



Reference
document
2008



2008 REFERENCE DOCUMENT



Pursuant to Article 212-13 of the AMF's General Regulations, this Reference Document was filed with the AMF (French Financial Market Authority) on April 24, 2009. It may only be used to support a financial transaction if accompanied by a prospectus approved by the AMF. This document has been prepared by the issuer under the responsibility of its signatories.

This document is a free translation of the French language reference document that received from the Autorité des marchés financiers (the "AMF") visa number D.09-305 on 24 April 2009. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of shareholders of SAFRAN. No assurances are given as to the accuracy or completeness of this translation, and SAFRAN assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French reference document, the French reference document shall prevail.

N.B.

Pursuant to Article 28 of European Commission Regulation (EC) n°809/2004, this 2008 Reference Document incorporates by reference

- the 2007 Reference Document filed on April 25, 2008 under the number D.08-0299,
- the 2006 Reference Document filed on April 27, 2007 under the number D.07-0401.

CONTENTS

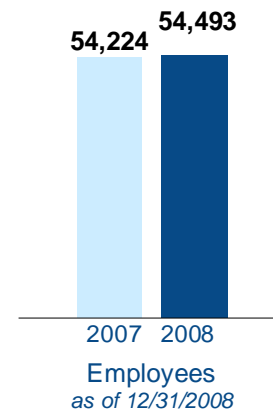
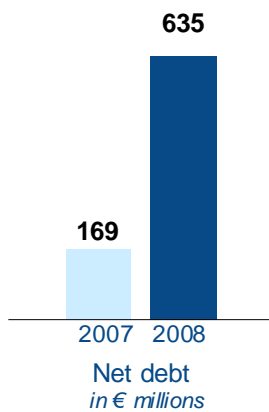
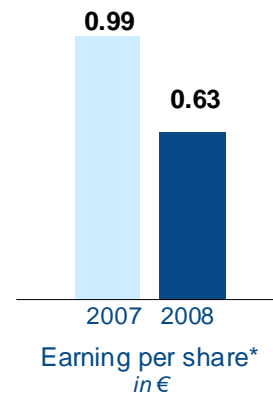
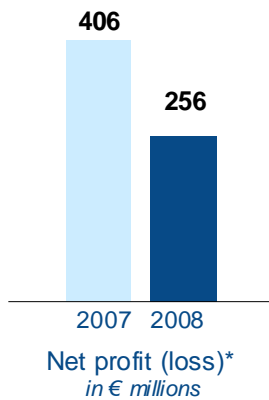
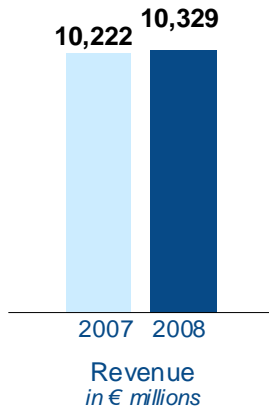
Group presentation	5	Governance and internal control	167
Adjusted key figures	6	Executive Board	168
Executive Management	8	Supervisory Board	180
Group history and companies	9	Corporate officer compensation	185
Group businesses	12	Other information	186
Research and development	24	Observations of the Supervisory Board on the Executive Board's management report and the 2008 Financial Statements	187
Human Resources	27	Report of the Chairman of the Supervisory Board	202
Progress initiatives	29	Statutory Auditors' Report on the Report of the Chairman of the Supervisory Board	203
Group Ethics and Values	31	Audit fees	205
Activities and results	35	Information about the company, the share capital and shareholders	207
Group activities in 2008	36	General information about the company	208
Operating and financial review	46	Instrument of incorporation and bylaws	208
Research and development expenditure	51	Real estate, production plants and equipment	213
Human Resources	52	Information on investments	216
Sub-contracting	56	Transactions with related parties	217
Outlook for 2009	57	Share capital	219
2009 first quarter activities	58	Break-down of share capital and voting rights	223
		Voting rights	225
		Control of the Company	225
		Agreements whose implementation could lead to a change in control of the company	225
		Shareholder agreements	225
		Undertaking to hold securities	225
		Share subscription and purchase options – Bonus Share	226
		Pledging of shares	228
		SAFRAN share	229
Financial Statements	61	Additional information	231
Statutory consolidated financial statements	63	Persons responsible	232
Adjusted consolidated data	120	Statutory Auditors	233
Parent company financial statements	126	Documents available to the public	234
Proposed appropriation of net income	143	Cross-reference tables	235
Auditors' reports	145	Executive Board management report	235
		European Regulation n°809/204	236
		Annual Financial Report	238
		Shareholders' Meeting information	239
Risk factors	149		
Identified risk factors	150		
General policy of risk management	155		
Insurance	157		
Health, safety and environmental risk	158		

Presentation of the Group

1.1	Adjusted key figures	6
1.2	Executive management	8
1.3	Group history and companies	9
1.4	Group businesses	12
1.4.1	Aerospace Propulsion	12
1.4.2	Aircraft Equipment.....	18
1.4.3	Defense Security.....	21
1.5	Research and development	24
1.5.1	Major technology areas	24
1.5.2	Technical and scientific partnerships	25
1.5.3	Innovation and intellectual property	26
1.6	Human Resources	27
1.7	Progress initiatives	29
1.8	Group Ethics and Values	31

1.1 ADJUSTED KEY FIGURES ⁽¹⁾

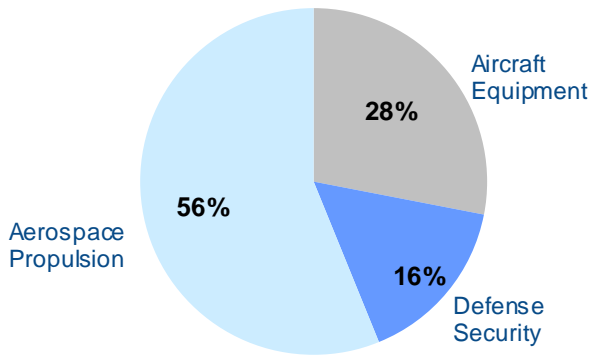
The scope of consolidation presented below excludes the Communications business sold in 2008.



* Including a capital gain of €146 million in 2008, raising by the transfer of Monetel activities to Ingenico.

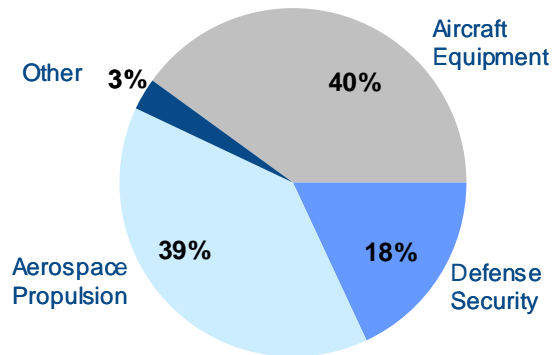
(1) A table reconciling the statutory consolidated income statement and the adjusted consolidated income statement is presented in Section 2.2.2. Only adjusted data can reflect the real economic performance of the Group.

2008 Revenue



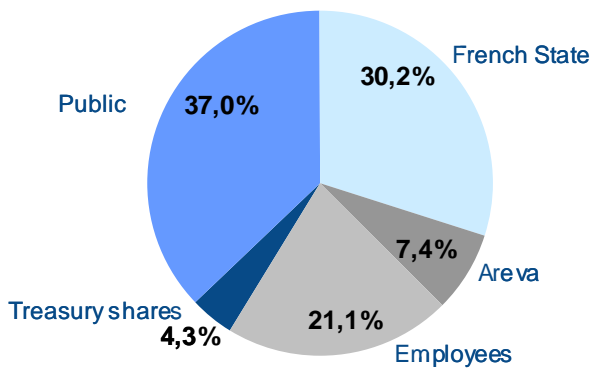
Breakdown by Branch

Employees as of 12/31/08

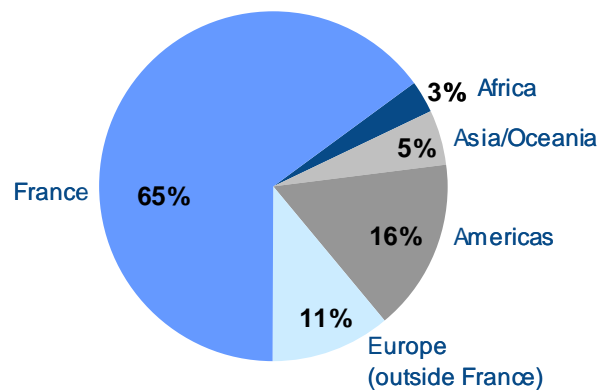


Breakdown by Branch

Share capital structure as of 12/31/08



Employees as of 12/31/08



Breakdown by geographical area

1.2 EXECUTIVE MANAGEMENT

Executive Management meets together as the Group Executive Committee, which counts ten members and is chaired by **Jean Paul Herteman**, Chairman of the Executive Board and Chief Executive Officer, Defense Security Branch

Executive Management members as of December 31, 2008:

Olivier Andries

Executive Vice-President, Strategy

Émeric d’Arcimoles

Executive Vice-President, International Affairs

Dominique-Jean Chertier

Executive Vice-President, Social and Institutional Affairs, Member of the Executive Board

Noël Gauthier

Executive Vice-President, Economic and Financial Affairs

Xavier Lagarde

Executive Vice-President, member of the Executive Board

Michel Laroche

Executive Vice-President, Research and Technology

Yves Leclère

Executive Vice-President, Aircraft Equipment Branch

Alain Marcheteau

Executive Vice-President, General Counsel and Secretary

Marc Ventre

Executive Vice-President, Aerospace Propulsion Branch

1.3 GROUP HISTORY AND COMPANIES

SAFRAN is a high-technology international group and a leader in the Aviation (propulsion, equipment), Defense and Security industries, where it enjoys leading global or European market positions, either alone or in partnership.

From its historical base in France, SAFRAN has extended its reach to encompass the rest of Europe, the Americas, Africa, Asia and Oceania. Through its representation offices and development, production and service companies, the Group is present in all five continents. This presence enables the Group to develop and nurture industrial and commercial relations with the largest national contractors and operators and reflects its will to offer customers reactive services at local level.

KEY DATES IN THE GROUP'S HISTORY

SAFRAN group was formed by the merger of Snecma and Sagem on May 11, 2005. It is the oldest aircraft engine manufacturer in the world. Comprising several companies with highly prestigious brands, SAFRAN has been at the forefront of the aviation, defense and security industries for over one century. Keeping the same philosophy, SAFRAN is constantly seeking to adapt to the technological and economic challenges of tomorrow.

- 1905: Louis and Laurent Seguin create the engine company Gnome in Gennevilliers, near Paris. A few years later, its aircraft star rotor engines achieve worldwide success.
- 1912: Louis Verdet creates Le Rhône and becomes Gnome's main competitor in two years. It is rapidly absorbed by Gnome leading to the creation of Société des Moteurs Gnome & Rhône. At the end of the first world war, Gnome & Rhône is one of the leading aircraft engine manufacturers worldwide.
- 1924: Marcel Môme creates Société d'Applications Générale d'Electricité et de Mécanique (Sagem), whose main activity concerns power supplies for telephone exchanges. A number of years later, SAGEM diversifies its activities to include the manufacture of cameras, projectors and artillery equipment and builds the first analogue telephone multiplex. It creates Société d'Application Téléphonique, which becomes Société Anonyme de Télécommunication (SAT) in 1960 and later designs the first infra-red guidance system for air-air missiles in the world.
- 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. This company brings together the majority of French engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).
- 1968: Hispano Suiza, a specialist in power transmission systems for civil and military aircraft and helicopter engines, joins Snecma. Several years later, it joined forces with Messier to create Messier-Hispano-Bugatti (MHB), housing all landing gear activities. Messier-Bugatti and Messier-Dowty are currently number one worldwide in this sector.
- 1974: Snecma becomes a civil aircraft engine manufacturer following signature of a cooperation agreement with General Electric Aircraft Engines for the manufacture of the CFM56 (CF for General Electric civil engines and M56 for Snecma's 56th project). This engine currently forms the largest in-service aircraft engine fleet in the world, with an aircraft powered by the CFM56 taking off every two seconds.
- 1993: Sagem purchases Morpho, a specialist in fingerprint biometric identification systems. Sagem Sécurité is currently the global leader in this sector.
- 1997: Snecma incorporates Société Européenne de Propulsion (SEP) and enters the space propulsion market (Ariane launcher).
- 2000: Turbomeca, a helicopter engine manufacturer, joins the Snecma group ensuing the future of a technological adventure launched in 1938 by its creator Joseph Szydlowski. Turbomeca is currently number one worldwide in helicopter turbine engines. In the same year, Labinal, a specialist in aircraft wiring, joins Snecma to become a global leader in this sector.
- 2002: Hurel-Dubois merges with the aircraft engine nacelle business of Hispano-Suiza to create Hurel-Hispano. The company is renamed Aircelle three years later and is currently a major global player in its markets.
- 2005: SAFRAN is formed by the merger of Snecma and Sagem.
- 2008: SAFRAN extends its partnership with General Electric, in the aircraft propulsion until 2040, and to engine nacelles sector. In the same year in the security sector, SAFRAN purchases Sdu-I, renamed Sagem Identification, the European leader in identity solutions and signs an agreement for the acquisition of the biometric business of Motorola (Printrak)

THE ACTIVITIES AND MAIN COMPANIES OF THE GROUP

SAFRAN group is organized for operating purposes into a head company, SAFRAN and three activity branches:

Aerospace Propulsion Branch

The Aerospace Propulsion Branch brings together all development, production, marketing, testing, maintenance and repair activities concerning propulsion systems for aircraft, helicopters, missiles and launch vehicles in the civil, military and space markets. Branch companies provide both original equipment and services to leading global aerospace programs.

Snecma

Jet engines for civil and military aircraft, maintenance, repair, support and related services;
Propulsion equipment and systems for space launch vehicles, satellites and orbiting vehicles.

Turbomeca

Turbine engines for civil, parapublic and military helicopters, jet engines for missiles, tactical vehicles and UAVs, gas turbines, starting systems and land and airborne auxiliary power units.

Snecma Propulsion Solide

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

Techspace Aero

Modules, equipment and test cell for aircraft and rocket engines.

Aircraft Equipment Branch

The Aircraft Equipment Branch brings together all original equipment and service activities for equipment and systems used on civil and military aircraft and helicopters. Working alone or in partnership, companies of the Equipment Branch contribute to today's leading international aviation programs.

Aircelle

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

Messier-Dowty

Systems integrator. 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

Systems integrator. Carbon wheels and brakes, monitoring systems for landing gear and braking (brakes, tires and landing gear), braking and electro-hydraulic systems.

Hispano-Suiza

Power transmission systems for civil and military aircraft engines and helicopters, electronic power controllers and electrical systems.

Labinal

Electrical wiring for civil and military aircraft, engineering services for the aerospace and defense industries.

Teuchos

Mechanical and electronic engineering services for the aerospace, defense, automobile and rail industries.

Defense Security Branch

The Defense Security Branch operates in the aviation, defense and security markets, where its activities focus on optronics, avionics and navigation systems, electronics and critical software, biometric identification systems, secure transaction terminals and smart cards.

Sagem Défense Security

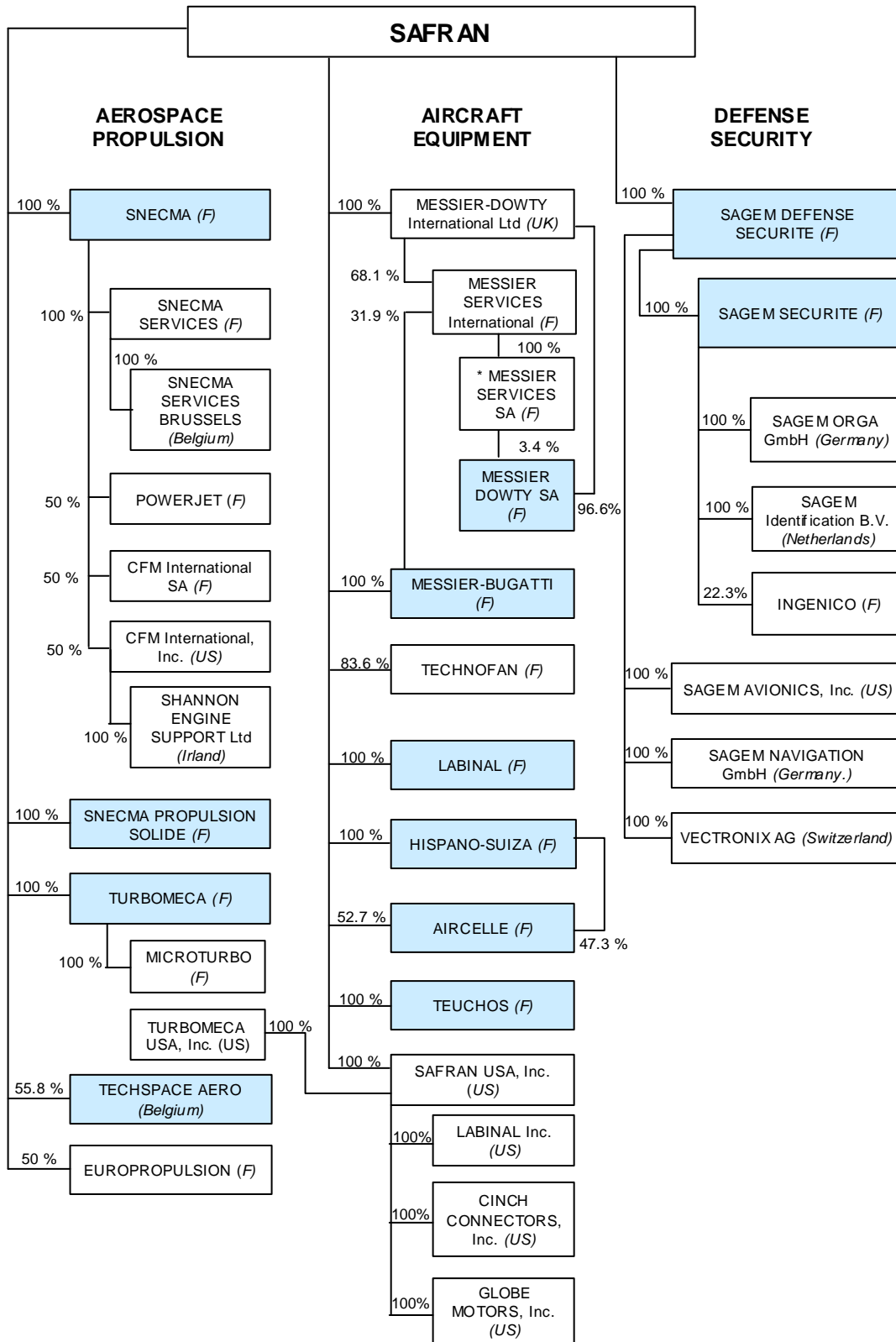
Optronic, avionic, electronic solutions and services and critical software for civil and air-land, naval and aerospace defense applications.

Sagem Sécurité

Multi-biometric identification systems, secure documents (passports, identity cards), smart cards.

GROUP ORGANIZATIONAL CHART

The simplified organizational chart as of December 31, 2008 is as follows:



N.B. the subsidiaries identified in blue are the main subsidiaries in their business sector (level 1 companies) and report in greater detail on their operations to the parent company of SAFRAN (See Section 6.4.1). The list of consolidated companies is presented in Section 3.1.5.

1.4 GROUP BUSINESSES

SAFRAN group operates in the high-technology Aviation (propulsion and equipment), Defense and Security markets. It forms alliances and partnerships when participating in major programs in these markets, given the technological challenges, costs, development periods and risks involved.

Through this joint approach, the best technological and commercial assets of each partner company are combined, while risks are shared thanks to a diversified product portfolio.

1.4.1 AEROSPACE PROPULSION

The Aerospace Propulsion Branch operates in four business sectors:

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

CIVIL AVIATION

Key characteristics of the business sector

The civil aviation business sector comprises four main segments:

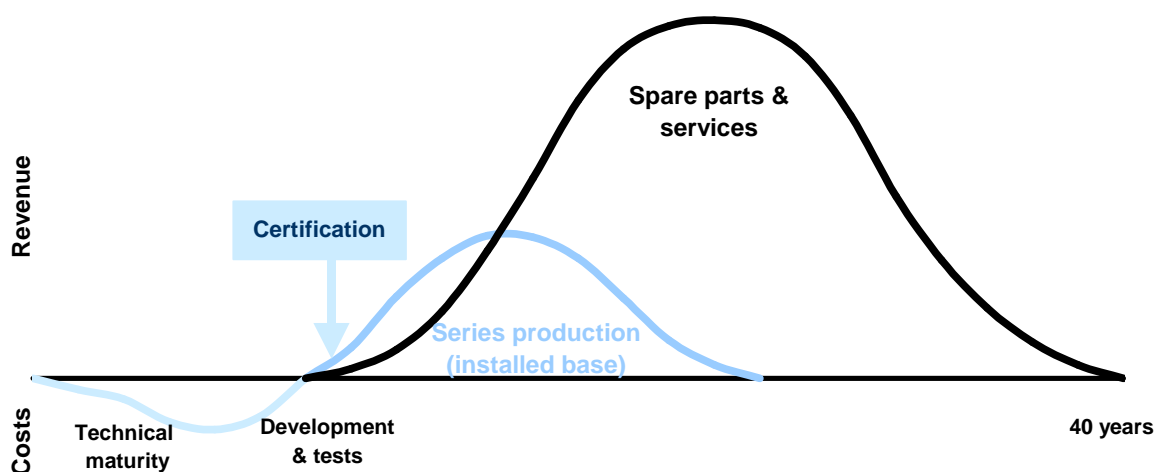
- Business jets, powered by engines delivering between 5 and 18,000 pounds of thrust,
- Regional jets (30 to 100 seats) powered by engines delivering between 8 and 18,000 pounds of thrust,
- Aircraft with 100 to 200 seats and a single-aisle fuselage, powered by engines delivering between 18 and 35,000 pounds of thrust,
- High capacity aircraft with a twin-aisle fuselage, powered by engines delivering over 45,000 pounds of thrust (currently up to 115,000).

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

- original equipment activity, involving the sale of engines installed in new aircraft
- service activity, comprising the sale of spare parts and service contracts with operators and approved maintenance centers.

These programs may extend over more than forty years and comprise several phases. A significant portion of revenue generated by these programs comes from service activities.

Economic life cycle of an aircraft engine



Engine manufacturers generally form alliances and partnerships for the launch of engine programs, given the technological challenges, cost and development periods involved and the risks surrounding the commercial prospects of the program. These alliances and partnerships may be on an equal footing, between two or more joint prime contractor engine manufacturers or 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 a sales price for these parts or a fixed-price payment relating to its percentage share in the program.

The sector has four major engine manufacturers capable of assuming prime contractor responsibility for an engine program: General Electric (USA), Rolls Royce (UK), Pratt & Whitney (USA & Canada) and SAFRAN.

The industry is characterized by the nearly exclusive use of the U.S. dollar as transaction currency.

Group products and programs

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

• **Low-thrust engines**

This engine family powers regional transport aircraft and business jets.

The Group is present in this engine range through its participation in General Electric’s CF34-10 programs, the engine which powers the Embraer 190 and ARJ 21 regional jets. SAFRAN is the prime contractor for the SaM146 program which it performs in partnership with the Russian engine manufacturer, NPO Saturn. This engine was selected as the sole engine for the Superjet 100, the 70 to 95 seater aircraft of the Russian manufacturer, Sukhoi.

SAFRAN also invests in engines for business jets through its Silvercrest program focusing on engines delivering 10,000 pounds of thrust.

• **Mid-thrust engines**

The CFM56 engine program generates the largest share of Aerospace Propulsion Branch revenue (approximately 50%). This engine is developed under joint cooperation agreements by CFM International, a 50/50 joint venture between SAFRAN and General Electric.

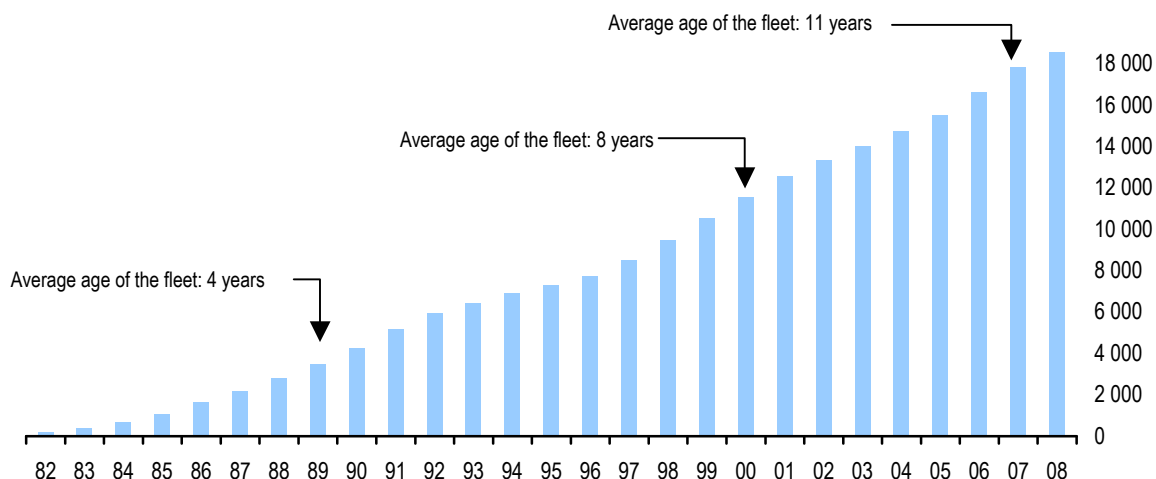
The majority of single-aisle aircraft delivered during the last fifteen years are powered by CFM56 engines. The CFM56 engine powers nearly 50%¹ of the Airbus A320 range. Competition to power the Airbus range comes from the V2500 engine manufactured by the IAE consortium comprising the engine manufacturers Rolls Royce, Pratt & Whitney, MTU Aero Engines and Japanese Aero Engines Corp. and the PW6000 engine manufactured by Pratt & Whitney, which currently powers the A318 only.

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

Overall, the CFM56 engine represents nearly 71%² of the short/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 18,600 CFM56 delivered.

Growth in the installed base of CFM56 engines



¹ ACAS December 2008

² SAFRAN data

- **High-thrust engines**

The Group operates in this engine range as a risk and revenue sharing participant, with participation rates of between 5% and 24% in several major engine programs in series production, such as General Electric's CF6 and GE90 programs powering Boeing's 747 and 777 aircraft and Airbus' A330 aircraft, and Engine Alliance's GP7000 program powering the Airbus 380 (stake of 17.5%).

The Group is also active in programs under development, such as General Electric's GenX program (stake of 8%), which has been selected to power the future long-haul aircraft Boeing 787 or Boeing 747-8.

- **Spare parts and service activities**

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

MILITARY AVIATION

Key characteristics of the business sector

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

The military aviation business sector comprises three main segments:

- Fighters,
- Training and support aircraft,
- Patrol, tanker and transport aircraft.

The nature and performance of engines varies considerably depending on the segment considered: 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 comprise two types of activity: original equipment and a service activity, comprising the sale of spare parts and maintenance and repair services.

Alliances and partnerships are formed between engine manufacturers to combine their best technological and commercial assets and spread risk.

The majority of civil engine manufacturers are present in the military aircraft engine market and benefit from technical synergies between the two activities.

The key Western players in the fighter jet engine sector are the Americans Pratt & Whitney, whose F100 engine powers F-15 and F-16 fighters and whose F119 engine powers F-22 fighters, and General Electric, whose F110, F404 and F414 engines power F-15, F-16 and F-18 fighters. Pratt & Whitney is also developing the F135 engine which will power the future U.S. fighter, the JSF (Joint Strike Fighter).

The main European players are SAFRAN, whose M53 engine powers the Mirage 2000 and M88 engine powers the Rafale, Rolls Royce whose RB199 engine powers the Tornado and Pegasus engine powers the Harrier, and the Eurojet European consortium comprising Rolls Royce, MTU Aero Engines, Avio and ITP, whose EJ200 engine powers the Eurofighter Typhoon.

The choice of engines in the training aircraft sector mainly comprises engines produced by SAFRAN (the Larzac engine which powers the Alphajet), Rolls Royce (the Adour engine in partnership with SAFRAN, which powers BAe Systems' Hawk aircraft), Pratt & Whitney (PW500 and PW300 engines) and Honeywell (TFE731 family and F124 engines).

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

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

Group products and programs

SAFRAN operates in the three business segments detailed above, where it is mainly represented by the SAFRAN group companies, Snecma, Turbomeca and Techspace Aero.

• Fighter engines

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

- the Atar engine (4.5 to 7 metric tons of thrust) which powers the Super-Etendard jets and the Mirage III, IV, V, F1 and 50 family. Series production of this engine has now ceased and approximately 870 engines remain in service in twelve countries.
- the M53 engine (9.5 metric tons of thrust) which powers Mirage 2000 jets. 659 engines are in service in nine countries, totaling over 1.5 million hours of flight.
- the M88 engine (7.5 metric tons of thrust) powers the Rafale, with some 220 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 training aircraft.
- The Adour engine, which delivers thrust of 3.7 metric tons (with after-burner) or 2.9 metric tons (without after-burner), is developed and produced by RRTM (Rolls Royce Turbomeca Ltd.), a partnership between Turbomeca and Rolls Royce. The Adour engine powers support and attack aircraft and primarily the Jaguar aircraft produced by Dassault Aviation and BAe Systems, the Hawk produced by BAe Systems and the Goshawk T-45A produced by Boeing.

• Patrol, tanker and transport aircraft engines

Activity in this segment is based on the following programs:

- The CFM56 engine powers the military versions of the Boeing 707 (CFM56-2) and Boeing 737 (CFM56-7), as well as the U.S. 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, was developed by Rolls Royce and is produced under license by Snecma (57%) and MTU Aero Engines (20%). It powers C-160 Transall transport aircraft and Breguet Atlantic and Atlantique 2 maritime patrol aircraft. Series production of this program has ceased but it continues to generate spare part and repair business.
- the TP400-D6 engine will power the Airbus A400M European transport aircraft.

HELICOPTER TURBINE ENGINES

Key characteristics of the business sector

The helicopter turbine engine market is characterized by significant diversity in applications, helicopter manufacturers (over twenty 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 mainly determined by the weight of airframes and partly by the type of mission. Helicopters may have one, two and sometimes three engines.

Overall, the following applications are covered:

- State and semi-public sector: police and border surveillance, medical and emergency services,
- Civil sector: off-shore oil industry, transport, tourism and private ownership, 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 range of power: 600/800 shp¹, 900/1,300 shp, 1,500/1,800 shp and 2,000/3,000 shp.

The helicopter engine market, in the same way as the civil aviation market, comprises two activities:

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

¹ shp: shaft horse power

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 alongside 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 RTM322 engine delivering 2,500 shp, which powers the NH90 and EH101) and between Rolls Royce, Turbomeca, MTU and ITP (MTRI for the MTR390 engine delivering 1,100 shp, which powers the Tiger).

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

Group products and programs

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

- **600/800 shp turbine engines**

The “Arrius” engine family primarily powers Eurocopter’s EC120 and EC135 helicopters and Agusta-Westland’s A109 helicopter (Italy).

- **900/1,300 shp turbine engines**

The “Arriel” and TM333 engine families primarily power Eurocopter’s AS350 B, EC130 and EC145 helicopters, the Sikorsky S76, the AVIC Z9 and Z11 (China) and the HAL Dhruv and Chetal (India). The Arriel 1 E2 engine powers the 322 twin-engine UH 145 Eurocopters ordered by the U.S. Army.

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

Development of the Ardiden engine, intended for the new generation of 5/7 metric ton helicopters, continued with the Ardiden 1, which recently received EASA certification. The Indian version, Shakti, developed in partnership with the Indian manufacturer HAL and which will power the new version of HAL’s Dhruv helicopter, was also recently certified. The latest version, Ardiden3, aims to power helicopters currently under development in China, Russia and by Agusta.

- **1,500/1,800 shp turbine engines**

The “Makila” engine family primarily powers Eurocopter’s “Super-Puma” EC225 helicopters.

- **2,000/3,000 shp turbine engines**

The RTM322 engine (50/50 cooperation with Rolls Royce) powers NH Industries’ NH90 helicopter and Agusta-Westland’s EH101 and Apache helicopters. This engine, which is in competition with General Electric’s T700 engine, has won twelve of the fourteen 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 spare part and service activities locally.

BALLISTICS AND SPACE

Key characteristics of the business sector

This business sector comprises two main segments:

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

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

European civil space activities are allocated to the industrial companies of each country, so as to ensure a fair return on the investment of each State. The industrial companies then enter into agreements to reallocate these activities to reflect their areas of expertise.

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

In the military sector, ballistic missiles are an essential part of national nuclear deterrent forces of the countries possessing this capability. With the exception of the United Kingdom, governments entrust production 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 United States, Russia and China) remain totally or partially closed to European suppliers, or are subject to policies based on preference for domestic suppliers.

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 ESA¹ (European Space Agency) for civil space activities in Europe or the National Defense budget for strategic military applications. Missile development is also financed by customer governments.

Series production activities generally involve limited quantities and the fixed-cost percentage is high.

Group products and programs

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

- **Civil space propulsion**

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

- **Series production**, with the manufacture of solid rocket boosters, solid propellant engines delivering 650 metric tons of thrust for Ariane 5 boosters, produced by Europropulsion, a 50/50 joint venture between SAFRAN and Avio; the development of the Vulcain cryogenic engine delivering 110 to 140 metric tons of thrust to power the main stage of the G (Vulcain 1) and ECA (Vulcain 2) versions of Ariane 5; and finally, the 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 the future additional 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.

- **Ballistic missile propulsion**

Within the economic interest grouping G2P (75% SAFRAN — 25% SME, a subsidiary of SNPE), SAFRAN provides rocket engines for the missiles of France's ocean-going strategic nuclear force and for the 3rd 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 U.S. Air Force MQM 107 targets and for targets produced by the Italian company Galileo (formerly Meteor) for NATO forces in Europe.

¹ ESA: Agence Spatiale Européenne

1.4.2 AIRCRAFT EQUIPMENT

SAFRAN group is one of the world's leading aircraft systems and equipment suppliers, specializing in mechanical, hydro-mechanical and electromechanical equipment.

The Aircraft Equipment Branch operates in four business sectors:

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

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

The growth potential of SAFRAN's Aircraft Equipment businesses is significant, as the Group benefits from leading positions, in each of its business sectors, in the major recent commercial short, medium and long-haul aircraft programs launched by Boeing (B787, B737-NG) and Airbus (A350 and A380).

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

SAFRAN's substantial innovative capacity has enabled it to build leading or major positions in its markets. Competitors are either present in several business sectors, such as Hamilton-Sunstrand (UTC Group), Honeywell and Goodrich, or specialize in only one or two specific sectors, such as Liebherr, Spirit, Moog, Zodiac, Thales, Meggitt, Avio, Latelec and Fokker.

Adopting a less systematic approach than in the Aerospace Propulsion Branch, SAFRAN has formed a number of alliances and partnerships in the aircraft equipment sector, on an individual product and program basis.

Market characteristics are presented individually for each business sector below.

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

The Aircraft Equipment Branch is present in the landing systems sector, primarily through the following SAFRAN group companies: Messier-Dowty (landing gear), Messier-Bugatti (wheels and brakes, landing/braking control systems) and Messier Services (repair services).

Key characteristics of the business sector

The business 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 (United States) and Liebherr (Germany). Niche players are positioned in specific market segments (business jets, helicopters, UAVs, 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 adapted to and optimized for the aircraft design. The business model comprises a long development phase, starting alongside initial aircraft development phases, limited production volume and regular service flows. Technological challenges include the use of new materials to improve the resistance of parts, new more environmentally-friendly production processes (elimination of chrome) and optimizing acoustics.

The current market for wheels and brakes is composed by 15,000 equipped aircraft and comprises two equal segments: aircraft fitted with steel brakes (first generation brakes) and aircraft fitted with carbon brakes, invented by SAFRAN. The latter market has developed rapidly since the 1980s, with the increase in air traffic and the progressive replacement of steel brakes with carbon brakes. The wheels and brakes market is currently shared by four major global players: SAFRAN, Goodrich (United States), Honeywell (United States) and Meggitt (United Kingdom).

The market for landing/braking systems includes breaking systems, landing gear extension and retraction systems and monitoring systems. The main players are SAFRAN, Goodrich (United States), GE Aviation Systems (United Kingdom) and Crane Aerospace & Electronics (United States). The market structure differs for each product. While the market for braking systems is shared by SAFRAN and Crane, the market for extension/retraction systems is fragmented, with players not mentioned above holding 50% of market share.

Group products and programs

- **Landing gear**

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

SAFRAN is number one worldwide for these structural units, having equipped a fleet of some 19,000 aircraft of all types. The Group's customer base comprises 33 aircraft manufacturers, including Airbus, Boeing, Bombardier and Dassault and 2,000 military and civil operators. Among the main commercial aircraft programs there is the entire Airbus range, including the A350, and the Boeing's B787 Dreamliner, the first contract with this U.S. aircraft manufacturer. The Group also has a strong presence in military applications, where it equips the A400M, Rafale, EFA/Typhoon and Eurocopter helicopters, as well as in the business jet and regional jet markets (ATR42, RJ, Falcon 7X, SuperJet 100 and Bombardier, Hawker Beechcraft, Fokker and Piaggio aircraft, etc.).

- **Wheels and brakes, landing/braking control systems**

SAFRAN designs, manufactures and provides customer services for aircraft carbon wheels and brakes. It also provides electronic and electro-hydraulic systems for aircraft braking, tire/brake/landing gear monitoring and landing gear steering systems.

The Group's main customer is Airbus, to which it provides civil applications for the A320 and to a lesser degree the A300/A310 and A330/A340. In the military sector, the Group equips the A400M and the Rafale. Recent contract wins for the A350, B737 NG and B787 strengthen the Group's relationship with Boeing and bolster its position as leader in this sector.

The Group holds approximately 45%¹ of the global market for carbon wheels and brakes for aircraft with over 100 seats. Fleets equipped with SAFRAN wheels and brakes currently count 4,600 aircraft, including 2,800 aircraft equipped entirely with carbon parts. The average age of these fleets is less than 5 years in 50% of cases, offering the Group not only a strong future revenue outlook on a constant-fleet basis, but also perspectives of highly profitable revenue given the business model of this activity (SAFRAN receives remuneration for each landing by equipped aircraft).

In the landing/braking electronic control systems sector, SAFRAN's position is bolstered by its technological advance in electric braking and its ability to propose a comprehensive offering to customers encompassing landing gear, wheels and brakes and the control system.

- **Support services for landing gear, wheels and brakes and associated systems**

SAFRAN provides maintenance services for all Group products, as well as competitor products, for all aircraft of 10 metric tons and over. Through 50/50 partnerships set-up in Asia, the United States and France, the Group offers solutions tailored to regional and business jets.

