at the Ordinary General Meeting shall be the two candidates presented either by the Supervisory Boards of the corporate mutual funds or by the groups of employee shareholders as described above.

The reports presenting the candidates drawn up by the Supervisory Boards of the corporate mutual funds or by the special-purpose electoral committee must be given to the Board of Directors at least eight days before it meets to approve the resolutions to be proposed at the Annual General Meeting at which Directors representing employee shareholders will be elected.

In order to be valid, each candidate file put forward must include a proposed position holder and a deputy. The deputy, who must meet the same eligibility criteria as the position holder, will be appointed by the Board of Directors to replace the representative elected at the Annual General Meeting in the event that this representative has to terminate his duties before the end of his term of office. Any such appointment by the Board would be subject to ratification at the following General Shareholders' Meeting.

If the deputy Director representing employee shareholders also has to step down before the end of his term, in order to ensure that employee shareholders continue to be represented, the Chairman of the Board of Directors shall request the body that originally presented the candidate (i.e., the Supervisory Board of the corporate mutual fund or the group of employee shareholders) to select a new candidate Director to be put forward for election at the following Shareholders' Meeting.

Any terms and conditions for selecting candidates that are not provided for in the applicable laws and regulations or in these bylaws shall be determined by the Chairman of the Board of Directors, notably the timeframe for the candidate selection process.

Directors representing employee shareholders shall be elected at an Ordinary General Meeting in accordance with the same conditions as for electing other Directors.

Directors who represent employee shareholders shall not be included for the purpose of determining the minimum and maximum number of Directors referred to in Article 14.1 above.

Directors representing employee shareholders shall be elected for a five-year term, expiring at the close of the Ordinary General Meeting held during the year in which their term expires in order to approve the financial statements for the previous year. However, the term of a Director representing employee shareholders shall automatically be terminated and the Director shall be deemed to have resigned if he ceases to be either (i) an employee of the Company (or of a company or inter-company partnership related to the Company within the meaning of article L.225-180 of the French Commercial Code), or (ii) a shareholder (or member of a corporate mutual fund holding shares in the Company).

If a position of Director representing employee shareholders falls vacant for any reason, it shall be filled in accordance with the conditions described above, and the new Director shall be elected by shareholders in an Ordinary General Meeting for the remainder of his predecessor's term of office. In such a case, the Board of Directors may meet and validly conduct business until the new Director(s) representing employee shareholders is/are replaced.

The provisions set out in the first paragraph of Article 14.8 above shall cease to apply if, at the end of a fiscal year, the above-mentioned report drawn up in accordance with article L.225-102 of the French Commercial Code shows that the shares held by employees of the Company – or of companies related to it within the meaning of article L.225-180 of said Code – represent less than 3% of the share capital. However, the term of office of Directors representing employee shareholders elected in application of the first paragraph of Article 14.8 above shall continue to run until their expiry date.

The provisions of Article 14.5 relating to the number of the Company's shares that must be held by a Director shall not apply to Directors representing employee shareholders. However, each such Director shall be required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership program – at least one share or a number of units in the fund equivalent to at least one share.

Article 15 – Organization of the Board of Directors

15.1. The Board of Directors shall appoint from among its members a Chairman who must be an individual.

The Board shall determine the compensation payable to the Chairman in addition to his portion of the aggregate amount of attendance fees paid to Board members.

The Chairman shall be appointed for a term not to exceed his term as a Director. He may be re-elected and may be removed from office at any time by the Board.

The age limit for acting as Chairman of the Board shall be set at seventy-five. Consequently, no Director may be appointed as Chairman if he has already reached the age of seventy-five and if a Chairman in office reaches this age he shall be deemed to have resigned from his position at the close of the Annual General Meeting following his seventy-fifth birthday.

15.2. The Chairman of the Board of Directors shall be responsible for organizing and managing the work of the Board and shall report thereon to shareholders at the Annual General Meeting. He shall also be tasked with ensuring that the Company's corporate governance structures function effectively and that Directors are in a position to properly perform their duties.

15.3. The Board of Directors may appoint from among its members a Vice-Chairman who must be an individual.

If the Board decides to appoint a Vice-Chairman his term of office must not exceed his term as a Director. He may be re-elected and may be removed from office at any time by the Board.

The age limit for acting as Vice-Chairman of the Board shall be seventy-five. Consequently, no Director may be appointed as Vice-Chairman if he has already reached the age of seventy-five and if a Vice-Chairman in office reaches this age he shall be deemed to have resigned from his position as Vice-Chairman at the close of the Annual General Meeting following his seventy-fifth birthday.

The Vice-Chairman shall replace the Chairman if he is temporarily unable to perform his duties or in the event of the Chairman's death. In the case of temporary absence, the Vice-Chairman shall stand in for the Chairman until the Chairman is once again able to perform his duties, and in the event of the Chairman's death the Vice-Chairman shall act as Chairman until a new Chairman is elected.

As an exception to the above, a Vice-Chairman must be appointed if the same person holds the positions of Chairman and Chief Executive Officer.

15.4. The Board of Directors may appoint a Secretary of the Board, who need not be a Director or a shareholder.

15.5. The Board of Directors shall set up an Audit and Risk Committee, whose members must be Directors. The Board may also set up other specialist committees tasked with examining issues submitted to them for their opinion by the Board of Directors or its Chairman, notably concerning nominations, compensation, strategy and major projects.

The membership structure, operating procedures, and the roles and responsibilities of these committees shall be set down in the Board of Directors' Internal Rules.

Article 16 – Term of Office – Age Limit

16.1. Directors shall be elected for a five-year term, except as provided otherwise in the laws and regulations applicable in the case of provisional directorship appointments. Their duties shall cease at the close of the Ordinary General Meeting held during the year their term of office expires to approve the financial statements for the previous year.

16.2. Directors may be re-elected.

16.3. Notwithstanding the provisions set out in Articles 16.1 and 16.2 above:
- The number of Directors (both individuals and permanent representatives of legal entities) over the age of seventy may not exceed one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate.
- No Director over the age of seventy may be elected if such election would raise the number of Directors over the age of seventy to more than one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate.
- If the number of Directors over the age of seventy exceeds one quarter of the total number of Directors in office, and if no Director over the age of seventy resigns, the oldest Board member shall automatically be deemed to have resigned.

16.4. By way of an exception to the provisions contained in Article 16.1 above, the following terms of office shall be set at the Annual General Meeting to be held on April 21, 2011 for the sole purpose of implementing a staggered election system for Board members:
- The terms of Directors who were members of the Company's Supervisory Board during the twelve months preceding the April 21, 2011 Annual General Meeting shall be set at two years. This term shall apply for individuals as well as permanent representatives of legal entities and State representatives, even in the event of a change in these representatives during the term of office concerned.
- The terms of Directors who were not members of the Company's Supervisory Board during the twelve months preceding the April 21, 2011 Annual General Meeting shall be set at four years for one third of these Directors and at six years for the remaining two thirds, with lots drawn to decide which term will apply for each Director.

Article 17 – Directors' Compensation

17.1. At the Annual General Meeting, the Company's shareholders shall set an annual aggregate amount of attendance fees, effective for the current year and subsequent years until the shareholders decide otherwise.

17.2. The Board of Directors shall allocate the attendance fees among its members as it deems fit, in accordance with the rules set out in the Board's Internal Rules. It may allocate a higher portion of fees to the Board Chairman and members of the committees referred to in Article 15.5 above and in the Board's Internal Rules.

17.3. The Board of Directors may award exceptional fees to Directors as compensation for specific tasks or assignments undertaken at the Board's request.

Article 18 – Operating Procedures of the Board of Directors

18.1. This Article sets out the main operating procedures of the Board of Directors, which are described in further detail in a set of Internal Rules drawn up by the Board of Directors itself.

18.2. The Board of Directors shall meet as often as required in the interests of the Company and at least four times a year. Meetings shall be called by the Chairman, or if he is unable to do so, by the Vice-Chairman.

18.3. If the Board has not met for more than two months, a group of at least one third of the Directors may ask the Chairman to call a meeting to discuss a specific agenda.

The Chief Executive Officer or the Chief Operating Officer(s) may also request that the Chairman call a Board meeting to consider a specific agenda.

In both of these cases the Chairman is required to call a Board meeting within seven days of receiving the request (or within a shorter timeframe in the event of urgency).

18.4. Notices to Board meetings may be issued in writing by any appropriate method, at least ten calendar days prior to the scheduled meeting date. This notice period may, however, be reduced in the event of urgency, which must be duly justified.

The Board may validly hold a meeting without notice if all of its members are present or represented.

Board meetings shall be held at the Company's registered office, or at any other venue stated in the notice of meeting.

18.5. Directors may give written proxy to another Director to represent them at Board meetings, provided that no Director holds more than one proxy at any single meeting.

18.6. Board meetings shall only be validly constituted if at least half of the Directors are present.

18.7. Directors who participate in Board meetings by videoconference or any other telecommunications media that comply with the technical criteria set in the applicable laws and regulations shall be considered as being physically present for the purposes of calculating the quorum and voting majority, in accordance with the terms and conditions set out in the Board of Directors' Internal Rules.

18.8. Decisions of the Board of Directors shall be made based on a majority vote of the members attending or represented.

In the event of a split decision, the Chairman shall have the casting vote.

18.9. Board meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman.

If both the Chairman and Vice-Chairman are absent the Board shall appoint one of its members to chair the meeting.

18.10. An attendance register shall be kept at all Board meetings which shall be signed by all Board members attending personally or representing another Director by proxy.

18.11. Issues discussed in Board meetings shall be recorded in minutes, which shall be signed by the Chairman of the meeting and at least one other participating Director and shall be kept in a special register. If the Chairman of the meeting is unable to sign the minutes they shall be signed by at least two Directors.

Article 19 – Powers of the Board of Directors

19.1. The Board of Directors shall determine the Company's overall business strategy and oversee its implementation. Except for those powers directly vested in shareholders, the Board shall be responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

19.2. Subject to the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules the roles and responsibilities of the Board of Directors shall include, but shall not be limited to:

- calling the Annual Shareholders' Meeting and drawing up its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual management report;
- authorizing related-party agreements governed by article L.225-38 of the French Commercial Code;
- selecting the Company's management structure in accordance with Articles 21.1 and 21.4 of these bylaws;
- appointing and removing from office (i) the Chairman of the Board of Directors, and the Vice-Chairman (if any), and (ii) the Chief Executive Officer and, on the recommendation of the Chief Executive Officer, the Chief Operating Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Chief Operating Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to (i) the Chairman of the Board of Directors, and (ii) the Chief Executive Officer and the Chief Operating Officer(s) (if any);
- appointing the members of the Audit and Risk Committee and the members of any other Board committees set up in accordance with the provisions of these bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees among the Board members, in accordance with the Board of Directors' Internal Rules;
- approving the report of the Chairman of the Board of Directors on the organization of the Board's work and internal control and risk management procedures;
- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board advisors;
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees and endorsements in the Company's name, setting an overall ceiling for each fiscal year and, where appropriate, a maximum amount per transaction;
- authorizing in advance any transactions that would result in exceeding the above-mentioned overall ceiling or maximum amount per transaction set by the Board.

19.3. In addition to the legal and regulatory requirements concerning prior authorizations that have to be obtained from the Board of Directors, a number of specific transactions also have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Chief Operating Officer, as required by the internal procedures of the Company and Group. These transactions are listed in the Board of Directors' Internal Rules.

19.4. The Board of Directors shall perform any checks and controls that it deems appropriate. Each Director shall be provided with all the information required to carry out his duties and may request any documents he deems useful.