LANDING AND AIRCRAFT SYSTEMS - VENTILATION SYSTEMS AND FILTERS

- **Aircraft ventilation systems**

Through Technofan (listed on C list of Euronext Paris), SAFRAN designs, manufactures and markets ventilation systems for aircraft cabins, avionics and brake cooling systems for commercial and military aircraft and helicopters.

- **Filters**

Through Sofrance, SAFRAN 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 the SAFRAN group company, Aircelle.

Key characteristics of the business sector

The nacelle comprises 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.

¹ SAFRAN data

Group products and programs

SAFRAN designs, manufactures and provides customer services for nacelles for business jets, regional jets and commercial aircraft with over 100 seats. The Group also provides aerostructures and particularly those manufactured with composite materials.

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

ENGINE SYSTEMS AND EQUIPMENT - CONTROL AND POWER TRANSMISSION SYSTEMS

The Aircraft Equipment Branch is present in the engine control systems and equipment and power transmission sector through the activities of the SAFRAN group company, Hispano Suiza.

SAFRAN designs, manufactures, markets and provides maintenance services for 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 the signature of contracts with Rolls Royce and, more recently Eurocopter and 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 in the A380, the only electric control system for nacelles currently available worldwide. This represents a major technological advance which, combined with SAFRAN's engine and electrical wiring expertise, places the Group in an excellent position to join the leading global players in onboard electric generation and distribution for tomorrow's increasingly electric generation of aircraft.

ELECTRICAL SYSTEMS AND ENGINEERING

- **Wiring and electrical connection systems**

The Aircraft Equipment Branch is present in the wiring and the electrical connection systems sectors through the activities of the SAFRAN group company, Labinal.

SAFRAN supplies electrical wiring systems and provides services and engineering to the aerospace and defense markets.

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

- **Engineering**

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

OTHER EQUIPMENT

- **Connectors**

Through its subsidiary Cinch Connectors Inc., SAFRAN designs, manufactures and markets connectors and connection system ranges for the commercial vehicle market, and for certain segments of the aviation, defense, telecommunications and IT markets.

- **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 defense industries.

¹ SAFRAN data

1.4.3 DEFENSE SECURITY

Since June 2007, the SAFRAN group Defense Security Branch has comprised two entities, Sagem Défense Sécurité, specializing in avionics and optronics and Sagem Sécurité, specializing in security activities.

The Defense Security Branch operates in three business sectors:

Business sector	Main products
Avionics	Gyros and inertial units, captors and navigation sensors
Optronics	Infantry soldier systems, sight programs, night vision equipment
Security	Security solutions, secure terminals, smart cards

DEFENSE

SAFRAN is active in France and abroad, on its own account and on behalf of third parties, in navigation assistance equipment and electronic, optic, optronic, cryptology and mechanic equipment for the civil and military aviation and defense sectors.

SAFRAN's main partners and customers are State Governments and European groups such as Thales, EADS, BAe Systems, MBDA, Finmeccanica, Saab AB, Alenia, Dassault or DCNS.

Other highly integrators and equipment and system suppliers operating in the international aviation and defense sectors may also become partners or customers of the Group and primarily those originating from the United-States of America, Israel, Russia, China, India, South Korea, South Africa, Canada or Brazil.

Defense activities are organized into two sectors: Avionics and Optronics

Avionics

The Defense Security Branch is present in the avionics sector through the activities of the SAFRAN group company, Sagem Défense Sécurité and its subsidiaries Sagem Avionics Inc. (automatic pilot systems for aircraft, activators and onboard data acquisition and processing modules), Robonic Oy (UAV launchers) and Astrac (fighter upgrade).

The avionics sector specializes in navigation technologies and develops and manufactures a wide range of equipment extending from small vibrating gyros for light weapon systems to precision navigation sensors for nuclear submarines. The applications corresponding to this product offering are extensive and encompass all types of platform and comprehensive navigation systems, such as vehicles and combat ships, aircraft, helicopters, UAVs and guided weapon systems. SAFRAN covers the entire airborne avionics chain, enabling it to apply its expertise to an entire upgrade project for civil or military aircraft.

Optronics

The Defense Security Branch is present in the optronics sector through the activities of the SAFRAN group company, Sagem Défense Sécurité and its subsidiaries Vectronix (optronic products and mainly Vector and Jim LR binoculars) and Sofradir (worldwide number two in infra-red detection).

SAFRAN specializes in infra-red optronic technologies and proposes a comprehensive range of equipment and systems, such as night vision goggles, periscopes for nuclear submarines, the FELIN infantry soldier system and "optronic gimbaled pods" for aircraft and weapon systems. The Group also offers a comprehensive range of infra-red equipment for detection, warning, self-protection, terminal guidance, tracking and surveillance, sighting, and fire control. It recently continued the development and manufacture of highly sensitive infra-red sensors for inclusion in high definition thermal cameras, targeting European, North American and Asian markets. Optronic applications cover the air-ground defense, naval air defense, aviation and space sectors.

SECURITY

The Defense Security Branch is present in the security sector through the activities of the SAFRAN group company, Sagem Sécurité, and its subsidiaries Sagem Orga (4th company worldwide in smart cards), Sagem Morpho (biometric identification systems specialist), and Sagem Identification (formerly Sdu-I, European leader in secure document printing and identity solutions) and a 22.3% stake in Ingenico (leader in payment terminal activities).

Through these companies, SAFRAN masters the cutting edge technologies in biometrics, embedded software, including smart card operating systems, secure printing techniques and cryptology that are necessary to access target key markets.

With this knowledge base, the Group aims to become a global leader in digital identity solutions, a leading player in the detection and passenger flow control and a major competitor in the security of sensitive sites.

To this end, a three-pronged approach has been adopted: organic growth of activities specific of around 15% annually, ongoing strengthening of the technology offering, potentially accompanied by partnerships, and external growth of related markets through major, focused acquisitions.

Main characteristics of the “identity solutions and access and flow control” sector

- **Definitions**

Identity solutions consist of recognizing individuals and providing them with documents evidencing their identity and the rights to which they are entitled. Civil registration (delivery of passports or identity cards), electoral (voter cards), driving license, visa and health smart card (Vitale card in France) systems all fall into this category.

The issue of secure identification documents or implementation of other identification methods enables the management of transaction flows resulting from the effective exercise of rights: border crossings enabled by a secure passport (and potentially a visa), participation in elections, receipt of social benefits, and access entitlement to a telephone network evidenced by a SIM card (Subscriber Identity Module). Protecting the holder of the right and equivalent parties, the transaction is authenticated and may not therefore be repudiated, which is particularly important for transactions of a financial nature (bank card or e-commerce payments).

Physical or data access to sensitive information systems requires the installation of biometric terminals (biometrics, smart card readers, PIN codes). These multi-purpose tools enable the precise and reliable identification of individuals. They may be supplied separately, an activity rapidly developing (for example in Australia and India) or be included with other observation and control mechanisms in access security systems for sensitive sites of any nature (financial, administrative or industrial).

- **Related technology markets**

The market for Automatic Fingerprint Identification Systems (AFIS) is extremely concentrated, comprising NEC, Motorola, Cogent Systems and SAFRAN as the global leader with a market share of 39%¹. 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 checks) of passports and other biometric identification documents (identity card, health card, etc.).

Markets for identification management and flow control multiple applications are highly competitive. They comprise numerous industrial players (L-1 Identity Solutions, Cognitec, etc.) and major integrators (IBM, Unisys, etc.) in a variety of business sectors, offering SAFRAN the opportunity to adopt a variety of positions through a cooperation approach.

The main players in the smart card market are Gemalto, Oberthur Card Systems and Giesecke & Devrient. SAFRAN has an estimated market share of 9%².

SAFRAN is currently a major global player in identity solutions, with a market share estimated by the Group at 12%³. This position reflects SAFRAN's activities as:

- a supplier of technology (smart cards, biometric passports, access control terminals, cryptographic components, etc.),
- a sub-system provider (AFIS, face and iris recognition, etc),
- a supplier of added-value services (dematerialization of sensitive data, secure printing, personalization, etc.) and turnkey solutions integrator.

¹ according to the 2007 Frost & Sullivan 2007 survey “World AFIS market”

² according to the 2007 Gartner survey “Market trends: Chip cards and chip card semiconductors, worldwide”

³ based on the criteria adopted by the Pira 2007 International survey, “The Future of Personal Identification Market”

Main applications of Group technologies

- **Scientific police**

SAFRAN pioneered fingerprint electronic and digital processing techniques using AFIS (Automated Fingerprint Identification System) computing systems. The first generation of these systems was named “XL”.

The current system, METAMORPHO™, is an APFIS (Automated Palm and Fingerprint Identification System), as it also analyses palm prints and other characteristics enabling the identification of individuals. METAMORPHO™ is at the heart of the system known as Morpho™ Police, comprising a range of criminal identification solutions assisting police forces from the crime scene to the courthouse.

With its all-digital, networked workstations and ability to integrate other image technologies (portrait management, scars, etc.), Morpho™ Police has enabled the following advances:

- significant increase in the crime resolution rate
- real-time identification of suspects and criminals
- move towards paperless procedures
- easier exchange of information between similar scientific police organizations sharing the same standards.

- **Transport**

The transport product offering focuses on road and rail safety and airport security.

In the road safety sector, SAFRAN covers the full range of needs for road safety control systems (speed, road signs, etc), including manual solutions and fully automated digital solutions.

SAFRAN has over fifty years experience in the rail safety sector, encompassing railway signaling, surveillance, train driving assistance, speed cameras and passenger information systems.

In the airport sector, the current trends towards increased security have required a significant and joint commitment by all parties present on-site, including airport authorities, airlines, civil aviation authorities, border police and customs authorities. SAFRAN cooperates with all national and international organizations influencing the development of new technologies in the aviation sector. SAFRAN is an approved supplier of the ICAI (International Civil Aviation Organization) and the IATA (International Air Transport Association). It is also a global partner of the ACI (Airport Council International) and participates actively in the "Simplifying Passenger Travel" working party, which seeks to simplify and improve the security of air travel. Airport security may be endangered by internal or external attacks of a physical or data nature. SAFRAN offers protection against each of these threats.

- **Secure cards**

The smart card is a major link in the global solutions offering, as it is the preferred interface between individuals holding rights and the physical and data systems controlling and managing these rights. Applications exist in the identity solutions sector and with telecommunication operators and banks.

This synergy between solutions, applications and card components offers several major advantages:

- Speed, both in designing card products and implementing them in terminals and systems
- Ability to innovate and offer original products.

1.5 RESEARCH AND DEVELOPMENT

SAFRAN group businesses involve high-technology and added-value activities. Whether aircraft engines or equipment or defense and security systems, the required level of technology is extremely high, particularly given the globalization of these markets. In order to achieve this objective, SAFRAN group calls on the best knowledge available in the mechanical, aerodynamics, reactive flow, technology, thermodynamics, metal and composite material and electronics sectors. Research and Technology (R&T) comprises all studies, research and technology demonstrations needed to master know-how for the development of a given product at the lowest possible risk and cost and within the shortest possible time period.

Further downstream, Research and Development (R&D) corresponds to product design, manufacture of prototypes, 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). These activities are fundamental to the implementation of the Group's strategy. The total cost of these activities, of which 60% is self-funded, amounted to approximately €1.2 billion in 2008, nearly 12% of revenue. This level reflects the importance given to preparing for the future and developing new products and programs.

Research and Technology organization is based on an essentially decentralized model, enabling each company to better focus on its objectives. In addition, the Group works constantly on the development of technology synergies. In order to increase efficiency, centers of excellence, combining the expertise of several subsidiaries, have been established in the most transverse disciplines, such as materials and procedures, acoustics, thrust electronics, monitoring and critical software, etc.

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 linked to the current positions of SAFRAN in its markets and those targeted in the long-term.

1.5.1 MAJOR TECHNOLOGY AREAS

IMPROVING ENGINE PERFORMANCE

Propulsion performance objectives for 2020 and acceptance restrictions for future aircraft engines were defined two years ago within ACARE¹. The targets of a 20% reduction in engine consumption, a 60% reduction in polluting emissions and a 60% reduction in perceived noise underpin the initiatives taken to prepare, *inter alia*, the successor to the CFM56 engine for the new generation of single-aisle aircraft to be designed during the coming decade.

This preparation focuses on two technological options:

- the LEAP-X turbofan engine, with a traditional architecture and integrating, for the modules under Snecma's responsibility, 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 contribute major improvements on current performance levels, particularly in terms of fuel consumption;
- the second option is far more innovative and in line with ACARE, whose objectives require a break with the existing engine architecture. To this end, several possibilities (contra-rotator air blower, open rotor, etc.) are currently the subject of advanced research as part of European programs such as VITAL, the 6th FPRD² led by Snecma or DREAM³, recently launched under the 7th FPRD. These concepts may be assessed subsequently 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 2013.

Regional transport and business jets are two high growth aircraft sectors: they require new generation engines with lower fuel consumption and a reduced noise footprint. In these sectors, Snecma benefits from experience gained in low-pressure modules thanks to the CFM56 and in hot sections thanks to the M88, as well as advances realized by several European programs since the 5th FPRD. In 2008, the SaM146 engine performed most of its in-flight tests in the first Superjet 100s, with certification scheduled for 2009 and the Silvercrest HP core demonstrator, an engine intended for business jets, successfully completed the ground tests.

In the same way, helicopter turbine engines are subject to 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.

¹ ACARE: Advisory Council for Aeronautics Research in Europe

² FPRD: Framework Program for Research & Developmen

³ DREAM: ValiDation of Radical Engine Architecture Systems

The need to lighten aircraft and helicopters and their equipment leads to increased use of composite materials. SAFRAN engines and equipment (whether engines, nacelles, landing gear or brakes) are characterized by heavy mechanical loads and an environment notoriously more difficult than that of other aircraft sections, such as airframes. In addition, the Group is developing specific technology solutions in the composite materials sector. The integration in the first landing gear for the B787 Dreamliner of multi-D woven composite carbon struts perfectly illustrates SAFRAN's pioneer position in technology innovation.

Continued research efforts into rocket propulsion, a sector of the future where technological demands are extremely high, remains a SAFRAN priority. This position has enabled the Group to successfully accompany Ariane 5 activities in the space transport market, with six successful launches to date.

MORE ELECTRIC AIRCRAFT

The move towards increased use of electrical energy, which started with the A380 and B787 programs, continues and will be a defining characteristic of the next generation of single-aisle aircraft. SAFRAN must place its new equipment offering firmly in this niche and therefore prepare the technologies that will ensure its products are competitive in terms of performance, functions and cost.

To this end, SAFRAN is involved in several technology programs alongside aircraft manufacturers within European or French framework. In France, several projects have been launched in competitiveness centers set up by the government to encourage research and innovation in this sector. Within the Group, projects have been launched by the SPEC¹ Center of Excellence focusing on power electronics and under the AMPERES initiative dedicated to demonstrations of highly integrated systems, such as e-APU in 2008. These efforts are accompanied by numerous academic projects with around ten CNRS laboratories and technology projects with partners at the cutting-edge of electro-technology in their sector, such as Alstom, Schlumberger and Schneider.

DEFENSE SECURITY BRANCH

Navigation

Air, land, sea, satellite and weapons navigation markets are growing and changing: the integration of mobile units into cooperative groups, increasing autonomy requirements, the required land-onboard continuum via secure links are only a few drivers of renewed demand and associated technologies, in particular in the inertial and thermal sensors sector.

Security

Sagem Sécurité's leadership position in biometric systems, associated terminals and identity document systems is maintained through significant R&T investment in improving biometric data identification and capture algorithms and in increasing anti-fraud capabilities and information extraction in difficult environments.

1.5.2 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. The two conditions of success are therefore united – the perception of known or latent market needs through customers contact and openness towards an increasingly complex and multidisciplinary scientific and technology environment.

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: aerodynamics, energy, materials, etc. However, it is the fifteen 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 100 PhD students and provides these scientific partnerships with considerably annual funding. In addition, SAFRAN is a founder member of FNRAE (French National Foundation for Aerospace Research) and the Research Cooperation Foundation (Fondation de Coopération de Recherche) to which the Toulouse Aerospace RTRA² is tied. SAFRAN is also a major player in several competitiveness centers and in particular the System@tic, Aerospace Valley and ASTech centers.

¹ SPEC: SAFRAN Power Electronics Center

² RTRA: Advanced Research Thematic Network

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 took an active role in establishing the Clean Sky Joint Undertaking, bringing together the leading players in aviation R&D, and in the European Commission in a demonstration program about airframes, engines and systems, to be completed in 2013.

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

The industrial property of 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 in all events SAFRAN receives exploitation rights in its domains, at the very least.

1.5.3 INNOVATION AND INTELLECTUAL PROPERTY

Innovation is at the heart of SAFRAN's strategy. The competitiveness of its products is based in large part on the successful integration of technological innovation or adjustments, providing the customer with a decisive edge. 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, etc. The creation of transversal 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.

Methodology tools encouraging innovative research were recently experimented in several Group companies. Interesting results have been obtained and this experiment will be continued. The aim is to implement tools and methods best adapted to the wide range of needs of Group companies.

The development of technical expertise is also the key to preparing for the technological challenges of tomorrow. The organization of experts into networks and the steering of the expertise sector marked 2008 and these actions will be continued next year.

Intellectual Property is of increasing importance with the globalization of markets and the heightening of competition. It responds to an operational need, while strengthening and securing the SAFRAN commercial positions. A number of actions were undertaken in 2008 to improve overall efficiency at Group level. An Intellectual Property Committee was set-up to combine efforts and strengthen synergies. The creative and innovative ability of teams is demonstrated by the increasing number of patents filed. Over 400 patents were filed in 2008, continuing the upward trend of recent years. On a comparable structure basis, this places SAFRAN group among the leading French filers¹. Overall, the Group portfolio comprises some 13,000 patents around the world, bolstering its position as international leader in a large number of areas.

Dependence

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

¹ 2008 league table published by the French National Institute for Intellectual Property on March 2, 2009.

1.6 HUMAN RESOURCES

The SAFRAN group Human Resources policy focuses on four strategic areas:

- Accompanying changes in the Group and preparing for the future;
- Strengthening social cohesion and promoting diversity;
- Attracting and retaining talent and developing career prospects;
- Accompanying the international development of the Group.

ACCOMPANYING CHANGES IN THE GROUP AND PREPARING FOR THE FUTURE

- In a Group that is constantly evolving, accompanying changes in structure and reorganizations represents a major challenge for HR teams, in order to:
 - ensure the necessary legal support to secure the legal procedures,
 - define and negotiate the status of employees affected by these changes,
 - organize, coordinate and monitor retraining measures should they prove necessary.
- Accompanying Group developments also requires a good understanding of SAFRAN's mid-term needs with regards to businesses and expertise.

The employment and expertise plan responds to this need. By introducing a mapping of businesses consolidated at Group level, this plan focuses recruitment, training and mobility in the right direction.

The continuation of this approach will enable forward-looking analyses for strategic or sensitive businesses, and employees to be provided with documents aimed at improving their knowledge and potential career paths within the Group.

- In the high technology businesses of the Group, training is a decisive driver of individual and collective progress. SAFRAN invests close to 4% of total payroll costs in training. SAFRAN University coordinates and completes the training programs implemented by companies, with modules dedicated to managers and future top executives of the Group.

STRENGTHENING SOCIAL COHESION AND PROMOTING DIVERSITY

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

This objective is achieved through:

- 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 (employee policy guidelines, incentive schemes, forward management of jobs and skills, etc.),
 - establishing labor discussions with the set-up of a Group Committee and a European Works Council.
- The promotion and management of diversity and equal opportunity are considered factors underpinning Group cohesion and performance.

Awareness-raising and communication measures and the setting of quantified objectives, reflect SAFRAN's will to boost the Group's social position on these issues.

It is particularly evidenced by commitments to recruit young people from under-privileged neighborhoods and integrate individuals with disabilities, especially through work-study programs.

Group efforts in favor of apprenticeships, with over 1,000 apprentices in training, bears witness to SAFRAN's will to participate in the training of low-qualified young people.

ATTRACTING AND RETAINING TALENT AND DEVELOPING CAREER PROSPECTS

- The recruitment of the best profiles and offering them attractive career paths is the focus of the HR policy.
The Group targets communication campaigns at young graduates to inform them of its businesses and the opportunities offered by a career with SAFRAN.
SAFRAN also strengthens its reputation with engineering schools and target universities in France and abroad, by developing preferential partnerships and participating in recruitment forums.
- Mobility within the Group is encouraged, organized and enhanced through the set-up of career committees, by developing training, adaptation and retraining actions and by involving SAFRAN University in preparing managers for new responsibilities.
- In addition, the Group ensures the centralized and optimized management of senior executives and high-potential managers. The aim is to identify, train and retain internal talent to take over the top management of the Group tomorrow.

ACCOMPANYING THE INTERNATIONAL DEVELOPMENT OF THE GROUP

The international nature of the Group requires the implementation of a HR policy consistent with this development.

It is mainly reflected by:

- The inclusion of international managers in the executive management process with the extension of career committees and manager reviews aimed at identifying high potentials to international subsidiaries.
The international development of SAFRAN University programs enables a sharing of cultures and a better understanding by managers of the true international nature of the Group.
- Enhancing the international mobility, with the creation of a Group mobility charter and a job fair including subsidiaries outside France.
- The improvement and harmonization of assistance provided to expatriates.
- The roll-out of employee shareholding abroad through an International Group Savings Plan.

The Group wishes to continue and step-up the internationalization of its teams, by welcoming an increasing number of international employees in its French structures and developing career opportunities in its subsidiaries outside France.

1.7 PROGRESS INITIATIVES

In an increasingly intense competitive environment, strengthened in recent years by the weaknesses of the U.S. dollar against the euro, improving competitiveness represents a key challenge for SAFRAN. In order to continue financing its development and thereby ensure its future, the Group has based its momentum on a constant improvement process and substantial synergies between its various subsidiaries.

Launched in 2001, Action V is a progress approach and management system which federates all SAFRAN group improvement initiatives and bases its activities on a structured, standardized and professional methodology. The approach covers and involves all companies and processes and is constantly in search of performance, progress and excellence.

ORGANIZATION

SAFRAN has nominated an executive officer responsible for the global management of the progress initiatives in the various Group companies, in conjunction with the other Group departments and through a network of local coordinators.

A coordinator directs the progress approach in each company, backed-up by a support network at the sites and in the departments.

THE PROGRESS PLAN

Each subsidiary is responsible for setting up a progress plan covering the scope of its activities and incorporating objectives consistent with EBIT, cash and \$/€ exposure commitments. This plan is prepared each year, alongside the Group mid-term business development plan.

The progress plan may comprise:

- ongoing improvement actions,
- projects representing a break with existing practice.

Progress plans identified and implemented focus on the following areas:

- Optimizing the supply chain

This category brings together progress actions relating to purchases, such as the renegotiation of contracts to profit from Group synergies, making purchases in low-cost areas, outsourcing certain activities and particularly production and optimizing our industrial tool through the regrouping of activities on the same site.

For example, the successful negotiation of titan purchases at Group level, by focusing on a small number of references and linking them to a single contract, generated substantial savings.

- Improving production and development productivity

This category mainly comprises savings resulting from the application of the Lean-Sigma method to certain product lines and development activities.

For example, the Lean worksite, set-up for the production of A380 nacelles, demonstrated the company's ability to move towards a reliable industrial process, reduce assembly time and improve quality and security.

- Reduction of structural cost

This category comprises savings realized by optimizing overheads, while maintaining or improving the performance of support functions.

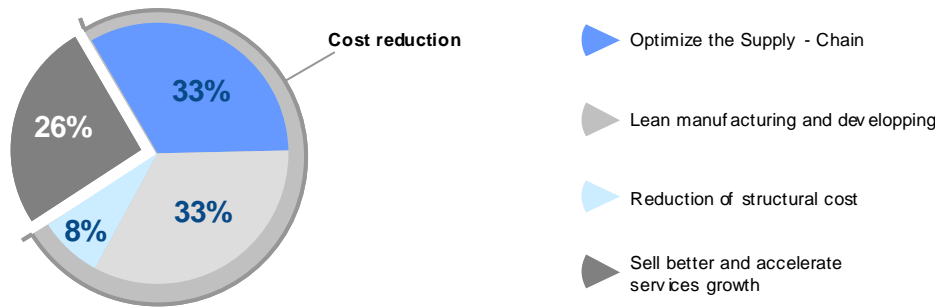
- Selling better and accelerating growth in services

This category includes savings resulting from the renegotiation of contracts or the implementation or development of new customer services.

GAINS

Gains generated by progress initiatives are measured by each company for the scope of the Progress Plan and according to the directions detailed above.

Gains identified and attributable to Action V initiatives between 2005 and 2008 break down as follows:



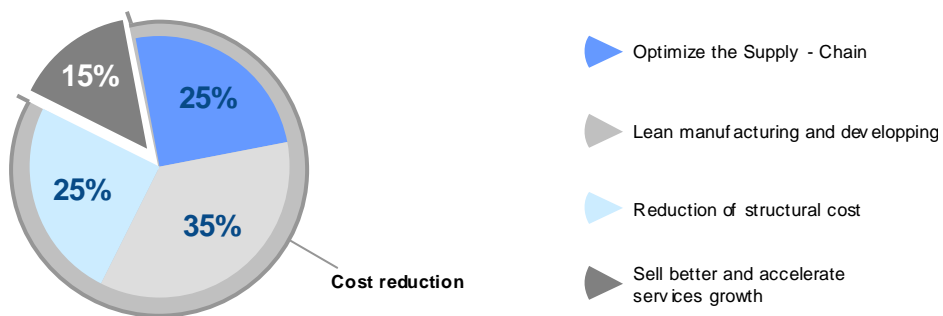
ACTION V BECOMES SAFRAN +, A NEW STAGE IN THE PROGRESS APPROACH

At the beginning of 2009, SAFRAN decided to step-up this approach, by moving “Action V” towards “SAFRAN +”, and to increase the performance improvement momentum, develop a spirit of initiative and innovation and capitalize on the size of the Group by:

- rolling-out the Lean-Sigma approach to all Group companies
- strengthening supply chain optimization initiatives
- implementing innovative progress projects across the entire Group structure and benefiting from strong coordination. One project in particular is about the optimization and overhaul of support functions Group-wide.
- emphasizing rigor in the execution of the progress projects.

The aim is to reproduce in the coming years the performance levels obtained with Action V, representing average annual productivity gains equal to approximately 2% of revenue.

The mid-term target allocation of gains is as follows:



1.8 GROUP ETHICS AND VALUES

SAFRAN can count on the values and ethics shared by all its employees. It is corporate policy to ensure that all activities are carried out in accordance with high standards of honesty, integrity and professionalism. By complying with these values and ethics, the Group will remain worthy of the trust placed in it by customers, employees, shareholders, suppliers and all its partners.

GROUP VALUES

SAFRAN has identified seven core values, which underpin its identity, and asserts its image with stakeholders. These values, promoted at each Group site, are as follows:

- Focus on customers
- Meeting the commitments set-out in the Ethics Charter
- Innovation
- Responsiveness
- Power of teamwork
- Employee development and recognition
- Corporate citizenship

GROUP ETHICS

The Ethics Charter

In 2005, SAFRAN introduced an ethics charter setting forth the principles and standards common to the Group as a whole, to be referred to by all Group employee under all circumstances. The rules outlined below are not intended to substitute or to revise the laws and regulations in force, but rather 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 laws in force. It may sometimes be difficult to understand the law in a legal and cultural environment very different from the context in which employees have previously worked. In case of doubt, employees should immediately consult 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, of the countries in which it is operating and of the country (or countries) in which its shareholders are based.

The Group applies international agreements on the fight against corruption of public officials.

Use of business consultants or agents offers an effective means of developing Group business, thanks to the skills they contribute. Fees stipulated in their contracts must always correspond to an actual service rendered and payment must comply with the relevant laws.

All personnel must take particular care to uphold laws on competition, the final destination of products after sale, labor and employment, safety, health and environmental protection.

- **Behavior towards customers**

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

Given the nature of Group products and services, there is no room for compromise in the area of security. 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 regularly provides shareholders with comprehensive, transparent information. It takes particular care to implement international guidelines and principles on corporate governance.

- **Relations with suppliers**

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

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

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

- **Integrity**

Group employees may under no circumstances damage its reputation, the integrity of its assets and its information systems.

Paid work of any type that personnel may have outside their job must not cause conflicts of interest with their duties inside the Group.

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

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

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

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

- **Sustainable development**

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

- **Political and religious activities**

The Group does not fund any political parties.

Any political activities and religious practices in which personnel may be involved must remain exclusively outside the workplace and working hours.

Behavior inside the Group

- **Protecting the confidential nature of certain information**

Everyone, in the course of their duties, has access to confidential information, which, even if partial, represents a key asset of the Group and must not be divulged to the competition.

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

At the same time, in each Group company, all employees must ensure that the information required for the proper performance of work circulates normally inside and outside the company and that it is always accurate

- **Respect for other people**

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

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

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

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

- **Compliance with the Ethics Charter**

The Group brings the contents of this Ethics Charter to the attention of each employee, requiring his or her compliance.

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

Implementation of Ethical Guidelines

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

As part of a constant improvement drive, SAFRAN regularly audits the application of these procedures, involving the departments concerned: international affairs, audit and internal control.

The Group's ethics approach is particularly essential in the following two areas.

- **Control of exports and re-exports to third countries**

A SAFRAN compliance standard defines common requirements with regard to the control of exports and re-exports to third countries. The commitment of Group Executive Management is also reflected by the set-up of a special purpose structure, a prerequisite to ensuring the effectiveness of an internal control program.

- **Prevention of corruption in commercial activities**

The prevention of corruption is covered by Group requirements set forth, in particular, in a control procedure covering the selection of business consultants. SAFRAN specifies requirements to Group companies covering the terms of contracts signed with consultants and especially regarding the reasonably detailed description of services expected and their traceability (activity report, documentation provided, etc.) and the consultant's commitment to uphold applicable anti-corruption regulations.

REVIEW OF ACTIVITIES AND RESULTS

2.1	Group activities in 2008	36
2.1.1	Aerospace Propulsion	37
2.1.2	Aircraft Equipment.....	40
2.1.3	Defense Security.....	42
2.1.4	Communications.....	45
2.2	Operating and financial review	46
2.2.1	Adjusted income statement.....	46
2.2.2	Reconciliation of the statutory consolidated income and adjusted consolidated figures	47
2.2.3	Statutory consolidated financial statements.....	48
2.2.4	Simplified consolidated balance sheet as of December 31, 2008	49
2.3	Research and development expenditure	51
2.4	Human resources	52
2.4.1	Employees.....	52
2.4.2	Human resources policy.....	53
2.4.3	Employee relations.....	54
2.4.4	Profit-sharing and incentive schemes	55
2.4.5	Group employee savings plan and international Group employee savings plan.....	55
2.5	Sub-contracting	56
2.6	Outlook for 2009	57
2.7	2009 first quarter activities	58

2.1 GROUP ACTIVITIES IN 2008

The economic and strategic objectives set by the Group for 2008 were achieved. Profit from operations was €652 million, after a negative currency impact of €646 million. Order levels remained high and major milestones were reached in the implementation of the refocusing and development strategy in the aviation, defense and security equipment business:

- Definitively withdrawing from the communications, ie broadband and mobile phone businesses, which was achieved in line with the planned financial and social conditions.
- Adapting the Group's organizational structure in order to consolidate its skills in embedded electronical systems and power electronics, and to combine services and OE activities in civil engine business.
- In the security sector, SAFRAN acquired Sdu-I, now known as Sagem Identification, the European leader in secure identification documents, and signed an agreement for the acquisition of Printrak, Motorola's biometric activities in the United States.

The size of the Group's installed fleet, the competitive positioning of its products and technologies and the excellence of its transatlantic partnership with GE, which has been recently renewed until 2040, are all major strengths for SAFRAN in the current economic situation. In addition, Group's improvement plan has been reinforced to reduce structural costs and enhance manufacturing productivity.

The CFM56 order book contains 6,600 engines, representing over 5 years of production. Revenue from aviation services increased in 2008 and represents 46% of Propulsion revenue and 31% of Equipment revenue.

On a comparable Group structure basis, orders recorded in 2008 rose 4% on 2007 to €12.8 billion, compared to €12.3 billion in 2007, excluding the Communications business.

These orders are made up of firm orders valued at market conditions.

KEY FIGURES BY BRANCH (ADJUSTED DATA)

In order to reflect the actual economic performance of the Group and enable this performance to be monitored and compared, statutory consolidated financial data has been adjusted for:

- the accounting impact of charges to amortization of intangible assets relating to aviation programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3, in order to cancel the impact of the one-off effect of creation of SAFRAN group,
- the accounting impact of application of hedge accounting to currency financial instruments, in order to better reflect the results of the Group's global foreign currency risk management policy.

(in € millions)	Aerospace Propulsion Branch		Aviation Equipment Branch		Defense Security Branch		Holding companies and Other		Total	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Order book (1)	15,151	15,755	4,633	4,332	1,558	1,817	-	-	21,342	21,904
Orders recorded during the year (2)	7,210	7,443	3,396	3,386	1,667	1,935	-	-	12,273	12,764
Revenue	5,917	5,803	2,703	2,856	1,596	1,646	6	24	10,222	10,329
Profit from operations	636	584	112	60	75	72*	(36)	(64)	787	652*
Free Cash flow (3)	579	152	(171)	(226)	(6)	65	81	127	483	118
Capital expenditure	194	238	128	126	57	69	4	8	383	441
Self funded R&D (4)	415	382	207	166	138	160	-	-	760	708
Employee numbers (5)	21,533	21,348	21,242	21,669	9,917	9,897	1,532	1,579	54,224	54,493

* Excluding the capital gain realized on the sale of payment terminal activities to Ingenico in 2008 (+€ 146 million).

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

(2) Orders recorded represent orders received during the year and comprise firm orders valued in accordance with contractual terms and conditions.

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

(4) Before deduction of the research tax credit.

(5) Employee numbers as of December 31 of the fiscal year - Holding companies and Other includes Fougères employees in 2007 and 2008.

2.1.1 AEROSPACE PROPULSION

ACTIVITIES AND RESULTS

In 2008, adjusted consolidated revenue of the branch was €5,803 million, down 1.9% on last year. On a constant exchange rate and Group structure basis, 2008 revenue increased 5.5%. The branch accounts for 56% of total Group adjusted consolidated revenue.

The fiscal year was marked by two key factors: substantial growth in spare part sales volume and, as such, related margins and efficiency and productivity gains. Combined, these two factors partially offset the impact of a less favorable U.S. dollar exchange rate.

This growth is mainly attributable to spare parts activities (+12% despite the more difficult economic context in the second half of the year). Original equipment deliveries of engines remained at the high levels enjoyed in 2007, for both civil aircraft and helicopters. U.S. dollar sales of spare parts for civil aircraft engines reported growth of 12% for the full year, with maintenance activities commencing on recent models. Overall, service activities continued to develop and represented 46% of branch revenue. This demonstrates both the potential of our in-service installed engine base (currently around 18,600 CFM56 engines) and the increased maturity of this fleet which generates substantial spare parts revenue.

Orders recorded during the year increased 3% on 2007, which was already an exceptional year.

It should also be noted that airline companies have announced they have cancelled orders for 125 single-aisle aircraft powered by CFM56 engines (B737 and A320) since the first quarter of 2008, representing approximately 4% of the order book which represents over five years of production. Airline companies have also announced their intention to withdraw or park 400 aircraft, primarily powered by the CFM56-3 engine. This represents approximately 4% of the total fleet of CFM engines.

Adjusted key figures

	2007	2008	Change 2008/2007
Quantities delivered			
CFM56 engines	1,248	1,268	1.6%
Helicopter turbine engines	1,177	1,189	1.0%
<i>(in € millions)</i>			
Order book	15,151	15,755	4%
Orders recorded during the year	7,210	7,443	3%
<i>(in € millions)</i>			
Revenue	5,917	5,803	(2%)
Profit from operations	636	584	(8%)
Free cash flow (1)	579	152	NM
Capital expenditure during the year	194	238	23%
Self funded R&D (2)			
Operating expenses	331	257	(22%)
Gross capitalized expenditure	84	125	49%
Total self funded R&D	415	382	(8%)
Employee numbers (3)	21,533	21,348	(1%)

(1) After the impact of the non-renewal of the CFM securitization program in 2008 of -€170 million. (see Section 2.2.4)

(2) Before deduction of the research tax credit.

(3) Employees as of 12/31/2008.

Aerospace Propulsion branch activities can be split into four key sectors with the following relative weights:

Business sector	% of the branch revenue	
	2007	2008
Civil aviation	63%	61%
Military aviation	12%	11%
Helicopter turbine engines	16%	17%
Ballistics and space	9%	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 actively, in partnership with the Russian engine manufacturer NPO Saturn and with the participation of the Italian engine manufacturer Avio. An additional 84 engines were recorded in the order book, confirming the interest in this program beyond Russia. The engine development program has totaled over 2,000 hours of tests, including 300 flight hours in two aircraft. The Sukhoi Superjet 100 also completed its first flight on May 19, 2008, powered by two SaM146 engines. It is scheduled to be brought into service at the beginning of 2010.

Snecma successfully completed tests on the Silvercrest high-pressure demonstrator (engine delivering 10,000 pounds of thrust intended for business jets), which performed its first testbed rotation at the end of November 2007. Environmental improvement objectives were fully achieved.

- **CFM56 engines (short/medium haul single-aisle aircraft)**

Orders were received for 2,221 engines in 2008, making this the second best year for orders since the engine range was brought into service in 1982. 1,255 engines were produced during the year and the order book comprised 6,586 engines at the end of 2008. With around 18,600 engines in service, the installed base will generate increasing revenue over the long-term from sales of spare parts and services. In 2008, spare part activities enjoyed volume growth of approximately 10% on 2007.

In July 2008, the partnership with General Electric was extended until 2040 and widened to include service activities. The two partners launched the LEAP-X technology demonstration program, which seeks to develop an engine to be certified in 2016, to power the short/medium haul aircraft of the future. In addition, work was continued on innovative open rotor architectures.

In October 2008, the CFM56 engine was certified for the U.S. military maritime surveillance aircraft, the MMA.

In 2008, SAFRAN inaugurated two production plants in China, in the cities of Suzhou and Guiyang. The Suzhou plant (Snecma Suzhou) will produce components for CFM56-5B and -7B engines. In Guiyang, SAFRAN in partnership with Guizhou Xinyi Machinery Factory (Groupe Avic 1) opened a foundry plant to produce turbine parts for CFM 56-2, -3, -5A, -5B, -5C and -7B engines.

The production stoppage at Boeing due to the strike action at the end of 2008 disrupted industrial activity, with production pushed back on the CFM56 lines.

Following initial tests performed by SAFRAN in 2007 on the use of biofuels with the CFM56 engine, the U.S. Air force launched ground tests in 2008 to assess the potential interest of this type of solution.