BOARD ADVISORS

Article 20 – Board Advisors

20.1. Shareholders in an Ordinary General Meeting may elect Board advisors to attend Board meetings in an advisory capacity. Board advisors may or may not be shareholders.

20.2. The number of Board advisors may not exceed two.

20.3. However, if the French State's interest in the Company's capital falls below 10%, the French State would automatically be entitled to appoint a Board advisor and the maximum number would be increased to three.

20.4. Board advisors shall be appointed for a four-year term but their office may be terminated at any time by shareholders in an Ordinary General Meeting. Their duties shall cease at the close of the Ordinary General Meeting held during the year their term of office expires to approve the financial statements for the previous year.

20.5. Board advisors may be re-elected.

20.6. Any Board advisor reaching the age of seventy shall be deemed to have resigned.

20.7. The roles and responsibilities of Board advisors as well as the terms and conditions of any compensation payable to them shall be set out in the Board of Directors' Internal Rules.

Executive Management

Article 21 – Forms of Management Structure

21.1. The Company's management shall be placed under the responsibility of either (i) the Chairman of the Board of Directors or (ii) another individual appointed by the Board, who shall hold the title of Chief Executive Officer and who may or may not be a Director.

21.2. The Board of Directors shall determine the duration of the Chief Executive Officer's term of office when he is appointed, subject to the provisions of Article 21.3 below.

21.3. If a Director holds the position of Chief Executive Officer he shall be deemed to have resigned as Chief Executive Officer on the expiry of his term as a Director.

21.4. The Board of Directors – voting in accordance with the quorum and majority rules set out in Article 18 above – shall be solely responsible for deciding whether to combine or separate the positions of Chairman and Chief Executive Officer. This management structure shall subsequently apply until decided otherwise by the Board.

21.5. If the Board decides to combine the positions of Chairman and Chief Executive Officer, all of the applicable laws and regulations and the following Articles of these bylaws concerning the Chief Executive Officer shall also apply to the Chairman.

21.6. Any change in the management structure of the Company shall not require an amendment to these bylaws.

Article 22 – Powers of the Chief Executive Officer

22.1. The Chief Executive Officer shall have the broadest powers to act in all circumstances in the Company's name.

22.2. The Chief Executive Officer shall exercise these powers within the scope of the Company's corporate purpose and subject to:

- the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors; and
- any restrictions placed on his powers and any matters that require the prior approval of the Board of Directors in accordance with the Board of Directors' Internal Rules.

22.3. The Board of Directors shall be entitled to restrict the Chief Executive Officer's powers in certain circumstances, notably for specific transactions.

22.4. The Chief Executive Officer shall represent the Company in its relations with third parties.

The Company shall be bound by the actions of the Chief Executive Officer with respect to third parties even when they fall outside the scope of the corporate purpose, unless it can be proven that the third party knew, or under the circumstances could not have failed to know, that the action exceeded the corporate purpose.

Any restrictions placed on the powers of the Chief Executive Officer by these bylaws or a decision of the Board of Directors shall not be binding on third parties.

Article 23 – Chief Operating Officer(s)

23.1. At the proposal of the Chief Executive Officer, the Board of Directors may appoint up to three Chief Operating Officers (who may or may not be Directors) to assist the Chief Executive Officer in his duties.

23.2. In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers vested in the Chief Operating Officer(s).

The Chief Operating Officer(s) shall have the same powers as the Chief Executive Officer with respect to third parties.

Article 24 – Compensation

The Board of Directors shall determine the compensation payable to the Chief Executive Officer and the Chief Operating Officer(s).

Article 25 – Age Limit

25.1. The age limit for holding office as Chief Executive Officer or Chief Operating Officer shall be sixty-five.

25.2. No-one over the age of sixty-five may be appointed as Chief Executive Officer or Chief Operating Officer.

25.3. When the Chief Executive Officer or a Chief Operating Officer reaches the age of sixty-five during his term of office, he will be deemed to have resigned from his position at the close of the first Annual General Meeting held after the date of his sixty-fifth birthday.

Article 26 – Removal from Office and Prevention from Exercising the Duties of Chief Executive Officer

26.1. The Chief Executive Officer may be removed from office by the Board of Directors at any time.

The same applies to the Chief Operating Officer(s) following a recommendation by the Chief Executive Officer.

26.2. If the Chief Executive Officer ceases to perform his duties or is prevented from doing so, the Chief Operating Officer(s) shall remain in office and continue to exercise his/their responsibilities until a new Chief Executive Officer is appointed, unless otherwise decided by the Board of Directors.

When the Board appoints the new Chief Executive Officer it shall also decide whether or not the Chief Operating Officer(s) should remain in office, on the recommendation of the new Chief Executive Officer.

CHAPTER IV – GENERAL SHAREHOLDERS' MEETINGS

General Provisions

Article 27 – Effect of Shareholders' Decisions

27.1. Validly constituted General Shareholders' Meetings shall represent all of the Company's shareholders.

27.2. Any decisions taken by shareholders in General Meetings in accordance with the applicable laws and regulations and the provisions of these bylaws shall be binding on all shareholders, including any absent or dissenting shareholders and any that were incapable of voting.

Article 28 – Notice and Venue of General Shareholders' Meetings

28.1. General Shareholders' Meetings shall be called in accordance with the applicable laws and regulations.

28.2. General Shareholders' Meetings may be held at the Company's registered office or any other venue in mainland France stated in the notice of meeting.

Article 29 – Agenda

29.1. The agenda for General Shareholders' Meetings shall generally be determined by the person who issues the notice of meeting.

29.2. One or more shareholders representing the portion of the Company's capital required by the applicable laws and regulations may, however, ask for specific items or draft resolutions to be included in the agenda of a General Shareholders' Meeting.

29.3. Shareholders may not deliberate on any issues that are not included in the agenda of a General Meeting.

However, as an exception to this rule, shareholders shall always be entitled to remove from office one or more members of the Board of Directors and elect their replacements.

Article 30 – Participating in General Shareholders' Meetings

30.1. All shareholders shall be entitled to participate in General Meetings, regardless of the number of shares they own.

30.2. All shareholders shall be entitled to vote at General Meetings in accordance with the terms and conditions set down by the applicable laws and regulations.

Proxy/postal voting forms for General Shareholders' Meetings may be sent in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

Where a shareholder electronically submits a proxy or postal voting form, the shareholder's signature must be a secure electronic signature or a reliable identification procedure to ensure signature security, for example by registering a unique identification code and password.

30.3. Shareholders who have not paid up the amounts due on their shares within thirty days of a notice to pay issued by the Company shall not be entitled to participate in General Shareholders' Meetings and the shares concerned shall be deducted from the total of the Company's outstanding shares for the purposes of calculating the quorum.

Article 31 – Organization of General Shareholders' Meetings

Officers and Secretary of General Shareholders' Meetings

31.1. General Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, by a Director specifically authorized to act in this capacity by the Board of Directors.

Failing this, the Meeting shall elect its own Chairman.

31.2. The role of Scrutineer (*scrutateur*) of the Meeting shall be carried out by the two shareholders present who hold the largest number of voting rights and who agree to act in this capacity.

31.3. The Meeting officers shall appoint a Secretary who does not need to be a shareholder.

31.4. An attendance sheet shall be kept at each General Shareholders' Meeting, which shall be duly signed by the participants and certified as accurate by the Meeting officers.

Minutes

31.5. Minutes of General Shareholders' Meetings shall be drawn up in accordance with the applicable laws and regulations.

31.6. The minutes shall be signed by the Meeting officers. Copies or excerpts of the minutes shall be certified by the Chairman of the Board of Directors or by the Secretary of the Meeting concerned.

Voting Rights

31.7. Each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or regulations.

31.8. However, all fully paid-up shares registered in the name of the same holder for at least two years as at the date of the General Shareholders' Meeting shall carry double voting rights.

31.9. In the event of a capital increase paid up by capitalizing retained earnings, profits or additional paid-in capital, the registered bonus shares allocated in respect of shares carrying double voting rights shall also carry double voting rights.

31.10. Double voting rights shall be forfeited if registered shares are converted into bearer shares or transferred. However, registered shares shall not be stripped of double voting rights and the qualifying period shall continue to run following a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an *inter vivos* gift to a spouse or a relative in the direct line of succession.

31.11. Any merger or demerger of the Company shall have no impact on double voting rights, which may be exercised in the surviving company if its bylaws so provide.

Ordinary General Meetings

Article 32 – Quorum – Majority

32.1. Ordinary General Meetings held on first call shall only be validly constituted if the shareholders present or represented hold at least one fifth of the Company's voting rights.

32.2. An Ordinary General Meeting held on second call shall be validly constituted irrespective of the number of shares held by shareholders present or represented.

32.3. Resolutions shall be adopted by a straight majority of the votes cast by shareholders present or represented at Ordinary General Meetings.

Article 33 – Powers

33.1. Shareholders in Ordinary General Meetings may discuss and vote on any matters that are not exclusively reserved for Extraordinary General Meetings.

33.2. Shareholders in Ordinary General Meetings may notably:
- hear the reports of the Board of Directors and the statutory auditors;
- discuss, approve, amend or reject the annual financial statements of the Company and the Group, determine the dividends to be paid and set the sums to be appropriated to retained earnings;
- decide to set up any reserves and determine any deductions from or distributions to be made out of such reserves;
- set the aggregate amount of attendance fees to be allocated by the Board among its members in accordance with the Board of Directors' Internal Rules;
- elect or re-elect Directors or remove them from office;
- ratify provisional directorship appointments made by the Board of Directors;
- appoint the statutory auditors and approve any special reports drawn up by said auditors in accordance with the law.

Extraordinary General Meetings

Article 34 – Quorum – Majority

34.1. Extraordinary General Meetings shall only be validly constituted if the shareholders present or represented hold at least (i) one quarter of the Company's voting rights for a meeting held on first call, or (ii) one fifth of the voting rights on second call.

34.2. Resolutions shall be adopted by a two-thirds majority of the votes cast by shareholders present or represented at Extraordinary General Meetings.

34.3. In Extraordinary General Meetings held to approve a transfer of assets or the granting of specific benefits, if the transferor or beneficiary is a shareholder of the Company, said shareholder shall not be entitled to vote on the related resolutions, either directly or as a proxy, and his shares shall not be taken into account for the purposes of calculating the quorum and majority.

Article 35 – Powers

35.1. Shareholders in an Extraordinary General Meeting may amend any of the provisions of the Company's bylaws and may decide to convert the Company into a different legal form, subject to the requirement specified in Article 35.2 below.

35.2. The unanimous approval of all shareholders shall be required in order to make any decisions that increase shareholders' commitments or affect the equality of their rights.

CHAPTER V – ANNUAL FINANCIAL STATEMENTS – APPROPRIATION OF PROFIT – STATUTORY AUDITORS

Article 36 – Fiscal Year

36.1. The Company shall keep proper accounts of its operations in accordance with the applicable laws and regulations.

36.2. The Company's fiscal year shall begin on January 1 and end on December 31 of each calendar year.

Article 37 – Annual Financial Statements

At the end of each fiscal year, the Board of Directors shall prepare financial statements for the Company and, where appropriate, the Group, in accordance with the applicable laws and regulations.

Article 38 – Appropriation of Profit

38.1. Shareholders at the Annual General Meeting shall have full discretionary powers to decide on the appropriation of profit available for distribution (as defined by the applicable laws and regulations), except for the appropriations required by law.

38.2. In accordance with the applicable laws and regulations, the Annual General Meeting may also decide to offer shareholders the option of receiving all or part of the dividend or any interim dividend in the form of shares.

38.3. The Board of Directors shall have the power to pay an interim dividend before the annual financial statements are approved, as provided for by the applicable laws and regulations.