- **High-thrust engines (long haul twin-aisle aircraft)**

The high-thrust engines production recorded growth of 6% compared to 2007, with 384 engines produced in 2008.

The Aerospace Propulsion branch increased its stake in General Electric's GenX program to 8%. This engine has been selected for the Boeing 787 and 747-8.

Engine Alliance's GP7200 engine, which powers the A380 and in which the Aerospace Propulsion branch has a 17.5% stake, was brought into service in July 2008 with the first delivery to Emirates.

Industrial activities were severely disrupted by delays in the Boeing 787, 747-8 and Airbus A380 programs and by a production stoppage at Boeing due to the strike action at the end of 2008.

- **Maintenance contracts**

In 2008, the number of shop visits recorded by the Snecma Services' network for CFM engines was stable in relation to 2007 (295 compared to 293 in 2007), in a heavily disrupted air transport environment. Market share was maintained at its 2007 level and new contracts were signed during 2008, including with ST Aerospace, CSA and Air Blue.

The long-term service contract offering continued to be promoted with success, with a significant increase noted in Morocco and China. The expansion of the international network continued. The Mexico workshop inaugurated in May obtained Northwest and U.S. Air certification and delivered its first reconditioned engines.

Military aviation

33 M88 production engines powering the Rafale were delivered in 2008 and several negotiations were launched for export contracts. 31 ADOUR engines (SAFRAN - Rolls Royce joint venture) intended to power the Hawk aircraft were delivered in 2008.

Work continued on the TP400-D6 engine development program led by the EPI consortium (ITP Group, MTU Aero Engines, Rolls Royce and SAFRAN) and intended to power the European transport aircraft, the Airbus A400M, with testbed trials and, in particular, bird strike tests. The first flight on the C-130 flight testbed was successfully completed on December 17, 2008. SAFRAN also set up a support structure for the development of the engine control software by MTU Aero Engines.

Several contracts were signed in 2008 for the refit of ATAR and Larzac engines. Finally, SAFRAN sold its F100 engine maintenance and repair business to Pratt & Whitney on July 1, 2008.

Civil and military helicopters

New orders for helicopter engines stabilized in 2008: net orders totaled 1,029 units compared to 1,065 in 2007 and the order book at the end of 2008 comprised 1,780 engines. Deliveries of new equipment and spare parts remained high, with 1,189 series production engines delivered compared to 1,177 in 2007.

SAFRAN's subsidiary Turbomeca, increased its market share in emerging countries. The first export orders for the Dhruv were recorded in India, the Makila engine was selected to power Eurocopter's EC 725 in Brazil, the Arrius engine was selected by Kamov in Russia and Arriel2 kits were selected for the Z9 helicopter in China. Together, these Russian and Chinese contracts represent potential revenue of close to U.S.\$5 billion over 30 years.

The company inaugurated a new plant in Monroe in North Carolina (USA): the first blades have been delivered and roll-out continued in support of the Arriel which powers Eurocopter's UH-72 A. The U.S. army has ordered 345 of these helicopters under its LUH program.

SAFRAN's development program, through its subsidiary Microturbo, for a new APU concept entered an active phase, with the first rotation of the e-APU at the end of 2008.

Ballistics and space

Six successful ARIANE 5 ECA launches were performed in 2008.

Six Vulcain 2 engines and eight HM7 engines were delivered in 2008.

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 the future additional European launch vehicle, received confirmation of the development preparation phase during the European Ministerial Conference in November 2008.

Thirteen solid propellant MPS engines for Ariane 5 were delivered in 2008 (14 in 2007).

The development of third generation ballistic missile engines continued with the successful completion of the third test fire on November 13, 2008.

2.1.2 AIRCRAFT EQUIPMENT

ACTIVITIES AND RESULTS

In 2008, adjusted consolidated revenue of the branch was €2,856 million, up 5.7% on last year. On a constant exchange rate and Group structure basis, 2008 revenue increased 17.5%. The branch accounts for 28% of total Group adjusted consolidated revenue.

Deliveries of equipment relating to new programs (primarily nacelles, thrust reversers and landing systems) were stepped up in 2008. This increase was nonetheless slowed down by further delays impacting these programs and the strike action at Boeing in the fourth quarter. These events, combined with negative currency effects, weighed heavily on profit from operations, which totaled €60 million in 2008 compared to €112 million in 2007.

Adjusted key figures

	2007	2008	Change 2008/2007
Quantities delivered			
Landing gear	1,125	1,400	24.4 %
Carbon wheels and brakes	407	451	10.8 %
Power transmission systems	1,674	1,723	2.9 %
A320 thrust reversers	460	461	NM
<i>(in € millions)</i>			
Order book	4,633	4,332	(6%)
Orders recorded during the year	3,396	3,386	-
<i>(in € millions)</i>			
Revenue	2,703	2,856	6%
Profit from operations	112	60	(46)%
Free cash flow (1)	(171)	(226)	-
Capital expenditure during the year	128	126	-
Self funded R&D (2)			
Operating expenses	106	83	(22%)
Gross capitalized expenditure	101	83	(18%)
Total Self funded R&D	207	166	(20%)
Employee numbers (2)	21,242	21,669	2%

(1) Before deduction of the research tax credit.

(2) Employees as of 12/31/2008.

Aircraft Equipment branch activities can be split into to four key sectors with the following relative weights:

Business sector	% of the branch revenue	
	2007	2008
Landing and aircraft systems	47%	46%
Engine systems and equipment	26%	29%
Electrical systems and engineering	22%	22%
Other equipment	5%	3%

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

In the Airbus A350 XWB program, SAFRAN won contracts for the main landing gear, brakes and related control systems and 75% of electrical wiring. Together these contracts represent a potential market of U.S.\$11 billion over the period of the aircraft program. SAFRAN also won the power transmission contract for the RR Trent XWB engine that will power the A350.

Landing gear

SAFRAN commenced construction of a production plant for landing gear large parts in Queretaro, Mexico. This plant will be located alongside a production plant for engine parts, enabling significant sharing of infrastructures and management and support functions.

Wheels and brakes and landing/braking control systems

The new wheels and brakes plant in Walton, Kentucky was inaugurated at the end of September. This unit is an extension, at the same site, of the carbon brake disks plant built at the end of the 1990s, providing SAFRAN with a high-performing production tool in the United States.

SAFRAN is the only actor to obtain certification of its carbon brakes for the Boeing 737NG, the latest civil program to adopt this technology. The Group started fitting or re-fitting fleets worldwide. This new market represents a potential of close to 50% of the fleet of SAFRAN carbon brakes currently in service, or approximately U.S.\$2 to 3 billion over the next 30 years.

Nacelles and thrust reversers

A partnership agreement was signed by SAFRAN (Aircelle) and GE (Middle River Aircraft System) to market and steer nacelle and thrust reverser programs in the short/medium haul aircraft sector.

Aircelle delivered the 1,500th thrust reverser for Roll Royce's BR710 turbofan engine, which powers several Bombardier and Gulfstream aircraft.

Engine control and power transmission systems

SAFRAN also completed its reorganization, with the creation of SAFRAN Power (new division of Hispano-Suiza) at the beginning of 2009. This division brings together all SAFRAN resources in the electrical power sector, including ETRAS, the thrust reverser for the Airbus A380.

At the same time, engine equipment and system activities were transferred to Snecma and FADEC engine electronic control activities were transferred to the new SAFRAN Electronics division.

Electrical wiring

The first electrical wiring deliveries under the Phenom 100 aircraft program were made to Embraer in Brazil, opening up a new source of business with the Brazilian aircraft manufacturer, which is currently accelerating its out-sourcing policy.

SAFRAN continued to adapt its production cost base. The transfer of activities from its Pryor plant (Oklahoma) to workshops in Chihuahua (Mexico) commenced, with a view to the closure of Pryor in the Spring of 2009 and the rebuilding of the French site in Villemur was launched.

2.1.3 DEFENSE SECURITY

ACTIVITIES AND RESULTS

In 2008, adjusted consolidated revenue of the branch was €1,646 million, up 3.1% on last year. On a constant exchange rate and Group structure basis, branch revenue increased by 9.2%, primarily due to changes in the scope of Security activities. The branch accounts for 16% of total Group adjusted consolidated revenue.

- The Defense sector reported steady growth (2.8%), mainly due to leading positions in the land combat (FELIN program) and optronic sights sectors, which enjoyed growth of 23% and 17%, respectively.
- In the Security sector, 2008 was marked by the sale of payment terminal activities to Ingenico on March 31 and the acquisition of Sdu-Identification on September 1. Revenue increased by 3.6% and by 16% on a constant Group structure basis: momentum was particularly strong in the areas of government solutions, biometrics, gaming terminals and smart cards.

The following table presents consolidated figures for the Defense Security branch, excluding the capital gain realized on the transfer of payment terminal activities to Ingenico (€146 million).

While 2007 figures include payment terminal activities for a full year (revenue of €142 million and EBIT of €28 million), 2008 figures only include payment terminal activities for one quarter (revenue of €42 million and EBIT of €8 million) along with four months of Sdu-I activities (revenue of €24 million and EBIT of -€0.5 million, after purchase price allocation adjustments).

Adjusted key figures

	2007	2008	Change 2008/2007
Quantities delivered by family			
Smart cards	258,000,000	346,000,000	34.0%
Biometric terminals	87,000	149,000	71.3%
Inertial units	295	350	18.6%
<i>(in € millions)</i>			
Order book	1,558	1,817	17%
Orders recorded during the year	1,667	1,935	16%
<i>(in € millions)</i>			
Revenue	1,596	1,646	3%
Profit from operations	75	72	(4)%
Free cash flow (1)	(6)	65	-
Capital expenditure during the year	57	69	21%
Self funded R&D (2)			
Operating expenses	135	140	4%
Gross capitalized expenditure	3	20	NM
Total Self funded R&D	138	160	16%
Employee numbers (3)	9,917	9,897	-

(1) Excluding the capital gain realized on the sale of payment terminal activities to Ingenico in 2008 (+€ 146 million).

(2) Before deduction of the research tax credit.

(3) Employees as of 12/31/2008.

Defense Security branch activities can be split in to three key sectors with the following relative weights:

Business sector	% of the branch revenue	
	2007	2008
Navigation	33%	29%
Optronics	27%	28%
Security	40%	43%

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Defense

• Civil aviation

Airbus selected SAFRAN to supply several items of major avionic equipment for the A350XWB, including the CDAU (Central Data Acquisition Unit) and the SCI (Secure Communication Interface) linking the aircraft's avionics and information and communication systems. SAFRAN was also selected to supply various flight control systems and particularly throttles.

In the regional jet market, ATR selected Sagem Défense Sécurité's APIRS (Aircraft Piloting Inertial Reference Sensor) and ACMS (Aircraft Condition Monitoring System) systems for the new ATR42-600 and ATR72-600 aircraft.

The ARJ21, the regional jet under development by the Chinese company ACAC (AVIC1 Commercial Aircraft Ltd), fitted with a flight control system developed and produced by SAFRAN, successfully completed its first flight on November 8, 2008.

• Military aviation

The AASM precision guidance weapon program chalked up a number of major advances in 2008:

- the GPS/inertial guidance decametric version was brought into operational service in French Air Force Rafale fighters. It has been used successfully in several external operations.
- the imaging infra-red "metric" version was certified. This version combines GPS/inertial guidance with an infra-red system, enabling trajectory alignment in the final phase.
- development of a laser guided version was launched.
- an agreement was signed between SAFRAN and MBDA France under the terms of which the AASM weapon system will be marketed by MBDA France for new contracts, as part of its comprehensive international offering; new weapon versions will be developed jointly by the two companies; Sagem Défense Sécurité becomes the approved supplier of MBDA France for infra-red seekers for these missiles.

The "1st flight" version of the GADIRS navigation system for the A400M military transport aircraft was delivered to Airbus Military.

Hindustan Aeronautics Ltd (HAL) ordered several SIGMA 95N navigation systems for Indian Air Force Sukhoï fighters and the Indian LCA program (Light Combat Aircraft) Tejas fighters.

ICDS (Integrated Cockpit Display System) multifunction screens developed by Sagem Avionics, Inc. were selected for the upgrade of the French Air Force Embraer Xingu training aircraft.

The upgrade program for Egyptian Mirage III fighters was successfully completed.

• Civil and military helicopters

The Euroflir gyro stabilized day/night optronic observation system obtained certification for the NH90 European helicopter.

Numerous commercial wins were recorded:

- a major order for Strix sights was signed for Spanish and French Tiger combat helicopters.
- Eurocopter selected new generation flight control equipments (Trim and Sema NG).
- the piloting system (multifunction screens, automatic piloting, etc.) was selected for the upgrade of the ALAT (French Army Aviation Branch) Eurocopter EC120s.

• Naval defense

The Global Navigation System (GNS) and the M92 periscope were delivered for the new French nuclear submarine carrying ballistic devices, "*Le Terrible*".

The third experimental test fire of the M51 strategic missile, for which SAFRAN supplies the guidance system, was successfully completed.

The Vampir NG infra-red surveillance and fire control system was selected, during two successive international consultations, for Australian Navy Air Warfare Destroyers (AWD) and Landing Helicopter Docks (LHD).

The Singapore Navy ordered NGDS (New Generation Dagaie System) self-defense systems.

Finally, the 500th Sigma 40 marine unit and the 3,000th inertial unit were delivered in 2008.

• Land defense

The French infantry soldier upgrade program, FELIN, for which SAFRAN is the prime contractor, reached several major milestones in 2008:

- the 3rd contingent tranche of the FELIN contract was confirmed, representing an order of over 5,000 systems,
- the State Pre-Qualification Review was successfully completed, authorizing the launch of the Technical-Operational Assessment phase, the final phase prior to deployment.

After an initial success in Switzerland with the IMESS program (*Integriertes Modulares Einsatzsystem Schweizer Soldat*) in partnership with EADS Defense & Security, commercial canvassing on the export market commenced with several countries wishing to develop their own infantry soldier upgrade programs.

The French Defense Procurement agency (DGA) placed a two-phase order for over 1,000 SITEL battlefield management systems for the French Army. The SITEL was successfully deployed in external operations.

Multifunction infra-red binoculars have won substantial market share in Europe and the United States.

A new self-defense remote-operated turret for armored infantry vehicles, known as WASP (Weapon under Armor for Self Protection) was launched in partnership with Panhard.

The Sperwer tactical UAV system, named SDTI (*Système de Drone Tactique Intérimaire*) by the French Ministry of Defense, was deployed at the end of the year in external operations. Three countries are now using the Sperwer in external operations: Canada, France and the Netherlands.

The French Defense Procurement Agency (DGA) also selected SAFRAN to design the datalink system (LIDO) for UAVs.

• Organization

The project to create a new division, SAFRAN Electronics, within Sagem Défense Sécurité was launched in mid-2008. This division, which is operational since January 2009, brings together all SAFRAN group expertise in onboard electronics and critical software, in order to supply Group companies with the electronic cards, calculators and software they need for their world leading programs. This new division will comprise electronics activities primarily transferred from Sagem Défense Sécurité, aviation engine control systems activities transferred from Hispano-Suiza and landing/braking control systems and monitoring systems activities transferred from Messier Bugatti.

Security

In March 2008, SAFRAN finalized the transfer of its payment terminal activities to Ingenico, creating the world leader in electronic payment solutions, with SAFRAN as the principal shareholder. Ingenico is now the leader in its market, both in terms of stock market capitalization and revenue and enjoys a sustained profit record.

On September 1, 2008, SAFRAN purchased the Dutch company Sdu-I, renamed it Sagem Identification, which manufactures secure passports and identity documents. This acquisition strengthened the Group's identity solutions offering, by contributing technologies which the Group did not yet possess in secure printing and polycarbonate techniques as well as new electronic references and markets.

In October 2008, an agreement was signed with Motorola for the acquisition of its biometric activities (Printrak). This acquisition will be finalized during the first quarter of 2009.

Major identity solutions contracts were won in France with especially the Agence Nationale des Titres Electroniques Sécurisés contract for the implementation and roll-out of the French biometric passport in partnership with Atos Origin, and abroad with recording of the population and creation of electoral lists in Côte d'Ivoire, recording of electors in Conakry Guinea under the United Nations program for the Development, Production and Distribution of identity cards, passports in Albania and the AFIS system for the New York State police department.

The return to growth and profitability of "card" activities was confirmed in 2008.

Finally, a further increase in orders was recorded in 2008. All product lines exceeded their budget, a sign of the dynamism of this promising activity for 2009.

2.1.4 COMMUNICATIONS

Given the agreement for the sale of the Mobile phone business to Sofinnova, results of the Communication branch are classified in discontinued operations (see Section 3.1.6.15).

The companies Sagem Télécommunication and Sagem Industries were integrated into the Holding companies and Other Branch.

The definitive cessation of Mobile phone activities within the Group comprised three stages: i) disposal of the after-sales activities to ANOVO, a European leader in electronic customer services, ii) disposal of R&D activities based in Cergy-Pontoise and disposal of some Group business assets to the French investment fund, SOFINNOVA, iii) the cessation of all other activities.

Thanks to social bespoke solutions and the agreement signed with all the union organizations, Cergy-Pontoise site's employees, which did not benefit from the transfers described above, are joining SAFRAN teams in the growing Group's security and electronics businesses. Activities of the Fougères' site located in the west of France and previously specialized in mobile phones assembly, have just been converted within the Group in activities dedicated to the integration of FELIN systems and the manufacturing of electronic cards in the Defense field.

During 2008, activities decreased significantly in volume, despite the renewal of products to enable the partial sale of business activities at the end of the year.

The partnership with Bird was terminated, with the purchase of its shares in joint subsidiaries to facilitate their sale.

The partnership with SEMC was also terminated. The R&D contract was sold with the mobile phone business and the manufacturing contract expires in the first quarter of 2009.

2.2 OPERATING AND FINANCIAL REVIEW

In order to reflect the actual economic performance of the Group and enable this performance to be monitored and compared, the consolidated income statement presented on page 63, has been adjusted for:

- the accounting impact of charges to amortization of intangible assets relating to aviation programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3, in order to cancel the impact of the one-off effect of the creation of SAFRAN group,
- the accounting impact of application of hedge accounting to currency financial instruments, in order to better reflect the results of the Group's global foreign currency risk management policy.

2.2.1 ADJUSTED INCOME STATEMENT

<i>(in € millions)</i>	2007 (1)	2008	Change 2008/2007
Revenue	10,222	10,329	107
Other operating income and expenses	(9,435)	(9,531)	(96)
Profit from operations	787	798	11
Financial loss	(54)	(203)	(149)
Income from associates	4	10	6
Income tax expense	(219)	(101)	118
Net profit from continuing operations	518	504	(14)
Loss from discontinued operations	(97)	(233)	(136)
Minority interests	(15)	(15)	0
Net profit attributable to equity holders of the parent	406	256	(150)

(1) *Mobile phone and Broadband activities are included in discontinued operations in 2007 to enable comparison with 2008 on an identical Group structure basis.*

Adjusted consolidated revenue

Adjusted revenue increased from €10,222 million in 2007 to €10,329 million in 2008 (excluding the Communications business), representing an increase of 1.0 %.

At comparable scope and exchange rates, growth was 9.4%.

Service activities recorded a further increase in revenue and now represent 46% of Propulsion branch activities and 31% of Equipment Branch activities.

The Defense Security Branch recorded sustained growth in sales, both in land combat (FELIN program) and optronic activities and identification solutions.

Adjusted profit from operations

Excluding the capital gain realized on the sale of payment terminal activities to Ingenico, adjusted profit from operations totaled €652 million in 2008 compared to €787 million in 2007. This decrease of €135 million is mainly the net result of:

- a price and volume impact of +€371 million,
- productivity gains of +€138 million,
- a currency impact of -€646 million, mainly due to the increase in the euro / dollar hedge rate from 1.21 in 2007 to 1.45 in 2008.

Profit from operations increased to €798 million after inclusion of the capital gain realized on the sale of payment terminal activities (€146 million).

It should be noted that this profit figure includes a net charge to provisions of €39 million in respect of the A400M program recorded in 2008, bringing the provision in respect of this program to €164 million as of December 31, 2008.

Adjusted financial loss

The adjusted financial loss for 2008 is €203 million. The only cash outflow corresponds to the cost of debt, which increased from €9 million in 2007 to €19 million in 2008. In addition, the financial loss includes the unwinding of the discount on repayable advances of €35 million. Other items mainly comprise gains and losses on foreign currency derivatives.

Adjusted income tax expense

The adjusted income tax expense fell from €219 million in 2007 to €101 million in 2008. This decrease is mainly due to the fall in profit from operations (excluding capital gains), the financial loss and an increase in items not liable to tax, such as the research tax credit, or taxed at reduced rates (1.72%), such as the capital gain realized on the sale of payment terminal activities to Ingenico.

Loss from discontinued operations and income from associates

See Section 2.2.3.

Adjusted net profit

Adjusted consolidated net profit for the year ended December 31, 2008 is €256 million. Other than the decrease in net profit from operations (excluding capital gains) and the increase in the financial loss, this decrease on 2007 (€406 million) is due to the impact of restructuring costs and losses relating to the withdrawal from the Communications business.

2.2.2 RECONCILIATION OF THE STATUTORY CONSOLIDATED INCOME AND ADJUSTED CONSOLIDATED FIGURES

In order to reflect the actual economic performance of the Group and enable this performance to be monitored and compared, the statutory consolidated income statement presented on page 63, has been adjusted for:

- the accounting impact of charges to amortization of intangible assets relating to aviation programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3, in order to cancel the impact of the one-off effect of the creation of SAFRAN group,
- the accounting impact of application of hedge accounting to currency financial instruments, in order to better reflect the result of the Group's global foreign currency risk management policy.

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

Year ended December 31, 2008 <i>(in € millions)</i>	Statutory consolidated income statement	Hedge accounting			Adjusted figures
		Restatement of revenue (1)	Deferred recognition of hedging gains and losses (2)	Amortization of intangible assets (3)	
Revenue	10,281	48		-	10,329
Other operating income and expenses	(9,678)	1	(15)	161	(9,531)
Profit from operations	603	49	(15)	161	798
Financial loss	(716)	(49)	562	-	(203)
Income from associates	10	-	-	-	10
Income tax expense	142	-	(188)	(55)	(101)
Net profit from continuing operations	39	-	359	106	504
Loss from discontinued operations	(233)	-	-	-	(233)
Minority interests	(11)	-	(1)	(3)	(15)
Net profit (loss) attributable to equity holders of the parent	(205)	-	358	103	256

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

(2) Gains and losses on hedges allocated to future cash flows (€545 million before tax) deferred in equity and impact of the inclusion of hedges in the valuation of provisions for losses to completion (€17 million).

(3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aviation programs pursuant to application of IFRS 3 as of April 1, 2005.

The reader is reminded that only the statutory consolidated financial statements are audited by the Group's statutory auditors (audited data), and that the adjusted financial data is verified as part of an overall review of the information provided in the 2008 Reference Document.

2.2.3 STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

<i>(in € millions)</i>	2007	2008	Change 2008/2007
Revenue	9,714	10,281	567
Other operating income and expenses	(9,585)	(9,678)	(93)
Profit from operations	129	603	474
Financial income (loss)	34	(716)	(750)
Income from associates	4	10	6
Income tax expense	(25)	142	167
Net profit from continuing operations	142	39	(103)
Loss from discontinued operations	(96)	(233)	(137)
Minority interests	(7)	(11)	(4)
Net profit (loss) attributable to equity holders of the parent	39	(205)	(244)

Consolidated revenue

Consolidated revenue increased from €9,714 million in 2007 to €10,281 million in 2008 (excluding the Communications business), representing an increase of 5.8%.

A breakdown of revenue by branch is presented in Section 3.1.6.1.1.

Profit from operations

Profit from operations, excluding the capital gain realized on the sale of payment terminal activities to Ingenico, totaled €457 million in 2008. The difference compared with adjusted profit from operations of €652 million is attributable to the inclusion in the statutory balance of intangible asset amortization of €161 million relating to the revaluation of aviation programs pursuant to application of IFRS 3 as of April 1, 2005 and a negative impact of €34 million relating to currency transactions.

Financial income (loss)

The financial loss for 2008 is €716 million, compared to financial income of €34 million in 2007.

The 2008 financial loss mainly includes fair value adjustments to unsettled financial instruments in the amount of -€629 million, the unwinding of the discount on repayable advances of -€35 million and the cost of net debt of €19 million. Fair value adjustments to unsettled financial instruments are recorded in full in financial income (loss) in the statutory consolidated financial statements.

Income from associates

The increase in income from associates is mainly attributable to Ingenico in the amount of €3 million (SAFRAN holds a 22.31% stake in this company).

Income tax expense

The income tax credit of €142 million recorded in 2008 comprises a current income tax expense of €153 million and a deferred income tax credit of €295 million.

The current income tax expense is down €115 million on 2007 due to a reduction in profit before tax.

The net profit from continuing operations includes increased amounts not liable to tax, such as the research tax credit and amounts liable to tax at reduced rates (1.72%) such as the capital gain realized on the sale of payment terminal activities to Ingenico.

The change in deferred tax credits primarily reflects changes in the fair value of unsettled financial instruments.

Loss from discontinued operations

The loss from discontinued operations corresponds to the results of the Mobile phone business and the sale of the Broadband business.

Net profit attributable to equity holders of the parent

The net loss for 2008 is €205 million, compared to a net profit of €39 million in 2007.

2.2.4 SIMPLIFIED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2008

Simplified consolidated balance sheet as of December 31, 2008

The simplified consolidated balance sheet as of December 31, 2008 presented below is taken directly from the consolidated financial statements presented in Section 3.1.1.2 of this document. Changes between 2007 and 2008 must be analyzed taking into consideration the change in consolidation scope (the assets/liabilities of operations classified as held for sale in 2008 were transferred to specific lines of the consolidated balance sheet).

<i>(in € millions)</i>	2007	2008
ASSETS		
Goodwill	1,561	1,756
Intangible assets and Property, plant and equipment	4,828	5,219
Other non-current assets	488	751
Financial instruments at fair value	126	138
Inventories and work-in-progress	3,420	3,673
Trade and other receivables	4,243	4,319
Cash and cash equivalents	730	919
Assets held for sale	779	61
TOTAL ASSETS	16,175	16,836
EQUITY AND LIABILITIES		
Equity	4,505	3,874
Provisions	2,185	2,356
Borrowings subject to specific conditions	590	698
Interest-bearing liabilities	899	1,554
Other non-current liabilities	841	757
Trade and other payables	6,703	7,558
Liabilities held for sale	452	39
TOTAL EQUITY AND LIABILITIES	16,175	16,836

Change in net debt

Net debt is defined as cash and cash equivalents less interest-bearing current and non-current liabilities.

The change in net debt between 2008 and 2007 breaks down as follows:

<i>(in € millions)</i>	2007	2008
Cash flow from operating activities	1 251	892
Change in working capital	(133)	(103)
Acquisitions of intangible assets	(252)	(230)
Acquisitions of property, plant and equipment	(384)	(441)
Free cash flow	482	118
Financial investments and other	(137)	(382)
Dividends	(95)	(202)
Change in net debt	250	(466)
Net debt as of January 1	(419)	(169)
Net debt as of December 31	(169)	(635)

At €635 million, net debt represents 16.4% of equity (€3,874 million). The €466 million increase in net debt in 2008 is mainly due to the free cash flow generated during the year of €118 million being insufficient to cover financial investments and financing activities (€382 million) and the dividend distribution (€202 million).

2008 free cash flow is €118 million, compared to €482 million in 2007, due to the reduction in cash flow from operating activities as a result of the fall in profit from operations and losses relating to the withdrawal from the Communications business.

The change in working capital is stable overall at €103 million, despite the inclusion of a non-recurring impact on free cash flow of €170 million, following the non-renewal of the securitization program of our subsidiary CFM as a result of the banking crisis. Receivables previously sold were therefore added back to the Group consolidated financial statements in the amount of U.S.\$250 million (€170 million).

The Group continued its investment policy in France and abroad, with the dual objective of favoring proximity to major customers and high growth markets, while constantly seeking to renew and improve its production facilities.

Total capital expenditure on property, plant and equipment amounted to €441 million in 2008. As of December 31, 2008, capital expenditure commitments for property, plant and equipment (orders in progress, not yet received) totaled €250 million (excluding discontinued operations) compared to €229 million as of December 31, 2007.

Intangible assets did not record a significant change (€230 million in 2008 compared to €252 million in 2007) and mainly comprise capitalized research and development expenditure, patents and software.

The Financial investment and other heading mainly consists of cash outflows relating to three acquisitions/disposals: the acquisition of Sdu-I, the purchase of treasury shares and the sale of the Broadband business.

The dividend distribution of €202 million comprises all 2007 dividends and the 2008 interim dividend of €32 million.

2.3 RESEARCH AND DEVELOPMENT EXPENDITURE

Approximately 60% of Research, Development and Technology (RTD) expenditure is self funded. Over half of this expenditure concerns research into engines and equipment for Superjet 100, A400M, B787, A380 and A350 aircraft.

<i>(in € millions) Excluding the Communications Branch</i>	2006	2007	2008
Self funded RTD (1)	705	760	708
Expensed in operating expenses	477	572	480
Capitalized (gross)	228	188	228
RTD expensed (1)	540	656	538
In operating expenses	477	572	480
Amortization / Impairment	63	84	58
RTD capitalized	165	104	170
Capitalized (gross)	228	188	228
Amortization / Impairment	(63)	(84)	(58)

(1) Before deduction of the research tax credit.

The decrease in amounts expensed in operating expenses is mainly due to a significant drop in R&D expenditure on the SaM146 engine program for the Russian Superjet 100 regional jet.

Gross capital expenditure in 2008 mainly concerns the A400M and B787 programs and helicopter engines. The €40 million increase reflects the change from 5% to 8% in the Group's stake in the GenX engine program to power the Boeing 787.

Finally, the decrease of €26 million in amortization and impairment charges is mainly due to the high level of this expense in 2007 (€84 million), which includes an impairment charge to the TP400 – A400M program.

2.4 HUMAN RESOURCES

2.4.1 EMPLOYEES

BREAKDOWN BY BRANCH

As of December 31, 2008, the Group had 54,493 employees. This figure would have been 57,723 including the employees of the Mobile phone business, sold during the year.

The following table presents a breakdown of employees by activity branch as of December 31, 2008:

	France	Outside France	Total
Aerospace Propulsion Branch	17,422	3,926	21,348
Aircraft Equipment Branch	10,207	11,462	21,669
Defense Security Branch	6,570	3,327	9,897
Other	1,398	181	1,579
SAFRAN group	35,597	18,896	54,493

BREAKDOWN BY COUNTRY

The Group's international expansion continued. As of December 31, 2008, the Group had close to 18,900 employees outside France in more than 50 countries. The Group extended its installations, with nine new sites or extensions inaugurated in Mexico, China, India, the United States, Morocco and Poland.

The following table presents a breakdown of employees by geographical area as of December 31, 2008:

Europe	France	35,597
	United Kingdom	2,267
	Belgium	1,506
	Germany	924
	Other European countries (*)	1,002
	Russia	276
North America	Mexico	3,611
	United States	3,157
	Canada	1,071
South America	Brazil	660
	South America (Uruguay, Colombia)	93
Africa and the Middle East	Morocco	1,238
	South Africa	299
	Other (Algeria, Mauritius, Nigeria, UAE, etc.)	59
Asia	China	644
	Singapore	429
	India	1,445
	Other (Japan, Taiwan, Vietnam, Philippines, Malaysia, Hong Kong)	52
Oceania	Australia	163
Total		54,493

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

OTHER INFORMATION

Close to 25% of Group employees worldwide are women.

In addition, as of December 31, 2008, 469 expatriates provide customers with commercial and technical services in some 58 countries, primarily in Europe (35%), North America (27%) and China (11%). Finally, the Group welcomed over 70 young interns under the French VIE (International Volunteer) program.

In France, the breakdown of employees by professional category as of December 31, 2008 was as follows: 34% executives, 32% technicians, 3% supervisors, 7% office staff and 24% line workers.

Nearly 20% of executives in France are women.

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

Recourse to fixed-term contracts remained very limited, accounting for less than 1% of employees at the end of 2008.

Temporary staff represented less than 10% of the workforce in 2008, primarily in the Aircraft Equipment and Defense Security branches, which make use of this type of labor due to significant fluctuations in activity levels.

2.4.2 HUMAN RESOURCES POLICY

RECRUITMENT AND INSERTION

2,294 employees were recruited in 2008. 58% of those recruited were executives, including a majority of young graduates.

23% of new hires were women.

87% of new hires signed permanent employment contracts.

To improve their knowledge of the Group and strengthen their sense of belonging, over 800 recently hired or newly-promoted engineers and executives came together during two “discovery days” for an in-depth presentation of the Group, its activities and strategy and to meet with senior management.

MOBILITY

In 2008, 417 employees benefited from an internal transfer between two Group companies (excluding transfers and reclassifications performed as part of reorganizations). The transfer policy between France and abroad led to 158 departures and 96 expatriate returns. To facilitate such transfers, the contractual framework and expatriation assistance was harmonized within the Group.

In accordance with management commitments, the Group mobilized considerable resources to provide reclassification opportunities to employees affected by the reorganizations. Similarly, the sale of the Mobile phone business was accompanied by significant employee assistance measures as part of the redundancy plan. Over 230 Sagem Mobiles employees found another position in the Group.

TRAINING — COMPANY UNIVERSITY

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

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

The development of management skills, in an international context, represents a second progress area.

The search for customer satisfaction and the provision of improved economic and industrial performances are the growth drivers behind training.

SAFRAN University offers an ideal means of accompanying changes in the Group and preparing SAFRAN managers to meet future challenges:

- foster a Group culture and facilitate teamwork through better mutual understanding and exchange of best practices;
- help current and future senior managers assume their new responsibilities and acquire the knowledge, methods and professional behavior needed to perform their jobs;
- support major Group projects through appropriate training;
- circulate “state-of-the-art” management techniques.

In 2008, 2,570 employees attended SAFRAN University. Since its creation in 2002, the University has welcomed close to 10,000 engineers and managers.

COMPENSATION TRENDS

Group companies negotiated salary plans in 2008 providing for an average increase in compensation of between 3.1% and 3.3% of payroll, depending on the company. These plans comprised general and individual raises for employees, and specific raises for executives.

An exceptional additional measure representing between 0.5% and 0.75% of payroll, depending on the company, was also implemented on October 1, 2008.

Finally, as part of their annual salary policy, several Group companies set aside an additional budget earmarked for measures targeting compensation equality between men and women.

INTEGRATION OF EMPLOYEES WITH DISABILITIES

The Group has an aggressive policy for the better integration of employees with disabilities in the company, as part of the Disability taskforce created at the end of 2006 within the Group HR Department. This policy involves:

- developing the recruitment of individuals with disabilities ((membership of various associations, sourcing, participation in the Paris employment forum organized by Adapt, a French association for the insertion of disabled workers),
- developing work-study programs for young people: the “Elan” program has enabled over 30 individuals with disabilities to receive training over the period 2006/2008, 80% of whom obtained their diploma.

The Group also continued the quantitative and qualitative appraisal commenced in 2007 in association with Agefiph, a French association for the insertion of disabled workers, in order to define the focus and contractual framework of the Group's policy for 2009.

INSERTION OF YOUNG PEOPLE FROM UNDER-PRIVILEGED NEIGHBORHOODS

On May 15, 2008, SAFRAN group signed a national commitment agreement for the professional insertion of young people from under-privileged neighborhoods under the "Hope for the Suburbs Plan" launched by the Ministry for the Economy, Finance and Employment. All Group companies signed up to this commitment.

The Group has undertaken to recruit 180 individuals under permanent or fixed-term contracts, offer 291 internships and 171 work-study contracts over the period 2008, 2009 and 2010.

By signing this commitment, the Group confirmed its desire to offer young people from under-privileged neighborhoods real opportunities to discover the company, a career, professional training and employment.

2.4.3 EMPLOYEE RELATIONS

EMPLOYEE RELATIONS

An agreement on the creation of a SAFRAN group European Works Council was unanimously signed by negotiating members on July 4, 2008. The SAFRAN European Work Council comprises representatives of all European countries where the Group is currently present.

The project for a Group health insurance plan, under negotiation between Executive Management and representatives of labor organizations, was approved by five labor organizations at Group level at the end of 2008 and a formal and unanimous signature commitment was given. The implementation of the new Group health insurance plan on July 1, 2009 will mark a decisive step in the development of a common set of employee benefits for the entire SAFRAN group.

In addition, each Group company is pursuing a dynamic contract negotiation policy based on its economic and social context. Agreements concerning the forward management of jobs and skills and diversity were reached during 2008.

RELATIONS WITH THE LOCAL ENVIRONMENT

The Group's entities maintain close relations with their local and regional environments, and contribute to spreading the Group's influence through active participation in social and economic initiatives and at local level.

The Group devotes significant effort to welcoming young people under work-study programs or apprenticeships and internships at various levels of qualification.

In line with commitments given on the signature of the Apprenticeship Charter in June 2005 and changes in obligations, SAFRAN welcomed over 1,000 young people under work-study contracts in 2008 (apprenticeship and professional training contracts).

SAFRAN group pools the payment of apprenticeship tax for qualification levels of five years post-high school or more across all companies, given the national dimension of these qualifications, in order to guarantee overall consistency with the strategic focus of the Group. 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, in their employment basin, individuals whose expertise match recruitment profiles.

SAFRAN develops partnership initiatives with public research laboratories (CEA, CNRS) in scientific and technology sectors and with engineering and business schools, as well as science universities both in France and abroad.

The Group has furthered its participation in school forums and site visits, where the Group, its business lines, and internship and career opportunities are presented. Student meetings and information sessions have been multiplied thanks to these actions.

The relations forged with schools offering training programs corresponding to our sectors of activity are reflected by the representation of SAFRAN on their management bodies (boards of directors, teaching boards).

Lastly, SAFRAN is committed to two corporate foundations: the *Fondation d'entreprise SAFRAN*, whose purpose is to fight against the exclusion of adolescents and young adults with disabilities (motor, psychological or social), and the *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 programs varies between 1% and 5% of the total payroll, depending on the company and site.

2.4.4 PROFIT-SHARING AND INCENTIVE SCHEMES

PROFIT-SHARING

In France, profit-sharing is paid under the terms of the Group profit-sharing agreement signed on June 30, 2005. The agreement, which is based on the principle of solidarity, provides for the pooling of profit-sharing reserves generated by each Group company in France, enabling the payment of an identical percentage of salary to all personnel.

Total profit-sharing recorded in the consolidated financial statements in respect of the last two years is as follows:

<i>(in € millions)</i>	Profit-sharing
2007	73.8
2008	56.7

INCENTIVE SCHEMES

Virtually all Group companies in France have incentive schemes. The schemes are primarily based on economic performance criteria completed, where appropriate, by other performance indicators.

For these companies, the total amount of incentive payments may not exceed 5% of payroll, although this percentage may be increased to 7% in the event of exceptional company performance.