34.4. No dividends may be paid if the Company's equity represents – or would represent after the planned dividend payment – less than half of its share capital plus any reserves which, according to the law or the bylaws, are not available for distribution.

Article 39 – Statutory Auditors

- The Company's financial statements shall be audited by either one or two statutory auditors, backed by one or two alternate Auditors, who shall be appointed and carry out their engagement in accordance with the applicable laws and regulations.

CHAPTER VI – WINDING UP THE COMPANY – LIQUIDATION – DISPUTE RESOLUTION

Article 40 – Equity that has Fallen to Below Half of the Company's Share Capital

40.1. If, as a result of losses recorded in the accounts, the Company's equity falls to below half of the share capital, the Board of Directors shall call an Extraordinary General Meeting in order to decide if the Company should be wound up in advance of term. Said Meeting must be called within four months of the approval of the accounts in which the losses concerned are recorded.

40.2. If the shareholders resolve not to wind up the Company in advance of term, its equity must be restored to an amount representing at least half of its share capital by the end of the second year following the year during which the above-mentioned losses were recorded. If the Company's equity is not restored to such a level within this timeframe, subject to the applicable laws and regulations, the Company must reduce its capital by an amount at least equal to the amount of any losses that could not be offset against reserves.

40.3. In both of these cases, the resolution adopted at the Extraordinary General Meeting shall be published in accordance with the applicable laws and regulations.

Article 41 – Winding up in Advance of Term – Extension of Term

41.1. Shareholders in an Extraordinary General Meeting may resolve to wind up the Company in advance of term at any time.

41.2. The Board of Directors shall call an Extraordinary General Meeting at least one year prior to the expiration of the Company's term in order for the shareholders to decide if said term should be extended.

Article 42 – Winding up the Company – Liquidation

42.1. Upon expiration of the Company's term or in the event that the Company is wound up in advance of term, shareholders in a General Meeting shall decide on the method of liquidation and shall appoint one or more liquidators and determine their powers and compensation.

42.2. The appointment of the liquidator(s) shall automatically result in the termination of the duties of the Directors, the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer(s).

42.3. Shareholders in General Meetings shall retain the same powers throughout the duration of the liquidation process.

42.4. The net proceeds of the Company's liquidation after all of the liabilities have been settled shall be used in priority to settle the amount of the Company's paid-up unredeemed shares, with the surplus divided between all shareholders in proportion to the shares held.

42.5. At the end of the liquidation process a General Shareholders' Meeting shall be called to approve the final accounts, as well as to give the liquidator(s) discharge for the performance of their duties and to place on record the completion of the liquidation. Notice of completion of the liquidation shall be published as provided for by law.

Article 43 – Dispute Resolution

The Commercial Court in the town where the Company's registered office is located shall have exclusive jurisdiction over any claims or disputes concerning the interpretation or performance of these bylaws or the Company's affairs in general that may arise during the Company's term or during the liquidation process, either (i) between shareholders and the Company, its Directors, Board advisors or statutory auditors, (ii) between the Company and its Directors, Board advisors or statutory auditors, or (iii) between the shareholders themselves.

7.2.3 AMENDMENTS TO THE NEW BYLAWS

If the shareholders adopt the new bylaws set out above they will also be asked to vote on a specific resolution (the seventh resolution) in order to amend Article 31 of the new bylaws by adding the following new Article:

Restriction on Voting Rights

31.12 By way of an exception to the provisions of Articles 31.7 and 31.8 above, no shareholder at a given General Meeting may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself and in the capacity as proxy for another shareholder that are attached to shares (i) that he holds directly or indirectly and (ii) that are owned by another shareholder for which he is acting as proxy.

For the purposes of these provisions:

- The total number of voting rights attached to the Company's shares taken into account shall be calculated as at the date of the General Shareholders' Meeting concerned and the shareholders shall be informed thereof at the start of the Meeting.
- The number of voting rights held directly or indirectly shall mean those voting rights attached to shares held by (i) a private individual, either personally or as part of jointly-owned property, or (ii) a company, group of entities, association or foundation, as well as voting rights attached to shares held by a company that is controlled – within the meaning of article L.233-3 of the French Commercial Code – by a company, private individual, association, group of entities or foundation.
- The restrictions set out above shall not include voting rights exercised by the Chairman of a General Shareholders' Meeting when said voting rights are (i) attached to shares for which a proxy form has been returned to the Company without any named proxy, and (ii) do not individually infringe the specified restrictions.

The above-mentioned restrictions shall not affect the calculation of the total number of voting rights – including double voting rights – attached to the Company's shares and which must be taken into account for the application of any legal or regulatory provisions or the provisions of these bylaws that set out specific obligations based on the number of the Company's outstanding voting rights or the number of shares with voting rights attached.

The restrictions provided for in this Article shall automatically become null and void, without the requirement for a new decision by shareholders in an Extraordinary General Meeting, in the event that an individual or entity – acting alone or in concert with one or more other individuals or entities – acquires an interest in the Company representing two-thirds of the Company's capital or voting rights following a public tender offer for all of the Company's shares. In such a case, the Board of Directors shall place on record that the above-mentioned restrictions are null and void and shall amend the bylaws accordingly.

7.2.4 TABLE OF AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS

The resolutions approved by the Executive Board on March 4, 2011, which will be submitted for the approval of the Ordinary and Extraordinary Shareholders' Meeting to be held on April 21, 2011, provide for the granting by the Annual General Meeting of the authorizations described below to the Board of Directors.

Description of the authorization	Date of the Annual General Meeting granting the authorization	Term of validity of the authorization	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized
Authorization for the Board of Directors to implement a share buyback program (22nd resolution)	April 21, 2011	18 months	Percentage of shares that may be bought back: 10% Maximum purchase price: €35 per share Maximum amount allocated to the buyback program: €1.4 billion
Authorization for the Board of Directors to increase the share capital through the issue, with pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company (23rd resolution)	April 21, 2011	26 months	€25 million (a) (c) €1 billion (debt securities) (b)
Authorization for the Board of Directors to increase the share capital through the issue, without pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company, via a public offering (24th resolution)	April 21, 2011	26 months	€15 million (a) (c) €600 million (debt securities) (b)
Authorization for the Board of Directors to issue shares of the Company and securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company (25th resolution)	April 21, 2011	26 months	€15 million (a) (c) (d)
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock or securities carrying rights to the capital, via a private placement as referred to in article L.411-2-II of the French Monetary and Financial Code without pre-emptive subscription rights for existing shareholders (26th resolution)	April 21, 2011	26 months	€10 million (a) (c) (d) €600 million (debt securities) (b) (e)
Authorization for the Board of Directors to increase the number of shares to be issued in the event of a share issue with or without pre-emptive subscription rights for existing shareholders (27th resolution)	April 21, 2011	26 months	15% of the initial share issue (f)
Authorization for the Board of Directors in the event of the issue, without pre-emptive subscription rights for existing shareholders, of shares or any securities carrying immediate or deferred rights to the Company's shares to set the issue price according to the terms and conditions adopted by the General Meeting, within the limit of 10% of the Company's share capital (28th resolution)	April 21, 2011	26 months	10% of the Company's share capital (g)

Description of the authorization	Date of the Annual General Meeting granting the authorization	Term of validity of the authorization	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized
Delegation of powers for the Board of Directors to increase the share capital through the issue of shares of common stock in consideration for contributions in kind granted to the Company and consisting of capital stock or securities carrying rights to shares (29th resolution)	April 21, 2011	26 months	10% of the Company's share capital (c)
Authorization for the Board of Directors to increase the share capital by capitalizing reserves, profits or additional paid-in capital (30th resolution)	April 21, 2011	26 months	€15 million (c)
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran group employee savings plans (31st resolution)	April 21, 2011	26 months	1.5% of share capital (c)
Authorization for the Board of Directors to grant stock subscription options or stock purchase options to employees and corporate officers of the Company and companies of the Safran group (32nd resolution)	April 21, 2011	26 months	1.5% of share capital (c)
Blanket ceilings on authorizations for share or securities issues (33rd resolution)			Sub-ceiling: €35 million for the 23rd, 24th and 26th resolutions Sub-ceiling: €1.4 billion (debt securities) for the 23rd, 24th and 26th resolutions €60 million blanket ceiling for the 23rd, 24th, 26th, 29th, 30th, 31st, and 32nd resolutions
Authorization for the Board of Directors to make free share grants of the Company's existing shares or shares to be issued to employees and corporate officers of the Company and companies of the Safran group (34th resolution)	April 21, 2011	26 months	1.5% of share capital 0.1% of share capital if granted to executive corporate officers
Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares (35th resolution)	April 21, 2011	24 months	10% of share capital per 24-month period
Authorization for the Board of Directors to issue stock warrants to shareholders in the event of a tender offer for the Company (36th resolution)	April 21, 2011	18 months	€40 million

(a) This amount is counted against the sub-ceiling of €35 million for capital increases set in the 33rd resolution.
(b) This amount is counted against in the sub-ceiling of €1.4 billion for the issue of debt securities set in the 33rd resolution.
(c) This amount is counted against the blanket ceiling of €60 million for capital increases set in the 33rd resolution.
(d) This amount is counted against the ceiling of €15 million for capital increases without pre-emptive subscription rights for existing shareholders set in the 24th resolution.
(e) This amount is counted against the ceiling of €600 million for the issue of debt securities without pre-emptive subscription rights for existing shareholders set in the 24th resolution.
(f) The ceilings applicable to the 23rd, 24th, and 25th resolutions still apply if the option provided for in the 27th resolution is exercised.
(g) The ceilings applicable to the 24th and 26th resolutions still apply if the option provided for in the 28th resolution is exercised.

7.3 OBSERVATIONS OF THE SUPERVISORY BOARD ON THE EXECUTIVE BOARD'S MANAGEMENT REPORT AND THE 2010 FINANCIAL STATEMENTS

This report was prepared in accordance with paragraph 6 of Article L.225-68 of the French Commercial Code.

After reviewing and auditing the parent company and consolidated financial statements for the year ended December 31, 2010, approved by the Executive Board and presented to the Supervisory Board at its meeting of February 23, 2011, following a review thereof by the Audit Committee on February 21, 2011, 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 2010 that was reviewed at its meeting of March 4, 2011.

Accordingly, the Supervisory Board asks shareholders to approve the proposed resolutions presented by the Executive Board.

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

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

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report on certain related-party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R.225-58 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R.225-58 of the French Commercial Code (*Code de commerce*) concerning the implementation, during the last financial year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

Agreements and commitments authorized during the year

In accordance with Article L.225-88 of the French Commercial Code (*Code de commerce*), we have been advised of certain related-party agreements and commitments which received prior authorization from your Supervisory Board.

Draft agreement between Safran and SNPE for the takeover of SNPE Matériaux Energétiques (SME)

Persons concerned

Mr Pierre Aubouin and Mr Christophe Burg, members of the Supervisory Board representing the State, and also representing the State as members of the Board of Directors of SNPE; Mr Patrick Gandil and Mr Jean-Bernard Pène, members of the Supervisory Board representing the State.

Nature and purpose

The project concerns your Company's acquisition of the company SNPE Matériaux Énergétiques (SME S.A.) and its subsidiaries, including 50% of Roxel, as well as SNPE S.A.'s 40% holding in Regulus S.A., and excluding Eurenco.

Conditions

At its meeting on July 27, 2010, the Supervisory Board confirmed its agreement in principle on the appropriateness of the transaction and authorized the Executive Board to continue negotiations and to offer a price within the limit of €300 million, with the seller having to express its agreement before September 15, 2010.

Your Company and SNPE agreed on an enterprise value of €296 million for all of the activities taken over. SNPE undertook to grant a warranty against unrecorded environmental liabilities for a duration of 30 years (extended to 40 years for costs related to the site closures), in the amount of €240 million with a counter-guarantee by the State amounting to €216 million, as well as a standard warranty against unrecorded liabilities in the amount of €25 million for all of the usual legal aspects and certain specific matters. The draft agreement between your company and SNPE was symbolized by the signing of a letter of intent dated October 5, 2010.

Agreement concerning a syndicated credit line entered into with a group of international banks, including Crédit Industriel et Commercial (Groupe Crédit Mutuel-CIC)

Person concerned

Mr Michel Lucas, Vice-chairman of the Supervisory Board of Safran and Chairman of the Executive Board of CIC.

Nature and purpose

This agreement, authorized by the Supervisory Board at its meeting on December 2, 2010, was signed on December 8, 2010.

It concerns the setting-up of a five-year revolving line of credit in the amount of €1.6b (maturity date: December 2015), granted by a group of thirteen banks, including five French banks (CIC, also acting as Agent, BNP Paribas, also acting as Documentation Agent, Société Générale, Crédit Agricole CIB and Crédit Agricole Ile-de-France), two German banks (Deutsche Bank and Commerzbank), two British banks (Royal Bank of Scotland and HSBC), one Spanish bank (Santander), one Belgian bank (ING), one Japanese bank (Bank of Tokyo-Mitsubishi) and one American bank (Citibank).

This new line of credit supplements the existing €800 million line which matures in January 2012. It will be available for the Group's general financing requirements.

Conditions

In respect of financial year 2010, the charge recorded in your Company's financial statements is €8 million corresponding to a commission of 0.50% of the amount of the credit line payable upon the signing of the agreement.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

Agreements and commitments approved in prior years

a) the implementation of which continued during the year

In accordance with Article R.225-57 of the French Commercial Code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments, which were approved in prior years, continued during the year.

Agreement concerning a credit facility granted by a group of five banks, including Crédit Mutuel-CIC

This agreement, authorized by the Supervisory Board at its meeting on December 13, 2007, was signed on January 18, 2008. It concerns a credit facility granted by a group 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 duration of one year which may be renewed.

On January 16, 2009, your Company repaid the amounts due in respect of the two drawdowns of €50 million each, made on October 13 and 17, 2008 respectively. On the same date, your Company exercised the fund-raising option provided for by the agreement for the maximum amount authorized, namely €500 million, for a duration of one year.

The agreement terminated on January 15, 2010, with the full repayment of the amounts borrowed on January 16, 2009.

In respect of financial year 2010, the amount of the interest booked to charges (EURIBOR plus 0.15% or 0.20% according to the loan) amounted to €0.12 million.

b) which were not implemented during the year

In addition, we have been advised that the following agreements and commitments, which were approved in prior years, were not implemented during the year.

Tripartite agreement entered into between the French State and the companies Sagem S.A. and Snecma

Within the context of the merger of Sagem S.A. and Snecma, the French State wanted to be granted adequate contractual rights for the protection of national interests, in return for the waiver of its right to take special measures with regard to Snecma, in accordance with article 10 of law no. 86-912 of August 6, 1986.

A tripartite agreement substituting for these special measures was therefore entered into between, firstly, the companies Sagem S.A. and Snecma, now merged within your Company, and, secondly, the State. This agreement, signed on December 21, 2004, remained in force during financial year 2010, without having any legal or financial impact.

Commitments made towards Mr Jean-Paul Herteman, Chairman of the Executive Board, in the event of the termination of his term of office

Within the context of the fixing of the remuneration of Mr Jean-Paul Herteman, appointed Chairman of the Executive Board with effect as from September 3, 2007, the Supervisory Board, at its meeting on October 18, 2007, on the advice of the Appointments and Remuneration Committee which met on the same day, took the following decisions:

Fixing of remuneration in respect of the employment contract, at the end of the term as Chairman of the Executive Board and in the event of the term of office being cut short

Upon termination of his term(s) of office and in the event of the term(s) of office being cut short, for whatever reason – except in the event of merger or absorption of the company mentioned hereafter –, Mr Jean-Paul Herteman will resume his status as employee, his employment contract having simply been suspended during his term of office, and the period spent as Chairman of the Executive Board will be taken into account in the calculation of his length of service; his last fixed and variable remuneration received in his capacity as Chairman of the Executive Board will then be maintained, unless there is a major difference in relation to the targets fixed by the Supervisory Board for the last financial year, the Board having to meet to assess whether these targets have been achieved.

Commitment relating to conditions for indemnification in certain cases of termination of the term of office of the Chairman of the Executive Board

In the particular event of his term of office as Chairman of the Executive Board being cut short as a result of merger with another company or absorption by another company, Mr Jean-Paul Herteman would resume his status as employee in the conditions provided for above. Nevertheless, in this specific case, and if Mr Jean-Paul Herteman did not accept any of the positions then proposed to him, his employment contract would be terminated and he would receive a supplementary indemnity corresponding to nine months of his last remuneration as Chairman of the Executive Board, in addition to the provisions of the French Labour Code (*Code du travail*) and the national collective bargaining agreement applicable to engineers and executives of the metallurgical industry. This indemnity could be reduced depending on the degree of achievement, during the last financial year of his term as Chairman, of the performance targets fixed by the Supervisory Board for the determination of the variable part of his remuneration in respect of the said financial year. The Supervisory Board would meet specially to assess the level of achievement of these targets and fix the exact amount of this indemnity accordingly.

These commitments were submitted to the General Meeting of Shareholders of May 28, 2008 which approved them.

They were not put into application but remained in force during financial year 2010. For this financial year, half of the performance targets comprised personal targets and half comprised economic targets fixed in terms of Group EBIT (1/2) and Group WCR (1/2).

Courbevoie and Neuilly-sur-Seine, March 30, 2011

The statutory auditors

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

7.4.2 STATUTORY AUDITORS' REPORTS ON THE PROPOSED RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING OF APRIL 21, 2011

7.4.2.1 STATUTORY AUDITORS' REPORT ON THE ISSUE, WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS, OF SHARES OF COMMON STOCK OR OTHER SECURITIES

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

Ordinary and Extraordinary General Meeting of Shareholders of April 21, 2011

(23rd, 24th, 25th, 26th, 27th, 28th and 29th resolutions)

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with articles L.225-135, L.225-136, L.225-148 and L.228-92 of the French Commercial Code (*Code de commerce*), provided that the change in the company's method of administration to a *société anonyme* (joint-stock company) with a Board of Directors is decided by this General Meeting (5th resolution), we hereby report on the proposed delegation to the Board of Directors of various issues of capital securities, operations upon which you are called to vote.

Your Executive Board proposes, on the basis of its report:

- delegating the Board of Directors, with the ability to sub-delegate, for a maximum period of 26 months, the ability to decide on the following transactions and set the final conditions for these issues and proposes, where necessary, to cancel your preferential subscription right:
  - issuing ordinary shares or any other securities, including debt instruments, that give immediate or eventual access to the company's capital without cancellation of the preferential subscription right (23rd resolution),
  - issuing ordinary shares or any other securities, including debt instruments, that give immediate or eventual access to the company's capital with cancellation of the preferential subscription right by way of public offering (24th resolution),
  - issuing ordinary shares or any other securities that give immediate or eventual access to the company's capital, in the event of a public exchange offer initiated by your Company (25th resolution), on the grounds of and under the conditions of the 24th resolution,
  - issuing ordinary shares or securities within the scope of an offering set out in II of article L.411-2 of the French Financial and Monetary Code (*Code monétaire et financier*), with cancellation of the preferential subscription right (26th resolution),
  - issuing ordinary shares or securities that give access to ordinary shares, with the aim of repaying contributions in kind granted to the company comprising capital securities or other securities that give access to the capital (29th resolution), to up to 10% of the shareholders' equity,
- authorizing the Board of Directors, via the 28th resolution, and within the scope of the delegations referred to in the 24th and 26th resolutions, to set the issue price according to the conditions decided on by the Meeting to up to the annual legal limit of 10% of shareholders' equity.

The global nominal amount of the increase in capital likely to be performed immediately or eventually may not exceed €25 million under the 23rd resolution, €15 million under the 24th resolution and €10 million under the 26th resolution, within the limit of the cap set out in the 24th resolution and 10% of the existing shareholders' equity at the date of the decision taken by the Board of Directors under the 29th resolution. For the 23rd, 24th and 26th resolutions, these amounts will be deducted from the global cap of €35 million and for the 23rd, 24th, 26th and 29th resolutions from the global cap of €60 million set in the 33rd resolution, amounts to which shall be added, where necessary, the nominal amount of the shares to be issued in order to maintain, in accordance with the law, the rights of the bearers of capital securities.

The global nominal amount of the debt instruments likely to be issued may not exceed €1 billion (or the equivalent at the issue date of this amount in any other currency) for the 23rd resolution, €600 million (or the equivalent at the issue date of this amount in any other currency) for the 24th resolution and €600 million (or the equivalent at the issue date of this amount in any other currency) for the 26th resolution, within the limit of the cap provided for in the 24th resolution. These amounts will be deducted from the global cap of €1.4 billion set in the 33rd resolution, with it being specified that this amount is independent and distinct from the amount of the debt instruments whose issue would be decided on or authorized by the Board of Directors in accordance with the provisions of article L.228-40 of the French Commercial Code (*Code de Commerce*).

The number of shares to be created within the scope of the implementation of the delegations referred to in the 23rd, 24th and 26th resolutions may be increased to up to 15% of the initial issue under the conditions set out in the 27th resolution, in accordance with the legal and regulatory provisions governing commercial companies, notably those of article L.225-135-1 of the French Commercial Code (*Code de commerce*).

It is the responsibility of the Executive Board to prepare a report in accordance with articles R.225-113, R.225-114 and R.225-117 of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating the issues provided in the report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Executive Board's report relating to this operation and the methods used to determine the issue price of the capital securities.

Subject to a subsequent examination of the conditions for the proposed issue, we have no matters to report as to the methods used to determine the issue price of the capital securities provided in the Executive Board's report in respect of the 28th resolution.

Further, as this report does not specify the conditions for determining the issue price of the capital securities to be issued within the scope of the implementation of the 23rd, 24th, 25th, 26th and 29th resolutions, we cannot report on the choice of constituent elements used to determine the issue price.

As the issue price of the capital securities has not yet been determined, we cannot report on the final conditions for the issue, and, consequently, on the cancellation of preferential subscription rights proposed in the 24th, 26th and 28th resolutions.

In accordance with article R.225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report when your Board of Directors has used the delegations that you are considering entrusting to it in the event of issues of ordinary shares with cancellation of preferential subscription right and issues of capital securities, including debt instruments.

Neuilly-sur-Seine and Courbevoie, March 30, 2011

The statutory auditors

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

7.4.2.2 STATUTORY AUDITORS' REPORT ON SHARE CAPITAL INCREASES, WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS, RESERVED FOR EMPLOYEES WHO ARE MEMBERS OF THE SAFRAN GROUP EMPLOYEE SAVINGS PLANS

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

Ordinary and Extraordinary General Meeting of April 21, 2011

(31st resolution)

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with articles L.225-135 *et seq.* of the French Commercial Code (*Code de commerce*), and provided that the change in the Company's method of administration to a *société anonyme* (corporation) with a Board of Directors is decided by this General Meeting (5th resolution), we hereby report on the proposed delegation of authority to the Board of Directors to decide an increase in capital by means of the issue of ordinary shares with cancellation of preferential subscription rights, for a maximum amount of 1.5% of the capital as at the day of the decision taken by the Board of Directors, reserved for employees of the Company and of the French or foreign companies that are related to it within the meaning of article L.225-180 of the French Commercial Code (*Code de commerce*), who are members of the Group savings scheme or of any company savings scheme existing within the Group, an operation on which you are called to vote.