Total incentive payments recorded in the consolidated financial statements in respect of the last two years are as follows:

<i>(in € millions)</i>	Incentive schemes
2007	81.0
2008	86.2

2.4.5 GROUP EMPLOYEE SAVINGS PLAN AND INTERNATIONAL GROUP EMPLOYEE SAVINGS PLAN

GROUP EMPLOYEE SAVINGS PLAN

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

- access several investment vehicles with diverse profiles, via five corporate mutual funds (FCPE) with different management profiles,
- invest in an employee shareholder corporate mutual fund, to which their company contributes,
- transfer their holdings 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 enables employees of foreign subsidiaries to contribute to a savings plan based on SAFRAN shares, while benefiting from financial support from their companies.

In 2008, over 12,000 employees in some 40 Group companies in Germany, Belgium, Canada, Mexico, the United Kingdom and the United States had access to this plan, which will be progressively rolled-out in other countries.

2.5 SUB-CONTRACTING

In the same way as 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 the maximum sizing of Group production and development, based on cyclical aspects of activities.

As indicated in Section 2.4.1, sub-contracting is primarily used in the Aircraft Equipment and Defense Security branches, which make use of this type of labor due to significant fluctuations in activity levels.

2.6 OUTLOOK FOR 2009

In an unprecedented economic environment and barring a major deterioration in the situation, SAFRAN foresees for 2009:

- adjusted revenue in line with 2008,
- adjusted profit from operations of 5 to 6% of revenue.

These forecasts assume:

- a drop of 4 to 5% in air traffic,
- sales of services stable or slightly down on 2008 in volume,
- original equipment volumes in line with aircraft manufacturer forecasts published at the beginning of 2009,
- an exchange rate of U.S.\$1.45 to the euro (currency hedges have been implemented for the next three years),
- “SAFRAN +” progress plan engaging new measures particularly with regard to overheads and industrial productivity

As things currently stand and in view of the current economic environment, SAFRAN is not announcing any financial target for 2010.

Factors with a potential impact on results

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

2.7 2009 FIRST QUARTER ACTIVITIES

SAFRAN's adjusted consolidated revenue¹ for the first quarter of 2009 totaled €2,487 million, up 2.4% on the equivalent prior-year period based on pro forma data, and representing organic growth of 0.5%. This figure is in line with the Group's revenue guidance for full-year 2009.

The first quarter of 2009 was marked by a firm showing from the services business, which accounted for 48% of Aerospace Propulsion revenue (compared with 45% in the first quarter of 2008) and 31.5% of Aircraft Equipment revenue (versus 31% in first-quarter of 2008) and the sustained growth reported by the Defense Security branch, led notably by Security operations

<i>(in € millions)</i>	Q1 2008 (1)	Q1 2009	Year-on-year change (pro forma) (1)	Year-on-year change at comparable scope and exchange rates
Aerospace Propulsion	1,395	1,334	(4.4%)	(7.2%)
Aircraft Equipment	658	700	+6.4%	2.5%
Defense Security	372	442	18.8%	23.7%
- including Defense	214	238	11.6%	9.0%
- including Security	158	204	29.1%	43.5%
Holding et other	3	11	ns	ns
Group Total	2,428	2,487	2.4%	0.5%

(1) The 2008 first quarter revenue in adjusted data is represented without Communication activities sold in 2008, and take into account the internal reorganization realized between the branches during the 2009 first quarter.

CURRENCY HEDGING

The management of currency options enabled SAFRAN to improve the hedging rate for 2009, from €1 = \$1.45 to €1 = \$1.43.

ACTIVITY BY BRANCH

- **Aerospace Propulsion**

First-quarter 2009 adjusted revenue for this branch came to €1,334 million, down 4.4% on the first quarter of 2008. The slower pace of deliveries of (i) aircraft engines, partly due to the consequences of the strike at Boeing in 2008, and (ii) civil helicopter engines weighed on the Group's original equipment revenue. However, service operations for civil aircraft engines reported growth for the period, with the rise in revenue per shop visit more than offsetting the fall off in the number of shop visits since the second half of 2008. Consequently, the contribution of services to the branch's overall revenue climbed once again and accounted for 48% of the total compared with 45% at end of March 2008.

More than 2,500 ground test hours were accumulated for the TP400 engine for the A400M program, with a full success rate. Furthermore, the flight tests on Airbus's C130 flying testbed aircraft are progressing well.

In the civil aircraft engines business, the development of the SaM 146 is also proceeding favorably, with SSJ 100 aircrafts having completed 140 flights and accumulating 970 hours of engine flight testing. The aircraft is expected to be shown at the next Le Bourget air show.

In the helicopters sector, SAFRAN signed in February a contract with Kamov and Russian Helicopters for developing a new Arrius 2G1 engine designed for the Kamov 226 helicopter used by the Russian government. In March 2009, the Ardiden 1H1 engine for the DHRUV helicopter in India received EASA certification.

In civil space propulsion, SAFRAN has signed contracts with EADS Astrium and Europropulsion to produce a new batch of 35 Ariane 5 ECA launchers covering the period from 2010 to 2014.

In the solid propulsion sector, SAFRAN registered satisfactory growth for its military programs (M51 boosters).

- **Aircraft Equipment**

Adjusted revenue generated by this branch came to €700 million, up 6.4% on the first quarter of 2008. Both original equipment (excluding business and regional aircraft) and services reported growth. Concerning original equipment, deliveries of nacelles for the A380 increased in line with the pace of production of the aircraft. The wiring business also reaped the benefits of the program's ramp-up during the period. Services revenue rose at a slightly higher pace than that for original equipment.

¹ Revenue is presented in accordance with the same rules set out in section 2.2.2.

The sales campaigns for wheels and carbon brakes for the B737, in which the Group currently enjoys an exclusive positioning, are proving particularly satisfactory.

- **Defense Security**

Defense

Defense adjusted revenue climbed 11.2%, sustained by avionics operations, notably sales of inertial units, seekers for tactical missiles and computer systems. SAFRAN has been selected to supply onboard computers for the Airbus A350.

In optronics, land combat equipment (including the FELIN program) posted a satisfactory growth rate.

Security

Taking into account the changes in scope of consolidation resulting from the sale of the Group's Monetel business in March 2008 and the consolidation of Sagem Identification in September 2008, adjusted revenue from Security operations rose 29.1% to €204 million in the first quarter of 2009. Based on a comparable scope and exchange rates the increase was 43.5%. The Security business now accounts for 8.2% of the Group's total revenue against 6.5% in the first quarter of 2008.

In France, the system for acquiring secure electronic documents (TES) from local councils is now up and running in six *départements*. Some 1,500 new data collection systems have been ordered, bringing the total number of orders to 2,800.

FINANCIAL STATEMENTS

3.1	Statutory consolidated financial statements	63
3.1.1	Consolidated financial statements	63
3.1.2	Segment information	67
3.1.3	Accounting policies.....	70
3.1.4	Scope of consolidation	81
3.1.5	List of consolidation companies	84
3.1.6	Notes to the consolidated financial statements.....	88
3.1.7	Consolidated statement of cash flow	114
3.1.8	Management of market risks and financial derivatives	115
3.1.9	Off-balance sheet commitments	118
3.1.10	Disputes and litigation	119
3.1.11	Subsequent events.....	119
3.2	Adjusted consolidated data	120
3.2.1	Adjusted consolidated income statement.....	120
3.2.2	Adjusted consolidated statement of cash flow	121
3.2.3	Adjusted segment information.....	122
3.2.4	Notes to the adjusted data	124
3.3	Parent company financial statements	126
3.3.1	Balance sheet, income statement and statement of cash flow	127
3.3.2	Notes to the parent company financial statements	130
3.3.3	Five-year financial summary – Parent company financial statements	142
3.4	Proposed appropriation of net profit	143
3.5	Auditors' reports	145
3.5.1	Report on the consolidated financial statements	145
3.5.2	Report on the parent company financial statements.....	146

Foreword

In order to reflect the true economic performance of the Group and enable this performance to be monitored and compared with that of competitors, SAFRAN prepares, in addition to its statutory consolidated financial statements, an income statement and cash flow statement presenting adjusted data.

Readers are reminded that 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 statutory consolidated financial statements;
- records, as from July 1, 2005, all fair value gains and losses on currency derivatives in Financial income (loss), in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting (see Accounting policies, Note 3.1.3.3.9, Financial Assets).

As such, the financial information extracted from the SAFRAN group statutory consolidated financial statements has been adjusted for:

- the accounting impact of charges to amortization on intangible assets relating to aircraft programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3, in order to cancel the one-off impact of the creation of SAFRAN group,
- the accounting impact of application of hedge accounting to currency financial instruments, in order to better reflect the result of the overall foreign currency risk management policy of the Group.

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

	Statutory consolidated statements	Hedge accounting		intangible assets depreciation and amortisation (3)	Adjusted consolidated statements
		remeasurement of the revenue (1)	deferred hedge gain (loss) (2)		
December 31, 2008 <i>(in € millions)</i>					
Revenue	10,281	48	-	-	10,329
Other operating income / expense	(9,678)	1	(15)	161	(9,531)
Profit (loss) from operations	603	49	(15)	161	798
Net finance costs / income	(716)	(49)	562	-	(203)
Income from associates	10	-	-	-	10
Income tax expense	142	-	(188)	(55)	(101)
Profit (loss) from continuing operations	39	-	359	106	504
Profit (loss) from discontinued operations	(233)	-	-	-	(233)
Minority interests	(11)	-	(1)	(3)	(15)
Parents	(205)	-	358	103	256

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

(2) Gains and losses on hedges allocated to future cash flows (€545 million before tax), deferred in equity and impact of the inclusion of hedges in the valuation of provisions for losses to completion for €17 million.

(3) Cancellation of amortisation/impairment of intangible assets relating to the remeasurement of aircraft programs pursuant to application of IFRS 3 as of April 1, 2005.

The reader is reminded that only the consolidated financial statements are audited by the Group's statutory auditors and that adjusted financial data is verified with respect to an overall reading of the information that will be provided in the 2008 Reference Document.

In accordance with Article 28 of EC Regulations no. 809/2004, the following information is included by reference in this reference document:

- the statutory consolidated financial statements for the year ended December 31, 2006 and the corresponding audit report presented on Chapter 20.4.1 of the 2006 Reference Document filed with the AMF on April 27, 2007 under the number D.07-0401; these financial statements were prepared in accordance with IFRS as adopted by the European Union.
- the statutory consolidated financial statements for the year ended December 31, 2007 and the corresponding audit report presented on Chapter 20.5.1 of the 2007 Reference Document filed with the AMF on April 25, 2008 under the number D.08-0299; these financial statements were prepared in accordance with IFRS as adopted by the European Union.

3.1 STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

SAFRAN S.A. (2, Bd du Général Martial Valin - 75724 Paris cedex 15) is a limited liability company incorporated in France, and permanently listed in Compartment A of the Euronext Paris Eurolist market.

The Supervisory Board meeting of February 17, 2009 authorised the publication of the SAFRAN consolidated financial statements for the period from January 1 to December 31, 2008.

Communication sector businesses are classified in discontinued operations:

- the Broadband business was sold to The Gores Group in January 2008.
- the following decisions were taken in July 2008, with respect to the divestment of the Mobile Phones business:
 - sale of the ODM (Original Developer Manufacturer) business to Sofinnova Group, finalised in December 2008;
 - refocus of Fougères activities on the production of equipment and notably electronic equipment;
 - progressive reclassification of teams.

The Income statement and notes thereto were therefore adjusted for the impact of these classifications as of December 31, 2008 and as of December 31, 2007 for comparative purposes.

The Statement of cash flow for fiscal year 2008 was also adjusted for these classifications. The Statement of cash flow for fiscal year 2007 could not however be adjusted, as the necessary information concerning the Mobile Phones business was not available.

3.1.1 CONSOLIDATED FINANCIAL STATEMENTS

3.1.1.1 CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	<i>Notes</i>	Dec. 31, 2007	Dec. 31, 2008
Revenue	3.1.6.1.1	9,714	10,281
Other income	3.1.6.1.2	66	127
Income from operations		9,780	10,408
Change in inventories of finished goods and work in progress		316	276
Capitalised production		277	298
Raw materials and consumables used	3.1.6.1.3	(6,098)	(6,475)
Personnel costs	3.1.6.1.4	(3,032)	(3,133)
Taxes		(207)	(221)
Depreciation, amortisation and increase in provisions net of use	3.1.6.1.5	(718)	(595)
Assets impairment	3.1.6.1.6	(178)	(40)
Other income / operating expenses	3.1.6.1.7	(11)	85
Profit (loss) from operations		129	603
Cost of net debt		(10)	(19)
Other finance costs / income		44	(697)
Financial income (loss)	3.1.6.2	34	(716)
Income from associates	3.1.6.10	4	10
Profit (loss) before tax		167	(103)
Income tax (expense) / income	3.1.6.3	(25)	142
Net profit (loss) from continuing operations		142	39
Profit (loss) from discontinued operations	3.1.6.15	(96)	(233)
Profit (loss) for the period		46	(194)
Minority interests		(7)	(11)
Net profit (loss) attributable to equity holders of the parent		39	(205)
Earnings per share (in euro)	3.1.6.4	0.09	(0.51)
Diluted earnings per share (in euro)	3.1.6.4	0.09	(0.51)

3.1.1.2 CONSOLIDATED BALANCE SHEET

ASSETS <i>(in € millions)</i>	<i>Notes</i>	Dec. 31, 2007	Dec. 31, 2008
Goodwill	3.1.6.6	1,561	1,756
Intangible assets	3.1.6.7	2,981	3,112
Property, plant and equipment	3.1.6.8	1,847	2,107
Non-current financial assets	3.1.6.9	286	203
Investments in associates	3.1.6.10	34	244
Deferred tax assets	3.1.6.3.3	158	295
Other non-current assets	3.1.6.11	10	9
Non-current assets		6,877	7,726
Current financial assets	3.1.6.12	107	108
Fair value of financial instruments and derivatives	3.1.6.18	126	138
Inventories and work-in progress	3.1.6.13	3,420	3,673
Trade and other receivables	3.1.6.14	3,926	3,881
Tax assets	3.1.6.3	27	127
Other current assets	3.1.6.16	183	203
Cash and cash equivalents	3.1.6.17	730	919
Current assets		8,519	9,049
Assets held for sale	3.1.6.15	779	61
Total assets		16,175	16,836
LIABILITIES <i>(in € millions)</i>	<i>Notes</i>	Dec. 31, 2007	Dec. 31, 2008
Share capital	3.1.6.19.1	83	83
Consolidated retained earnings	3.1.6.19.3	4,189	3,902
Interim dividends	3.1.6.19.3	-	(32)
Net unrealized gains on available-for-sale financial assets		27	(15)
Profit (loss) for the period		39	(205)
Equity attributable to equity holders of the parent		4,338	3,733
Minority interests		167	141
Shareholder's equity		4,505	3,874
Provisions	3.1.6.20	1,052	1,078
Borrowings subject to specific conditions	3.1.6.21	590	698
Interest bearing non current liabilities	3.1.6.22	397	418
Deferred tax liabilities	3.1.6.3	745	618
Other non-current liabilities	3.1.6.24	96	139
Non-current liabilities		2,880	2,951
Provisions	3.1.6.20	1,133	1,278
Interest bearing current liabilities	3.1.6.22	502	1,136
Trade and other payables	3.1.6.23	6,517	6,786
Tax liabilities	3.1.6.3	43	39
Fair value of financial instruments and derivatives	3.1.6.25	4	577
Other current liabilities	3.1.6.24	139	156
Current liabilities		8,338	9,972
Liabilities held for sale	3.1.6.15	452	39
Total liabilities		16,175	16,836

3.1.1.3 STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital issued	Share capital reserves	Treasury shares	Hedging reserves	Translation adjustments	Consolidated retained earnings	Net profit (loss) for the year	Other	Equity attributable to holders of the parent	Minority interests	Share capital issued
<i>(in € millions)</i>											
December 31, 2006	83	3,360	(120)	(76)	(8)	1,064	9	27	4,339	173	4,512
Translation adjustments					(49)				(49)	(1)	(50)
Fair value adjustment to cash-flow hedging derivatives, net of tax				76					76		76
Fair value adjustment to available-for-sale securities, net of tax											
Profit (loss) recognised in equity				76	(49)				27	(1)	26
Net profit (loss) for the period							39		39	7	46
Net (loss) profit booked for the year				76	(49)		39		66	6	72
Capital increase			18						18	1	19
Dividends						(81)	(9)		(90)	(6)	(96)
Other movements			1			4			5	(7)	(2)
December 31, 2007	83	3,360	(101)		(57)	987	39	27	4,338	167	4,505
Translation adjustments					(12)				(12)		(12)
Fair value adjustment to cash-flow hedging derivatives, net of tax											
Fair value adjustment to available-for-sale securities, net of tax								(42)	(42)		(42)
Profit (loss) recognised in equity					(12)			(42)	(54)		(54)
Net profit (loss) for the period							(205)		(205)	11	(194)
Net (loss) profit recognised for the year					(12)		(205)	(42)	(259)	11	(248)
Capital increase			(151)						(151)		(151)
Dividends						(165)			(165)	(5)	(170)
Interim dividends						(32)			(32)		(32)
Other movements						41	(39)		2	(32)	(30)
December 31, 2008	83	3,360	(252)		(69)	831	(205)	(15)	3,733	141	3,874

3.1.1.4 CONSOLIDATED STATEMENT OF CASH FLOW (SEE NOTE 3.1.7)

<i>(in € millions)</i>	Dec. 31, 2007 (*)	Dec. 31, 2008
I. Cash flows from operating activities		
Consolidated profit (loss) before tax	69	(374)
Tax paid	(212)	(257)
Income from associates (net of dividends received and of dividends from discontinued operations)	4	(4)
Accumulated depreciation and amortisation	513	540
Assets impairment	210	(10)
Provisions	178	160
Fair value of financial instruments and derivatives	368	546
Foreign exchange losses	-	3
Capital gains on asset disposals	7	(127)
Investment subsidies recognised in P&L	(3)	(2)
Accrued interest	4	6
Others items	22	25
Elimination of income before tax from discontinued operations	(35)	308
Intercompany income from discontinued operations	(1)	-
Minority interests	7	11
Non cash income and expenses	1,270	1,460
Cash flow from operations, before changes in working capital	1,131	825
Change in inventories and work-in-progress	(421)	(337)
Change in operating receivables and payables	318	228
Change in other receivables and payables	(10)	18
Intercompany change in working capital from discontinued operations	(5)	(14)
Changes in working capital	(118)	(105)
TOTAL I	1,013	720
II. Cash flows from investing activities		
Payments for the purchase of intangible assets, net of proceeds	(252)	(230)
Payments ofr the purchase of tangible assets, net of proceeds	(387)	(441)
Proceeds from the sale / payment for the acquisition of investments	(68)	(221)
Proceeds from the sale / payment for the acquisition of financial assets	(26)	109
Other movements	-	-
Intercompany investing activities from discontinued operations	(1)	(5)
TOTAL II	(734)	(788)
III. Cash flows from financing activities		
Change in share capital	19	-
Acquisitions or disposals of treasury shares	-	(151)
Repayments of borrowings and long-term debt	(86)	(93)
Repayment of repayable advances	(57)	(31)
Issuance of new loans	24	136
Repayable advances received	41	112
Change in short term borrowings	(97)	465
Intercompany investing activities from discontinued operations	(64)	133
Dividends paid to equity holders of the parent	(90)	(197)
Dividends paid to minority interests	(6)	(5)
TOTAL III	(316)	369
Operating cash flows from discontinued operations	TOTAL IV	95
Investing cash flows from discontinued operations	TOTAL V	(7)
Financing cash flows from discontinued operations	TOTAL VI	1
VII. Effect of changes in foreign exchange rates	TOTAL VII	(2)
Increase/(Decrease) in cash and cash equivalents	I+II+III+IV+V+VI+VII	24
Cash and cash equivalents - opening balance	743	730
Cash and cash equivalents at year end	730	919
Change in cash and cash equivalents	(13)	189
Cash and cash equivalents of discontinued operations and assets held for sale, at year end	37	11
Increase/(Decrease) in cash and cash equivalents	24	200
of which change in cash and cash equivalents from continuing operations	34	185
of which change in cash and cash equivalents from discontinued operations	(8)	15
of which change in cash and cash equivalents from assets held for sales	(2)	-

(*) not restated for the Mobile Phones business held for sale

3.1.2 SEGMENT INFORMATION

The Group's operations are organized and managed according to the nature of the goods and services rendered, each sector corresponding to an independent branch representing an area of activity distinguished by its products and markets. Inter-branch sales are performed on an arm's length basis.

3.1.2.1 BUSINESS SEGMENTS

3.1.2.1.1 Aerospace Propulsion branch

Within the Aerospace Propulsion branch, 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 branch also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

3.1.2.1.2 Aircraft Equipment branch

The Group also specializes in mechanical, hydro mechanical 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. The branch also includes MRO activities and the sale of spare parts.

3.1.2.1.3 Defense Security branch

Within the Defense Security branch, the Group designs, develops, produces and markets Aircraft and Navigation systems (avionics, navigation instruments, etc), Optronic and Air-Land systems and Security systems (secure payment terminals, bankcards, identification and biometrics).

3.1.2.1.4 Communication branch

This entire branch was reclassified within discontinued operations as of December 31, 2008 and also as of December 31, 2007 for comparative purposes.

3.1.2.2 SEGMENT INFORMATION BY BRANCH

As of December 31, 2007

<i>(in € millions)</i>	Aerospace propulsion branch	Aircraft equipment branch	Defense Security	Communication	Total branches	Holding/ Inter-branch eliminations	Dec. 31, 2007
External revenue	5,553	2,561	1,594	-	9,708	6	9,714
Inter-branch revenue	23	466	69	-	558	(558)	-
Total revenue	5,576	3,027	1,663	-	10,266	(552)	9,714
Other branch income	277	299	85	-	661	(2)	659
Branch expenses	(5,117)	(3,141)	(1,602)	-	(9,860)	523	(9,337)
Depreciation, amortisation and increase in provisions net of use	(454)	(183)	(73)	-	(710)	(8)	(718)
Assets impairment	(166)	(30)	18	-	(178)	-	(178)
Other items	19	(19)	(18)	-	(18)	7	(11)
Profit (loss) from operations	135	(47)	73	-	161	(32)	129
Financial income (loss)							34
Income from associates							4
Income tax income							(25)
Profit from discontinued operations				(96)	(96)		(96)
Minority interests							(7)
Net profit (loss) attributable to equity holders of the parent							39
Branch assets *	7,713	4,249	1,703	408	14,073	88	14,161
Non-current financial assets							286
Investments in associates		17			17	17	34
Tax receivables							185
Assets held for sale	24		83	672	779		779
Cash and cash equivalents							730
Total assets							16,175
Shareholders' equity							4,338
Minority interests							167
Branch liabilities	6,606	2,065	1,226	311	10,208	(1,267)	8,941
Borrowings subject to specific conditions							1,489
Tax payables							788
Liabilities held for sale	12		28	412	452		452
Total liabilities							16,175
Purchase of intangible assets	101	142	7	-	250	2	252
Purchase of tangible assets	195	128	57	2	382	5	387

*: of which € 126 millions in financial instruments

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2008

<i>(in € millions)</i>	Aerospace propulsion branch	Aircraft equipment branch	Defense Security	Communication	Total branches	Holding/ Inter-branch eliminations	Dec. 31, 2007
External revenue	5,764	2,848	1,645	-	10,257	24	10,281
Inter-branch revenue	23	447	9	-	479	(479)	-
Total revenue	5,787	3,295	1,654	-	10,736	(455)	10,281
Other branch income	287	312	105	-	704	(3)	701
Branch expenses	(5,252)	(3,353)	(1,640)	-	(10,245)	416	(9,829)
Depreciation, amortisation and increase in provisions net of use	(359)	(181)	(41)	-	(581)	(14)	(595)
Assets impairment	(7)	(31)	(3)	-	(41)	1-	(40)
Other items	(41)	(9)	143	-	93	(8)	85
Profit (loss) from operations	415	33	218 **	-	666	(63)	603
Financial income (loss)							(716)
Income from associates							10
Income tax income							142
Profit from discontinued operations				(233)	(233)		(233)
Minority interests							(11)
Net profit (loss) attributable to equity holders of the parent							(205)
Branch assets *	8,045	4,518	2,136	130	14,829	158	14,987
Non-current financial assets							203
Investments in associates		21	205		226	18	244
Tax receivables							422
Assets held for sale				61	61		61
Cash and cash equivalents							919
Total assets							16,836
Shareholders' equity							3,733
Minority interests							141
Branch liabilities	6,804	2,173	1,342	177	10,496	(482)	10,014
Borrowings subject to specific conditions							2 252
Tax payables							657
Liabilities held for sale				39	39		39
Total liabilities							16,836
Purchase of intangible assets	88	115	26		229	1	230
Purchase of tangible assets	238	126	69		433	8	441

* : of which € 138 million in financial instruments asset and € 577 million in financial instruments liability

** including a capital gain of € 146 million on the transfer of the payment terminal activities to Ingenico

3.1.2.3 SEGMENT INFORMATION BY GEOGRAPHICAL SEGMENT

The Group's customers are primarily based in four geographical segments.

<i>(in € millions)</i>	Dec. 31, 2007		Dec. 31, 2008	
	Amount	%	Amount	%
France	2,559	26%	3,004	29%
Europe (excluding France)	1,986	21%	2,341	23%
North America	3,113	32%	2,917	29%
Asia	951	10%	958	9%
Rest of the world	1,105	11%	1,061	10%
Total	9,714	100%	10,281	100%

The carrying amounts of segment assets and additions to intangible assets and property, plant and equipment by geographical area are as follows:

<i>(in € millions)</i>	Branch assets				Purchase of intangible assets and PP&E			
	Dec. 31, 2007		Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2008	
	Amount	%	Amount	%	Amount	%	Amount	%
France	12,415	88%	12,606	84%	414	65%	420	63%
Europe (excluding France)	1,583	11%	2,097	14%	141	22%	143	21%
North America	611	5%	785	5%	73	11%	90	14%
Asia	58	-	113	1%	4	1%	8	1%
Rest of the world	193	1%	272	2%	7	1%	10	1%
Inter-area eliminations	(699)	(5%)	(886)	(6%)	-	-	-	-
Total	14,161	100%	14,987	100%	639	100%	671	100%

3.1.3 ACCOUNTING POLICIES

The consolidated financial statements are drawn up in euros and all values are rounded to the nearest million unless expressly mentioned otherwise.

3.1.3.1 ACCOUNTING FRAMEWORK FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of SAFRAN and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and are the result of the application of all standards and interpretations adopted by the European Union and subject to mandatory application as of December 31, 2008.

3.1.3.1.1 Changes in the IFRS standards in 2008

- a) Standards subject to mandatory adoption as of January 1, 2008:
 - o No new standards come into mandatory effect as of January 1, 2008
 - o The amendments to IFRS 7 and IAS 39 concerning the reclassification of financial assets, adopted by the European Union on October 15, 2008, have no impact on the financial statements of the Group.
- b) IFRIC interpretations:
 - o IFRIC 11, *Group and Treasury Share Transactions*, IFRIC 12¹, *Service Concession Arrangements*, and IFRIC 14^{2 3}, *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, have no impact on the transactions of the Group.
 - o IFRIC 13^{2 3}, *Customer Loyalty Programmes*, of mandatory application since July 1, 2008, has no impact on the financial statements of the Group.
- c) IFRS standards and IFRIC interpretations subject to early adoption in 2008:
 - o The SAFRAN group did not opt for early adoption of IAS 23² revised, *Borrowing Costs*, IAS 1² revised, *Presentation of Financial Statements* or IFRS 8, *Operating segments*.
 - IFRS 8 will be applied in the preparation of the financial statements for the fiscal year commencing January 1, 2009 and in the preparation of the June 30, 2009 interim financial statements. Application of this

¹ This text had not been adopted by the European Commission at the end of 2008.

² Adopted by the European Commission in December 2008.

³ Application optional in fiscal year 2008

standard will impact solely on the presentation of segment reporting (separate presentation of the Security segment and new aggregate balances) and does not call into question the scope of CGUs; no additional impairments are, therefore, expected.

- IAS 1 revised² amends the presentation of the financial statements and primarily the statement of changes in shareholders' equity, presenting changes in shareholders' equity not arising from transactions with shareholders separately (two statements separate from the Income statement presenting comprehensive income and other comprehensive income (OCI) are proposed).
- The application of IAS 23 in 2009, concerning the suppression of the option to expense borrowing costs attributable to the acquisition, construction or production of assets, will not have a material impact on the consolidated financial statements of the Group.
- o The amendment to IFRS 2², Share-based Payment – Vesting Conditions and Cancellations, will not have a material impact on the financial statements.

3.1.3.1.2 Accounting options and treatments adopted by Management

Management choices regarding accounting methods involve the accounting options offered by IFRS, and the accounting treatments adopted in the absence of specific provisions in the IFRS standards and interpretations.

The main options adopted by the Group are as follows:

- The Group has determined that its transactions involving foreign currency financial instruments are not covered by hedge accounting (see "Valuation methods and rules – financial assets").
- The Group's intangible assets and property, plant and equipment are valued at amortised or depreciated historical cost and are subject to impairment tests, at least annually, based on future cash flows estimated at the closing date (see "Valuation methods and rules – intangible assets and property, plant and equipment").
- Actuarial differences arising after January 1, 2004 are treated using the corridor method (see "Valuation methods and rules – retirement commitments"), the Group having decided against the option introduced by the amendment to IAS 19.
- Group interests in joint ventures are recognised using the proportionate consolidation method (see "Consolidation methods – consolidation criteria").

The main options having a material impact, elected by the SAFRAN group on first-time adoption of IFRS as of January 1, 2004, concern the following:

- Business combinations prior to January 1, 2004 were not restated according to IFRS 3, Business combinations;
- All actuarial gains and losses on retirement commitments and other post-employment commitments previously unrecognised as of January 1, 2004 were recognised in equity as of this date;
- Accumulated translation differences relating to all foreign operations were offset in consolidated reserves as of January 1, 2004. Gains or losses on the future sale of a foreign entity will not take into account translation differences prior to January 1, 2004;
- The option consisting in valuing certain items of intangible assets and property, plant and equipment at their fair value was not adopted as of January 1, 2004;
- 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, for which the rights had not yet vested as of January 1, 2004;
- The SAFRAN group decided to apply IAS 32 and IAS 39 as of January 1, 2005.

3.1.3.1.3 Assumptions and estimates

The preparation of SAFRAN group consolidated financial statements requires Management to make assumptions and estimates which impact the amounts presented for existing assets and liabilities in the consolidated balance sheet, income and expense items in the consolidated income statement, and disclosures in the notes to the consolidated financial statements.

The Group formulates assumptions and, on this basis, regularly prepares estimates relating to its various activities. These estimates are based on past experience and include the economic conditions prevailing at the period-end and the information then available.

With respect to ongoing programs and contracts, estimates specifically cover:

- the conditions required for revenue recognition (see “Valuation methods and rules – Income from operations”);
- the assessment of and the conditions for recognition of the overall margin on completion of multi-year service contracts, and the recognition of any losses to completion (see “Valuation methods and rules – Income from operations”) and the assessment of losses in the order book for aircraft programs;
- the conditions for capitalizing development expenditures (see “Valuation methods and rules – intangible assets”)
- the valuation of provisions for contingencies and losses relating to performance warranties issued and financial guarantees granted as part of sales (see “Valuation methods and rules – Provisions for contingencies and losses”),
- the impairment of inventories and work-in-progress, and operating receivables (see “Valuation methods and rules - financial assets and inventories and work-in-progress”),
- the estimate of future cash flows as part of impairment tests for goodwill recorded in the balance sheet and capitalised assets (see “Valuation methods and rules – impairment of non-current assets”), and the valuation of liabilities recorded in respect of repayable advances (see “Valuation methods and rules – financial liabilities”).

The estimates relating to programs and contracts cover periods that are sometimes very long, up to dozens of years, and are primarily subject to assumptions covering volumes and selling prices of products sold and 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.

In addition, estimates also cover:

- the value of non-listed equity investments held for sale (see “Valuation methods and rules – financial assets”) and financial instruments recorded at fair value on the Group balance sheet (see “Valuation methods and rules – financial assets”)
- retirement and other post-employment commitments (see “Valuation methods and rules –retirement commitments”)
- the amounts of deferred taxes recorded in the balance sheet (see “Valuation methods and rules – income tax expense”),
- provisions for disputes and litigation and valuations of contingent liabilities presented in the notes (see “Valuation methods and rules – provisions for contingencies and losses”)

Actual results may significantly differ from these estimates and these variances may impact the financial statements of future periods.

3.1.3.2 CONSOLIDATION METHODS

3.1.3.2.1 Consolidation methods

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

Entities controlled jointly by SAFRAN and another Group are proportionately consolidated.

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

All entities controlled, directly or indirectly, jointly or exclusively, by SAFRAN or over which SAFRAN exercises significant influence, and whose contribution to revenue or net indebtedness or workforce or operating assets represent a material share of the consolidated amounts, are consolidated.

Minority interests represent the portion of net profit and net assets not held by equity holders of the parent and are presented separately from the equity holders' portion in the income statement and in shareholders' equity.

3.1.3.2.2 Accounting period

Entities are consolidated using financial statements or balance sheets for the period ended December 31, 2008.

3.1.3.2.3 Effective date of acquisitions and disposals

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

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

3.1.3.2.4 Translation methods

a) Translation of foreign company financial statements

The financial statements of foreign subsidiaries are translated into euros as follows:

- Assets and liabilities are translated at the year-end closing exchange rate and income statement items are translated at the average rate of exchange for the year;
- Translation differences resulting from the change between the closing rate of exchange of the previous year and that of the current year, as well as those resulting from differences between the average and closing rates of exchange are recorded as translation differences in consolidated equity.

On disposal of a foreign operation, the cumulative amount of exchange rate differences is recognised in the income statement as a component of the gain or loss on disposal.

The goodwill arising from the acquisition of a foreign operation is treated as an asset of the foreign operation and recognised at the closing rate of exchange.

b) Translation of foreign currency transactions in the financial statements of the companies

Transactions denominated in currencies other than the euro are recorded at the rate prevailing on the transaction date.

At the year-end, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Foreign exchange gains and losses arising from this translation are recognised in the year's income or expenses under Financial income (loss).

3.1.3.2.5 Discontinued operations and assets (or disposal group) held for sale

The SAFRAN group separates the information relating to continuing operations from that relating to discontinued operations and assets held for sale:

- A discontinued operation is the disposal of a line of business or a subsidiary acquired with a view to resale.
- An asset (or disposal group) held for sale is a separate non-current asset or disposal group of assets and liabilities available for immediate sale.

Discontinued operations or assets (or disposal group) held for sale are classified as such on the date these assets are available for immediate sale in their present condition and their sale is highly probable.

The assets and liabilities of discontinued operations and assets (or disposal group) held for sale are valued at the lower of their net carrying amount and the projected sale price less costs to sell.

Discontinued operations are presented:

- in a specific income statement line item "Profit (loss) from discontinued operations," including the gain or loss on disposal when acquired. The prior year income statement is also restated.
- in a specific balance sheet asset and liability line item for discontinuing operations;
- in specific cash flow statement line items with the prior year also restated.

Assets (or disposal group) held for sale are presented:

- in the income statement under various headings of "Profit (loss) from continuing operations";
- in a specific balance sheet line item of assets and liabilities held for sale.
- in the statement of cash flow under various headings of cash flows from continuing operations.

3.1.3.2.6 Intra-group transactions

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

Whether or not they have an impact on consolidated net profit, transactions between fully and proportionately consolidated companies are eliminated to the extent of the percentage held in the jointly controlled company. As an exception to this general rule, transactions between fully and proportionately consolidated companies are eliminated in their entirety when the jointly held company acts as an intermediary or renders balanced services for the benefit of or as a direct extension of the businesses of its various shareholders.

3.1.3.3 VALUATION METHODS AND RULES

3.1.3.3.1 Valuation methods

Pursuant to IFRS, the SAFRAN group uses the following types of valuation:

- **Fair value** is determined based on:
 - Valuations or observable market data, when available: listed securities, market instruments, listed shares issued by the Group
 - Analyses of discounted forecast cash flows or actuarial calculations performed internally or by independent experts: values of programs, assets and liabilities acquired as part of a business combination (excess earnings and royalties methods), goodwill, retirement commitments.
 - The Black & Scholes valuation model for the valuation of option plans; the model uses the characteristics of options and observable market data (interest rates, shares, volatility, dividends).
- **The acquisition cost or production cost** which corresponds to the cumulative costs incurred by the Group to acquire or produce the assets concerned. This specifically applies to the determination of the gross value of intangible assets and property, plant and equipment and inventories acquired or produced by the Group.
- **Amortised cost:** Amortised cost is the acquisition value of a financial asset or liability, minus internal and external transaction costs and changes in future cash flows calculated using the effective interest rate method. The effective interest rate corresponds to the contractual interest rate recalculated to include initial transaction costs. Amortised cost therefore results from the discounting of future cash flows at the effective interest rate. This valuation method applies specifically to borrowings subject to specific conditions, and loans and borrowings.

3.1.3.3.2 Income from operations

The main types of contract identified in the SAFRAN group are standard product sales contracts, research and development contracts and fleet maintenance/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.

a) Standard sales contracts

Revenue is only recognised 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 the receivable known upon origination of the contract cannot be collected, no revenue is recognised. The latter is recognised when the conditions are met.

b) Service contracts (including research and development, fleet maintenance and support contracts)

Under service contracts, revenue may only be recognised if:

- the stage of completion of the transaction can be measured reliably, and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

If contract income cannot be measured reliably, revenue is recognised for the amount of costs incurred.

The forecast margins of contracts are analyzed on a yearly basis (with a briefer update for the half-yearly closings). Where necessary, losses to completion of contracts are provided for as soon as they become foreseeable.

The income from Group service contracts is recorded under the percentage of completion method, formalized by the technical objectives set forth in the contracts.

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

3.1.3.3.3 Income tax expense

The tax expense (tax income) is the aggregate amount of (i) current tax and (ii) deferred tax recorded in the income statement.

- Current tax is the amount of income tax payable or recoverable for a period calculated in accordance with rules established by the relevant tax authorities. The tax expense is recognised in profit or loss unless it relates to items recognised directly in equity, in which case the tax expense is also recognised directly in equity.
- Deferred tax assets and liabilities are calculated for each entity, in respect of temporary differences 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 recognised 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 each year-end.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when tax is debited by the same tax authorities and this offset is authorized by the local tax authorities.

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

Research tax credits are considered as operating subsidies recognised as income over the period the related research and development costs are incurred. As such, they are classified under the heading "other income" in the income statement, and not as a decrease in the income tax expense.

3.1.3.3.4 Procedure for calculating earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares, and is adjusted retroactively in the event of bonus share issues.

b) Diluted earnings per share

Earnings per share after dilution is calculated by dividing consolidated net profit attributable to equity holders of the parent by the weighted average number of shares issued or to be issued at the period-end, including the impact of all potentially dilutive ordinary shares and the dilutive impact of stock options and excluding treasury shares.

3.1.3.3.5 Goodwill and business combinations

Business combinations are recorded using the purchase method (IFRS 3). Identifiable assets acquired and liabilities and contingent liabilities assumed, which meet the recognition criteria of IFRS 3, are recorded at fair value, determined at the acquisition date. The difference between the acquisition cost of securities (including costs directly attributable to the acquisition, net of tax) and the share in the revalued net assets represents goodwill.

When generated by the acquisition of fully or proportionately consolidated companies, positive goodwill is carried in balance sheet assets under the heading "Goodwill," while negative goodwill is recorded immediately in profit or loss. However, goodwill generated by equity-accounted companies is recorded in the line item "Investments in associates."

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

Goodwill is not amortised, but its value is subject to impairment testing at least annually and each time there are events or circumstances indicating an impairment loss (see "Valuation method and rules – impairment of non-current assets"). Where necessary, a permanent impairment is recognised in Profit (loss) from operations.

3.1.3.3.6 Intangible assets

a) Intangible assets acquired in a business combination

These assets are recognised at fair value at the date of acquisition and are amortised:

- for aircraft programs (integrating the concepts of technology, order books and customer relations), over the residual life of the programs;
- for other programs, over their useful life of between 2 and 10 years,
- for other aircraft brand names with a finite life, on a straight-line basis over 20 years.

The fair value of these assets is determined in accordance with the procedure detailed in Note 3.1.3.3.1.

General interest brand names are not amortised, their useful life being indefinite.

b) Separately acquired intangible assets

Separately acquired intangible assets, mainly software, are recognised at acquisition cost and amortised using the straight-line method over their useful life of between 1 and 5 years.

c) Research and development expenditure

Research and development expenditure is recognised as an expense as incurred. However, internally financed development expenditures are capitalised, 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 of future economic benefits;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

For the aircraft and defense sectors, the program’s development phase is evidenced by:

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

If the product is intended for the general public (e.g. in the telephone sector), the date for the start of development is, depending on the market, set in specific meetings by the formalization of the intention to complete the product while considering, in particular, the technical feasibility and the probable profitability of the major projects.

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 recognised in “Inventories and work-in-progress”.

Capitalised development expenditures are stated at production cost and include contributions, such as certification costs, attributable to the development period if SAFRAN can demonstrate the existence of identified economic benefits and its control.

Capitalised expenditure is amortised as from the initial delivery of the product qualified as being in working order, using the straight-line method, over a useful life not exceeding 20 years.

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

Intangible assets are subject to impairment testing in accordance with the procedure detailed in Note 3.1.3.3.8.

3.1.3.3.7 Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical (including incidental expenses) or production cost (excluding interest expense) less accumulated depreciation and impairment losses.

Replacement and major overhaul costs are identified as components of property, plant and equipment. Other repair and maintenance costs are expensed during the period.

With regard to finance leases, at the inception of the lease, the capitalised asset and the borrowing are stated at amounts equal to the market value or, if lower, the present value of the minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the amortisation 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.

With respect to finance leases, if the transfer of ownership at the end of the lease is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the items of property, plant and equipment are depreciated over the shorter of useful life or the term of the lease.

The main useful lives applied are as follows:

Buildings	15 - 40 years
Capitalised engines	
- Frames	20 years
- Major overhauls	according to the number of hours of flight
Technical facilities	4 - 40 years
Equipment, tooling and other	3 – 15 years

Property, plant and equipment are subject to impairment testing in accordance with the procedure detailed in Note 3.1.3.3.8.

3.1.3.3.8 Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in business combinations, are allocated to Cash-Generating Units (CGU)¹. Two types of CGU are defined within the Group:

- CGU corresponding to programs, projects, or product families associated with specific assets: development expenditures, property, plant and equipment used in production.
- CGU corresponding to the business segments monitored by Group Management and relating to the Group's main subsidiaries.

At each balance sheet date, the Group's entities assess whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances include, in particular, unfavorable material 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 (mid-term plan, profitability analyses, market shares, order book, regulations, disputes and litigation, etc.).

If such events or circumstances exist, the recoverable amount of the asset is estimated. If the carrying amount exceeds its recoverable amount, the asset is considered as impaired and its carrying amount is reduced to its recoverable amount by recognising an impairment loss under operating expenses in profit or loss.

The recoverable amount of an asset or group of assets is the higher of its selling price less costs to sell and its value in use. Value in use is the present value of expected future cash flows, determined using a benchmark rate that reflects the weighted average cost of capital.

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

- (i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long time frame better reflects the characteristics of the Group's operating cycles (aircraft and defense), defined by assets with long useful lives and slow product development.
- (ii) goodwill in subsidiaries: expected future cash flows are determined using the mid-term plans established for the next four years and expected flows for years 5 to 10, discounted at the benchmark rate. The value in use of assets is the sum of the discounted present value of these flows and the terminal value, calculated based on standardised flows representing long-term activities and following years 5 to 10, taking accounting of a perpetual growth rate and the benchmark rate.

Should a test on a subsidiary's assets indicate an impairment loss, after verifying the recoverable amount of the assets considered separately, such impairment loss is initially allocated to goodwill and then to the assets of the CGU prorata to their carrying amount.

In the event of a significant loss in value, the impairment recognised in goodwill is definitive. For other assets, indications of impairment loss are analyzed at each subsequent period-end and, if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed to profit or loss.

3.1.3.3.9 Financial assets

a) Financial assets

The account headings related to financial assets comprise:

- In non-current financial assets: non-consolidated investments, loans to non-consolidated companies, sales-financing loans,
- In current financial assets: trade receivables, investment securities, purchased financial instruments or unrealised financial instrument gains and cash classified as current assets.

IAS 39 stipulates that financial assets are classified into four different categories based on management's purpose for holding them on the date of acquisition:

- "held-to-maturity investments": e.g. fixed-income securities, such as bonds, that the entity has the intention to hold to maturity;
- "loans and receivables": e.g. loans to equity investments, construction loans, other loans and receivables (including trade receivables),
- "financial assets at fair value through profit or loss" and financial assets held for trading: e.g. marketable securities and cash and cash equivalents;
- "assets held for sale": financial assets designated as such by Management or not classified in a financial asset category: e.g. non-consolidated investments.

¹ A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use, and that are largely independent of the cash inflows from other assets or groups of assets

Financial assets are initially recognised at fair value, and then measured:

- at amortised cost for “held-to-maturity investments” and “loans and receivables”; impairment tests are performed at each period-end
- at fair value for “financial assets at fair value through profit or loss” and “assets held for sale”. Changes in fair value are recognised:
 - in profit or loss for “financial assets at fair value through profit or loss”;
 - in equity for “assets held for sale.” The deferred gains and losses in equity are transferred to the income statement if the asset is sold or a permanent impairment is recognised.

In the event of an objective indication of impairment loss (particularly a significant and permanent reduction in the financial asset’s value), an impairment is recognised in profit or loss.

- For “assets held for sale”, an objective indication results from a significant drop in estimated future cash flows from these assets, major difficulties of the issuer, a substantial drop in the expected return or a durable and significant fall in the fair value of a listed financial assets,
- For “loans and receivables”, an objective indication results from Group knowledge of financial difficulties of the debtor (payment default, liquidation, etc.).

Financial assets are derecognised when:

- The contractual rights to receive cash flows from these assets have expired or been transferred;
- The Group has transferred substantially all the risks and rewards of ownership of these assets;
- The Group no longer controls the assets.

b) Financial instruments

The Group primarily uses financial derivatives to hedge its exposure to the foreign currency and interest rate risk arising from its operational, financial and investing activities. These derivatives can include forward currency contracts, currency options or swaps (the Group management policy is described in the note “Management of market risks and financial derivatives”).

Pursuant to IAS 39, Financial Instruments: recognition and measurement, derivatives are recorded on the balance sheet at their fair value on the trade date, the change in fair value being recorded in Financial income (loss), insofar as they do not meet the following conditions:

- there is designation and formal documentation describing the hedge accounting relationship and Management objectives,
- the effectiveness of the hedge accounting relationship is demonstrated from its inception and by regular verification of the correlation between the change in the market value of the hedging instrument and that of the hedged item.

Given the restrictions relating to the application of IFRS 3, the Group decided not to apply hedge accounting as of July 1, 2005, and to record the change in fair value of its financial instruments in Financial income (loss).

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

Since option sales are not recognised as effective hedging instruments, the changes in market value of these instruments are recognised in Financial income (loss).

c) Cash and cash equivalents

Cash and cash equivalents include available funds (cash in hand, bank accounts, etc.) and short-term investments (less than 3 months) that are liquid and easily convertible with a negligible risk of a change in value.

3.1.3.3.10 Inventories and work-in-progress

Inventories and work-in-progress are measured using the weighted average cost formula. They are valued at acquisition cost, including incidental expenses, or production cost, excluding interest expense, general administrative and distribution costs and idle capacity costs.

Impairment is recognised if the cost of inventories and work-in-progress is higher than their probable realizable value, taking into account market prices, the sales outlook and risks relating to obsolescence and objective inventory levels.

3.1.3.3.11 Treasury shares

All treasury shares held by the Group are deducted from consolidated shareholders’ equity at their acquisition price. The gains and losses on the disposal of treasury shares are recorded directly in equity without impacting net profit or loss for the period.

3.1.3.3.12 Share-based payments

In accordance with IFRS 2, Share-based payments, stock purchase or subscription options granted to managers and certain Group employees and bonus shares are measured at fair value. These instruments are measured at the grant date.

The Black & Scholes valuation model was adopted to perform the measurements (see “Valuation methods and rules – valuation methods”).

The total expense for each plan is determined using a rate of turnover for the relevant employees.

The value of the options is recognised in personnel costs and amortised using the straight-line method over the vesting period that begins on the grant date and ends on the vesting date.

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

3.1.3.3.13 Provisions for contingencies and losses

The Group records provisions when it recognises a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

a) Provisions for losses to completion

A provision for losses to completion is recognised when:

- it is highly probable that a contract will be onerous (the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it);
- the contract, signed before the year-end, generates obligations for the Group, in the form of the delivery of goods, the rendering of services or the payment of some form of compensation for termination,
- a reliable estimate can be made of the Group’s obligation.

Unavoidable costs provided represent the lower of the net cost of fulfilling the contract (i.e. the forecast loss on the contract) and the cost of failing to fulfill 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.

Any probable losses are subject to provisions for the impairment of work-in-progress for completed production, and contingency provisions for work to be completed. These losses are determined by regularly updating projected income at completion.

b) 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 whereby SAFRAN provides a guarantee to lending institutions that finance its customer;
- guarantees covering the value of assets, whereby SAFRAN grants the customer an option to return the aircraft at a given date for an agreed price.

These commitments, undertaken by SAFRAN together with General Electric, form part of financing packages proposed by aircraft manufacturers to airline companies. They correspond to the share related to engines in the financing of the aircraft.

These 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, the total gross amount of which does not reflect the net risk to which SAFRAN is effectively exposed, as the commitments are counter-guaranteed by the value of the underlying assets, in other words, the aircraft pledged.

The guarantees are subject to a provision for contingencies that takes into account events likely to generate a future outflow of resources for the Group.

c) Provisions for performance warranties

These provisions are recorded to cover the Group’s share of probable future expenses with respect to operation and performance warranties on deliveries of engines and equipment. They generally cover operations for a period of one to three years based on the type of equipment delivered and are calculated based on technical files or statistics, as the case may be, particularly with respect to the return of parts covered by a warranty.

3.1.3.3.14 Post-employment commitments

a) Retirement and similar commitments

Existing schemes covering retirement commitments and other long-term post-employee benefits are either defined benefit plans or defined contribution plans.

- (1) Defined contribution plans: contributions paid to the organizations discharge the employer of any future obligation and no commitments are recorded in respect of these plans.
- (ii) Defined benefit plans: SAFRAN group commitments with respect to retirement and similar compensation are provided for based on an actuarial valuation of rights vested and/or vesting for employees or retirees (for French companies) less the fair value measurement of the pension fund (plan assets) (for foreign companies).

Commitments are valued by independent actuaries using the projected unit credit method which determines, for each employee, the present value of benefits to which current and prior year service will grant entitlement on retirement. These actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial assumptions (discount rate, salary increase rate etc.). This valuation is performed at least once annually.

When plans are funded, assets are placed with organizations responsible for paying the retirement benefits in the relevant countries.

Provisions are recorded to cover shortfalls in the fair value of assets compared with the present value of commitments under incremental retirement plans and commitments abroad, taking account of cumulative actuarial gains and losses and past service costs not yet expensed to profit or loss.

If necessary, the impact of changes in actuarial assumptions may be spread over the expected average remaining working lives of employees in accordance with the corridor method.

An asset surplus is only recognised where it represents future economic benefits effectively available to the Group.

b) Other long-term benefits

Other long-term employee benefits mainly correspond to long-service awards, loyalty premiums or jubilee benefits.

3.1.3.3.15 Financial liabilities

The account headings relating to financial liabilities comprise:

- Borrowings subject to specific conditions;
- In non-current financial liabilities: borrowings, minority interest purchase commitments.
- In current financial liabilities: interest-bearing current financial liabilities, trade payables.

In accordance with IAS 39, the majority of financial liabilities are classified in "Other financial liabilities" and valued at amortised cost (borrowings, borrowings subject to specific conditions, and trade payables).

a) Borrowings subject to specific conditions;

The SAFRAN group has received public financing for the development of aircraft and defense projects, in the form of repayable advances. These advances are repaid based on revenues generated by future sales of engines or equipment. The amount to be repaid from each sale is determined in advance and is set forth in agreements (fixed amount for every engine or piece of equipment sold).

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

At inception, they are valued at the amount of cash received or, when acquired, at the value of probable future cash flows discounted at market terms at the date of acquisition. Subsequently, at each period-end, they are valued using the amortised cost method taking into account the most recent repayment estimates.

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

b) Borrowings

Borrowings and other financial liabilities are measured at amortised cost.

Interest costs are expensed in the year they are incurred.

c) Minority interest purchase commitments

The commitments undertaken by the Group to purchase minority interests in its subsidiaries are recognised in financial liabilities for the present value of the purchase, and offset against minority interests, in accordance with IAS 32. Where the value of the commitment exceeds the amount of minority interests, the Group recognises the difference in goodwill, in the absence of any IFRS guidance. Similarly, any subsequent change in present value is recognised in financial liabilities and offset against goodwill, except for the impact of reverse discounting which is recognised in other finance costs/income.

If, at the term of the commitment, the minority interests have not been purchased, the previously recognised entries are reversed. If the minority interests have been purchased, the amount recognised in financial liabilities is cleared by the disbursement for the purchase.

3.1.3.3.16 Investment subsidies

Investment subsidies are recognised in liabilities.

When the subsidy relates to an asset, the fair value is recognised in deferred income and transferred to profit or loss over the asset's expected useful life in constant annuities.

3.1.4 SCOPE OF CONSOLIDATION

3.1.4.1 CHANGES IN THE SCOPE OF CONSOLIDATION

3.1.4.1.1 Sale of the Electronic payment solutions business

The sale to Ingenico of the Electronic payment solutions business was finalised on March 14, 2008. This business concerns the companies Sagem Monetel and Sagem Denmark and their subsidiaries, presented in assets held for sale in the SAFRAN consolidated financial statements for the year ended December 31, 2007. This transaction was performed in consideration for Ingenico shares.

The capital gain, net of tax, realised on the sale of this business in 2008 was €143 million (€146 million recorded in other operating income / expenses and €3 million in Income tax expense); a net profit of €5 million was realised up to the date of other operating income / expenses sale (March 2008) and is recorded across all Profit from operations headings.

3.1.4.1.2 Consolidation du Groupe Ingenico

On completion of this transaction, SAFRAN group held 22.37% of the Ingenico Group, which is equity accounted since March 31, 2008 (see Note 3.1.6.11).

The transaction consideration consisted of Ingenico shares, valued at the effective date of sale and amounted to €205 million. The net carrying amount of SAFRAN's share in the shareholders' equity of Ingenico as of March 31, 2008 is €110 million.

Pursuant to IFRS 3, assets, liabilities and contingent liabilities were recognised at fair value. The "excess earnings" and "royalties" methods were used to value certain assets.

The "excess earnings" method consists of discounting forecast operating margins attributable to an intangible asset, net of the capital charge on support assets (corresponding to the required return on working capital, intangible assets and property, plant and equipment, including human capital used in operating the intangible asset valued).

The "royalties" method consists in estimating the financial flows attributable to the technology used, by reference to royalty levels required for the use of comparable technologies.

Valuations concerned customer relations, order books, technology and inventories. Flows used in valuations were taken from analysts' notes concerning Ingenico and published up to June 30, 2008.

Identified revalued intangible assets are amortised over the following periods:

- Customer relations: 10 years
- Technology: 3 years
- Order book: 2 years

Amortisation expense recorded in respect of these revaluations in fiscal year 2008 totaled €7 million.

<i>(in € millions)</i>	Fair Value
Customer relations and order books	64
Technology	67
Inventories	22
Deferred tax	(53)
Fair value adjustment of acquired intangible and tangible assets	100
SAFRAN group share in acquired assets at fair value (22,37%)	22

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

3.1.4.1.3 Sale of Sagem Communications

On January 25, 2008, SAFRAN and The Gores Group finalised the sale of Sagem Communications to The Gores Group. Sagem Communications and its subsidiaries were presented in discontinued operations in the SAFRAN consolidated financial statements for the year ended December 31, 2007. The Gores Group became the majority shareholder of Sagem Communications. Minority shareholders include a 20% interest held by Group executives and employees and a 10% interest retained by SAFRAN.

The capital loss on disposal, net of tax, recognised in fiscal year 2008 is not material.

3.1.4.1.4 Acquisition of Sagem Identification

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

The acquisition price was €355 million and the net carrying amount of SAFRAN's share in the shareholders' equity of Sagem Identification as of September 1, 2008 is €65 million.

Valuations were performed in accordance with the methods detailed in Note 3.1.4.1.2. and primarily concerned customer relations, technology and inventories.

Identified revalued intangible assets are amortised over the following periods:

- Customer relations: 12 years and 9 years depending on the contract
- Technology: 10 years

Amortisation expense recorded in respect of these revaluations in fiscal year 2008 totaled €8 million (including €4 million in respect of inventories and work-in-progress).

<i>(in € millions)</i>	Fair Value
Customer relations	112
Technology	26
Inventories	4
Deferred tax	(36)
Fair value adjustment of acquired intangible and tangible assets	106

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

3.1.4.1.5 Other changes in the scope of consolidation in 2008

a) Increase in investments

- Technofan:

Following the acquisition of treasury shares by Technofan and an increase, through acquisition, of SAFRAN group's investment, the percentage holding of the Group in Technofan increased from 60.71% to 83.54% and voting rights increased from 66.32% to 90.64%.

Additional goodwill of €10 million was recognised.

- Techspace Aero:

Techspace Aero sold its maintenance and repair business to one of its shareholders in consideration for shares in this company, generating an increase in its percentage holding of 4.78%. Overall, the transaction generated a capital gain of €10 million.

b) During the first six months of 2008, two companies previously held by the Group were consolidated for the first time due to an increase in their activities:

- Turbomeca Manufacturing
- Snecma Morocco Engine Services

The impact on Profit for the period and Shareholders' equity of the inclusion of these companies in the scope of consolidation is not material.

c) During the second six months of 2008, SAFRAN group consolidated 16 new companies as a result of an increase in their workforce:

- | | |
|---------------------------------------|----------------------------------|
| • SSP Inc | • Labinal Maroc |
| • PTI | • Messier Services Mexico |
| • Snecma Participations | • Suzhou I |
| • Snecma Suzhou | • Suzhou II |
| • Cinch Connectors de Mexico SA de CV | • Teuchos Maroc |
| • Globe Motors de Mexico SA de CV | • SAI (Snecma Aerospace India) |
| • Hispano Suiza Polska | • Labinal Investments Inc |
| • Labinal de Chihuahua SA de CV | • Safran Employment Services Inc |

The overall impact on Profit for the period and Shareholders' equity of the inclusion of these companies in the scope of consolidation is not material.

3.1.4.2 DISCONTINUED OPERATIONS

3.1.4.2.1 Mobile Phones business

Following the withdrawal of SAFRAN group from the Mobile Phones business, this business was reclassified in discontinued operations as of December 31, 2008, with restatement of comparative data for fiscal year 2007 in the Income Statement.

3.1.4.2.2 Communication business

The Broadband business was sold in January 2008. This business was classified in discontinued operations at the end of 2007. This classification was therefore maintained in the comparative financial statements for the year ended December 31, 2007. The entire Communication branch was therefore reclassified in 2007 comparative figures in the Income Statement.

3.1.4.3 OTHER TRANSACTIONS

No other material changes at Group level were recorded in 2008.

3.1.5 LIST OF CONSOLIDATION COMPANIES

Company name, Form, Registered Business Address	Siren N° Country	Method	2007 % interest	% control	Method	2008 % interest	% control
SAFRAN SA	parent company						
Direct SAFRAN SA subsidiaries							
Sagem Télécommunications - 75015 Paris	480,108,158	FC	100.0	100.0	FC	100.0	100.0
Sagem Défense Sécurité - 75015 Paris	480,107,911	FC	100.0	100.0	FC	100.0	100.0
Safran Informatique - 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	51.00	100.0	FC	55.78	100.0
Etablissements Vallaroché 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	USA	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	66.32	100.0	FC	90.64	100.0
Sofrance SA - 87800 Nexon	757,502,240	FC	100.0	100.0	FC	100.0	100.0
Messier-Bugatti SA - 78141 Velizy	712,019,538	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty International Ltd - Gloucester	UK	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	EQ	50.0	50.0	EQ	50.0	50.0
Teuchos SA - 78990 Elancourt	352,876,197	FC	100.0	100.0	FC	100.0	100.0
Valin Participations - 75015 Paris (absorbée en 2008)	428,704,894	FC	100.0	100.0			
Snecma Ltd	UK	FC	100.0	100.0	FC	100.0	100.0
Eurofog	340,574,540	NC*	-	-	NC*	-	-
Sagem Télécommunications subsidiaries							
Sagem Communications - 75015 Paris (1) (2)	440,294,510	FC	100.0				
Sagem Mobiles - 75015 Paris (1) (3)	440,349,181	FC	100.0		FC	100.0	100.0
Sagem Industries - 75015 Paris (4)	440,293,637				FC	100.0	100.0
Sagem Communications subsidiaries (2)							
Sagem Comunicaciones Ibérica	Spain	FC	100.0	100.0			
Sagem Communication Germany GmbH	Germany	FC	100.0	100.0			
Sagem Communication UK Ltd	UK	FC	100.0	100.0			
Sagem Communication Italia Srl	Italy	FC	100.0	100.0			
Sagem Communication CZ Sro	Czech Rep.	FC	100.0	100.0			
Sagem Communication Benelux BV	The Netherlands	FC	100.0	100.0			
Sagem Communication Tianjin	China	FC	100.0	100.0			
Sagem Communication Nordic AB	Sweden	FC	100.0	100.0			
Photar Sagem Electronics Co Ltd	China	FC	80.0	100.0			
Compagnie de Découpe de l'Ouest SAS	448,897,405	PC	76.64	76.64			
Dr Neuhaus Telekommunikation GmbH	Germany	FC	99.41	100.0			
Sagem Communication Austria GmbH	Austria	FC	100.0	100.0			
Sagem Magyarorszag	Hungary	FC	100.0	100.0			
Sagem Networks Poland Sp Zo.o	Poland	FC	68.0	100.0			
Sagem Tunisie Communication Sarl	Tunisia	FC	100.0	100.0			
Sagem Interstar	Canada	FC	100.0	100.0			
Sagem Electronic Equipment Beijing	China	NC*	-	-			
Sagem Kabushiki Kaisha	Japan	NC*	-	-			
Sagem Mauritanie	Mauritania	NC*	-	-			
SCI Minerve	402,652,903	NC*	-	-			
Trel Halozatepito	Hungary	NC*	-	-			

FC: full consolidation / PC: proportional consolidation / EQ: equity affiliate / NC: not consolidated / *: frozen retained earning

(1) former name : Sagem Communication

(2) creation in 2007 following the spin off of SAGEM Communication

(3) recognised as discontinued operations in 2007

(4) created in 2008 following the spin of Sagem Mobiles

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

Company name, Form, Registered Business Address	Siren N° country	Method	2007 % interest	% control	Method	2008 % interest	% control
Sagem Mobiles subsidiaries (3)							
Sagem Mobiles Ningbo Co. Ltd (3)	China	PC	50.0	50.0	FC	100.0	100.0
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 Comunicações Ltda	Brazil	NC*	-	-	NC*	-	-
Sagem Défense Sécurité subsidiaries							
Sagem Sécurité -75015 Paris	440,305,282	FC	100.0	100.0	FC	100.0	100.0
Sagem Avionics Inc	USA	FC	100.0	100.0	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
Sagem Navigation GmbH	Germany	NC*	-	-	NC*	-	-
Sagem Sécurité subsidiaries							
Sagem Orga GmbH	Germany	FC	100.0	100.0	FC	100.0	100.0
Sagem Denmark A/S (4)	Denmark	FC	100.0	100.0			
Sagem Monetel (4)	442,508,271	FC	100.0	100.0			
Sagem-Morpho Inc	USA	FC	100.0	100.0	FC	100.0	100.0
Wuhan Sagem Tianyu Electronics Co, Ltd (5)	China	FC	73.34	100.0			
Wuhan Tianyu Information Industry Co, Ltd (5)	China	PC	33.35	33.35			
Ingenico	317,218,758				EQ	22.37	19.41
Sagem identification BV	Netherlands				FC	100.0	100.0
Sagem Australasia Pty Ltd	Australia	FC	100.0	100.0	FC	100.0	100.0
Confidence	404,401,887	NC*	-	-	NC*	-	-
Sagem Xelios	437,782,535	NC*	-	-	NC*	-	-
Sagem Security International Trading Co, Ltd	China	NC*	-	-	NC*	-	-
Confidence subsidiary							
Positive	339,650,335	NC*	-	-	NC*	-	-
Sagem Orga GmbH subsidiaries							
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.	USA	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga UK Ltd	UK	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
Sofradir subsidiary							
ULIS	440,508,331	PC	34.0	40.0	PC	34.0	40.0
Vectronix AG subsidiary							
Vectronix Inc	USA	FC	100.0	100.0	FC	100.0	100.0
Snecma subsidiaries							
Snecma Services SA - 75015 Paris	562,056,408	FC	100.0	100.0	FC	100.0	100.0
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	USA	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	2.0	0.0
Snecma Participations subsidiary							
Snecma Suzhou	China				FC	100.0	100.0
Hispano-Suiza subsidiary							
Hispano-Suiza Canada	Canada	FC	100.0	100.0	FC	100.0	100.0
Hispano-Suiza Polska	Poland				FC	4.0	0.0
Snecma Services subsidiary							
Snecma Services Participations SA - 75015 Paris	414,815,399	FC	100.0	100.0	FC	100.0	100.0

FC: full consolidation / PC: proportional consolidation / EQ: equity affiliate / NC: not consolidated / *: frozen retained earning

(3) classified as discontinued operations

(4) full consolidation in 2008, only for first quarter results, for Sagem Monetel and Sagem Denmark(5) disposal in 2008

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

Company name, Form, Registered Business Address	Siren N° country	Method	2007 % interest	% control	Method	2008 % interest	% control
Snecma Services Participations subsidiary							
Snecma Services Brussels - 1200 Woluwé Saint Lambert	Belgium	FC	100.0	100.0	FC	100.0	100.0
Snecma Morocco Engine Services	Morocco				FC	0.0	0.0
Snecma Services Participation Inc. - Cincinnati, Ohio 45242	USA				FC	5.0	0.0
CFM International Inc. subsidiary							
Shannon Engine Support Ltd - Shannon, Co Clare	Ireland	PC	50.0	50.0	PC	50.0	50.0
Snecma Services Participation inc. subsidiary							
Propulsion Technologies International - Miami, Florida 33122	USA				FC	6.0	0.0
Aircelle subsidiaries							
Aircelle Ltd - Burnley Lancashire	UK	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
Techspace Aero subsidiary							
Techspace Aero Inc. - Cincinnati, Ohio 45246	USA	FC	51.00	100.0	FC	55.78	100.0
Filiale de Techspace Aero Inc.							
Cenco Inc. - Minnesota 55112	USA	FC	51.00	100.0	FC	55,78,	100.0
Etablissements Vallarocche subsidiaries							
Soreval - L2633 Senningerberg	Luxembourg	FC	100.0	100.0	FC	100.0	100.0
Lexval 2 - 75015 Paris	428,705,438	FC	100.0	100.0	FC	100.0	100.0
Lexval 13 - 75015 Paris	440,291,938	FC	100.0	100.0	FC	100.0	100.0
Labinal subsidiary							
Globe Motors Inc. - Wilmington/Delaware 19808	Germany	FC	100.0	100.0	FC	100.0	100.0
Labinal de Mexico SA de CV - Chihuahua	Morocco				FC	100.00	100.0
Safran USA Inc. subsidiaries							
Labinal Inc. - Wilmington/Delaware 19808	USA	FC	100.0	100.0	FC	100.0	100.0
Messier-Bugatti Systems Inc. - Wilmington/Delaware 19808	USA	FC	100.0	100.0	FC	100.0	100.0
Cinch Connectors Inc. - Wilmington/Delaware 19808	USA	FC	100.0	100.0	FC	100.0	100.0
Globe Motors Inc. - Wilmington/Delaware 19808	USA	FC	100.0	100.0	FC	100.0	100.0
Labinal de Mexico SA de CV - Chihuahua	Mexico	FC	100.0	100.0	FC	100.0	100.0
Labinal Corinth Inc. - Corinth/Texas 76210	USA	FC	100.0	100.0	FC	100.0	100.0
Turbomeca USA Inc. - Wilmington/Delaware 19808	USA	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Manufacturing Inc. - Monroe/Caroline du Nord	USA				FC	100.0	100.0
Labinal Investments Inc. - Grand Prairie/Texas 75052	USA				FC	100.0	100.0
Safran Employment Services Inc. - Grand Prairie/Texas 75052	USA				FC	100.0	100.0
Globe Motors Inc. subsidiary							
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
Cinch Connectors Inc. subsidiary							
Cinch Connectors de Mexico, SA de CV	Mexico				FC	100.0	100.0
Turbomeca SA subsidiaries							
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
Snecma Ltd subsidiary							
Turbomeca UK	UK	FC	100.0	100.0	FC	100.0	100.0
Messier-Bugatti subsidiary							
Messier-Bugatti USA Walton - Kentucky 41094	USA	FC	100.0	100.0	FC	100.0	100.0

FC: full consolidation / PC: proportional consolidation / EQ: equity affiliate / NC: not consolidated / *: frozen retained earning

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

Company name, Form, Registered Business Address	Siren N° country	Method	2007 % interest	% control	Method	2008 % interest	% control
Messier-Dowty International Ltd subsidiaries							
Messier-Dowty SA - 78142 Velizy	552,118,846	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty Ltd - Gloucester GL2QH	UK	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	China				FC	100.0	100.0
Suzhou II	China				FC	100.0	100.0
Teuchos Holding subsidiaries							
Teuchos Exploitation - 78990 Elancourt (absorbée en 2008)	353,054,505	FC	100.0	100.0			
Teuchos Ingénierie - 78990 Elancourt	440,294,452	FC	100.0	100.0	FC	100.0	100.0
Teuchos Maroc	Morocco				FC	100.0	100.0
Safran Aerospace India Pvt Ltd	India				FC	90.47	100.0
Messier-Dowty Int. and Messier-Bugatti joint subsidiary							
Messier Services International - 78140 Velizy	434,020,996	FC	100.0	100.0	FC	100.0	100.0
Messier Services International subsidiaries							
Messier Services SA - 78140 Velizy	439,019,485	FC	100.0	100.0	FC	100.0	100.0
Messier Services Inc. - Sterling Virginia 20166-8914	USA	FC	100.0	100.0	FC	100.0	100.0
Messier Services Pte Ltd - Singapore 508985	Singapore	FC	100.0	100.0	FC	100.0	100.0
Messier Services Ltd - Gloucester GL29QH	UK	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
Orga Smart Chip Ltd subsidiary							
Orga Syscom Corporation Ltd	India	FC	100.0	100.0	FC	100.0	100.0
Messier Services International investment							
Hydrep - 35800 Saint-Lunaire	381,211,184	EQ	50.0	50.0	EQ	50.0	50.0
Messier Services Inc. Investment							
A-Pro Inc. Tallahassee Florida 32301	USA	EQ	50.0	50.0	EQ	50.0	50.0
Messier Services Pte Ltd subsidiary							
Messier Services Asia Pte Ltd - Singapore 508985	Singapore	FC	60.0	100.0	FC	60.0	100.0
Labinal Investments Inc. subsidiary							
Labinal de Chihuahua, SA de CV	Mexico				FC	100.0	100.0

FC: full consolidation / PC: proportional consolidation / EQ: equity affiliate / NC: not consolidated / *: frozen retained earning

3.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1.6.1 BREAKDOWN OF THE MAIN COMPONENTS OF PROFIT (LOSS) FROM OPERATIONS

3.1.6.1.1 Revenue

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Aerospace propulsion branch		
Original aircraft equipment	2,703	2,577
Aircraft spare parts	1,324	1,494
Maintenance & repair	1,096	1,146
R & D contracts	211	234
Other	219	313
subtotal	5,553	5,764
Aircraft equipment branch		
Original aircraft equipment	1,373	1,546
Aircraft spare parts	473	515
Maintenance & repair	333	358
R & D contracts	80	83
Ingeneery	165	212
Other	137	134
subtotal	2,561	2,848
Defense security branch		
Sagem Avionics	508	482
Sagem Optronics and Defense	416	468
Security	669	695
Other	1	-
subtotal	1,594	1,645
Holding branch and other		
subtotal	6	24
Total	9,714	10,281

3.1.6.1.2 Other income

Other income mainly comprises research tax credits as shown in the following table:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Research tax credit	40	99
Other operating subsidies	11	23
Other operating income	15	5
Total	66	127

The increase in research tax credits is due to new taxation provisions.

3.1.6.1.3 Raw materials and consumables used

Raw materials and consumables for the year primarily consist of raw materials, supplies, sub-contracting purchases and all external services.

They break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Raw materials, supplies and others	(1,862)	(1,961)
Bought-in goods	(202)	(235)
Changes in inventories	119	61
Sub-contracting	(2,320)	(2,291)
Purchases not held in inventory	(265)	(250)
External services expenses	(1,568)	(1,799)
Total	(6,098)	(6,475)

3.1.6.1.4 Personnel costs

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Wages and salaries	(2,008)	(2,067)
Social security contributions	(794)	(846)
Statutory employee profit-sharing	(74)	(57)
Optional employee-profit sharing	(81)	(86)
Additional contributions	(20)	(16)
Other employee costs	(55)	(61)
Total	(3,032)	(3,133)

3.1.6.1.5 Depreciation, amortisation and increase in provisions net of use

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Depreciation and amortisation net expenses		
- intangible assets	(232)	(*) (267)
- property, plant and equipment	(274)	(278)
Total depreciation and amortisation net expenses	(506)	(545)
Increase in provisions, net of use	(212)	(50)
Total depreciation, amortisation, increase in provisions net of use	(718)	(595)

(*) including depreciation and amortisation of assets adjusted to fair value on the acquisition of the Snecma Group: (€ 161 million) as of December 31, 2008, compared to (€ 157 million) as of December 31, 2007.

3.1.6.1.6 Asset impairment

<i>(in € millions)</i>	Impairment expenses		Use of provisions	
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
Assets impairment				
- tangible and intangible assets	(102)	(35)	16	18
- financial assets	(53)	(13)	-	14
- inventories	(302)	(411)	254	402
- receivables	(49)	(62)	58	47
Total	(506)	(521)	328	481

3.1.6.1.7 Other income / operating expenses

Other income and operating expenses mainly include:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Capital gains / losses on asset disposals	(6)	(*) 135
Royalties, patents and licenses	(10)	(12)
Cancellation of debts	(8)	-
Loss on irrecoverable receivables	(6)	(9)
Other operating income and expenses	19	(29)
Total	(11)	85

(*) Including a capital gain of € 146 million on the transfer of the payment terminal activities to Ingenico.

3.1.6.2 FINANCIAL INCOME (LOSS)

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Finance costs in relation to interest-bearing liabilities	(56)	(54)
Finance income in relation to cash and cash equivalents	46	35
Cost of net borrowings and long-term debt	(10)	(19)
Loss on financial instruments	(287)	(626)
Gain on financial instruments held for trading	-	-
Foreign exchange gain	342	10
Foreign exchange gains (losses) on provisions	39	(19)
Foreign exchange financial income	94	(635)
Net costs of proceeds from disposal of fixed assets	(15)	
Reversals of provisions	(4)	(122)
Increase in provisions	-	91
Discount impact	(30)	(35)
Other	(1)	4
Total other finance (costs) / income	(50)	(62)
Total Finance results	34	(716)
of which finance costs	(393)	(856)
of which finance income	427	140

Impact of financial instruments on profit or loss:

<i>As of December 31, 2007 (in € millions)</i>	Interest income	Interest expense	Impairment expense	Fair value remeasurement through P&L (1)	Capital gains and losses	Discounting reversal expense	Other	P&L impact
Assets held for sale								
- Non-consolidated investments			(4)		(15)		1	(18)
Financial loans	5	-	-	-	-	-	-	5
Trade receivables	2	-	-	(76)	-	-	-	(74)
Financial assets designated as at fair value								
- Cash equivalents at fair value through P&L	-			18	5		-	23
- Derivatives designated as at fair value				32	-		-	32
Liabilities at amortized cost								
- Borrowings subject to specific conditions		(5)		-	-	(25)	-	(30)
- Interest bearing financial liabilities		(43)		-	-	-	-	(43)
- Trade and other payables		-		100	-	-	-	100
Total	7	(48)	(4)	74	(10)	(25)	1	(5)

(1) Including the impact of the remeasurement of financial derivatives denominated in foreign currencies

<i>As of December 31, 2008 (in € millions)</i>	Interest income	Interest expense	Impairment expense	Fair value remeasurement through P&L (1)	Capital gains and losses	Discounting reversal expense	Other	P&L impact
Assets held for sale								
- Non-consolidated investments			(3)				8	5
Financial loans	5		(17)	-	-	-	-	(12)
Trade receivables	3		-	148	-	-	-	151
Financial assets designated as at fair value								
- Cash equivalents at fair value through P&L				12			-	12
- Derivatives designated as at fair value				(624)	-		-	(624)
Liabilities at amortized cost								
- Borrowings subject to specific conditions		(5)		-	-	(26)	-	(31)
- Interest bearing financial liabilities		(52)		-	-	-	-	(52)
- Trade and other payables		-		(118)	-	-	-	(118)
Total	8	(57)	(20)	(582)	-	(26)	8	(669)

(1) Including the impact of the remeasurement of financial derivatives denominated in foreign currencies

* Of which € (42) million impact from the change in fair value recognized in equity

3.1.6.3 INCOME TAX

3.1.6.3.1 Income tax expense

The income tax expense breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Current income tax / (expense)	(268)	(153)
Deferred tax income / (expense)	243	295
Total tax income / (expense)	(25)	142

The current tax expense corresponds to amounts paid or payable to the tax authorities in the short term in respect of the current period, in accordance with prevailing legislation in the various countries and certain agreements (e.g. group consolidated for tax purposes).