This increase in capital is submitted for your approval in accordance with articles L.225-129-6 of the French Commercial Code (*Code de commerce*) and L.3332-18 *et seq.* of the French Labor Code (*Code du travail*).

Your Executive Board proposes, on the basis of its report, that it should delegate authority to the Board of Directors, for a period of 26 months, to decide one or more increases in capital and proposes to cancel your preferential subscription rights. If necessary, the Board of Directors will determine the final conditions of this operation.

The global nominal amount of the increases in capital performed in respect of this resolution will be deducted from the global cap on capital increases set in paragraph 2 of the 33rd resolution of this Meeting.

It is the responsibility of the Executive Board to prepare a report in accordance with articles R.225-113 and R.225-114 of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the share issue contained in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Executive Board's report relating to this operation and the methods used to determine the issue price.

Subject to a subsequent examination of the conditions for the proposed increase(s) in capital, we have no matters to report as to the methods used to determine the issue price provided in the Executive Board's report.

As the issue price has not yet been determined, we cannot report on the final conditions for the increase(s) in capital and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report when the increase in capital has been performed by your Executive Board.

Courbevoie and Neuilly-sur-Seine, March 30, 2011

The statutory auditors

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

7.4.2.3 STATUTORY AUDITORS' SPECIAL REPORT ON THE GRANT OF STOCK SUBSCRIPTION OPTIONS OR STOCK PURCHASE OPTIONS TO CERTAIN EMPLOYEES AND CORPORATE OFFICERS

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

Ordinary and Extraordinary General Meeting of April 21, 2011

(32nd resolution)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L.225-177 and R.225-144 of the French Commercial Code (*Code de commerce*), and provided that the change in the company's method of administration to a *société anonyme* (corporation) with a Board of Directors is decided by this General Meeting (5th resolution), we hereby report on the stock options or share purchase plans reserved for the employees or certain employees and the corporate officers or certain corporate officers of the company and the companies related to it within the meaning of article L.225-180 of the French Commercial Code (*Code de commerce*).

The global nominal amount of the increases in capital resulting from the exercise of the stock options will be deducted from the global cap on capital increases set in paragraph 2 of the 33rd resolution of this Meeting.

It is the responsibility of the Executive Board to prepare a report on the reasons for the stock options or share purchase plans and on the proposed methods used to determine the subscription or purchase price. Our role is to report on the proposed methods to determine the subscription or purchase price.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the methods proposed to determine the subscription or purchase price are included in the Executive Board's report are in accordance with legal requirements, are easily understood by the shareholders and do not appear manifestly inappropriate.

We have no matters to report as to the methods proposed.

Courbevoie and Neuilly-sur-Seine, March 30, 2011

The statutory auditors

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

7.4.2.4 STATUTORY AUDITORS' SPECIAL REPORT ON THE FREE GRANTS OF EXISTING SHARES OR SHARES TO BE ISSUED TO EMPLOYEES AND CORPORATE OFFICERS

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

Ordinary and Extraordinary General Meeting of April 21, 2011

(34th resolution)

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with article L.225-197-1 of the French Commercial Code (*Code de commerce*), and provided that the change in the company's method of administration to a *société anonyme* (corporation) with a Board of Directors is decided by this General Meeting (5th resolution), we hereby report on the proposed free allocation of existing shares or shares to be issued, reserved for the employees or for certain categories of employees and/or the corporate officers or certain corporate officers of the company Safran and group companies within the meaning of article L.225-197-2 of the French Commercial Code (*Code de commerce*).

Your Executive Board proposes that the Board of Directors be authorized to allocate, free of charge, existing shares or shares to be issued. It is the responsibility of the Executive Board to prepare a report on the proposed operation. Our role is to report on any matters relating to the information regarding the proposed operation.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted mainly in verifying that the proposed methods described in the Executive Board's report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Executive Board's report relating to the proposed free allocation of shares.

Courbevoie and Neuilly-sur-Seine, March 30, 2011

The statutory auditors

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

7.4.2.5 STATUTORY AUDITORS' REPORT ON THE REDUCTION OF THE COMPANY'S CAPITAL

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

Ordinary and Extraordinary General Meeting of April 21, 2011

(35th resolution)

To the Shareholders,

In our capacity as statutory auditors of Safran and in compliance with Article L.225-209 of the French Commercial Code (*Code de commerce*) in respect of the reduction in capital by the cancellation of repurchased shares, and provided that the change in the Company's method of administration to a *société anonyme* (corporation) with a Board of Directors is decided by this General Meeting (5th resolution), we hereby report on our assessment of the terms and conditions for the proposed reduction in capital.

Your Executive Board proposes that all powers should be delegated to the Board of Directors, for a period of 24 months as from the date of this Meeting, to proceed with the cancellation of shares the Company was authorized to repurchase, representing an amount not exceeding 10% of its total share capital, by periods of 24 months, in accordance with the provisions of the above-mentioned article.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which is not liable to undermine the equality of the shareholders, are fair.

We have no matters to report on the terms and conditions of the proposed reduction in capital.

Courbevoie and Neuilly-sur-Seine, March 30, 2011

The statutory auditors

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

7.4.2.6 STATUTORY AUDITORS' REPORT ON THE ISSUE OF STOCK WARRANTS WITHOUT CONSIDERATION IN THE EVENT OF A TENDER OFFER FOR THE COMPANY

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

Ordinary and Extraordinary General Meeting of April 21, 2011

(36th resolution)

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with article L.228-92 of the French Commercial Code (*Code de commerce*), and provided that the change in the Company's method of administration to a *société anonyme* (corporation) with a Board of Directors is decided by this General Meeting (5th resolution), we hereby report on the proposed free issue of warrants in the event of a takeover bid against the Company, an operation on which you are called to vote.

Your Executive Board proposes, on the basis of its report, that it should delegate authority to the Board of Directors (after change of the method of administration and management of the Company as provided for by the 5th resolution of this General Meeting), in accordance with article L.233-32 II of the French Commercial Code (*Code de commerce*), in order to:

1. Decide the issue of warrants subject to the regime according to article L.233-32 II of the French Commercial Code (*Code de commerce*) allowing the subscription, under preferential conditions, to one or more shares of the company, as well as their free allocation to anyone who is a shareholder of the company before the expiry of the takeover bid period,
2. Set the conditions for exercise and the characteristics of the said warrants.

The maximum nominal amount of the shares that could be issued in this way cannot exceed the €40,000,000 cap and the maximum number of warrants that could be issued cannot exceed the number of shares comprising the capital at the time of the issue of the warrants.

It is the Executive Board's role to prepare a report in accordance with articles R.225-113, R.225-114, R.225-115 and R.225-117 of the French Commercial Code (*Code de commerce*). It is our role to express an opinion on the fairness of the figures extracted from the accounts and certain other information concerning the issue, given in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted mainly in verifying the content of the Executive Board's report relative to this operation.

We have no matters to report as to the information provided in the Executive Board's report relating to the proposed free issue of warrants in the event of a takeover bid against the Company.

We shall prepare an additional report if necessary, with a view to the confirmation by a General Meeting provided for by article R.225-116 of the French Commercial Code (*Code de commerce*), when this delegation is exercised by your Board of Directors.

Courbevoie and Neuilly-sur-Seine, March 30, 2011

The statutory auditors

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

7.5 FIVE-YEAR FINANCIAL SUMMARY

(in €)	2006	2007	2008	2009	2010
Capital at December 31					
Share capital	83,405,917	83,405,917	83,405,917	83,405,917	83,405,917
Number of ordinary shares outstanding	417,029,585	417,029,585	417,029,585	417,029,585	417,029,585
Financial results					
Net profit before tax, statutory employee profit-sharing, depreciation, amortization and provisions	224,572,080	278,589,207	404,777,762	259,026,592	460,950,316
Income tax expense	(118,622,179)	(125,473,595)	(189,316,880)	(130,569,281)	(81,337,666)
Statutory employee profit-sharing for the fiscal year	5,288,647	1,467,529	0	0	0
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	216,429,174	204,555,304	151,150,969	249,519,112	497,099,621
Dividend payment	91,746,509	166,811,834	100,087,100	158,471,242	208,514,793
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	0.97	1.42	0.93	1.30
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions – divided by the number of shares outstanding	0.52	0.49	0.36	0.60	1.19
Net dividend:					
Net dividend per ordinary share outstanding	0.22	0.40	0.25	0.38	0.50
Employees					
Average number of employees during the fiscal year	374	391	403	426	475
Total payroll	46,674,831	50,594,640	51,314,080	52,628,948	64,261,911
Social security and other social welfare contributions	22,686,116	22,080,412	21,184,366	23,727,951	31,003,789

IN BRIEF | SECTION 8

MEMBERSHIP STRUCTURE OF THE FUTURE BOARD OF DIRECTORS

Members

- Jean-Paul Herteman
- Francis Mer
- Giovanni Bisignani
- Jean-Lou Chameau
- Odile Desforges
- Jean-Marc Forneri
- Xavier Lagarde
- Michel Lucas
- Elisabeth Lulin
- Christian Halary
- Marc Aubry
- Four Directors representing the French State

BOARD ADVISOR ("Censeur")

- Caroline Grégoire-Sainte Marie

15 members **including** **4** representatives of the French State **5** independent members **2** representatives of employee shareholders

OVERVIEW OF THE COMPANY'S FUTURE GOVERNANCE STRUCTURE

08

The purpose of this section is to describe the Company's new management structure based on the assumption that the resolutions in relation to this change in structure are approved by the Company's Annual General Meeting on April 21, 2011. The information contained in this section therefore only applies if the Company's shareholders vote in favor of the aforementioned resolutions (see section 7.2.1 of this Registration Document).

8.1 MEMBERSHIP OF THE FUTURE BOARD OF DIRECTORS

8.1.1 MEMBERS OF THE FUTURE BOARD OF DIRECTORS

The Company's Board of Directors will be made up of 15 members, including four Directors representing the French State, and two representatives of employee shareholders.

In addition to the four State representatives appointed by ministerial decree for a duration of two years in accordance with the applicable legislation, the following persons will also be appointed members of the Company's Board of Directors:

Members of the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held as of December 31, 2010
Jean-Paul Herteman 60 years old	April 21, 2011 2015 AGM	19,282 via units in the Safran Group Corporate Mutual Fund (FCPE) (*)
Francis Mer 71 years old	April 21, 2011 2013 AGM	1,500 (held directly)
Giovanni Bisignani 64 years old	April 21, 2011 2017 AGM	None
Jean-Lou Chameau 57 years old	April 21, 2011 2015 AGM	None
Odile Desforges 61 years old	April 21, 2011 2017 AGM	None
Jean-Marc Forneri 51 years old	April 21, 2011 2013 AGM	1,512 (held directly)
Xavier Lagarde 63 years old	April 21, 2011 2017 AGM	129,588 shares held directly and 62,040 via units in the Safran Group Corporate Mutual Fund (FCPE) and Club Sagem units (*)
Michel Lucas 71 years old	April 21, 2011 2013 AGM	1,500 (held directly)
Elisabeth Lulin 44 years old	April 21, 2011 2017 AGM	None
Christian Halary 57 years old Member representing employee shareholders	April 21, 2011 2016 AGM	12,450 shares held directly and 2,862 via units in the Safran Group Corporate Mutual Fund (FCPE)
Marc Aubry 48 years old Member representing employee shareholders	April 21, 2011 2016 AGM	40 shares held directly and 2,176 via units in the Safran Group Corporate Mutual Fund (FCPE)

(*) Conversion based on the Safran share price as of December 31, 2010.