The capital gain on the Ingenico transaction is taxed on a tax base of 5% of the company capital gain of €212 million, representing a tax expense of €4 million.

A number of Group companies were the subject of tax audits during 2006 covering fiscal years 2003, 2004 and 2005. Some of these audits were ongoing in 2007. Provisions or expenses in the amounts companies have accepted or expect to accept were recorded in respect of these audits.

In 2008, a contingency provision was reversed in the amount of €7 million after a tax adjustment was abandoned.

3.1.6.3.2 Effective tax rate

The effective tax rate for continuing activities breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Profit (loss) before tax	167	(103)
Standard tax rate for the Group	34.43%	34.43%
Tax (expense)/income at standard rate	(57)	35
Impact of permanent differences	(14)	(4)
Impact of research tax credit	14	34
Impact of reduced tax rates	12	14
Impact on rate difference in Ingenico	-	47
Impact of not recognized taxes	40	3
Impact of tax adjustments	(6)	-
Impact of tax credits and other items	(14)	13
Current income tax / (expense) recognised in P&L	(25)	142
Effective tax rate	(14.97%)	137.86%

Research tax credits were reclassified in Profit (loss) from operations.

The effective tax rate of 137.86% is mainly due to the different tax rate applicable to the capital gain arising on the transfer of the electronic payment solutions business to Ingenico.

3.1.6.3.3 Deferred tax assets and liabilities

3.1.6.3.3.1 Deferred tax assets and liabilities break down as follows:

<i>(in € millions)</i>	Assets	Equity and liabilities	Net
Net deferred tax assets (liabilities) as of Decembre 31, 2007	158	745	(587)
Deferred tax income (expenses) in the profit and loss statement	158	(137)	295
Deferred tax income (expenses) in discontinued operations	5	-	5
Reclassifications (*)	(32)	(30)	(2)
Impact of currency translation	(4)	3	(7)
Changes in scope of consolidation	10	37	(27)
Net deferred tax assets (liabilities) as of December 31, 2008	295	618	(323)

(*) of which € (1) million in assets held for sale

3.1.6.3.3.2 Deferred tax recognised in equity

No deferred tax was recognised directly in equity in fiscal years 2007 or 2008.

3.1.6.3.3 Deferred tax base

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Deferred tax asset bases		
Intangible and tangible assets	(2,979)	(3,159)
Inventories	229	121
Current Assets/ Liabilities	229	368
Financial Assets/ Liabilities	156	825
Provisions	900	1,069
Taxation adjustments	(191)	(227)
Losses carried forward and tax credits	181	197
Total deferred tax asset bases	(1,475)	(806)
Total gross deferred tax balance	(513)	(236)
Total deferred tax not recognised	(74)	(87)
Total net deferred taxes recognised	(587)	(323)

3.1.6.3.4 Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

<i>(in € millions)</i>	Assets	Liabilities	Net
Net tax assets (liabilities) as of December 31, 2007	27	43	(16)
Movement during the period	101	4	97
Change in scope of consolidation	1	1	-
Reclassifications	(1)	(8)	7
Impact of currency translation	(1)	(1)	-
Net tax assets (liabilities) as of December 31, 2008	127	39	88

3.1.6.4 EARNING PER SHARE

The Group's potentially dilutive ordinary shares include stock options and bonus shares issued for nil consideration to Sagem SA employees prior to the merger.

There were no other transactions involving shares or potential shares between the year-end and the completion of these financial statements.

Earnings per share are as follows:

	Index	Dec. 31, 2007	Dec. 31, 2008
Numerator (in € millions)			
Net profit for the period	(a)	39	(205)
Net profit from continuing operations	(i)	135	28
Net profit from discontinued operations	(j)	(96)	(233)
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	5,789,902	17,853,117
Number of shares excluding treasury shares	(d)=(b-c)	411,239,683	399,176,468
Weighted average number of shares (excluding treasury shares)	(d')	410,774,009	405,354,402
Potentially dilutive ordinary shares :			
Dilutive impact of purchase options and bonus shares granted to Sagem SA employees prior to the merger	(e)	237,887	-
Weighted average number of shares after dilution	(f)=(d'+e)	411,011,896	405,354,402
Ratio: earnings per share (in euro)			
Basic earnings per share: profit/(loss)	(g)=(a*1million)/(d')	0.09	(0.51)
Diluted earnings per share: profit/(loss)	(h)=(a*1million)/(f)	0.09	(0.51)
Ratio: earnings per share of continuing operations (in euro)			
Basic earnings per share: profit/(loss)	(k)=(i*1million)/(d')	0.33	0.07
Diluted earnings per share: profit/(loss)	(l)=(i*1million)/(f)	0.33	0.07
Ratio: earnings per share of discontinued operations (in euro)			
Basic earnings per share: profit/(loss)	(m)=(j*1million)/(d')	(0.24)	(0.58)
Diluted earnings per share: profit/(loss)	(n)=(j*1million)/(f)	(0.24)	(0.58)

3.1.6.5 DIVIDENDS, PROPOSED AND VOTED

Dividends proposed on treasury shares were not paid. They were transferred to retained earnings.

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Submitted for approval at the ordinary general meeting		
Dividend paid on ordinary shares	167	104
Net dividend per share (in €)	0.40	0.25
2008 Interim dividend		
Dividend paid on ordinary shares		32
Net dividend per share (in €)		0.08
Voted and paid during the year		
Dividend paid on ordinary shares	90	165
Net dividend per share (in €)	0.22	0.40

3.1.6.6 GOODWILL

Goodwill breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2007 Net	Changes in scope of consolidation	Assets impairment	Impact of currency translation	Dec. 31, 2008 Net
Snecma	253	-	-	-	253
Turbomeca SA	225	-	-	-	225
Aircelle	213	-	-	-	213
Labinal	208	-	-	-	208
Sagem identification	-	184	-	-	184
Hispano Suiza	96	-	-	-	96
Messier Dowty SAS	94	-	-	-	94
Messier Bugatti	93	-	-	-	93
Snecma Propulsion Solide	66	-	-	-	66
Sagem Orga	66	-	-	-	66
Teuchos SA	52	-	-	-	52
Techspace Aero	47	-	-	-	47
Snecma Services	46	-	-	-	46
Sagem Défense Sécurité	42	-	(1)	-	41
Vectronix	22	-	-	2	24
Microturbo SA	12	-	-	-	12
Technofan	-	10	-	-	10
Globe Motors Inc	9	-	-	-	9
Cinch Connectors Inc	5	-	-	1	6
Wuhan Tianyu Information Industry	4	(4)	-	-	-
Sofrance	4	-	-	-	4
Orga Zelenograd Smart Cards & Systems	3	-	-	-	3
Propulsion Technologies International	-	2	(2)	-	-
Teuchos Maroc	-	2	-	-	2
Others	1	1	-	-	2
Total	1,561	195	(3)	3	1,756

The SAFRAN group performed impairment tests at entity level.

The main assumptions underlying the assessment of the value in use of the Cash-Generating Units are as follows:

- Operating forecasts take into account general economic data, specific inflation rates for each geographical area and a U.S. dollar exchange rate based on available market information and mid- to long-term macro-economic assumptions. Expected future cash flows are determined using the mid-term plans established for the next four years and expected flows for years 5 to 10. The average U.S. dollar rate adopted for fiscal years 2009 to 2012 is 1.47 and 1.35 thereafter (for comparative purposes, the average U.S. dollar rate adopted in fiscal year 2007 for fiscal years 2008 to 2011 was 1.50 and 1.35 thereafter).

- Terminal values are based on a growth rate of 1.5%, with the exception of the main entities of the Propulsion Branch, for which a growth rate of 2% was adopted.
- The benchmark discount rate is 8% after tax, applied to post-tax cash flows.

All impairment tests were performed based on value in use and not fair value based on a selling price.

It resulted that:

- No impairment in addition to that already recognised for the assets taken separately is necessary.
- The recoverable amount of each CGU totally justifies the goodwill recorded in Group assets.

In addition, a sensitivity analysis was carried out in respect of the principal SAFRAN group goodwill balances, by varying the main assumptions as follows:

- Increase/decrease in the U.S.\$ / € exchange rate of 5% ,
- Increase in the benchmark discount rate of 0.5%,
- Decrease in the perpetual growth rate of 0.5%.

The above changes in the main assumptions, taken individually, do not produce values in use below net carrying amounts.

3.1.6.7 INTANGIBLE ASSETS

Intangible assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007			Dec. 31, 2008		
	Gross	Amortisation/ impairment	Net	Gross	Amortisation/ impairment	Net
Brand names	147	(4)	143	147	(5)	142
Programs	2,695	(544)	2,151	2,684	(736)	1,948
Development expenditures	787	(260)	527	1 008	(291)	717
Concessions, patents, licences	52	(44)	8	34	(26)	8
Software	220	(159)	61	262	(205)	57
Customer relationships	19	(6)	13	131	(12)	119
Other	110	(32)	78	165	(44)	121
Total	4,030	(1,049)	2,981	4,431	(1,319)	3,112

The main assumptions underlying the determination of values in use and concerning operating forecasts and benchmark rates adopted, are detailed in Note 3.1.6.6.

Brand names with an indefinite life amount to €119 million and comprise the Snecma (€85 million) and Turbomeca (€34 million) brand names. The Snecma general interest brand name encompasses the related brand names of Snecma Moteurs, Snecma Services and Snecma Propulsion Solide.

The weighted average remaining amortisation period of the programs is approximately 10 years.

Movements in intangible assets break down as follows:

<i>(in € millions)</i>	Gross	Amortisation/ impairment	Net
December 31, 2007	4,030	(1,049)	2,981
Internally produced assets	249	-	249
Separate acquisitions	37	-	37
Disposals and assets removed	(14)	8	(6)
Amortisation	-	(260)	(260)
Impairment losses recognised in profit or loss	-	(15)	(15)
Reclassifications	4	(1)	3
Changes in scope of consolidation (*)	141	(2)	139
Impact of currency translation	(16)	-	(16)
December 31, 2008	4,431	(1,319)	3,112

(*) of which € 138 million for the inclusion of Sagem Identification in the scope of consolidation as of september 1st, 2008

Research and development expenditure expensed in 2008 totaled €439 million (excluding discontinued operations) (€620 million in 2007).

Development expenditures capitalised in fiscal year 2008 totaled €228 million (€188 million in 2007).

In 2008, development expenditure amortisation was recognised in expenses in the amount of €42 million (€30 million in 2007).

In addition, revalued assets (allocation of the Snecma group purchase price) were amortised in the amount of €161 million.

Impairment tests essentially led to the impairment of development expenditure relating to the Propulsion Branch TP400 program in the amount of €12 million.

3.1.6.8 PROPERTY, PLANT AND EQUIPMENT

3.1.6.8.1 Breakdown

<i>(in € millions)</i>	Dec. 31, 2007			Dec. 31, 2008		
	Gross	Deprec./ impairment	Net	Gross	Deprec./ impairment	Net
Land	216	-	216	220		220
Buildings	821	(448)	373	895	(480)	415
Technical facilities, equipment and tooling	3,185	(2,257)	928	3,401	(2,316)	1,085
PP&E in course of construction, advances	244	(29)	215	280	(21)	259
Site development and preparation costs	23	(13)	10	24	(16)	8
Buildings on land owned by third parties	37	(14)	23	46	(19)	27
Computer hardware and other equipment	355	(273)		372	(279)	93
Total	4,881	(3,034)	1,847	5,238	(3,131)	2,107

The main assumptions underlying the determination of values in use and concerning operating forecasts and benchmark rates adopted, are detailed in Note 3.1.6.6.

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

<i>(in € millions)</i>	Dec. 31, 2007			Dec. 31, 2008		
	Gross	Deprec. / impairment	Net	Gross	Deprec. / impairment	Net
Land	5	-	5	3	-	3
Buildings	73	(40)	33	70	(32)	38
Technical facilities, equipment and tooling	42	(23)	19	42	(26)	16
Computer hardware and other equipment	22	(16)	6	19	(16)	3
Total	142	(79)	63	134	(74)	60

3.1.6.8.2 Movements

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

<i>(in € millions)</i>	Gross	Depreciation / impairment	Net
December 31, 2007	4,881	(3,034)	1,847
Internally produced assets	48	-	48
Additions	461	-	461
Disposals and assets removed	(251)	200	(51)
Depreciation	-	(281)	(281)
Impairment expenses	-	-	-
Reclassifications (*)	9	(4)	5
Changes in scope of consolidation	130	(45)	85
Translation adjustments	(39)	32	(7)
December 31, 2008	5,239	(3,132)	2,107

(*) of which € 5 million in assets classified as held for sale

Impairment tests led to the recognition of an impairment charge of €6 million on some items of property, plant and equipment used in the production process in Snecma.

3.1.6.9 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets include:

<i>(in € millions)</i>	Dec. 31, 2007			Dec. 31, 2008		
	Gross	Depreciation / impairment	Net	Gross	Depreciation / impairment	Net
Non-consolidated investments	362	(143)	219	279	(133)	146
Unlisted shares	296	(142)	154	256	(133)	123
Listed shares *	66	(1)	65	23	-	23
Other financial assets	70	(3)	67	60	(3)	57
Total	432	(146)	286	339	(136)	203

* that is a variation of the period of € (42) million

3.1.6.9.1 Non-consolidated investments

Non-consolidated investments include SAFRAN group holdings in various non-consolidated companies, the most significant of which are:

<i>(in € millions)</i>	As of	Percentage of control	Shareholders' equity including profit/loss for the period	Net profit and loss	Net carrying amount Dec. 31, 2007	Net carrying amount Dec 31, 2008
Sichuan Snecma Aero-Engine Maintenance	31/12/2007	52.67	4.4	-	3.7	3.7
Messier Dowty Singapore Pte	31/12/2007	100.00	3.0	0.2	8.6	8.6
Arianespace Participation	31/12/2007	10.44	53.6	2.4	5.4	5.6
Embraer	31/12/2007	1.12	1,646.6	182.8	64.8	22.8
SMA	31/12/2007	100.00	(12.8)	(10.6)	-	-
Snecma America Engine Services	31/12/2007	51.00	7.8	(1.9)	3.2	4.7
GEAM	31/12/2007	19.98	125.6	36.1	40.7	26.7

The decrease in the fair value of Embraer listed shares was recognised directly in equity in the amount of €42 million in 2008, representing a cumulative net amount of negative €15 million as of December 31, 2008. The impairment of this asset is not necessary as the decrease in value is recent and primarily due to the fall in the Brazilian real against the euro. Furthermore, this asset is considered strategic and the Group intends to hold it in the long-term.

3.1.6.9.2 Other non-current financial assets

Other non-current financial assets break down as follows:

<i>(in € millions)</i>	December 31, 2007	Increases/ acquisitions	Redemptions/ disposals	Changes in scope of consolidation	Reclassification	December 31, 2008
Loans to non consolidated companies	19	9	(10)	(17)	3	4
Loans to employees	23	3	(4)	-	(1)	21
Deposits and guarantees	7	12	(13)	4	-	10
Other	18	9	(2)	-	(3)	22
Total	67	33	(29)	(13)	(1)	57

Loans to non-consolidated companies correspond to revolving current account advances.

3.1.6.10 INVESTMENTS IN ASSOCIATES

A-Pro, Hydrep and SEMMB are consolidated under the equity method on account of the terms of the agreements with the other partners.

Ingenico is equity accounted with effect from March 31, 2008. The value in use of SAFRAN's investment in Ingenico is determined based on the present value of future cash flows over a period of 10 years, discounted at a benchmark rate and the terminal value, based on standardised flows representing long-term activities and taking account of the perpetual growth rate and the benchmark rate. Future cash flow forecasts are determined based on prudent and credible forecasts. The perpetual growth rate adopted as of December 31, 2008 is +1.5%. The benchmark rate for discounting future cash flows was determined based on analysts' studies published at the end of 2008, producing an average rate of 10%. The resulting value in use does not require the recognition of an impairment in respect of this asset as of December 31, 2008.

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

In addition, this investment was subject to a sensitivity analysis, varying the perpetual growth rate by -0.5% and the benchmark discount rate for future cash flows by +0.5%. The above changes in the main assumptions, taken individually, do not produce values in use below net carrying amounts.

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

<i>(in € millions)</i>	Dec. 31, 2007		December 31, 2008		
	Net	% interest	Shareholders' equity	Income from associates	Net
Ingenico (1) (4)	-	22.37%	202	3	205
Cinch SA (2)	10	100.00%	10	-	10
SEM MB	6	49.96%	5	4	9
A-Pro Inc.	6	50.00%	6	1	7
Frozen entities SAGEM (3)	7	100.00%	7	-	7
Hydrep	5	50.00%	4	2	6
Total	34		234	10	244

(1) Due to the lack of published accounts by Ingenico at the date of publication of the present document, the share of income for 2008 has been determined based on the results as published by Ingenico for the first half year and on forecasts provided by a consensus of analysts for the second half year.

(2) Companies to be merged and whose retained earning have been frozen as of January 1, 2005

(3) Companies to be excluded from the scope of consolidation and whose retained earnings have been frozen

(4) Stock value totaled € 118 million as of December 31, 2008 (10 663 046 shares at € 11.25 per value each)

Movements in Investments in associates break down as follows:

<i>(in € millions)</i>	
December 31, 2007	34
Changes in scope of consolidation *	203
Income from associates	10
Other movements	(3)
December 31, 2008	244

Of which €205 million for the inclusion of Ingenico in the scope of consolidation

3.1.6.11 OTHER NON-CURRENT ASSETS

<i>(in € millions)</i>	Dec. 31, 2007	Movements during the period	Changes in scope of consolidation	Reclassifications	Dec. 31, 2008
Receivables on disposal of property, plant and equipment	2	5	-	-	7
Receivables relating to employees taking early retirement	8	(6)	-	-	2
Total	10	(1)	-	-	9

3.1.6.12 CURRENT FINANCIAL ASSETS

Current financial assets mainly correspond to financial assets maturing in less than one year initially classified as non-current.

They break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Sales-financing loans	34	10
Loans to non consolidated companies *	69	95
Loans to employees	4	3
Total	107	108

* including a loan from SAFRAN to CFM at the same conditions as those described in §3.1.6.22.

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

3.1.6.13 INVENTORIES AND WORK-IN-PROGRESS

Inventories break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007 Net	Dec. 31, 2008 Net
Raw materials and other supplies	590	615
Work-in-progress	1,295	1,293
Work in progress and finished goods	1,452	1,683
Bought-in goods	83	82
Total	3,420	3,673

Movements in inventories and work-in-progress break down as follows:

<i>(in € millions)</i>	Gross	Write-down	Net
December 31, 2007	3,936	(516)	3,420
Movement during the period	309	-	309
Impairment expense	-	(30)	(30)
Reclassification (*)	10	(1)	9
Changes in scope of consolidation	32	(3)	29
Impact of currency translation	(71)	7	(64)
December 31, 2008	4,216	(543)	3,673

(*) of which € 6 million in assets held for sale

3.1.6.14 TRADE AND OTHER RECEIVABLES

Trade and other receivables break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007 Net	Movement during the period	Net impairment	Changes in scope of consolidation	Reclassification (*)	Impact of currency translation	Dec. 31, 2008 Net
Operating receivables	3,828	(92)	(16)	80	(1)	(22)	3,777
Debit balances on trade payables / advance payments to suppliers	246	(16)	-	2	(5)	-	227
Trade receivables	3,560	(76)	(16)	79	4	(22)	3,529
Current operating accounts	7	1	-	(1)	-	-	7
Employee-related receivables	15	(1)	-	-	-	-	14
Other receivables	98	6	-	2	(1)	(1)	104
Prepaid expenses	47	19	-	1	-	(2)	65
Other receivables	51	(13)	-	1	(1)	1	39
Total	3,926	(86)	(16)	82	(2)	(23)	3,881

(*) of which € 3 millions in liabilities associated with assets classified as held for sale

3.1.6.15 DISCONTINUED OPERATIONS

The following table presents a breakdown of the results from discontinued operations:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Revenue	1,781	340
Raw materials and consumables used	(1,387)	(408)
Personnel costs	(288)	(81)
Depreciation and amortization expense, increase in provisions, asset impairment	(101)	(150)
Other operating income / expenses	(84)	(28)
Profit (loss) from operations	(79)	(327)
Net finance costs / income	(12)	(10)
Income tax expense on discontinued operations	(5)	110
Income (loss) on the disposal of the Broadband activity	-	(6)
Profit from discontinued operations	(96)	(233)

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

The Mobile Phones business reported a pre-tax loss from operations of €190 million, to which non-recurring expenses relating to the withdrawal decision must be added in the amount of €41 million for asset impairment and €96 million for commitments given. After inclusion of a financial loss of €10 million, the loss before tax is €337 million. The Loss for the period after tax is €227 million.

The net gain on the sale of the Broadband business in January 2008 (classified in discontinued operations as of December 31, 2007) is €29 million. The related tax expense is €35 million.

The assets and liabilities of Sagem Mobiles discontinued operations and the groups of assets and liabilities held or sale break down as follows:

<i>(in € millions)</i>	December 31, 2007			Total
	Monetel / Sagem Denmark	Sagem Communications	Atelier Techspace Aéro	
Goodwill	1	26	-	27
Fixed assets	15	74	6	95
Current Assets	67	572	18	657
Total assets held for sale	83	672	24	779
Non-current liabilities	2	36	2	40
Current liabilities	26	376	10	412
Total liabilities held for sale	28	412	12	452

<i>(in € millions)</i>	December 31, 2008	
	Sagem Mobile(*)	Total
Goodwill	-	-
Fixed assets	-	-
Current Assets	61	61
Total assets held for sale	61	61
Non-current liabilities	-	-
Current liabilities	39	39
Total liabilities held for sale	39	39

(*) Business in China classified as held for sale.

All transactions in progress as of December 31, 2007 were completed during fiscal year 2008.

3.1.6.16 OTHER CURRENT ASSETS

<i>(in € millions)</i>	Dec. 31, 2007	Movements during the period	Changes in scope of consolidation	Reclassifications (*)	Translation adjustments	Dec. 31, 2008
VAT receivables	167	8	3	-	(1)	177
State aid, accrued receivables	3	2	-	-	-	5
Other State receivables	13	8	-	-	-	21
Total	183	18	3	-	(1)	203

3.1.6.17 CASH AND CASH EQUIVALENTS

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Maturity less than 3 months from trade date with no interest rate risk		
Negotiable debt securities	390	566
UCITS	9	5
Money market accounts	101	180
Sight and time deposits	230	168
Total	730	919

<i>(in € millions)</i>	December 31, 2007	December 31, 2008
December 31, 2007	730	730
Movement during the period		174
Changes in scope of consolidation		18
Reclassification (*)		(1)
Impact of currency translation		(2)
December 31, 2008		919

(*) of which € (1) million in liabilities associated with assets classified as held for sale

3.1.6.18 SUMMARY OF FINANCIAL ASSETS

3.1.6.18.1 Fair value of financial assets

The table below presents the net carrying amount and fair value of the Group's financial instruments as of December 31, 2008 and December 31, 2007:

	Carrying amount					Fair value
	At amortised cost		At fair value		Total	
	Loans and receivables (a)	Assets held to maturity (b)	Assets at fair value through P&L (c)	Assets available for sale (d)	=a+b+c+d	
<i>December 31, 2007</i>						
<i>(in € millions)</i>						
Long term financial assets						
Non consolidated investments				219	219	219
Other long term financial assets - non current	67				67	67
Subtotal financial assets-non current	67	-	-	219	286	286
Long term financial assets- current	107				107	107
Derivative financial instruments - assets			126		126	126
Trade receivables	3,560				3,560	3,560
Current accounts and other receivables	58				58	58
Cash and cash equivalent			730		730	730
Subtotal financial assets-current	3,725	-	856	-	4,581	4,581
Total financial assets	3,792	-	856	219	4,867	4,867

	Carrying amount					Fair value
	At amortised cost		At fair value		Total	
	Loans and receivables (a)	Assets held to maturity (b)	Assets at fair value through P&L (c)	Assets available for sale (d)	=a+b+c+d	
<i>December 31, 2008</i>						
<i>(in € millions)</i>						
Long term financial assets						
Non consolidated investments				146	146	146
Other long term financial assets - non current	57				57	57
Subtotal financial assets-non current	57	-	-	146	203	203
Long term financial assets- current	108				108	108
Derivative financial instruments - assets			138		138	138
Trade receivables	3,529				3,529	3,529
Current accounts and other receivables	46				46	46
Cash and cash equivalent			919		919	919
Subtotal financial assets-current	3,683	-	1,057	-	4,740	4,740
Total financial assets	3,740	-	1,057	146	4,943	4,943

Assets held for sale

Assets held for sale mainly concern investments in industrial companies to be held on a long-term basis. Fair value is determined by reference to stock market prices for listed shares or an estimate of the value in use for non-listed shares, or failing this, at acquisition cost.

Derivative instrument assets

The fair value of currency derivatives was calculated by reference to the market price at the measurement date.

Following the SAFRAN group decision as of July 1, 2005 to use so-called speculative accounting for its derivatives, the change in fair value of these instruments is recognised in Financial income (loss). However, fair value gains and losses on financial instruments recognised as of June 30, 2005 in reserves in the negative amount of €233 million in respect of the effective portion of cash flow hedges, were released to the income statement via revenue in fiscal years 2005 to 2007, following the use of hedges existing at this date (€117 million in 2007).

Cash and cash equivalents, trade receivables and payables and interest-bearing current liabilities:

Fair value is equal to the net carrying amount of these items, due to their extremely short-term nature.

3.1.6.18.2 Financial assets maturity schedule

The maturities of current and non-current financial assets break down as follows :

<i>(in € millions)</i>	Carrying value	Neither past due nor impaired	Past due and not impaired (in days)					Total past due	Past due and impaired
			< 30	31 - 90	90 - 180	181 - 360	> 360		
December 31, 2007									
Current financial assets	107	102	-	1	-	2	2	5	-
Non current financial assets (1)	67	67						-	-
Trade receivables	3,560	2,988	203	224	50	41	21	539	33
Current operating accounts and other receivables	58	54	1	-	-	1	2	4	-
December 31, 2008									
Current financial assets	108	108	-		-			-	-
Non current financial assets (1)	57	57						-	-
Trade receivables	3,529	2,918	166	235	69	76	35	581	30
Current operating accounts and other receivables	46	42	2	-	-		1	3	1

(1) excluding non-consolidated investments

3.1.6.18.3 Fixed-rate and floating-rate financial assets

Fixed-rate and floating-rate financial assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007		Dec. 31, 2008	
	Base	Interest rate	Base	Interest rate
Non current financial assets (1)	67	1,50%	57	0,22%
Current financial assets	107	4,45%	108	5,19%
Financial assets	174	3,31%	165	3,47%
Cash and cash equivalents	730	Eonia/Fed	919	Eonia/Fed
Total	904		1,084	

(1) excluding non-consolidated investments

3.1.6.19 CONSOLIDATED SHAREHOLDERS' EQUITY

3.1.6.19.1 Share capital

As of December 31, 2008, the share capital of SAFRAN was fully paid up and comprised 417,029,585 shares of €0.20 par value each.

SAFRAN's shareholders' equity does not include any equity instruments issued other than its shares.

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Net debt (§3.1.6.25)	169	635
Shareholder's equity	4 505	3 874
Gearing	4%	16%

3.1.6.19.2 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 17,853,117 treasury shares have no voting rights.

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

December 31, 2007				
	Number of shares	% Share capital	Number of voting rights	% Voting rights
Shareholders				
Private investors	168,969,389	40.51%	181,711,477	33.09%
French State	126,811,995	30.41%	151,578,017	27.61%
Employee's shares	84,685,354	20.31%	156,416,390	28.49%
AREVA	30,772,945	7.38%	59,363,695	10.81%
Treasury shares	5,789,902	1.39%	-	-
Total	417,029,585	100.00%	549,069,579	100.00%

December 31, 2008				
Shareholders	Number of shares	% Share capital	Number of voting rights	% Voting rights
Private investors	153,952,241	36.92%	166,856,292	30.94%
French State	125,940,227	30.20%	150,706,249	27.95%
Employee's shares	88,511,055	21.22%	162,364,050	30.11%
AREVA	30,772,945	7.38%	59,363,695	11.00%
Treasury shares	17,853,117	4.28%	-	-
Total	417,029,585	100.00%	539,290,286	100.00%

3.1.6.19.3 Consolidated retained earnings

Movements in consolidated retained earnings are as follows:

	M€
Consolidated retained earnings as of December 31, 2007	4,189
- Allocation of 2007 net profit to consolidated retained earnings	39
- Dividend distribution	(165)
- Interim dividends	(32)
- Treasury shares	(151)
- Currency translation adjustment	(12)
- Other	2
Consolidated retained earnings as of December 31, 2008	3,870

SAFRAN group deducted €151 million of treasury shares from shareholders' equity during the fiscal year, in addition to the €101 million of treasury shares deducted as of January 1, 2008.

On May 28, 2008, the Shareholders' Meeting authorized the Management Board to buy and sell company shares. Pursuant to this authorization, the company purchased 13,842,887 shares on the stock market for a total consideration of €173 million and sold 1,494,795 shares for a total consideration of €19 million.

In addition, 284,877 stock options were exercised in 2008 under the 2003 plan which expired in 2008, for an amount of €3 million.

The SAFRAN group does not own any hybrid financial instruments with equity components that should be classified in shareholders' equity.

3.1.6.19.4 Share-based payments

3.1.6.19.4.1 Stock purchase options

The Group granted its employees stock purchase options under the following plans:

	Plan 2002	Plan 2003	Plan 2004
Date of Shareholders' Meeting	05.17.2002	04.23.2003	04.21.2004
Date of Management Board Meeting (Board of Directors meeting prior to April 24, 2001)	05.17.2002	04.23.2003	04.21.2004
Start date from which options may be exercised	05.17.2004	04.23.2005	04.21.2008
Expiry date	05.17.2007	04.23.2008	04.21.2009
Strike price in euro (*)	10.29	10.63	17.26
Number of options granted (*)	1,166,667	1,050,435	750,000
Number of beneficiaries	197	173	96

(*) adjusted to take into account the bonus share issue in December 2003 and the 5 for 1 stock split in December 2004

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

Changes in the number of options and the average strike price are as follows:

Figures adjusted to take into account the bonus share issue in December 2003 and the 5 for 1 stock split in December 2004	Number of options	Weighted average strike price
Number of options outstanding as of December 31, 2006	2,146,705	12.86
Number of options granted in 2007	-	-
Number of options exercised in 2007	(821,250)	10.45
Number of options expired in 2007 and not exercised	(120,225)	10.29
Number of options outstanding as of December 31, 2007	1,205,230	14.76
Number of options available for exercise as of Dec. 31, 2007	455,230	10.63
Number of options granted in 2008	-	-
Number of options exercised in 2008	(284,877)	10.63
Number of options expired in 2008 and not exercised	(170,353)	10.63
Number of options outstanding as of December 31, 2008	750,000	17.26
Number of options available for exercise as of Dec. 31, 2008	750,000	17.26

A total of 750,000 options were available for exercise at the year-end.

Outstanding options have a strike price of €17.26. They have a contractual weighted average maturity of 111 days as of December 31, 2008.

The breakdown of the number of options per plan is as follows:

<i>number of options (adjusted)</i>	Dec. 31, 2007	Dec. 31, 2008
2002 Plan	-	-
2003 Plan	455,230	-
2004 Plan	750,000	750,000
Total options	1,205,230	750,000

Only those plans granted after November 7, 2002 and not yet vested as of January 1, 2006 are measured and recognised. Plans granted prior to November 7, 2002 are not therefore recognised. Under these conditions, two stock purchase option plans (2003 and 2004 plans) were measured and recognised using the Black & Scholes model.

The expense recognised in respect of 2008 concerns the 2004 plan.

No plan was granted in 2008.

	Plan 2004
Valuation of stock option plans (in € millions)	4.00
Share price when options granted (in euro) *	18.10
Option subscription price (in euro) *	17.26
Volatility	30%
Risk-free interest rate	3,2 % - 3,32 %
Vesting period	4 years
Exercise period	5 years
Dividend distribution rate	1.07%

(*) *Figures adjusted to take into account the bonus share issue in December 2003 and the 5 for 1 stock split in December 2004*

The expected volatility corresponds to the volatility of the share in the past 2 years.

The expense recognised in the income statement was €0.3 million for the year ended December 31, 2008 and €1 million for the year ended December 31, 2007, respectively.

3.1.6.19.4.2 Bonus shares granted to SAGEM SA employees prior to the merger

The Extraordinary Shareholders' Meeting of May 11, 2005 decided a bonus share issue in favor of Sagem SA employees, prior to the merger, in accordance with the new regulations set forth in the 2005 French Finance Law. All employees received 50 shares, provided they had at least one year's service on the eve of the Extraordinary Shareholders' Meeting and held, directly or indirectly, Sagem SA shares through the company mutual funds. The total expense represented by this bonus share issue was determined under IFRS based on market prices and turnover assumptions. It is amortised on a straight-line basis over the 2-year vesting period, as from the date of grant by the Management Board.

Bonus shares granted to employees definitively vested in May 2007. No expense was recognised in 2008, compared to an expense of €2.5 million in 2007.

3.1.6.20 PROVISIONS FOR CONTINGENCIES AND LOSSES

Provisions for contingencies and losses break down as follows :

(in € millions)	Dec. 31, 2007	Increase in provisions	Reversal			Changes in scope of consolidation	Other movements (*)	Dec. 31, 2008
			Utilization	Transfer	Reversal not used			
Reserves for performance warranties	359	232	(79)	(7)	(72)	1	(5)	429
Financial guarantees	82	6	(9)	-	-	-	-	79
Services to be rendered	472	133	(154)	-	(30)	-	1	422
Employee-related commitments	59	29	(13)	-	(4)	-	(29)	42
Post employment benefits	393	31	(29)	-	(2)	-	(8)	385
Sales agreements and long-term receivables	141	137	(34)	(21)	(19)	1	-	205
Losses to completion	509	458	(150)	(195)	(95)	1	(3)	525
Disputes and litigation	43	4	(5)	-	(7)	-	1	36
Negative equity of non-consolidated companies	14	1	-	(2)	(2)	2	(1)	12
Other	113	224	(89)	(1)	(22)	-	(4)	221
Total	2,185	1,255	(562)	(226)	(253)	5	(48)	2,356
Non-current	1,052	366	(88)	(24)	(43)	2	(187)	1,078
Current	1,133	889	(474)	(202)	(210)	3	139	1,278

(*) of which €34 million reclassified in workforce debt

No significant provisions to cover environmental risks were recognised during the year.

Reversals of provisions break down as follows:

- Used €(575) million
- Transferred €(226) million
- Reversals not used €(344) million

3.1.6.20.1 Post-employment benefits

The Group bears various commitments in respect of defined-benefit pension plans, retirement termination payments and other commitments in France and abroad. The accounting treatment of these various commitments is detailed in the valuation rules and methods.

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

(in € millions)	Dec.31,2007	France	UK	Europe other	Canada	Dec.31,2008
Gross commitments	663,1	296,0	188,4	57,4	15,8	557,6
Fair value of assets	293,5	5,4	146,5	30,1	13,5	195,5
Unrecognised items	(23,2)	(35,2)	11,8	0,2	1,2	(22,0)
Provision	392,9	325,8	30,1	27,2	1,2	384,3
- Defined benefit retirement plans	86,0	21,0	30,1	20,7	1,2	73,0
- Retirement termination payments	279,9	279,7	-	6,2	-	285,9
- Other employee benefits	27,0	25,1	-	0,3	-	25,4

Main assumptions used to calculate commitments:

(in € millions)		Euro Zone	U.K.	Switzerland	Canada
Discount rate	Dec.31,2007	5.00%	5.80%	3.00%	5.50%
	Dec. 31,2008	6.00%	6.50%	3.75%	6.60%
Inflation rate	Dec.31,2007	2.00%	3.20%	1.00%	2.50%
	Dec. 31,2008	2.00%	3.00%	1.00%	2.50%
Expected rate of return on plan assets	Dec.31,2007	5.00%	6,95%-7,78%	4.50%	6.50%
	Dec. 31,2008	5.00%	6,75%-7,50%	4.50%	6.00%
Increase in rate of salary	Dec.31,2007	1,50%-5,00%	4.45%	1.50%	3,5%-4,5%
	Dec. 31,2008	1,50%-5,00%	4.25%	1.50%	3,50%-4,50%
Retirement age	Executives	63 / 65 year old	65 year old	64 year old	65 year old
	Non executives	61 year old			60 year old

As of December 31, 2008, SAFRAN group adopted a rate of 6% for the valuation of employee-related commitments in the euro zone, corresponding to the Iboxx bond index for investment grade companies (AA rating) as of November 30, 2008, adjusted for financial values. This adjustment enabled the downturn observed as of December 31, 2008 to be taken into consideration.

If a rate of 5.6% had been used, corresponding to the Iboxx rate as of December 31, 2008 for bonds issued by investment grade companies (AA), adjusted for bonds issued by financial companies downgraded in December, the impact on net profit for fiscal year 2008 and on the provision as of December 31, 2008 would not have been material (less than €1 million). In addition, the value of SAFRAN group benefit obligations would have increased by €9 million as of December 31, 2008, leading to an increase in unrecognised actuarial gains and losses of the same amount.

Plan assets allocation as of December 31, 2008 and expected rate of return in 2009:

	France		UK		Europe other		USA/Canada	
	%	Expected rate of return in 2009	%	Expected rate of return in 2009	%	Expected rate of return in 2009	%	Expected rate of return in 2009
Shares	-	-	72.0%	8.1%	15.6%	5.7%	52.5%	7.3%
Bonds and borrowings	-	-	23.2%	5.0%	54.5%	3.4%	42.5%	4.3%
Property	-	-	1.3%	7.2%	12.1%	4.1%	-	-
Cash and cash equivalents	-	-	1.8%	5.0%	7.7%	1.7%	5.0%	3.0%
Other	100% *	5,0%	1.62%	7.20%	10.05%	4.97%	0.00%	0.00%

* in France the plan is funded in euros with a minimum return guaranteed

History of commitments:

(in € millions)	31.12.2004*	31.12.2005	31.12.2006	31.12.2007	31.12.2008
Gross commitments	62.0	674.2	721.4	663.1	557.7
Fair value of assets	0.0	248.9	281.3	293.5	195.5
Provision	61.0	403.5	416.5	392.9	384.3
Experience adjustments	ND	ND	15.1	28.7	67.0
<i>in % of commitments</i>			2%	4%	10%

(*) Figures for Sagem Group only are not comparable

3.1.6.20.1.1 Defined-benefit retirement plans

a) Presentation of benefits

- In France

A supplemental defined benefit retirement plan was implemented by Snecma in 1985 and closed on June 30, 1995 using a step mechanism that allows eligible employees with the company as of that date to maintain their benefits, in whole or in part.

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% per year in which contributions were made, 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 as of July 1, 1995 and calculated at a rate of 1.86%, provided that they stay 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 benefit from the incremental benefit based on their actual and total years of service, at a rate of 1.86%.

With the exception of those in this last age group, executives were then moved to a new supplemental defined contribution retirement plan. Group companies affected by this change were SAFRAN (for Snecma employees), Snecma, Snecma Services, Snecma Propulsion Solide, Hispano-Suiza, Messier-Bugatti, Messier-Dowty, Messier Services, Aircelle and Turbomeca.

The plan is funded by contributions to an insurance company which then manages payment of the pensions. On January 1, 2005, the insurance company was changed.

The Sagem Group companies have no plans of this nature.

As of December 31, 2008, only 532 claimants remain in active service and the last retirement is planned for 2013.

- Abroad

- United Kingdom

There are two pension funds involving Messier-Dowty/Messier Services Ltd and Aircelle Ltd. These pension funds are "contracted out," which means they replace the mandatory supplemental retirement plan. They are managed by trusts. Employees participate in the funding through salary-based contributions. The contribution breakdown between employers and employees is on average 71% for the employer and 29% for the employee.

○ Euro Zone

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

○ Switzerland

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

○ Canada

Two pension plans exist within Messier-Dowty Inc. and Hispano-Suiza Canada (spin-off of Messier-Dowty Inc.): one plan for employees and a second plan for executives and top management. These plans are financed by employer (83%) and employee (17%) contributions.

b) Financial position

<i>(in € millions)</i>	Dec. 31, 2007	France	Other	Dec. 31, 2008
Gross commitments	366.0	24.7	255.1	279.8
Fair value of assets	293.4	5.3	189.9	195.2
Provision	86.0	21.0	52.0	73.0
Unrecognised items	(13.4)	(1.6)	13.1	11.5
- Actuarial adjustments	(14.1)	(1.6)	12.0	10.4
- Past service cost	1.3	0.0	1.1	1.1
- Unrecognised assets	(0.6)	0.0	0.0	0.0

<i>(in € millions)</i>	Gross commitments (a)	Fair value of assets (b)	Unrecognised items (c)	Provisions = (a)-(b)-(c)
Situation as of Jan. 1st, 2008	366.0	293.4	(13.4)	86.0
A. Pension scheme's charge				
Current service cost	12.0	0.0	0.0	
Financial cost	19.1	0.0	0.0	
Expected return on plan assets	0.0	19.3	0.0	
Recognised actuarial adjustments	0.0	0.0	1.2	
Change in scope of employee benefits	(1.2)	0.6	0.0	
Past service cost	0.0	0.0	(0.3)	
Recognition of assets under paragraph 58	0.0	0.0	0.6	
Total Pension scheme's charge	29.8	19.9	1.6	8.3
B. Employer's charge				
Employer's contributions	0.0	13.8		
Benefits paid	(14.8)	(14.8)		
Total Employer's charge	(14.8)	(1.0)	-	(13.8)
C. Other recognised items				
Unrecognised net assets	0.0	0.0	(0.2)	
Impact of currency translation	(56.3)	(47.7)	(1.0)	
Reclassification to assets held for sale	0.0	0.0	0.0	
Total other recognised elements	(56.3)	(47.7)	(1.2)	(7.4)
Change in provision	(41.2)	(28.8)	0.5	(13.0)
D. Other unrecognised items				
Employee's contributions	4.5	4.5	0.0	
Actuarial adjustments on period	(49.5)	(73.9)	24.4	
Past service cost on period	0.0	0.0	0.0	
Total other unrecognised items	(45.0)	(69.4)	24.4	
Situation as of Dec. 31, 2008	279.8	195.2	11.5	73.0

3.1.6.20.1.2 Retirement termination payments

a) Presentation of benefits

- In France

This heading includes commitments in respect of statutory termination payments due on retirement.

- Abroad

This heading includes commitments under early retirement plans in Sagem ORGA GmbH, Snecma Services Brussels and Vectronix AG.

b) Financial position

<i>(in € millions)</i>	Dec. 31, 2007	France	Other	Dec. 31, 2008
Gross commitments	270.1	246.2	6.2	252.4
Fair value of assets	0.1	0.1	-	0.1
Provision	279.8	279.7	6.2	285.9
Unrecognised items	(9.8)	(33.6)	0.1	(33.5)
- Actuarial adjustments	(12.2)	(36.6)	0.1	(36.5)
- Past service costs	2.4	3.1	0.0	3.1
- Unrecognised assets	0.0	0.0	0.0	0.0

<i>(in € millions)</i>	Gross commitments (a)	Fair value of assets (b)	Unrecognised items (c)	Provision = (a)-(b)-(c)
Situation as of Jan. 1st, 2008	270.1	0.1	(9.8)	279.8
A. Pension scheme's charge				
Current service cost	13.6	0.0	0.0	
Financial cost	13.3	0.0	0.0	
Expected return on plan assets	0.0	0.0	0.0	
Recognised actuarial adjustments	0.0	0.0	0.0	
Change in scope of employee benefits	0.6	0.0	0.1	
Past service costs	0.0	0.0	(0.2)	
Total Pension scheme's charge	27.5	-	(0.1)	27.6
B. Employer's charge				
Employer's contributions	0.0	0.0	0.0	
Benefits paid	(20.5)	0.0	0.0	
Total Employer's charge	(20.5)	-	-	(20.5)
C. Other recognised items				
Unrecognised net assets	0.0	0.0	0.0	
Impact of currency translation	(0.3)	0.0	0.0	
Reclassification to assets held for sale	0.0	0.0	0.0	
Total other recognised items	(0.3)	-	-	(0.3)
Change in provision	6.7	0.0	(0.1)	6.8
D. Other unrecognised items				
Employee's contributions	0.0	0.0	0.0	
Actuarial adjustments on period	(24.4)	0.0	(24.5)	
Past service cost on period	0.0	0.0	0.9	
Total other unrecognised items	(24.4)	-	(23.6)	(0.8)
Situation as of Dec. 31, 2008	252.4	0.1	(33.6)	285.8

3.1.6.20.1.3 Other employee benefits

a) Presentation of benefits

- In France

This heading mainly comprises commitments in respect of long-service awards, loyalty premiums and executive frees granted at Sagem Défense Sécurité, Sagem Sécurité and Safran Informatique.

b) Financial position

<i>(in € millions)</i>	Dec. 31, 2007	France	Other	Dec. 31, 2008
Gross commitments	27.0	25.1	0.3	25.4
Fair value of assets	-	0.0	0.0	0.0
Provision	27.0	25.1	0.3	25.4
Unrecognised items	na	na	na	na

<i>(in € millions)</i>	Gross commitments (a)	Fair value of assets (b)	Unrecognised items (c)	Provision = (a)-(b)-(c)
Situation as of Jan. 1st, 2008	27.0	0.0	0.0	27.0
A. Pension scheme's charge				
Current service cost	2.4			
Financial cost	1.2			
Expected return on plan assets	0.0			
Recognised actuarial adjustments	(2.6)			
Change in scope of benefits	0.3			
Past service costs	0.0			
Total Pension scheme's charge	1.3	-	-	1.3
B. Employer's charge				
Employer's contributions	0.0			
Benefits paid	(2.9)			
Total Employer's charge	(2.9)	-	-	(2.9)
C. Other recognised items				
Unrecognised net assets	0.0			
Impact of currency translation	0.0			
Reclassification to assets held for sale	0.0			
Total other recognised items	0.0	-	-	0.0
Change in provision	(1.6)	0.0	0.0	(1.6)
D. Other unrecognised items				
Employee's contributions	0.0			
Actuarial adjustments on period	0.0			
Past service cost on period	0.0			
Total other unrecognised items	0.0	-	-	0.0
Situation as of Dec. 31, 2008	25.4	0.0	0.0	25.4

3.1.6.20.1.4 Contributions to defined contribution plans

The expense for the year with respect to defined contribution plans amounted to €231 million and breaks down as follows:

- Contributions to general retirement plans: €220 million
- Contributions to the Art. 83 * supplemental retirement plan: €11 million

* Plan set up within the main French companies of the former Snecma Group structure.

3.1.6.21 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

Movements in this item break down as follows:

(in € millions)

December 31, 2007	590
New advances received	112
Repayment of advances	(31)
Unwinding of discount	26
Cost of borrowings	6
Translation adjustments	(8)
Reclassification	3
Changes in scope of consolidation	-
December 31, 2008	698

These borrowings mainly correspond to French State repayable advances.

3.1.6.22 INTEREST-BEARING LIABILITIES

Movements in interest-bearing liabilities break down as follows:

(in € millions)	Interest-bearing current liabilities	Interest-bearing non-current liabilities	Total
December 31, 2007	502	397	899
Increase in borrowings	113	70	183
Decrease in borrowings	(17)	(87)	(104)
Movement in short term bank facilities	600	-	600
Changes in scope of consolidation	(5)	11	6
Foreign exchange differences	(2)	(25)	(27)
Reclassifications	(55)	52	(3)
December 31, 2008	1,136	418	1,554

a) Description of main borrowings

Main long and medium-term borrowings at inception:

European Investment Bank borrowings (E.I.B.): €200 million (€272 million as of December 31, 2007).

- This borrowing consists of four draw-downs with average fixed-rate interest of 3.1%, repayable in six monthly equal installments of the principal, with the final payment due July 2012; amount falling due within one year: €67 million. For certain draw-downs, the E.I.B. may request that a reserve account pledged in its favor be credited in the amount of the annual debt service charge if, upon publication of the half-yearly and annual financial statements, the financial covenants are not complied with.
- Employee savings financing under the Group Employee Savings Plan: €235 million (€187 million as of December 31, 2007). The interest rate is set annually and indexed to the 5-year Treasury Bill rate (4.85% in 2008 and 4.56% in 2007). The maximum maturity is 5 years and the amount falling due within one year is €95 million.
- Messier-Bugatti lease of U.S.\$49 million (€35 million) [U.S.\$59 million (€40 million) as of December 31, 2007]. This lease bears fixed-rate interest of 5.2% and includes €1 million falling due within one year. The lease is guaranteed by the parent company, Messier-Bugatti SA.

The other long and medium-term borrowings are comprised of immaterial amounts.

Main short-term borrowings:

- Treasury notes: €568 million (€147 million as of December 3, 2007). This amount comprises several draw-downs performed at market terms and conditions, with maturities of between one and six months.
- Financial current accounts with non-consolidated subsidiaries: €28 million (€29 million as of December 31, 2007). Interest is indexed to the overnight rate of the account currency (EUR, GBP or USD).
- Short-term borrowings
C.A.I.D.F.: €50 million (€80 million as of December 31, 2007),
CIC: €100 million drawn on the short-term credit line (nil as of December 31, 2007).
Draw-downs are performed at market terms and conditions and have a maximum maturity of six months.

Section 3 – STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

- CFM Inc. (company consolidated at 50%):
New short-term financing provided by Calyon New York, BNP Paribas and LCL in respect of the assignment of trade receivables (non-deconsolidating securitization transaction): U.S.\$150 million (€108 million) (i.e. U.S.\$300 million at 100%), bearing average floating-rate interest of 4.1% indexed to Libor USD (or Cost Funds = actual financing cost). U.S.\$50 million (€36 million) loan from General Electric secured in December 2008 (U.S.\$100 million at 100%), at market conditions.

Other short-term borrowings are comprised of immaterial amounts.

b) Interest-bearing non-current liabilities (portion > 1 year at inception)

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Finance lease liabilities	49	61
Long term borrowings	348	357
Total interest-bearing non-current liabilities	397	418

c) Interest-bearing current liabilities (< 1 year)

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Finance lease liabilities	14	8
Long-term borrowings	179	177
Accrued interest not yet due	7	6
Short term portion of long term debt	200	191
Treasury notes	147	568
Short-term bank facilities and equivalent	155	377
Short-term portion of long term debt	302	945
Total interest-bearing current liabilities	502	1 136

d) Analyse globale par échéances Analysis by maturity

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Maturing in		
1 year	502	1 136
2 to 5 years	352	375
Over 5 years	45	43
Total	899	1 554

e) Analysis by currency

The breakdown of borrowings by currency is as follows:

<i>(in currency millions)</i>	Dec. 31, 2007			Dec. 31, 2008		
	currency	euros	Spot exchange rate	currency	euros	Spot exchange rate
Euros	594	594	-	1,045	1,045	-
U.S. dollars	212	144	1.47	499	359	1.39
Canadian dollars	93	64	1.45	107	63	1.70
Pound sterling	56	77	0.73	60	63	0.95
Other	-	20	-	-	24	-
Total		899			1,554	

f) Fixed-rate and floating-rate borrowings

<i>(in € millions)</i>	Non current				Current			
	Dec. 31, 2007		Dec. 31, 2008		Dec. 31, 2007		31.12.2008	
	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	265	3.44%	225	3.64%	99	3.60%	87	3.36%
Floating rate	132	4.69%	193	4.45%	403	4.94%	1 049	3.27%
Total	397	3.86%	418	4.01%	502	4.67%	1 136	3.27%

3.1.6.23 TRADE AND OTHER PAYABLES

Trade and other payables break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Movement during the period	Changes in scope of consolidation	Foreign exchange differences	Other (*)	Dec. 31, 2008
Operating liabilities	6,045	168	82	(47)	36	6,284
Credit balances on trade receivables	571	259	1	1	-	832
Advance payments from customers	2,749	69	13	(13)	5	2,823
Trade and other operating payables	2,023	(155)	56	(34)	(8)	1,882
Current operating account	3	3	-	-	-	6
Employee-related liabilities	699	(8)	12	(1)	39	741
Other liabilities	472	26	2	(5)	7	502
Other liabilities	179	15	1	(4)	6	197
Deferred income	293	11	1	(1)	1	305
Total	6,517	194	84	(52)	43	6,786

(*) including €9 million classified as held for sale and €34 million from provision for risks and contingencies

Trade payables carry no interest and fall due in less than one year.

Deferred income primarily concerns Messier Bugatti for €52 million (non-recognition of revenue), Snecma for €116 million (revenue recognised on a percentage of completion basis) and Sagem Défense Sécurité for €43 million (revenue recognised on a percentage of completion basis).

Trade and other payables fall due as follows:

<i>(in € millions)</i>	< 12 months	> 12 months
Operating liabilities	5,923	362
Other liabilities	333	168
Total	6,256	530

3.1.6.24 OTHER CURRENT AND NON-CURRENT LIABILITIES**3.1.6.24.1 Other non-current liabilities**

<i>(in € millions)</i>	Dec. 31, 2007	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassification	Dec. 31, 2008
Payables on purchase of intangible and tangible assets	69	49	(1)	-	-	117
Payables relating to employees taking early retirement	25	(18)	-	-	-	7
Payables on purchase of investments	2	13	-	-	-	15
Total	96	44	(1)	-	-	139

3.1.6.24.2 Other current liabilities

<i>(in € millions)</i>	Dec. 31, 2007	Movements during the period	Changes in scope of consolidation	Reclassification	Dec. 31, 2008
State aid, accrued payables					
State - other taxes and duties	115	18	1	-	134
Total	139	19	1	(3)	156

3.1.6.25 SUMMARY OF FINANCIAL LIABILITIES

The fair value of these liabilities is calculated based on future cash flows for each borrowing, discounted at the market interest rate.

December 31, 2007 (in € million)	Carrying value			Fair value
	Financial liabilities measured at amortised cost	Financial liabilities at fair value	Total	
Borrowings subject to specific conditions	590		590	590
Interest bearing non current liabilities	397		397	381
Interest bearing current liabilities	502		502	502
Trade and other operating payables	2,023		2,023	2,023
Current operating accounts	3		3	3
Derivative liabilities		4	4	4
Total financial liabilities	3,515	4	3,519	3,503

December 31, 2008 (in € million)	Carrying value			Fair value
	Financial liabilities measured at amortised cost	Financial liabilities at fair value	Total	
Borrowings subject to specific conditions	698		698	698
Interest bearing non current liabilities	418		418	402
Interest bearing current liabilities	1,136		1,136	1,136
Trade and other operating payables	1,882		1,882	1,882
Current operating accounts	6		6	6
Derivative liabilities		577	577	577
Total financial liabilities	4,140	577	4,717	4,701

The net debt position of the Group is as follows:

(in € millions)	Dec. 31, 2007	Dec. 31, 2008
Cash and cash equivalents	730	919
Interest-bearing current and non-current liabilities	899	1,554
Net debt	(169)	(635)

3.1.6.26 WORKFORCE

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

	France	Abroad	Total
Aerospace propulsion branch	17,782	3,499	21,281
Aircraft equipment branch	10,106	11,255	21,361
Defense security branch	6,711	2,906	9,617
Holdings	994	83	1,077
Total	35,593	17,743	53,336

The total workforce as of December 31, 2008, including employees of non-consolidated companies, is 58,199.

These figures do not include employees of equity associates.

The breakdown of the workforce of French companies by socio-professional category is as follows:

Executives	11,745
Supervisors	999
Technicians	11,471
Employees	2,668
Workers	8,710
Total	35,593

The above figures include the workforce of the following proportionately consolidated companies (in the amount of percentage of consolidation):

Shannon Engine Support	19
Europropulsion	45
Sofradir	144
Ulis	46
Famat	229
Total	483

The workforce employed by discontinued operations is 2,855.

3.1.6.27 INTERESTS IN JOINT VENTURES

The Group has interests accounted for using proportionate consolidation (the contribution is recognised line by line in the financial statements) in the following companies:

- CFM International Inc. and CFM International SA: coordination of the CFM56 engine program with General Electric and marketing,
- Shannon Engine Support Ltd: leasing of CFM56 engines, modules, equipment and tooling to airline companies,
- Famat: manufacture of large casings sub-contracted by Snecma and General Electric,
- Europropulsion: research, development, testing and manufacture of solid propergol propulsion systems,
- ULIS: manufacture of uncooled infrared detectors,
- SOFRADIR: manufacture of cooled infrared detectors,

The Group's share in the various financial aggregates of these subsidiaries, included in the consolidated financial statements, is as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Current assets	272	219
Non-current assets	284	392
Current liabilities	353	355
Non-current liabilities	26	38
Operating income	238	254
Operating expenses	(197)	(206)
Financial income (loss)	(7)	(6)
Income tax expense	(19)	(12)
Net profit (loss)	16	29
Cash flows from operating activities	101	(86)
Cash flows from investing activities	(85)	(105)
Cash flows from financing activities	(17)	186

3.1.6.28 RELATED PARTIES

3.1.6.28.1 Related party transactions

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Sales to related parties	1,284	1,850
Purchases from related parties	(103)	(141)
<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Receivables on related parties	659	654
Payables on related parties	948	885
<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Financial commitments	319	328

Related parties primarily consist of the French State and entities controlled by the French State.

3.1.6.28.2 Management compensation

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Short-term benefits	7.2	8.6
Post employment benefits	1.6	0.6
Other long term benefits	-	-
Terminal payments	3.3	1.2
Share based benefits	0.4	0.0

Management comprises the members of the Supervisory Board, the members of the Management Board and the members of SAFRAN's Executive Management. Compensation data in respect of "short-term benefits" is provided on a gross basis. It includes sums paid in fiscal year 2008 and the provision for the variable portion that will be paid in 2009.

3.1.6.28.3 Relation between SAFRAN and its subsidiaries

The main financial flows between SAFRAN and its subsidiaries concern the following:

- Cash pooling is performed at SAFRAN group level. As such, cash pooling agreements exist between SAFRAN and each of the Group companies governing 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, which seeks to protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly in the U.S. dollar) and optimize the quality of hedges implemented via a portfolio of hedging instruments.
- Pursuant to the provisions of Article 223A of the French General Tax Code (*Code Général des Impôts*), SAFRAN is liable for the entire income tax charge and the minimum tax charge due by the tax group comprising itself and its tax consolidated subsidiaries.
- In accordance with the tax group agreement, tax group 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.

3.1.6.29 CONTINGENT LIABILITIES

In accordance with the Law 2004-391 of May 4, 2004 governing professional training and the local branch agreement of July 20, 2004, the Group's French companies grant their employees the right to individual training of a minimum of 20 hours per calendar year, up to a maximum total of 120 hours.

The Group's French companies integrate this element into the scope of in-service training and skills development negotiations.

3.1.7 CONSOLIDATED STATEMENT OF CASH FLOW

The statement of cash flow is prepared using the indirect method, whereby net cash flow from operating activities is determined by adjusting net profit or loss. The impact of changes in exchange rates shows the impact of exchange rate fluctuations between the beginning and the end of the year and the impact of such fluctuations on the opening cash and cash equivalents balance.

3.1.7.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise time deposit and sight deposit accounts and marketable securities.

Cash and cash equivalents have a term of less than 3 months and are convertible to a known amount of cash.

The breakdown of these amounts is shown in Note 3.1.6.17.

3.1.7.2 PURCHASES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

These items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Intangible assets	(254)	(286)
Property, plant and equipment	(466)	(467)
Change in payables on purchase of intangible assets	1	54
Change in payables on purchase of tangible assets	44	(9)
Movement in amounts receivable on disposals of tangible assets	-	-
Proceeds from disposals of intangible assets	1	2
Proceeds from disposals of tangible assets	35	35
Total	(639)	(671)

3.1.7.3 MATERIAL NON-CASH TRANSACTIONS

The Group performed certain transactions which did not have an impact on cash and cash equivalents.

These mainly concern:

• depreciation, amortisation, impairment and provisions expenses	€690 million
• the impact of changes in the value of financial instruments (1)	€546 million
• elimination of net profit before tax paid of discontinued operations	€308 million
• other	€(84) million
	<u>€1,460 million</u>

(1) This impact is primarily the result of the Group's decision to apply so-called speculative accounting from July 1, 2005 and therefore to recognize in Financial income (loss) the change in fair value of its financial instruments from this date.

3.1.7.4 GROUP ACCOUNTING POLICY

Under Group accounting policy, dividends received and interest received or paid are classified in operating activities.

3.1.8 MANAGEMENT OF MARKET RISKS AND FINANCIAL DERIVATIVES

The main risks to which the Group is exposed as a result of financial instruments are foreign currency risk, interest rate risk on cash flows, equity risk, counterparty risk and liquidity risk.

<i>(in € millions)</i>	December 31, 2007		December 31, 2008	
	Assets	Liabilities	Assets	Liabilities
<i>Interest rate risk management</i>	-	-	-	-
Receive floating/pay fixed interest rate swaps	-	-	-	-
Receive fixed/pay floating interest rate swaps	-	-	-	-
<i>Exchange rate risk</i>	126	(4)	138	(577)
Currency swaps	8	-	19	-
Buy and sell forward currency contracts	55	(4)	-	(476)
Currency option contracts	63	-	119	(101)
<i>Other derivatives</i>	-	-	-	-
	126	(4)	138	(577)

3.1.8.1 EXPOSURE TO FOREIGN CURRENCY RISK

Most revenue in the Aerospace Propulsion and Aircraft Equipment branches is denominated in U.S. dollars, which is virtually the sole currency used in the civil aviation industry. Accordingly, the net excess of revenues over operating expenses for these activities totaled U.S.\$5.18 billion for the year (U.S.\$4.96 billion for 2007). The hedging policy described below is aimed at safeguarding the Group's profitability and ensuring a steady flow of income.

3.1.8.1.1 Hedging policy

There are two basic principles to the Group's foreign currency risk management policy:

- safeguard the economic performance of the Group from random U.S. dollar fluctuations;
- to optimize the quality of hedging whenever possible without jeopardizing the first principle.

Safeguarding the economic performance means setting a minimum US dollar exchange rate parity over an applicable term. Minimum parity corresponds to a U.S. dollar exchange rate that allows SAFRAN to meet its operating income objectives.

3.1.8.1.2 Management policy

The method adopted consists of managing the hedging instrument portfolio such that the hedge rate does not fall below a minimum base threshold.

Protection measures primarily involve the use of forward contracts and option purchases (call €/put U.S.\$).

If the rate falls below the minimum threshold, optimization measures are implemented, primarily involving option sales (call U.S.\$/put €).

Option sales represent anticipated hedging of future sales. On implementation, their exercise price is always more favorable than the most recent forward sales contracts.

3.1.8.1.3 Financial instruments

The financial derivatives held, consisting of forward contracts, swaps or options, are used for hedging highly probable future flows on the one hand, the latter being determined based on the order book and budget forecasts, and on the other hand, the net balance sheet position made up of trade receivables and payables and cash denominated in foreign currencies.

The portfolio of financial derivatives breaks down as follows:

<i>(in millions currencies)</i>	December 31, 2007				December 31, 2008			
	Fair value	Contract notional amount	< 1 year	1 to 5 years	Fair value	Contract notional amount	< 1 year	1 to 5 years
Forward exchange contracts								
Short USD position	55	2,891	2,891	-	(476)	11,251	5,214	6,037
<i>Of which buy USD sell EUR</i>	40	2,780	2,780	-	(331)	10,146	4,636	5,510
Long USD position	(4)	(58)	(35)	(23)	(1)	(35)	(28)	(7)
<i>Of which buy USD sell EUR</i>	-	-	-	-				
Short GBP position against EUR	-	1	1	-				
Long SGD position against EUR	-	-	-	-	-	(6)	(6)	-
Currency swaps	8				19			
<i>Of which sell USD buy EUR</i>	2	126	126	-	4	196	196	-
Currency option contracts	63				18			
<i>Buying of a put option</i>	63	2,330	2,330	-	119	4,788	2,764	2,024
<i>Sell call</i>	-	226	226	-	(101)	2,688	1,664	1,024
Total	122				(439)			

Fair value amounts are stated in million euros, notional amounts are stated in million currencies

At the end of 2008, derivatives are allocated to hedge the net balance sheet position (no derivatives were allocated as hedges at the end of 2007). The remainder of the derivative portfolio is allocated to hedge future sales flows denominated in foreign currencies.

The exposure of the Group balance sheet to foreign currency risk breaks down as follows:

<i>(in million currencies)</i>	31.12.2007					31.12.2008			
	JPY / EUR	USD / EUR	USD / GBP	USD / CAD	TOTAL USD	USD / EUR	USD / GBP	USD / CAD	TOTAL USD
Total assets	625	1,490	248	113	1,851	1,434	289	148	1,871
Total equity and liabilities	326	1,162	182	150	1,494	1,337	141	130	1,607
Net balance sheet position	299	328	66	(37)	357	97	148	18	264
Financial derivatives designated as hedge	-	-	-	-	-	215	41	14	270
Net balance sheet position after the impact of hedging instruments	299	328	66	(37)	357	(118)	107	4	(6)
Net balance sheet position after the impact of hedging instruments (euro translated at a closing rate of 1.39 as at 12/31/2008 and 1.47 as at 12/31/2007)	2	223	45	(25)	243	(85)	77	3	(5)
Financial derivatives designated as hedge of future transactions	-	5,098	111	8	-	14,631	662	419	15,712

The above table is presented in currencies. The second column presents the U.S. dollar balance sheet positions of subsidiaries with the euro as their functional currency.

Balance sheet sensitivity to a change in the EUR/USD exchange rate of +/- 5% is as follows:

<i>Impact sur les positions du bilan (en millions d'euros)</i>	31 décembre 2007		31 décembre 2008	
	USD		USD	
Closing rate	1.47		1.39	
Assumptions on euro/dollar translation	-5%	+5%	-5%	+5%
Euro/dollar used for sensibility evaluation	1.40	1.54	1.32	1.46
Impact on the net balance sheet position* after the impact of instruments designated as hedge	12	(11)	(4)	4
Change in fair value of derivatives designated as cash flow hedge	(138)	147	(418)	396

* debit balance in 2007 and credit balance in 2008

3.1.8.2 INTEREST RATE RISK MANAGEMENT

Group exposure to fluctuations in interest rates encompasses two types of risk:

- price risk in respect of fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of fixed-rate financial 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 future profit or loss.

Within the framework of its general policy, the Group arbitrates between these two risks, using where necessary interest rate swaps and options.

The Group did not hold any market instruments as of December 31, 2008.

Most of the Group's medium- and long-term debt (excluding Employee savings under the Group Employee Savings Plan) is raised at fixed interest rates. Net Employee savings borrowings are at floating rates, with interest rates revised once annually. As such, Group exposure to interest rate risk is not significant. A change of + 1% in interest rates would generate costs of €1.3 million (compared to €3.8 million income in 2007).

3.1.8.3 EQUITY RISK MANAGEMENT

SAFRAN is exposed to fluctuations in the stock market price of Embraer shares, the only listed shares held.

A 5% decrease in the price of these shares would have a net negative impact on shareholders' equity of €1.1 million (compared to €3.2 million as of December 31, 2007).

3.1.8.4 COUNTERPARTY RISK MANAGEMENT

The Group is exposed to potential counterparty risk from the following transactions:

- Short-term investments,
- Derivatives,
- Customer accounts,
- Financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with first-tier banks rated "AA" at a minimum.

The sole purpose of the Group's derivative transactions is to reduce overall exposure to currency and interest rate risk resulting from ordinary business activities. Transactions are limited to organized markets or over-the-counter trading with first-tier traders.

Counterparty risk related to customer accounts is limited due to the significant number of customers in the portfolio and their geographical diversity.

As of December 31, 2008, no material counterparty risk had been identified by the Group that was not provided in the financial statements.

The financial asset maturity schedule is presented in Note 3.1.6.18.2.

3.1.8.5 LIQUIDITY RISK MANAGEMENT

Treasury management is centralized within the Group: where permitted by local legislation, all surplus cash and financing requirements of subsidiaries are invested with or financed by the parent company at market terms and conditions. The central cash team manages the current and forecast financing requirements of the Group and ensures the Group's ability to meet its financial commitments while maintaining a level of available cash and confirmed credit facilities which is compatible with the Group's size and borrowing repayment schedule.

Due to its low level of indebtedness and the existence of unused liquidity lines, the Group is relatively insensitive to liquidity risk.

Certain long-term financing arrangements secured in 2003 and 2005 comprise financial covenants.

The following two limit ratios are applied:

- Net debt/EBITDA < 2.5
- Net debt/shareholders' equity < 1

The terms "Net debt", "EBITDA" and "Shareholders' 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 total of Profit (loss) from operations and net charges to depreciation, amortisation and impairment.
- Shareholders' equity: shareholders' equity attributable to equity holders of the parent and minority interests.

For 2008, these ratios were determined using the consolidated adjusted financial statements.

Available confirmed credit lines however not used totaled €1,200 million as of December 31, 2008.

In addition, a Group company entered into a real estate lease finance contract of €10.1 million for a future investment. The project should be completed during the second half of 2009.

3.1.9 OFF-BALANCE SHEET COMMITMENTS

3.1.9.1 ENDORSEMENTS, GUARANTEES AND OTHER COMMITMENTS

3.1.9.1.1 Commitments in respect of current activities

The various commitments given by the SAFRAN group are as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Employee-related commitments	20	17
Commitments given to customers (completion warranties, performance bonds)	256	269
Commitments given to third parties by SAFRAN on behalf of its subsidiaries	499	571
Commitments given to customs authorities by SAFRAN on behalf of its subsidiaries	103	102
Commitments arising from role as associates EIG venture	2	-
Liability guarantees given	22	122
Actuarial adjustments	(23)	(22)
Other commitments	186	216
Total	1,065	1,275

The various commitments received by the SAFRAN group are as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Commitments received from banks on behalf of suppliers	12	18
Completion warranties	15	15
Endorsements, guarantees received	8	8
Liability guarantees received	-	121
Other commitments received	77	48
Total	112	210

3.1.9.1.2 Other commitments and contractual obligations

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

<i>(in € millions)</i>	Total	Period to maturity		
		less than 1 year	less than 1 year	less than 1 year
Long term borrowings at inception	540	183	353	4
Finance lease commitments	69	8	22	39
Operating lease commitments	206	50	94	62
Irrevocable purchase commitments	-	-	-	-
Other long term commitments	-	-	-	-
Total	815	241	469	105

Lease payments recognised in profit or loss for the year amounted to €91 million.

3.1.9.2 CAPITAL EXPENDITURE COMMITMENTS

As of December 31, 2008, capital expenditure commitments totaled €250 million (excluding discontinued operations).

3.1.9.3 FINANCIAL GUARANTEES GRANTED AS PART OF THE SALE OF GROUP PRODUCTS

These guarantees generated risks in the gross amount of U.S.\$257 million as of December 31, 2008. 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, in other words, the aircraft pledged. Accordingly, the net residual risk, as calculated using the valuation model, is provided in full in the financial statements.

3.1.10 DISPUTES AND LITIGATION

Except for the matters described below, neither SAFRAN nor any of its subsidiaries are, or have been, notably during the last twelve months, parties to any government, legal or arbitration proceedings likely to have or that have had, in the recent past, individually or collectively, a significant adverse effect on the financial position or profitability of SAFRAN and/or SAFRAN group. To the Group's knowledge, no proceeding of this type is contemplated by governmental authorities or third parties. A provision is only booked to cover the expenses that may result from these proceedings when the expenses are probable, and their amount may be either quantified or estimated. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although it is specified that the occurrence of events during the proceeding may nonetheless lead to a reevaluation of the risk. SAFRAN believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

- Turbomeca's liability has been cited within the scope of an expedited legal proceeding by the public prosecutor of Turin concerning a helicopter accident which took place in April 2003 in the Italian Alps, for which the causes are still unknown. Compensation payable to civil parties with respect to Turbomeca's liability is covered by the Group insurance policy.
- A supplier filed legal action against SAGEM Défense Sécurité for alleged abrupt and abusive termination of commercial relations, claiming compensation of €30 million. In a judgment dated July 23, 2008, Sagem Défense Sécurité was required to pay damages of €1 million. The supplier has appealed this decision. The estimated financial consequences of this dispute are significantly lower than the amounts claimed and are more than covered by the total provisions for contingencies and losses set aside by SAGEM Défense Sécurité as of December 31, 2008.
- Legal action was filed against Messier-Bugatti in 2002 by a supplier for alleged abusive termination of a joint development project, supposedly leading to the misappropriation of know-how in favor of a competitor. The supplier appealed against a decision of the lower court which dismissed its claim. The amount of €33 million initially claimed by the supplier and reduced to €7.3 million in the latest conclusions presented in appeal, is more than covered by the total provisions for contingencies and losses set aside by Messier-Bugatti as of December 31, 2008.
- 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 U.S.\$ 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This demand 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 contest this claim. An agreement was signed, whereby the manufacturers concerned by the arbitration request waived their right to invoke legal statute of limitation periods and the claimant withdrew its request for arbitration in June 2003, although reserving the right to submit a new claim for a greater amount. SAFRAN has not recorded a provision at this point.
- At the end of 2006, a tax adjustment of €11.7 million was notified by the Tax Office to SAFRAN, based on documents obtained during an ongoing preliminary investigation into the facts surrounding the payment by SAGEM SA – between 2001 and 2003 – of commission to local intermediaries for the alleged purpose of corrupting public agents of the Federal Republic of Nigeria, with the alleged aim of being awarded the State's electronic ID card contract. SAFRAN brought an independent legal action in order to obtain all useful information concerning the facts of which it is accused and any potential liability. Based on contesting information provided by SAFRAN in 2007, the French Tax Office agreed to suspend the current procedure until completion of the legal procedures. The partial provision set aside in respect of this risk at the end of 2006 was maintained in 2008. During December 2008, two employees of a group's subsidiary being indicted, the group itself has been charged during February 2009.
- In 2007, the tax adjustment notified in respect of the rules governing the allocation of the tax expense between the Snecma parent company and its consolidated subsidiaries up to the end of 2004, of €14 million, has been contested and no provision has been set aside in respect of this risk.

3.1.11 SUBSEQUENT EVENTS

None

3.2 ADJUSTED CONSOLIDATED DATA

In order to monitor and compare the Group's economic performances, the consolidated income statement and consolidated statement of cash flow, presented respectively on pages 14 and 17 of the statutory consolidated financial statements are adjusted for:

- the accounting impact of charges to amortisation on intangible assets relating to aircraft programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3, in order to cancel the one-off impact of the creation of SAFRAN group,
- the accounting impact of application of hedge accounting to currency financial instruments, in order to better reflect the result of the overall foreign currency risk management policy of the Group.

The adjusted data is unaudited.

3.2.1 ADJUSTED CONSOLIDATED INCOME STATEMENT

Communication sector businesses are classified in discontinued operations:

- the Broadband business was sold to The Gores Group in January 2008.
- the following decisions were taken in July 2008, with respect to the divestment of the Mobile Phones business:
 - sale of the ODM (Original Developer Manufacturer) business to Sofinnova Group, finalised in December 2008;
 - refocus of Fougères activities on the production of equipment and notably electronic equipment;
 - progressive reclassification of teams.

The Income statement and notes thereto were therefore adjusted for the impact of these classifications as of December 31, 2008 and as of December 31, 2007 for comparative purposes.

The Statement of cash flow for fiscal year 2008 was also adjusted for these classifications. The Statement of cash flow for fiscal year 2007 could not however be adjusted, as the necessary information concerning the Mobile Phones business was not available.