8.1.2 INFORMATION ON THE MEMBERS OF THE FUTURE BOARD OF DIRECTORS OTHER THAN REPRESENTATIVES OF THE FRENCH STATE

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 French Defence Procurement Agency (*Délégation générale pour l'armement*) in 1975, where he was first 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 French aerospace industries association (GIFAS) 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 the French Defence industries advisory council (CIDEF) 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 Civil Aviation Research Council (CORAC) created in 2008 by the French Minister of Ecology, Energy, Sustainable Development and Territorial Development and of the European Security Research and Innovation Forum (ESRIF). He has been Vice-Chairman of the advisory authority on French Defence agency issues (*Conseil général de l'armement*) since March 2010.

Current offices

Safran Group:

- *Chairman of the Executive Board:* Safran
- *Director:* Snecma

Non-Group:

- *Chairman:* GIFAS; CIDEF, since January 2010
- *Vice-Chairman:* Conseil général de l'armement, since March 2010
- *Director:* CNRS

Offices that expired in 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
- *Member of the Supervisory Board:* Sagem Orga GmbH (Germany), up to July 2007
- *Permanent representative of Safran on the Board of Directors of:* 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
- *Permanent representative of Sagem Défense Sécurité on the Board of Directors of:* Sagem Sécurité, up to September 2007

Non-Group: None

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; Rhodia; Adecco (Switzerland); Borusan Holding (Turkey)

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *Chairman of the Supervisory Board:* Oenoholding, up to April 2008
- *Director:* Alstom, up to 2006; Inco (Canada), up to 2006

Giovanni Bisignani

Expertise and experience

Giovanni Bisignani has been Director General and CEO of IATA since June 2002. Since he took on this role, Mr. Bisignani has made a series of structural reforms which have led to profound changes in the air transport sector. In 2004, he launched the "Simplifying the Business" initiative which led to the elimination of paper tickets in 2008 and the introduction of the IATA e-freight project in the cargo sector. Since 2006, all IATA members must be in line with IOSA certification (IATA Operational Safety Audit), the first global standard for airline safety management. Giovanni Bisignani also reinforced security in relation to the management of funds processed annually by IATA's financial systems amounting to USD 315 billion.

Giovanni Bisignani's career spans several industries. In 2001, he launched OPODO, the first European travel portal, owned by Air France, British Airways and Lufthansa. He served as Administrative Director, then CEO and Managing Director of Alitalia from 1989 to 1994, Chairman of the Association of European Airlines (AEA) in 1992 and Chairman of Galileo International from 1993 to 1994.

He started his career at First National Citibank. From 1976 to 1989, he held several high-level positions at the energy company ENI and with the Italian industrial conglomerate, IRI. From 1994 to 1998, he was President of Tirrenia di Navigazione and CEO of SM Logistics - a member of Groupe Serra Merzerio from 1998 to 2001, partially owned by GE.

Current offices

Safran Group: None

Non-Group:

- *Director General and CEO:* IATA
- *Director:* UK NATS

Offices that expired in the last five years

Safran Group: None

Non-Group: None

Jean-Lou Chameau

Expertise and experience

- After completing an engineering diploma at the *École Nationale Supérieure d'Arts et Métiers* in 1976, Jean-Lou Chameau continued his studies at Stanford University, where he graduated with a Master's in civil engineering in 1977, before obtaining a PhD in seismic engineering three years later.

Jean-Lou Chameau started his teaching career at Purdue University, where he taught from 1980 to 1991, before joining Georgia Tech as professor and head of the School of Civil and Environmental Engineering. He left this position in 1994 to become Chairman of the international geotechnical engineering company, Golder Associates Inc. He returned to teach at Georgia Tech two years later, where he became dean of the College of Engineering, the largest of its kind in the United States. In 2001, he was promoted to the position of provost, which he occupied up to 2006.

In 2006, he was appointed President of the California Institute of Technology (Caltech), one of the largest scientific and engineering institutions in the world. Caltech is recognized for the exceptional standard of its research, teachers and students. Caltech boasts 32 Nobel Prize winners and is also renowned for the management of its large laboratories, in particular the Jet Propulsion Laboratory; NASA's center for robotic exploration of the solar system.

Jean-Lou Chameau sits on the Board of Directors of MTS Systems Corporation and of the InterWest Advisory Committee, a venture capital firm. He also sits on the Boards of Caltech; Internet 2, a consortium designed to develop and deploy advanced network applications and technologies; the Council on Competitiveness, which brings together university presidents and labor leaders to ensure prosperity in the United States; and the Academic Research Council of Singapore.

Jean-Lou Chameau is a member of the National Academy of Engineering, the highest honor for an engineer in the United States, and of the *Académie des Technologies* in France.

Current offices

Safran Group: None

Non-Group:

- *Director*: MTS System Corporation, Lead Independent, InterWest Partners
- *Other offices*: Internet2, Council on Competitiveness, Washington, Academic Research Council of Singapore

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *École Polytechnique*
- Prime Engineering Inc.

Odile Desforges

Expertise and experience

Born in Rouen, France, in 1950, Odile Desforges graduated from *École Centrale de Paris* in 1973. She began her career as research analyst at the French Transport Research Institute (*Institut de Recherche des transports*).

In 1981, she joined the Renault Group as planning officer for the Automobile Planning Department before becoming product engineer on the R19, then M1 segment (1983-1985). In 1986 she moved to the Purchasing Department as head of the Exterior Equipment department. She was later appointed Director of Body Hardware Purchasing for the joint Renault Volvo Purchasing Organization in 1992 and for Renault alone in 1994. In March 1999, she became Executive Vice-President of the Renault VI-Mack Group, in charge of 3P (Product Planning, Product Development and Purchasing Project). In January 2001, she was appointed President of the AB Volvo Group's 3P Business Unit.

On March 1, 2003, Odile Desforges became Senior Vice-President, Purchasing, Chair and CEO of the Renault Nissan Purchasing Organization (RNPO) and member of the Renault Management Committee.

On March 1, 2009, she became Executive Vice-President, Engineering and Quality, and a member of Renault's Executive Committee. She reports to Patrick Pélata, Chief Operating Officer.

Current offices

Safran Group: None

Non-Group:

- *Director*: GIE REGIENOV, RNTBCI, Renault España SA, Renault Nissan BV

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *Chair*: RNPO up to February 2009

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	General Finance Inspectorate
1987-1988	Advisor to the 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); Société Casino Municipal d'Aix Thermal
- *Director:* Balmain; Intercontinental Exchange (United States)
- *Manager:* Perseus Participations

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *Director:* Bonnasse Lyonnaise de Banque, up to May 2008

Xavier Lagarde

Expertise and experience

Born in 1948, Xavier Lagarde is an engineer from the *École nationale supérieure d'ingénieurs de constructions aéronautiques* (ENSICA).

He joined Sagem in 1974. Initially a study engineer, he then became responsible for the development of new-generation inertial navigation systems.

In 1987, Xavier Lagarde became Deputy Director of the Sagem R&D Center in Argenteuil. In 1989, he became Director of the R&D Center in Éragny dedicated to missile guidance systems and equipment. From 1989 to 2001, he was Director of Human Resources of the Sagem group.

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 abroad. 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 of the Group's Quality, Audit and Risk Department.

Xavier Lagarde has also 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 Consulting (formerly Safran Conseil); Sagem Mobiles
- *Permanent representative of Sagem Télécommunications on the Board of Directors of:* Sagem Industries

Non-Group: None

Offices that expired in 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:* Safran (formerly Sagem SA), 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

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:

1971-1985	Advisor to the Chairman of Crédit Mutuel
1973-1998	Head of the IT Department
Ongoing	Chairman of the Executive Board of CIC
Ongoing	CEO of Confédération Nationale du Crédit Mutuel
Ongoing	CEO of Fédération du Crédit Mutuel Centre Est Europe
Ongoing	CEO of Caisse Fédérale du Crédit Mutuel Centre Est Europe
Ongoing	CEO of Banque Fédérative du Crédit Mutuel
Ongoing	Chairman and CEO of 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; Banque Fédérative du Crédit Mutuel
- *Chairman:* Crédit Mutuel Cartes de Paiements SAS; Europay France SAS; Confédération Nationale du Crédit Mutuel; Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale du Crédit Mutuel
- *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 SFM; Banque du Crédit Mutuel Île-de-France; Banco Popular Hipotecario; Républicain Lorrain; Direct Phone Services; International Information Developments
- *Chairman of the Supervisory Board:* Cofidis; Cofidis Participations; Euro Information Production; Fonds de Garantie des Dépôts; Banque de l'Economie, du Commerce et de la Monétique; Targo Deutschland GmbH (Germany); Targo Management AG (Germany) Targobank AG (Germany); CM-CIC Capital Finance
- *Vice-Chairman of the Supervisory Board:* CIC Interbanco; Banque de Luxembourg (Luxembourg)
- *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 Lyonnaise de Banque; CRCM Midi-Atlantique; Crédit Mutuel Paiements Électroniques; Assurances Générales des Caisses Desjardins (Quebec); Sofedis
- *Member of the Supervisory Board:* CM-CIC Asset Management; CM-CIC Services; Manufacture Beauvillé
- *Member of the Management Committee:* Euro Information; Euro Information Développement; EBRA

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *CEO:* Caisse Centrale du Crédit Mutuel
- *Member of the Supervisory Board:* CIC Investissements; Société Alsacienne de Publications "L'Alsace"
- *Vice-Chairman of the Supervisory Board:* Mastercard Europe Région (Brussels)

Elisabeth Lulin

Expertise and experience

Born in 1966, Elisabeth Lulin is the Founder and Chief Executive Officer of Paradigmes et caetera, a research and consulting firm dedicated to benchmarking and innovation since 1998. In September 2010, she also became senior advisor of the Monitor Group strategy consulting firm.

She is also currently a Director of two listed companies: on the Board of Directors of Société Générale since 2003 and on the Board of Directors of the Bongrain Group since 2007. In 2009, she was elected member of the Board of Directors of the *Institut Français des Administrateurs.*

Elisabeth Lulin began her career at the General Finance Inspectorate (1991-1994) before joining the Prime Minister's office as research analyst, then Technical Advisor. From 1996-1998, she served as head of the Marketing and External Communication Unit at France's National Institute of Statistics and Economic Studies (INSEE). Alongside these duties, she has also continued her work as a teacher and currently teaches at the *École Supérieure de Commerce de Paris.* She was also a lecturer at the *Institut d'Études Politiques de Paris* from 1998 to 1999 and at the *Conservatoire des Arts et Métiers* from 1995 to 1999. She is a member of the editorial committee of *Sociétal*, a quarterly economic and social review.

Elisabeth Lulin is a graduate of *École Normale Supérieure* (1985), *Institut d'Études Politiques de Paris* (1987) and *École Nationale d'Administration* (1991). She also holds a degree in literature (1988).

Current offices

Safran Group: None

Non-Group:

- *CEO*: *Paradigmes et caetera*
- *Director*: Société Générale, Bongrain SA

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *Chair of the Executive Board*: Institut Aspen France up to end-2010

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 and Works Council representative at Sagem Défense Sécurité

Former Secretary of the Sagem Défense Sécurité Central Works Council

Former Secretary of the Sagem SA Group Committee

Member of the CFE/CGC Coordination Committee for the Safran Group

Union representative on the economic committee of the Central Works Council

Representative of the Éragny Plant Works Council

Current offices

Safran Group:

- *Member of the Supervisory Board representing employee shareholders:* Safran
- *Chairman of the Supervisory Boards of the corporate mutual funds:* Partifond; Interfond; Avenir; Safran Investissement

Non-Group: None

Offices that expired in the last five years

None

Marc Aubry

Expertise and experience

Marc Aubry is an engineer from the *École Nationale Supérieure d'Hydraulique et de Mécanique de Grenoble* (ENSHMG) (major in water resources and planning) and has a post-graduate degree (DEA) in environment and engineering geophysics (major in hydrology). Marc Aubry has worked with the Group for 21 years. Since July 1990, he has occupied the position of design engineer in charge of the development of dynamic sealing for space engine turbopumps.

Local Trade Union Confederation (CFDT) Delegate of Snecma Vernon

Central CFDT Delegate of Snecma

CFDT Coordinator of the Safran Group

Current offices

Safran Group:

- *Vice-Chairman of the Supervisory Board of the corporate mutual fund:* Safran investissements

Non-Group: None

Offices that expired in the last five years

Safran Group: None

Non-Group: None

BOARD ADVISOR

Caroline Grégoire-Sainte Marie

Expertise and experience

Born in 1957, Caroline Grégoire-Sainte Marie is a graduate of *Institut d'Etudes Politiques* and of the l'*Université de Droit, Paris I.* In 1981, she joined Rank Xerox France as a management controller, before moving to the Finance department of Roussel Uclaf (a subsidiary of Hoescht Pharmaceutique) in 1984. In 1994, she became head of the Finance department and member of the Executive Board of Albert Roussel Pharma GmbH. From 1996 to 1997, she was head of the Finance and IT department and a member of the Management Committee of Volkswagen France. She then joined the Lafarge Group in 1997, first as head of the Finance/Legal department and the Development of Lafarge Specialty Products, and then as head of the Mergers and Acquisitions department in 2000. She is a member of the Boards of Directors of Materis SA and Lafarge India. She is also a member of the Management Board of Lafarge Cement and of the International Operating Committee. From 2004 to 2006, she served as Chair and CEO of Lafarge Cement in Germany and the Czech Republic, and as a member of the Board of Directors of Präsidium BDZ/VDZ. From 2007 to 2009, she was Chair and CEO of Tarmac France and Belgium, part of the Anglo-American Plc. group.

Current offices

Safran Group: None

Non-Group:

- *Chair and CEO*: Frans Bonhomme since July 2009

Offices that expired in the last five years

Safran Group: None

Non-Group:

- *Chair and CEO*: Tarmac France and Belgium up to 2009

The information and statements contained in sections 8.1.3 to 8.1.5 below concern all future Directors, with the exception of representatives of the French State whose names were unknown at the date of publication of this Registration Document.

8.1.3 INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE MANAGEMENT OR SUPERVISORY BODIES AND THE COMPANY OR ONE OF ITS SUBSIDIARIES

There are no service contracts between the future members of the Board of Directors and Safran or any of its subsidiaries providing for the award of benefits.

8.1.4 DISCLOSURE OF FAMILY TIES AND THE ABSENCE OF CONVICTIONS INVOLVING MEMBERS OF THE BOARD OF DIRECTORS

To the best of the Company's knowledge:

- there are no family ties between the future members of the Board of Directors;
- no future member of the Board of Directors:
  - has been convicted of fraud,
  - has been a manager in a company when it filed for bankruptcy or was placed in receivership or liquidation,
  - has been officially charged and/or received sanctions from a legal or regulatory authority,
  - has been prohibited by a court of law from being a member of an administrative, management or supervisory body, or from participating in the management or performance of a company's business.

8.1.5 CONFLICTS OF INTEREST INVOLVING MANAGEMENT AND SUPERVISORY BODIES

To the best of the Company's knowledge:

- there are no potential conflicts of interest between the duties, with respect to Safran, of any of the future members of the Board of Directors and their private interests and/or other duties;
- none of the future members of the Board of Directors were appointed based on arrangements or agreements with the principal shareholders, customers, suppliers or other parties.

8.2 OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

The brief description of the practices of the Board of Directors included in this section was drawn up on the basis of the Company's proposed new bylaws, as submitted for approval of the shareholders (see section 7.2.2 of this Registration Document) and based on the assumption that these bylaws will be adopted on April 21, 2011, without undergoing any changes with the exception of a potential change to Article 31 of the new bylaws, which will be submitted to the shareholders by means of a specific resolution.

8.2.1 PRINCIPAL PROVISIONS OF THE BYLAWS

MEMBERSHIP STRUCTURE

Under the terms of Article 14 of the bylaws, the Company shall be administered by a Board of Directors with at least three and no more than thirteen members, including any representatives of the French State appointed in application of Article 12 of Act 49-985 dated July 25, 1949.

The maximum number of thirteen Board members may be increased to allow for the inclusion of any Directors representing employee shareholders.

The Directors may be individuals or legal entities.

The Board of Directors shall appoint from among its members a Chairman who must be an individual.

The Board of Directors may appoint from among its members a Vice-Chairman who must be an individual, and a Secretary of the Board, who need not be a Director or a shareholder. A Vice-Chairman must be appointed when the duties of the Chairman of the Board of Directors and the CEO are not separate.

SHAREHOLDING

Under Article 14 of the bylaws, each Director, other than the representatives of the French State and Directors representing employee shareholders, are required to own a certain number of shares in the Company in accordance with the terms and conditions set down in the Board of Directors' Internal Rules which must be approved by the Board of Directors.

If a Director no longer holds the required number of shares, he will have a specific period of time to remedy the situation, after which he will be automatically deemed to have resigned.

TERM OF OFFICE - AGE LIMIT

Under the terms of Article 16 of the bylaws, Directors are appointed by the Ordinary Shareholders' Meeting for a five-year term. Their duties shall cease at the close of the Ordinary Shareholders' Meeting held during the year their term of office expires to approve the financial statements for the previous year. Directors may be re-elected. However, by way of an exception and in order to ensure the staggered re-election of Directors, the Directors appointed by the Ordinary and Extraordinary Shareholders' Meeting on April 21, 2011 will be appointed for a duration of two, four or six years, as dictated by the circumstances.

Under Article 16 of the bylaws, the number of Directors over the age of seventy may not exceed one quarter of the total number of Directors in office, rounded up to the nearest whole number of members. If the number of Directors over the age of seventy exceeds one quarter of the total number of Directors in office and, if no Director over the age of seventy resigns, the oldest Board member shall automatically be deemed to have resigned.

The age limit for acting as Chairman or Vice-Chairman of the Board shall be seventy-five.

COMMITTEES

Under Article 15 of the bylaws, the Board of Directors shall set up an Audit and Risk Committee. The Board may also set up other specialist committees tasked with examining issues submitted to them for their opinion by the Board of Directors or its Chairman, notably concerning nominations, compensation, strategy and major projects.

The membership structure, operating procedures, and the roles and responsibilities of these committees shall be set down in the Board of Directors' Internal Rules, which must be approved by the Board of Directors.

MEETINGS

Under the terms of Article 18 of the bylaws, the Board of Directors shall meet as often as required in the interests of the Company and at least four times a year. Meetings shall be called by the Chairman, or if he is unable to do so, by the Vice-Chairman. If the Board has not met for more than two months, a group of at least one third of the Directors may ask the Chairman to call a meeting to discuss a specific agenda.

The Chief Executive Officer or the Chief Operating Officer(s) may also request that the Chairman call a Board meeting to consider a specific agenda.

In both of these cases the Chairman is required to call a Board meeting within seven days of receiving the request (or within a shorter timeframe in the event of urgency).

Board meetings shall only be validly constituted if at least half of the Directors are present.

Directors who participate in Board meetings by videoconference or any other telecommunications media that comply with the technical criteria set in the applicable laws and regulations shall be considered as being physically present for the purposes of calculating the quorum and voting majority, in accordance with the terms and conditions set out in the Board of Directors' Internal Rules, which must be approved by the Board of Directors.

Decisions of the Board of Directors shall be made based on a majority vote of the members attending or represented.

In the event of a split decision, the Chairman shall have the casting vote.

Directors may give written proxy to another Director to represent them at Board meetings, provided that no Director holds more than one proxy at any single meeting.

POWERS OF THE BOARD OF DIRECTORS

Under Article 19 of the bylaws, the Board of Directors shall determine the Company's overall business strategy and oversee its implementation. Except for those powers directly vested in shareholders, the Board shall be responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

In addition to the legal and regulatory requirements concerning prior authorizations that have to be obtained from the Board of Directors, a number of specific transactions also have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Chief Operating Officer, as required by the internal procedures of the Company and Group. These transactions are listed in the Board of Directors' Internal Rules which must be approved by the Board of Directors.

The Board of Directors shall perform any checks and controls that it deems appropriate. Each Director shall be provided with all the information required to carry out his duties and may request any documents he deems useful.

BOARD ADVISORS

Under Article 20 of the bylaws, shareholders in an Ordinary General Meeting may elect Board advisors to attend Board meetings in an advisory capacity. Board advisors may or may not be shareholders.

The number of Board advisors may not exceed two. However, the French State may appoint a third Board advisor if it were to hold less than 10% of the Company's share capital.

Board advisors are appointed for four years and may be re-elected.

8.2.2 OTHER PROVISIONS OF THE BYLAWS

For more information on the other provisions in the Company bylaws, in particular those in relation to Company management and the management bodies, see section 7.2.2 of this Registration Document which contains the full draft of the proposed new bylaws of the Company.

8.3 BOARD OF DIRECTORS' INTERNAL RULES

One of the agenda items of the first meeting of the Board of Directors of April 21, 2011 will be to approve, as far as possible, the Board of Directors' Internal Rules, in order to establish its operating procedures.

The Board of Directors' Internal Rules will be published on the Company's website (http://www.safran-group.com) as soon as they have been approved by the Board of Directors.

8.4 MANAGEMENT STRUCTURE

One of the agenda items of the first meeting of the Board of Directors of April 21, 2011 will be to define the management structure. The Board of Directors' decision in this respect will be published in a press release by the Company.

8.5 CORPORATE OFFICER COMPENSATION

The Board of Directors shall be called on to decide on the renewal of the related-party commitment made in relation to Jean-Paul Herteman by the Supervisory Board on October 18, 2007, or on the implementation of any agreement of a similar nature, following consultation with the Appointments and Compensation Committee of the Supervisory Board.

The Board of Directors shall also be called on to decide on the terms and conditions for determining the amount of compensation to be paid to the CEO, and where applicable, to the Chief Operating Officer(s), following consultation with the Appointments and Compensation Committee of the Board of Directors.

IN BRIEF | SECTION 9

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

2010 STATUTORY AUDITORS

STATUTORY AUDITORS

Mazars
61, rue Henri Régnault
92400 Courbevoie

Ernst & Young et Autres
41, rue Ybry
92576 Neuilly-sur-Seine

The terms of office of the Company's statutory auditors will expire at the close of the Annual General Meeting held to approve the financial statements for the year ended December 31, 2015.

CROSS-REFERENCE TABLES

- Executive Board management report cross-reference table;
- EC Regulation No. 809/2004 cross-reference table;
- Annual financial report cross-reference table;
- Annual General Meeting information cross-reference table.

ADDITIONAL INFORMATION

09

9.1 PERSONS RESPONSIBLE

9.1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Jean-Paul Herteman

Chairman of the Safran Executive Board

9.1.2 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 9.4.1) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings in the consolidation taken as a whole, and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the statutory auditors, in which they state that they have audited the information contained in this document relating to the financial position and the financial statements contained herewithin, and that they have read this document in its entirety.

Statutory auditors' reports have been issued in respect of the historical financial information presented in this Registration Document.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 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 Registration Document.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2009 presented in the Registration Document filed on April 23, 2010 under the number D.10-0314 and incorporated by reference as stated in the foreword to section 3 of this Registration Document. The report on the consolidated financial statements contained an observation regarding the application of new International Financial Reporting Standards.

An unqualified audit report was issued in respect of the annual and consolidated financial statements for the year ended December 31, 2010 presented in section 3.4 of this Registration Document. The report on the consolidated financial statements contained an observation regarding the application of new International Financial Reporting Standards."

Paris, March 30, 2011

The Chairman of the Executive Board

Jean-Paul Herteman

9.1.3 PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Ross McInnes

Member of the Executive Board, Safran Executive Vice President, Economic and Financial Affairs

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Email: ross.mcinnes@safran.fr

9.2 STATUTORY AUDITORS

For the period covered by the historical financial information, Safran's statutory auditors are as follows:

Statutory auditors

Mazars	Ernst & Young et Autres
Represented by: **Thierry Colin and Gaël Lamant**	Represented by: **Vincent de La Bachelerie and Jean-Roch Varon**
61, rue Henri-Régnault 92400 Courbevoie	41, rue Ybry 92576 Neuilly-sur-Seine
• Start date of first term of office: May 27, 2010 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)	• Start date of first term of office: May 27, 2010 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
• End of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ended December 31, 2015	• End of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ended December 31, 2015

Alternate auditors

Gilles Rainaut	Auditex
60, rue du Général-Leclerc 92100 Boulogne-Billancourt	Tour Ernst & Young Faubourg de l'Arche 11, allée de l'Arche 92400 Courbevoie
• Start date of first term of office: May 27, 2010 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)	• Start date of first term of office: May 27, 2010 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
• End of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ended December 31, 2015	• End of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ended December 31, 2015

New terms of office and non-renewal

The Annual Shareholders' Meeting of May 27, 2010 resolved to re-appoint Mazars as a statutory auditor and to appoint Ernst & Young et Autres as a statutory auditor to replace Constantin Associés – a member of the Deloitte Touche Tohmatsu network. Constantin Associés, represented by Thierry Benoît was statutory auditor of the Group from 2004 to 2009.

The terms of office of the Company's alternate auditors expired at the close of the Annual General Meeting of May 27, 2010. Gilles Rainaut, alternate auditor for Mazars, was appointed to replace Thierry Colin and Auditex, alternate auditor for Ernst & Young et Autres, was appointed to replace Beas, alternate auditor for Constantin Associés.

9.3 DOCUMENTS ON DISPLAY

9.3.1 AVAILABILITY OF DOCUMENTS AND INFORMATION CONCERNING THE COMPANY

Safran's legal documents that must be made available to shareholders, in accordance with the applicable regulations, may be consulted at the registered office located at 2, boulevard du Général Martial Valin, 75015 Paris.

Safran provides its shareholders with a wide range of tools for the frequent communication of transparent and accessible information on the Group, its businesses and its results. The Group website (www. safran-group.com) contains information for the public, such as presentations to analysts, financial press releases, and Registration Documents (going back five years).

9.3.2 ANNUAL INFORMATION DOCUMENT DRAWN UP IN ACCORDANCE WITH ARTICLES 222-7 AND 221-1 OF THE AMF'S GENERAL REGULATION

Pursuant to articles 222-7 and 221-1 of the AMF's General Regulation, the main information that the Company has published or made public in the last twelve months is listed below.

The collective lock-up period for ownership of Sagem (now Safran) shares will not be extended
Press release of January 14, 2010

2009 annual results
Press release of February 25, 2010
Presentation to analysts

First quarter 2010 revenue
Press release of April 20, 2010

Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010
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 27, 2010

Safran confirms that it proposed to Zodiac Aerospace to examine the merits of bringing their activities together
Press release of July 11, 2010

2010 first-half results
Press release of July 28, 2010
Presentation to analysts

The Group is not in the process of preparing an offer for Zodiac Aerospace
Press release of August 30, 2010

Purchase of L-1 biometrics and ID management solutions businesses
Press release of September 20, 2010
Presentation

Planned agreement between Safran and SNPE for the acquisition of SNPE Matériaux Energétiques (SME)
Press release of October 1, 2010

Third quarter 2010 revenue
Press release of October 22, 2010
Presentation to analysts

Safran will not make an offer for Zodiac
Press release of November 18, 2010

Acquisition of Harvard Custom Manufacturing
Press release of November 22, 2010

Safran signs a €1.6 billion credit facility
Press release of December 9, 2010

2010 annual results
Press release of February 24, 2011
Presentation to analysts

Proposed changes to Safran's corporate governance
Press release of March 4, 2011

Supervisory Board's Internal Rules

BALO publications
(www.journal-officiel.gouv.fr)

9.4 CROSS-REFERENCE TABLES

9.4.1 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	2010 Registration Document section
1	**Group activities in 2010**	1.1 and 2.1
	Summary of key figures by branch	1.1 and 2.1.3
2	**Human resources**	2.3
2.1	Headcount	2.3.1
2.2	Human resources policy	2.3.2
2.3	Labor relations	2.3.3
2.4	Statutory and discretionary profit-sharing schemes	2.3.4
2.5	Group employee savings plan and international Group employee savings plan	2.3.5
2.6	The importance of subcontracting	2.4
2.7	Group Ethics and Values	1.6
3	**Research and Development**	1.4 and 2.2
3.1	Major technological focuses	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**	2.1
4.1	Consolidated income statements	2.1.2, 2.1.4 and 3.1
4.2	Consolidated balance sheet as of December 31, 2010	2.1.5 and 3.1
4.3	Research and development expenditure	2.2
4.4	Parent company financial statements	3.2
4.5	Proposed appropriation of net profit	3.3
5	**Risk factors**	4
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 and 6.3.2
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

	Executive Board management report headings	2010 Registration Document section
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 2011**	2.5
10	**Principal provisions of the bylaws**	6.1.2
Appendices		
Appendix 1	List of subsidiaries and associates	3.1 – Note 37
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 and 7.2.4
Appendix 4	Dividends paid over the past three years	3.3

9.4.2 EC REGULATION NO. 809/2004 CROSS-REFERENCE TABLE

This Registration Document includes the information to be included in the registration documents as set out in Annex 1 of EC Regulation No. 809/2004.

The following table presents the cross-references between the two documents.

	EC Regulation No. 809/2004 Annex 1 headings	2010 Registration Document section
1	**Persons responsible**	
1.1	Name and positions of the persons responsible	9.1.1
1.2	Declaration by the persons responsible	9.1.2
2	**Statutory auditors**	
2.1	Names and addresses of the issuer's auditors	9.2
2.2	Auditors that have resigned	9.2
3	**Selected financial information**	
3.1	Selected historical financial information	1.1
3.2	Selected interim financial information	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	1.2.1 and 2.1.5
5.2.2	Principal investments in progress	n/a
5.2.3	Future principal investments	1.4.1

	EC Regulation No. 809/2004 Annex 1 headings	2010 Registration Document section
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, 2.1.3 and 3.1 – Note 5 (Business 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
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**	
9.1	Financial position	
9.2	Operating results	2.1
9.2.1	Significant factors materially affecting the issuer's income from operations	2.1
9.2.2	Explanation of material changes in net sales or revenue	2.1
9.2.3	Policies or factors that have materially affected, directly or indirectly, the issuer's operations	2.1
10	**Capital resources**	
10.1	Issuer's capital resources	3.1 – Notes 21 and 22 and 6.3.1
10.2	Source and amounts of cash flows	3.1 (including the statement of cash flows)
10.3	Borrowing requirements and the funding structure of the issuer	3.1 – Note 26
10.4	Restrictions on the use of capital resources	n/a
10.5	Information regarding the anticipated sources of funds	3.1 – Notes 20 et 26
11	**Research and development, patents and licenses**	1.4 and 2.2
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	2.5
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

	EC Regulation No. 809/2004 Annex 1 headings	2010 Registration Document section
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**	
17.1	Number and breakdown of employees	2.3.1
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	2.3.4 and 2.3.5
18	**Major shareholders**	
18.1	Major shareholders	6.3.1
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 and 3.2
20.2	Pro forma financial information	n/a
20.3	Financial statements	3.1 and 3.2
20.4	Auditing of historical annual financial information	
20.4.1	Statement that the historical financial information has been audited	3.4 and 9.1.2
20.4.2	Indication of other financial data that has been audited by the auditors	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	Date of the latest financial information	December 31, 2010
20.6	Interim and other financial information	
20.6.1	Quarterly or half yearly financial information	n/a
20.6.2	Interim financial information	n/a
20.7	Dividend policy	
20.7.1	Amount of dividend	3.3
20.8	Legal and arbitration proceedings	3.1 – Note 35
20.9	Significant change in the issuer's financial or trading position	3.1 – Note 36

	EC Regulation No. 809/2004 Annex 1 headings	2010 Registration Document section
21	**Additional information**	
21.1	Share capital	
21.1.1	Amount of issued capital	6.2.1
21.1.2	Shares not representing capital	6.2.3.1
21.1.3	Shares held by the issuer	6.2.6
21.1.4	Convertible securities, exchangeable securities or securities with warrants	6.2.3.2
21.1.5	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	n/a
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	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
21.2.2	Provisions of the issuer's bylaws with respect to administrative, management and supervisory bodies	6.1.2.1
21.2.3	Rights, preferential rights and restrictions attached to shares	6.1.2.3
21.2.4	Change in shareholder rights	6.1.2.4
21.2.5	Notice of meeting and admission to shareholders' meetings	6.1.2.2
21.2.6	Change in control	6.1.2.6
21.2.7	Share ownership threshold	6.1.2.5
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**	
23.1	Statement or report attributed to a person as an expert	n/a
23.2	Information sourced from a third party	n/a
24	**Documents on display**	9.3
25	**Information on holdings**	6.1.3 et 3.1 – Note 37

9.4.3 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

This Registration Document includes the information contained in the annual financial report mentioned in paragraph 1 of article L.451-1-2 of the French Monetary and Financial Code and article 222-3 of the AMF's General Regulation.

The following table presents the cross-references between the two documents.

Annual financial report headings	2010 Registration Document section
Declaration by the person responsible	9.1.2
Executive Board management report	See the cross-reference table section 9.4.1
Operating, financial and risk analysis of the parent and the group (art. L.255-100 and L.225-100-2 of the French Commercial Code)	2.1; 4; 5.4; 6.1.2 and 6.1.4.2
Information concerning the breakdown of share capital and material that could have an effect in the event of public offering (art. L.255-100-3 of the French Commercial Code)	6.2.2; 6.2.7 and 6.3.1
Information concerning share buybacks (art. L.225-211, paragraph 2 of the French Commercial Code)	6.2.7
Report of the Chairman of the Supervisory Board	5.6
Financial statements and reports	
Parent company financial statements	3.2
Consolidated financial statements	3.1
Disputes and litigation	3.1 – Note 35
Significant change in the issuer's financial or trading position	3.1 – Note 36
Statutory auditors' reports	3.4; 5.7 and 7.4

9.4.4 ANNUAL GENERAL MEETING INFORMATION CROSS-REFERENCE TABLE

This Registration Document includes the main information mentioned in article R.225-83 of the French Commercial Code.

The following table presents the cross-references between the two documents.

Headings from Article R.225-83 of the French Commercial Code	2010 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 9.4.1
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	3.4; 5.7 and 7.4

NOTES

Contact

Financial Communications Department

Analysts and institutional investors	Individual shareholders
• Tel.: +33 1 40 60 83 53 • Fax: +33 1 40 60 84 36	Toll-free number (France only): 0 800 17 17 17 from 9 a.m. to 5:00 p.m. Toll-free from a landline in mainland France

Safran

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All financial information pertaining to Safran is available on the Group's website at www.safran-group.com.

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