<i>(in € millions)</i>	<i>Notes</i>	Dec. 31, 2007 Adjusted	Dec. 31, 2008 Adjusted
Revenue	3.2.4.1	10,222	10,329
Other income		67	127
Income from operations		10,289	10,456
Change in inventories of finished goods and work in progress		316	276
Capitalized production		277	298
Raw materials and consumables used	3.2.4.2	(6,106)	(6,475)
Personnel costs		(3,032)	(3,133)
Taxes		(207)	(221)
Depreciation, amortisation and increase in provisions net of use	3.2.4.3	(561)	(446)
Assets impairment	3.2.4.4	(178)	(45)
Other operating income / expenses	3.2.4.5	(11)	88
Profit (loss) from operations		787	798
Borrowing costs		(10)	(19)
Other finance costs / income		(44)	(184)
Net finance costs / income	3.2.4.6	(54)	(203)
Income from associates		4	10
Profit (loss) before tax		737	605
Income tax expense	3.2.4.7	(219)	(101)
Profit (loss) from continuing operations		518	504
Profit from discontinued operations		(97)	(233)
Profit (loss) after tax		421	271
Minority interests		(15)	(15)
Net profit (loss) for the period attributable to equity holders of the parent		406	256
Basic earnings per share (in euro)		0.99	0.63

3.2.2 ADJUSTED CONSOLIDATED STATEMENT OF CASH FLOW

<i>(in € millions)</i>	Dec 31, 2007 (*)	Dec 31, 2008
I. Cash flow from/(used in) operating activities		
Consolidated profit (loss) before tax	630	330
Tax paid	(212)	(257)
Income from associates (net of dividends received and of dividends from discontinued operations)	4	(4)
Depreciation and amortisation	357	379
Asset impairment	209	(5)
Provisions	178	171
Fair value of financial instruments and derivatives	(44)	(16)
Foreign exchange losses	-	3
Capital gains on asset disposals	7	(130)
Investment subsidies	(3)	(2)
Accrued interest	4	6
Other	22	25
Elimination of income from discontinued operations	(35)	308
Intercompany income from discontinued operations	(1)	-
Minority interests	15	15
Income and expenses not impacting cash flow	709	754
Net cash from operations before changes in working capital	1,131	823
Net change in inventories and work-in-progress	(421)	(337)
Net change in operating receivables and payables	318	230
Net change in other receivables and payables	(10)	18
Intercompany change in working capital from discontinued operations	(5)	(14)
Changes in working capital	(118)	(103)
TOTAL I	1,013	720
II. Cash flow from/(used in) investing activities		
Purchases of intangible assets net of proceeds from disposals	(252)	(230)
Purchases of property, plant and equipment net of proceeds from disposals	(387)	(441)
Net proceeds from the sale of shares in other companies	(68)	(221)
Net proceeds from long-term investments	(26)	109
Other changes	-	-
Intercompany investing activities from discontinued operations	(1)	(5)
TOTAL II	(734)	(788)
III. Cash flow from/(used in) financing activities		
Change in share capital	19	-
Acquisitions or disposals of treasury shares	-	(151)
Repayments of borrowings and long-term debt	(86)	(93)
Repayment of repayable advances	(57)	(31)
Issuance of new loans	24	136
Repayable advances received	41	112
Net change in short term borrowings	(97)	465
Intercompany financing activities from discontinued operations	(64)	133
Dividends paid to equity holders of the parent	(90)	(197)
Dividends paid to minority interests	(6)	(5)
TOTAL III	(316)	369
Operating cash flows from discontinued operations	TOTAL IV	95
Investing cash flows from discontinued operations	TOTAL V	(33)
Financing cash flows from discontinued operations	TOTAL VI	1
VII. Effect of changes in foreign exchange rates	TOTAL VII	(2)
Increase/(Decrease) in net financial position	I+II+III+IV+V+VI+VII	24
Opening net financial position	743	730
Closing net financial position	730	919
Decrease in net financial position	(13)	189
Closing net financial position from discontinued operations and assets for sales	37	11
Increase/(Decrease) in net financial position	24	200
of which cash flows from continuing operations	34	185
of which cash flows from discontinued operations	(8)	15
of which cash flows from assets for sales	(2)	-

(*) not restated for the Mobile Phones business held for sale

3.2.3 ADJUSTED SEGMENT INFORMATION

The Group's operations are organized and managed according to the nature of the goods and services rendered, each sector corresponding to an independent branch representing a strategic activity offering a variety of goods in different markets.

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

3.2.3.1 BUSINESS SEGMENTS

3.2.3.1.1 Aerospace Propulsion branch

Within the Aerospace Propulsion branch, 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 branch also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

3.2.3.1.2 Aircraft Equipment branch

The Group also specializes in mechanical, hydro-mechanical 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. The branch also includes MRO activities and the sale of spare parts.

3.2.3.1.3 Defense Security branch

Within the Defense Security branch, the Group designs, develops, produces and markets Aircraft and Navigation systems (avionics, navigation instruments, etc), Optronic and Air-Land systems and Security systems (bankcards, identification and biometrics).

3.2.3.1.4 Communication branch

This entire branch was reclassified within discontinued operations as of December 31, 2008 and also as of December 31, 2007 for comparative purposes.

Section 3 – ADJUSTED CONSOLIDATED DATA

3.2.3.2 ADJUSTED SEGMENT INFORMATION

Year ended December 31, 2007

<i>(in € millions)</i>	Aerospace propulsion branch	Aircraft equipment branch	Defense Security branch	Communication	Total branches	Holding/ Inter-branch eliminations	Dec. 31, 2007
External revenue	5,917	2,703	1,596	-	10,216	6	10,222
Inter-branch revenue	23	466	69	-	558	(558)	-
Total revenue	5,940	3,169	1,665	-	10,774	(552)	10,222
Other branch income	278	299	85	-	662	(2)	660
Branch expenses	(5,121)	(3,142)	(1,603)	-	(9,866)	521	(9,345)
Depreciation, amortisation and increase in provisions net of use	(311)	(170)	(72)	-	(553)	(8)	(561)
Assets impairment	(166)	(30)	18	-	(178)	-	(178)
Other items	16	(17)	(18)	-	(19)	8	(11)
Profit (loss) from operations	636	109	75	-	820	(33)	787
Financial income (loss)							(54)
Income from associates							4
Income tax expense							(219)
Profit from discontinued operations				(97)	(97)		(97)
Minority interests							(15)
Net profit (loss) attributable to equity holders of the parent							406

Year ended December 31, 2008

<i>(in € millions)</i>	Aerospace propulsion branch	Aircraft equipment branch	Defense Security branch	Communication	Total branches	Holding/ Inter-branch eliminations	Dec. 31, 2008
External revenue	5,803	2,856	1,646	-	10,305	24	10,329
Inter-branch revenue	23	447	9	-	479	(479)	-
Total revenue	5,826	3,303	1,655	-	10,784	(455)	10,329
Other branch income	287	312	105	-	704	(3)	701
Branch expenses	(5,252)	(3,353)	(1,641)	-	(10,246)	417	(9,829)
Depreciation, amortisation and increase in provisions net of use	(225)	(164)	(41)	-	(430)	(16)	(446)
Assets impairment	(12)	(31)	(3)	-	(46)	1	(45)
Other items	(41)	(9)	143	-	93	(5)	88
Profit (loss) from operations	583	58	218 *	-	859	(61)	798
Financial income (loss)							(203)
Income from associates							10
Income tax expense							(101)
Profit from discontinued operations				(233)	(233)		(233)
Minority interests							(15)
Net profit (loss) attributable to equity holders of the parent							256

* including a capital gain of € 146 million on the transfer of the payment terminal activities to Ingenico

The breakdown of revenue by geographical segment is as follows:

<i>(in € millions)</i>	Dec. 31, 2007		Dec. 31, 2008	
	Amount	%	Amount	%
France	2,558	25%	3,004	29%
Europe (excluding France)	2,467	24%	2,419	24%
North America	3,142	31%	2,888	28%
Asia	951	9%	958	9%
Rest of the world	1,104	11%	1,060	10%
Total	10,222	100%	10,329	100%

3.2.4 NOTES TO THE ADJUSTED DATA

The notes hereafter only concern the aggregates that have been adjusted compared to the statutory consolidated financial statements.

3.2.4.1 REVENUE

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Aerospace propulsion branch		
Original aircraft equipment	2,889	2,587
Aircraft spare parts	1,417	1,498
Maintenance & repair	1,157	1,164
R & D contracts	224	236
Other	230	318
subtotal	5,917	5,803
Aircraft equipment branch		
Original aircraft equipment	1,448	1,552
Aircraft spare parts	499	517
Maintenance & repair	343	359
R & D contracts	93	83
Ingeneery	174	213
Other	146	132
subtotal	2,703	2,856
Defense security branch		
Sagem Avionics	509	482
Sagem Optronics and Defense	416	469
Security	670	695
Other	1	0
subtotal	1,596	1,646
Holding branch and other		
subtotal	6	24
Total	10,222	10,329

3.2.4.2 RAW MATERIALS AND CONSUMABLES USED

Raw materials and consumables for the year primarily involve raw materials, supplies, sub-contracting purchases and all external services.

They break down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Raw materials, supplies and others	(1,863)	(1,961)
Bought-in goods	(209)	(235)
Changes in inventories	119	61
Sub-contracting	(2,320)	(2,291)
Purchases not held in inventory	(265)	(250)
External services expenses	(1,568)	(1,799)
Total	(6,106)	(6,475)

3.2.4.3 DEPRECIATION, AMORTISATION AND INCREASE IN PROVISIONS NET OF USE

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Depreciation and amortisation net expenses		
- intangible assets	(76)	(106)
- property, plant and equipment	(274)	(278)
Total depreciation and amortisation net expenses	(350)	(384)
Total increase in provisions, net of use	(211)	(62)
Total depreciation, amortisation, increase in provisions net of use	(561)	(446)

3.2.4.4 ASSET IMPAIRMENT

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Assets impairment		
- intangible and tangible assets	(86)	(17)
- financial assets	(53)	1
- inventories	(48)	(14)
- receivables	9	(15)
Total assets impairment	(178)	(45)

3.2.4.5 OTHER INCOME / OPERATING EXPENSES

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Capital gains / losses on asset disposals	(6)	138 *
Royalties, patents and licenses	(10)	(12)
Cancellation of debts	(8)	-
Loss on irrecoverable receivables	(6)	(9)
Other operating income and expenses	19	(29)
Total	(11)	88

(*) Including a capital gain of € 146 million on the transfer of the payment terminal activities to Ingenico.

3.2.4.6 FINANCIAL INCOME (LOSS)

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Finance costs on interest-bearing liabilities	(56)	(54)
Finance income in relation to cash and cash equivalents	46	35
Cost of net borrowings debt	(10)	(19)
Loss on financial instruments	-	(63)
Gain on financial instruments held for trading	9	-
Foreign exchange loss	(42)	(40)
Foreign exchange gains (losses) on provisions	39	(19)
Financial income (expense) arising on foreign currency translation	6	(122)
Net costs on disposal of financial assets	(15)	-
impairment expenses	(4)	(33)
Use of provisions	-	2
Impact of financial discounting	(30)	(35)
Other	(1)	4
Total other finance (costs) / income	(50)	(62)
Total Finance results	(54)	(203)
of which finance costs	(148)	(244)
of which finance income	94	41

3.2.4.7 INCOME TAX EXPENSE

The income tax expense breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Current income tax / (expense)	(268)	(154)
Deferred tax income / (expense)	49	53
Total tax income / (expense)	(219)	(101)

3.3 PARENT COMPANY FINANCIAL STATEMENTS

SAFRAN is the holding company of the SAFRAN group.

Under the authority of the Executive Board, the head company carries out the following main duties:

- Definition and steering of Group strategy;
- Governance and control of Group companies. A certain number of rules laid down in internal procedures were adopted by the Executive Board, concerning in particular:
 - corporate governance in Group companies;
 - relations between subsidiaries and the Group head company.
- Performing certain services on behalf of all Group companies;
- Leadership and coordination of actions intended to enhance the Group's reputation or increase its effectiveness.

The main financial flows between SAFRAN and its subsidiaries concern the following:

- Cash pooling is performed at SAFRAN group level. As such, cash pooling agreements exist between SAFRAN and each of the Group companies governing 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, which seeks to protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly in the U.S. dollar) and optimize the quality of hedges implemented via a portfolio of hedging instruments.
- Pursuant to the provisions of Article 223A of the French General Tax Code (*Code Général des Impôts*), SAFRAN is liable for the entire income tax charge and the minimum tax charge due by the tax group comprising itself and its tax consolidated subsidiaries.

In accordance with the tax group agreement, tax group 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 in accordance with assistance agreements.

3.3.1 BALANCE SHEET, INCOME STATEMENT AND STATEMENT OF CASH FLOW

SAFRAN SA BALANCE SHEET AS OF DECEMBER 31, 2008

(in € millions)	2007		2008			2007	2008
ASSETS	Net	Gross	Deprec. amort. and provisions	Net	EQUITY & LIABILITIES		
NON-CURRENT ASSETS					EQUITY		
Intangible assets					Share capital (o/w paid up: 83.4)	83.4	83.4
• Purchased goodwill	3,268.2	3,268.2		3,268.2	Additional paid-in capital	3,288.6	3,288.6
• Other intangible assets	0.8	2.9	2.2	0.7	Reserves :		
ST	3,269.0	3,271.1	2.2	3,268.9	• Legal reserves	8.3	8.3
Property, plant and equipment	16.9	39.1	23.5	15.6	• Tax-driven reserves	410.7	302.0
Financial assets :					• Other reserves	739.9	886.6
• Equity investments	3,013.3	3,294.6	242.0	3,052.6	Retained earnings	0.9	1.6
• Other financial assets	404.2	380.5	14.9	365.6	Net profit for the year	204.6	151.2
ST	3,417.5	3,675.1	256.9	3,418.2	Interim dividends	0.0	(32.2)
					Tax-driven provisions	2.9	2.9
TOTAL I	6,703.4	6,985.3	282.6	6,702.7	TOTAL I	4,739.3	4,692.4
CURRENT ASSETS					PROVISIONS FOR CONTINGENCIES AND LOSSES		
• Payments on accounts	0.6	2.9		2.9	Provisions for contingencies	11.7	44.7
Accounts receivable:					Provisions for losses	448.1	640.3
• Trade receivables and related accounts	2.9	5.2		5.2	TOTAL II	459.8	685.0
• Other receivables	143.9	292.8		292.8	LIABILITIES		
• Group current financial assets	1,153.3	1,699.3	164.1	1,535.2	Loans and borrowings	719.3,	1,159.9
Marketable securities:					Payments received on account	0.0,	0.2
• Treasury shares	32.8	124.0	43.5	80.5	Group current financial liabilities	2,469.4	2,532.4
• Other securities	476.2	730.0		730.0	Trade payables and related accounts	12.4	30.9
Cash at bank and in hand	109.9	76.4		76.4	Amounts payable in respect of PP&E	0.0	13.5
Prepayments	3.1	4.5		4.5	Other liabilities	237.2	355.1
TOTAL II	1,922.7	2,935.1	207.6	2,727.5	TOTAL III	3,438.3	4,092.0
Unrealized foreign exchange losses	28.4	62.0		62.0	Unrealized foreign exchange gains	17.1	22.8
TOTAL ASSETS	8,654.5	9,982.4	490.2	9,492.2	TOTAL EQUITY & LIABILITIES	8,654.5	9,492.2

SAFRAN SA INCOME STATEMENT

<i>(in € millions)</i>	2007	2008
REVENUE	100.8	96.1
Other operating income	0.4	1.7
Expense reclassifications	0.5	18.0
Reversal of depreciation, amortization and provisions	3.6	1.6
Operating income	105.3	117.4
Non-group cost of goods sold	(48.5)	(81.8)
Taxes and duties other than income tax	(4.8)	(4.7)
Payroll costs	(72.7)	(72.5)
Depreciation, amortization and charges to provisions		
On non-current assets: depreciation and amortization	(2.3)	(2.3)
For contingencies and losses: charges to provisions	(0.9)	0.0
Other expenses	(1.0)	(1.0)
Operating expenses	(130.2)	(162.3)
PROFIT FROM OPERATIONS	(24.9)	(44.9)
Income from equity investments	442.7	455.0
Income from other marketable securities and long-term loans	22.8	24.3
Other interest and similar income	67.0	81.5
Reversal of provisions and expense reclassifications	72.9	13.0
Foreign exchange gains	0.0	23.2
Net proceeds from sales of marketable securities	5.3	0.1
Financial income	610.7	597.1
Charges to provisions	(173.2)	(256.3)
Interest and similar expenses	(122.8)	(133.2)
Foreign exchange losses	(34.2)	0.0
Net charges on sales of marketable securities	0.0	0.0
Financial expenses	(330.2)	(389.5)
FINANCIAL INCOME	280.5	207.6
NET PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX	255.6	162.7
Non-recurring income from non-capital transactions	0.1	0.0
Non-recurring income from capital transactions	1.7	15.7
Reversal of provisions and expense reclassifications	5.6	0.5
Non-recurring income	7.4	16.2
Non-recurring charges on non-capital transactions	(8.0)	(2.4)
Non-recurring charges on capital transactions	(70.7)	(15.3)
Charges to provisions	(1.6)	(5.5)
Non-recurring expenses	(80.3)	(23.2)
NET NON-RECURRING ITEMS	(72.9)	(7.0)
Employee statutory profit-sharing	(1.5)	0.0
Income tax expense	125.5	189.3
Movement in income tax provisions	(102.1)	(193.8)
NET PROFIT FOR THE YEAR	204.6	151.2

SAFRAN SA STATEMENT OF CASH FLOW

<i>(in € millions)</i>	2007	2008
Cash flows from operating activities		
Net profit for the year	204.6	151.2
Elimination of non-cash income and expenses and income and expenses not relating to operations		
• Net charge to depreciation, amortization and provisions	198.0	442.9
• Capital gains/losses on asset disposals	69.1	0.0
Dividends received in the form of securities	0.0	(15.3)
Net cash from operations before changes in working capital	471.7	578.8
Changes in working capital	87.9	(529.3)
Cash flow from operating activities	559.7	49.5
Cash flows from investing activities		
Purchases of intangible assets and PP&E	(1.4)	(1.0)
Increase in financial assets	(64.6)	(102.0)
Loans granted	(182.3)	(12.4)
Loan repayments	72.3	119.7
Sales of intangible assets and PP&E	0.1	0.1
Sales of financial assets	1.5	0.0
Cash flow from / (used in) investing activities	(174.4)	4.4
Cash flows from financing activities		
Dividends paid to shareholders	(91.2)	(165.9)
Interim dividends	0.0	(32.2)
New borrowings secured	0.0	0.0
Repayments of borrowings	(71.9)	(72.2)
Change in share capital	0.0	0.0
Change in short-term borrowings	(99.4)	534.0
Cash flow from / (used in) financing activities	(262.5)	263.7
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	122.7	317.6
Opening cash and cash equivalents	490.1	612.8
Closing cash and cash equivalents (*)	612.8	930.4

	Dec. 31, 2007	Dec. 31, 2008
(*) Marketable securities		
Treasury shares	47.9	124.0
Other	476.2	730.0
Cash at bank and in hand	109.9	76.4
Current bank facilities and bank overdrafts	(21.2)	0.0
Closing cash and cash equivalents	612.8	930.4
Closing cash and cash equivalents	612.8	930.4
Provisions for impairment of treasury shares	(15.0)	(43.5)
Net cash and cash equivalents per the Balance Sheet	597.8	886.9

3.3.2 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.3.2.1 ACCOUNTING POLICIES

3.3.2.1.1 Accounting rules and methods – Parent company financial statements

The Individual Financial Statements for the year ended December 31, 2008 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.

The company applies:

- CRC Regulation 04-06 on the definition, recognition and measurement of assets,
- CRC Regulation 02-10 on the depreciation, amortization and impairment of assets, as amended by CRC Regulation 03-07.

3.3.2.1.2 Intangible assets – Parent company financial statements

All intangible assets are valued at purchase cost.

- The merger deficit, classified as “technical”, resulting from the merger-absorption at the net carrying amount of Snecma by SAGEM SA in 2005, was recorded in Balance sheet assets. This deficit corresponds, in the amount of the percentage interest previously held by SAGEM SA in Snecma following the takeover bid for shares and cash and prior to the merger (i.e. 83.39% of the share capital of Snecma), to unrealized capital gains on the Snecma brand name and equity investments held by Snecma. These capital gains were determined using the same approach as adopted for the allocation of the purchase price to identifiable assets and liabilities of Snecma Group companies as of April 1, 2005, in the SAFRAN group consolidated financial statements. The merger deficit was allocated outside the accounting system to the different assets of Snecma, in accordance with the breakdown detailed in Section 3.3.2.2.1. The merger deficit is not amortized but is tested annually for impairment. In the event of disposal of the underlying assets (securities or brand names), the share of the merger deficit allocated to these assets outside the accounting system is taken to profit or loss.

- Patents and licenses are amortized over the shorter of the period of legal protection and period of effective use,
- Application software is amortized over five years.

3.3.2.1.3 Property, plant and equipment – Parent company financial statements

Since January 1, 2005, property, plant and equipment is depreciated over its useful life in accordance with accounting regulations.

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 were revalued pursuant to the 1976 legal revaluation.

Property, plant and equipment purchased since 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 foreign currency are translated into euro at the exchange rate prevailing on the transaction date.

Property, plant and equipment produced by the company are recorded at production cost price.

Depreciation

The main periods of use are as follows:

- | | |
|---|------------------|
| • Buildings | 15 - 40 years |
| • Building improvements and fixtures and fittings | 10 years |
| • Office furniture | 6 years 8 months |
| • Office equipment | 6 years 8 months |
| • Vehicles | 4 years |

Property, plant and equipment is depreciated on a straight-line basis.

Increases in standard depreciation rates authorized by the tax authorities to encourage investment are considered “accelerated tax depreciation” and are recorded in tax-driven provisions in equity.

3.3.2.1.4 Financial assets – Parent company Financial Statements

Gross carrying amount

Financial assets are recorded at purchase price.

The 2007 Finance Act introduced a new tax treatment of equity investment acquisition expenses, requiring their capitalization (inclusion in the cost price of securities) and amortization over a period of 5 years by way of accelerated tax depreciation.

Therefore, in accordance with the opinion issued by the CNC Urgent Issues Taskforce on June 15, 2007, the company elected for a change in tax option from January 1, 2007: the gross carrying amount of equity investments purchased after this date comprises the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of five years.

Provisions

The fair value underlying the calculation of provisions is the value in use.

The value in use of securities is determined based on the percentage interest in net equity, adjusted for material unrealized capital gains net of the corresponding tax charge and the profitability outlook.

Provisions are recorded in respect of loans and other financial assets when their recovery is uncertain.

3.3.2.1.5 Inventory and work-in-progress – Parent company Financial Statements

Not applicable

3.3.2.1.6 Receivables and payables – Parent company Financial Statements

Receivables and payables are recorded at nominal value. A provision for write-down is recorded for receivables where the recovery value is less than the net carrying amount.

Foreign-currency denominated receivables and payables

Foreign-currency denominated receivables and payables are translated into euro at the exchange rate prevailing as of December 31.

Differences with respect to initial values are recorded in unrealized foreign exchange gains and losses accounts created for this purpose.

Net unrealized foreign exchange losses not offset by currency hedges are covered by a contingency provision.

3.3.2.1.7 Investment securities – Parent company Financial Statements

Investment securities are recorded at purchase cost. A provision for impairment is recorded when the fair value of securities, based on their value in use and their probable trading value, is less than their purchase price. The fair value of listed securities is determined based on their stock market price.

Treasury shares

Treasury shares are recorded at purchase price. Fair value is equal to the lower of purchase price and the average stock market price during the two months preceding the period end. A provision for impairment is recorded when the purchase price exceeds the average stock market price.

When shares are earmarked for a specific share 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.

3.3.2.1.8 Cash and cash equivalents – Parent company Financial Statements

Foreign-currency denominated liquid assets and current liabilities held at the balance sheet date are translated at the exchange rate prevailing as of December 31.

Differences with respect to initial values are recognized in financial income / (loss).

3.3.2.1.9 Tax-driven provisions – Parent company Financial Statements

Investment provisions were recorded in prior years in respect of statutory employee profit-sharing.

Provisions for accelerated tax depreciation are also recorded.

3.3.2.1.10 Provisions for contingencies and losses – Parent company Financial Statements

Contingencies and losses identified up to the date of signature of the financial statements are covered by provisions and particularly retirement termination payment commitments and executive incremental retirement plan commitments.

Employee commitments

The Company has a number of different retirement commitments.

Retirement termination payment commitments borne by companies pursuant to the metal industry collective bargaining agreement and company agreements are covered by provisions.

The amount provided is valued using the projected unit credit method which determines, for each employee, the present value of benefits to which current and prior year service will grant entitlement on retirement.

Executive staff also benefit, depending on the age bracket, from an additional defined contribution scheme and a defined benefit incremental retirement plan. The commitments corresponding to the latter plan, closed in 1995, are also provided after deduction of the value of funds placed with the insurance company responsible for paying retirement benefits. These commitments are valued 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 unprovided liability is recorded in off-balance sheet commitments.

3.3.2.1.11 Financial instruments – Parent company Financial Statements

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 flows using firm and optional forward transactions. SAFRAN does not trade financial instruments for speculative purposes.

The market value of financial instruments hedging the net foreign-currency denominated operating receivables and payables position of subsidiaries benefiting from the SAFRAN foreign currency guarantee and cash accounts are recorded in the balance sheet.

The market value of financial instruments hedging future foreign currency flows are 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 expiry of the options.

Foreign currency gains and losses arising on these transactions are recorded in Foreign currency gains and losses.

3.3.2.1.12 Revenue – Parent company Financial Statements

Revenue comprises sales of services and income from related activities.

3.3.2.1.13 Non-Recurring Items – Parent company Financial Statements

The definition of non-recurring items laid down in the French General Chart of Accounts has been adopted. In particular, non-recurring items comprise capital gains and losses arising on the sale of non-current assets.

3.3.2.1.14 Income tax expense and tax consolidation – Parent company Financial Statements

In 2005, the Group elected for the group tax consolidation regime set out in Articles 223A to 223Q of the French General Tax Code.

In fiscal year 2008, the tax consolidation group included the following companies:

-Safran (head company)	-Safran Conseil
-Aircelle	-Safran Informatique
-Aircelle Europe Services	-Safran International Resources
-Compagnie Générale des Turbo-Machines	-Safran Sixty
-Confidence	-Sagem Télécommunications
-Connecteurs Cinch	-Sagem Mobiles
-Etablissements Vallaroche	-Sagem Défense Sécurité
-Hispano-Suiza	-Sagem Sécurité
-Incodev	-Sagem Xélios
-Javel	-Sagem Industries
-Labinal	-SLCA
-Lexvall 2	-Société de Motorisations Aéronautiques
-Lexvall 13	-Snecoma
-Lexvall 21	-Snecoma Participations
-Lexvall 22	-Snecoma Propulsion Solide
-Lexvall 23	-Snecomasat

Section 3 – PARENT COMPANY FINANCIAL STATEMENTS

-Lexvall 24 -Lexvall 25 -Messier Services International SA -Messier Services SA -Messier-Bugatti -Messier-Dowty International Limited -Microturbo -Positive	-Snecma Services -Snecma Services Participations -Sofrance -SSI -Teuchos -Turbomeca -Vallaroche Conseil
--	---

Tax consolidation agreements between SAFRAN and its subsidiaries provide for the recognition in the accounts of subsidiaries of a tax expense as if there were no tax group election and the recognition of the remaining tax payable by the overall tax group by the parent company.

Tax savings resulting from the offset of tax losses of tax group subsidiaries are recorded in profit or loss in the SAFRAN accounts and neutralized by a provision. This provision is released to profit or loss when prior year losses are used by the consolidated subsidiary or when they become time-barred and may no longer be used by the subsidiary concerned.

3.3.2.2 ADDITIONAL NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.3.2.2.1 Non-current assets and amortization and depreciation – Parent company Financial Statements

3.3.2.2.1.1 Non-current assets – Parent company financial statements

<i>(in € millions)</i>	Opening gross carrying amount	INCREASE	DECREASE	Closing gross carrying amount
Rubriques et postes				
Intangible assets:				
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	2.7	0.2		2.9
Purchased goodwill / (merger deficit) (1)	3,268.2			3,268.2
TOTAL	3,270.9	0.2		3,271.1
Property, plant and equipment:				
Land	2.9			2.9
Buildings	30.2	0.2		30.4
Technical installations, equipment and industrial tools	0.1			0.1
Other property, plant and equipment	5.4	0.6	0.3	5.7
TOTAL	38.6	0.8	0.3	39.1
Financial assets:				
Equity investments (2) (3)	3,247.2	62.7	15.3	3,294.6
Loans to equity investments	367.1	12.2	85.2	294.1
Loans	36.6	0.2	34.1	2.7
Other financial assets(4)	0.7	83.5	0.5	83.7
TOTAL	3,651.6	158.6	135.1	3,675.1

(1) The merger deficit is allocated outside the accounting system 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 Service €58 million, Messier Bugatti €145 million, Hispano Suiza €79 million, Labinal and Teuchos €214million, Snecma SA €2,019 million, Techspace Aéro €164 million, Snecma Propulsion Solide €143 million, Turbomeca and Microturbo €205 million).

(2) Increases mainly concern share capital subscriptions at Gores Broadband (€3.7 million) and Fonds Aerofund II (€15.0 million), purchases of Technofan shares on the stock market (€13.4 million) and the distribution by Techspace Aéro of shares in Pratt & Whitney Belgium Engine Center (PWBE) for €15.3 million, followed by the exchange of these shares for Techspace Aéro shares held by Pratt & Whitney, also for €15.3 million.

(3) The 1.12% stake in Embraer, considered of strategic interest and a long-term investment, is recorded in equity investments for a gross amount of €38.4 million. The average stock market value in December 2008 was €24.0 million. The impairment of this asset is not necessary as the decrease in value is recent and primarily due to the fall in the Brazilian real against the euro.

(4) The increase is due to the acquisition of 6,255,443 SAFRAN shares to be presented in payment or exchange in subsequent external growth transactions (see Section 3.3.2.2.5), for €75.1 million and the subscription of Gores Broadband SA bonds in the amount of €8.4 million.

Section 3 – PARENT COMPANY FINANCIAL STATEMENTS

3.3.2.2.1.2 Depreciation and amortization – Parent company financial statements

<i>(in € millions)</i>	Accumulated opening balance	CHARGE	RELEASE	Accumulated closing balance
Intangible assets				
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	1.9	0.3		2.2
TOTAL	1.9	0.3		2.2
Property, plant and equipment				
Land	0.0			0.0
Buildings	17.7	1.6		19.3
Technical installations, equipment and industrial tools	0.0			0.0
Other property, plant and equipment	4.0	0.4	0.2	4.2
TOTAL	21.7	2.0	0.2	23.5
Intangible assets				

3.3.2.2.2 Debt maturity schedule - Parent company financial statements

<i>(in € millions)</i>	GROSS CARRYING AMOUNT	MATURING IN		AMOUNT
		1 year or less		
Assets				
Non-current assets				
Loans to equity investments	294.1	91.5	202.6	
Loans	2.7	0.0	2.7	
Other financial assets	83.7	8.4	75.3	
Current assets				
Payments on account	2.9	2.9		
Trade receivables and related accounts	5.2	5.2		
Other receivables	292.8	228.1	64.7	
Group current financial assets	1,699.3	1,699.3		
Prepayments	4.5	4.5		
TOTAL	2,385.2	2,039.9	345.3	0.0
Liabilities				
Loans and borrowings	1,159.9	1,026.5	133.3	0.1
Payments received on account	0.2	0.2		
Group current financial liabilities	2,532.4	2,532.4		
Trade payables and relating accounts	30.9	30.9		
Amounts payable in respect of PP&E	13.5	13.5		
Other liabilities	355.1	226.5	19.1	109.5
TOTAL	4,092.0	3,830.0	152.4	109.6

3.3.2.2.3 Accrued income – Parent company financial statements

In accordance with the accruals principle, accrued income is recorded in the following asset headings:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008
Trade receivables and related accounts	0.6	0.3
Loans	2.2	1.6
Group current financial assets	0.3	0.5
TOTAL	3.1	2.4

3.3.2.2.4 Prepayments and deferred income – Parent company financial statements

Prepayments mainly comprise financial expenses, subscriptions to professional bodies, professional fees and services. Deferred income was nil in fiscal year 2008.

Section 3 – PARENT COMPANY FINANCIAL STATEMENTS

3.3.2.2.5 Marketable securities – Parent company financial statements

Treasury shares (number of shares)

Opening treasury shares	2,530,795
Acquisitions	13,842,887
Share purchase options exercised	(284,877)
Disposals	(1,494,795)
Closing treasury shares	14,594,010
o/w recorded in Marketable securities (gross: €124.0 million, net: €80.5 million)	
- Shares earmarked for share option plans	750,000
- Shares previously earmarked for expired plans	1,495,918
- Share earmarked for allocation as bonus shares to employees	5,696,000
- Shares held pursuant to a liquidity contract	396,649
	8,338,567
o/w recorded in Financial assets (see Section 2.1) (gross: €75.1 million, net: €60.4 million)	
- Shares to be presented in payment or exchange in external growth transactions	6,255,443

Other securities

Other securities comprise monetary investments recorded in the balance sheet at market value.

3.3.2.2.6 Equity – Parent company financial statements

Equity breaks down as follows:

<i>(in € millions)</i>	Opening balance	Appropriation of 2007 net profit	Increase	Decrease	Other movements	Closing balance
Share capital	83.4					83.4
Additional paid-in capital	3,288.6					3,288.6
Legal reserves	8.3					8.3
Tax-driven reserves	410.7				(108.7) (3)	302.0
Other reserves (2)	739.9	38.0			108.7 (3)	886.6
Retained earnings	0.9	0.7				1.6
2007 net profit	204.6	(38.7)		165.9 (1)		0
2008 net profit			151.2			151.2
Interim dividend	0			32.2 (4)		(32.2)
Tax-driven provisions	2.9					2.9
TOTAL	4,739.3	0.0	151.2	198.1	0.0	4,692.4

(1) Dividend distribution

(2) Including reserves hedging treasury shares held as of December 31, 2008 (€199.0 million)

(3) Transfer of the former Snecma long-term capital gains special reserve to "optional reserves" available for distribution, following payment of the exit tax.

(4) An interim dividend of €0.08 per share was paid on December 15, 2008.

3.3.2.2.7 Share Capital – Parent company financial statements

3.3.2.2.7.1 Share ownership

The share capital comprises 417,029,585 ordinary shares with a par value of €0.20 each, listed in Compartment A of the Eurolist Paris market, under ISIN code FR0000073272 (SAF).

3.3.2.2.7.2 Share ownership as of December 31, 2008

	Shares		Voting rights	
	Number	%	Number	%
Private investors	153,952,241	36.9	166,856,292	30.9
French State	125,940,227	30.2	150,706,249	28.0
Club Sagem	32,004,842	7.7	63,574,164	11.8
Other employee shareholders	56,506,213	13.5	98,789,886	18.3
Areva	30,772,945	7.4	59,363,695	11.0
Treasury shares	17,853,117	4.3	0	0.0
TOTAL	417,029,585	100.0	539,290,286	100.0

Section 3 – PARENT COMPANY FINANCIAL STATEMENTS

3.3.2.2.8 Provisions – Parent company financial statements

<i>(in € millions)</i>	Opening balance	Charge	Release (1)	Closing balance
Tax-driven provisions:				
Investment provisions	2.5			2.5
Accelerated tax depreciation	0.4	0.1	0.1	0.4
SUB-TOTAL	2.9	0.1	0.1	2.9
Contingency provisions:				
Subsidiary net assets	0			0
Foreign exchange losses	11.3	39.3	11.3	39.3
Litigation	0.0	5.4		5.4
Other contingency provisions	0.4		0.4	0
SUB-TOTAL	11.7	44.7	11.7	44.7
Loss provisions				
Retirement benefits and similar obligations	11.1		1.6	9.5
Subsidiary tax losses carried forward	429.0	265.8	71.9	622.9
Other loss provisions	8.0		0.1	7.9
SUB-TOTAL	448.1	265.8	73.6	640.3
Provisions for impairment:				
On financial assets	234.1	24.6	1.8	256.9
On other receivables	0	164.1		164.1
On marketable securities	15.0	28.5		43.5
	249.1	217.2	1.8	464.5
TOTAL	711.8	527.8	87.2	1,152.4

(1) including provisions not used of €27.9 million (subsidiary income tax: €26.1 million, financial assets: € 1.8 million)

3.3.2.2.9 Retirement benefit commitments – Parent company financial statements

<i>(in € millions)</i>	2007	2008
Executive incremental retirement plan		
Vested rights	4.4	3.3
Market value of fund assets	(1.9)	(1.1)
Funding shortfall	2.5	2.2
Actuarial gains and losses	1.8	1.6
Commitment provided in the balance sheet	4.3	3.8
Contributions paid	(1.2)	0.0
Service cost	0.0	0.0
Other movements / (actuarial gains and losses)	0.0	0.0
Interest cost	0.3	0.1
Amortization of actuarial gains and losses	0.0	(0.6)
Expected return on plan assets	(0.8)	0.0
Provision charge / (reversal)	(1.7)	(0.5)
Retirement termination payments		
Discount rate	5.0%	6.0 %
Probable retirement age of executive staff:	63 years old	63 years old
Probable retirement age of non-executive staff:	61 years old	61 years old
Mortality table used:	TV/TD 2002-2004	TV/TD 2003-2005
Expected increase in salaries	Table by age bracket	Table by age bracket
Vested rights	9.4	8.7
Unrecognized actuarial gains and losses	(2.6)	(2.9)
Commitment provided in the balance sheet	6.8	5.8
Service cost	0.4	0.4
Interest cost	0.4	0.5
Expense	0.8	0.9
Benefits paid	(0.7)	(1.9)
Provision charge / (reversal)	0.1	(1.0)

Section 3 – PARENT COMPANY FINANCIAL STATEMENTS

3.3.2.2.10 Accrued expenses – Parent company financial statements

In accordance with the accruals principle, accrued expenses are recorded in the following liability headings:

<i>(in € millions)</i>	2007	2008
Loans and bank borrowings	2.0	3.4
Trade payables and related accounts	9.0	13.6
Tax and employee liabilities / (other liabilities)	22.4	21.4
	33.4	38.4

3.3.2.2.11 Breakdown of revenue – Parent company financial statements

<i>(in € millions)</i>	2007	2008
General assistance	83.6	76.9
Real estate income	2.8	2.7
Seconded employees	12.0	11.3
Other	2.4	5.2
TOTAL	100.8	96.1

3.3.2.2.12 Expense reclassifications – Parent company financial statements

Expense reclassifications total €18.0 million and mainly concern the rebilling of expenses to Group subsidiaries.

3.3.2.2.13 Financial income / (loss) – Parent company financial statements

Dividends received totaled €455.0 million in 2008, compared to €442.7 million in 2007. A breakdown of dividends received is presented in the table of subsidiaries and associates.

Charges to provisions (€256.3 million) concern the write-down of the Sagem Mobiles current account (€164.1 million), Sagem Télécommunications (€8.6 million) and Safran UK Ltd (€1.2 million) securities and treasury shares (€43.2 million) and the provision for foreign exchange losses (€39.2 million). Reversals concern the provision for foreign exchange losses (€11.2 million) and various equity investments (€1.8 million).

Foreign exchange gains and losses are presented on a single line of the Income Statement for the same fiscal year to provide a more relevant presentation.

3.3.2.2.14 Non-recurring items – Parent company financial statements

Non-recurring items in respect of non-capital transactions concern the cost of relocating an installation abroad (€1.5 million) and URSSAF social security contributions (€0.4 million).

Non-recurring items relating to capital transactions record the exchange of Techspace Aéro securities with PWBEC for €15.3 million, in both income and expenses.

Movements in provisions comprise (in € millions):

• a charge in respect of a supplier dispute	(5.4)
• the reversal of the provision for URSSAF social security contributions payable	0.4
• net charges	5.0

3.3.2.2.15 Related party items – Parent company financial statements

<i>(in € millions)</i>	Related party amounts
Equity investments	3,294.4
Loans to equity investments	294.1
Trade receivables and related accounts	5.0
Other receivables	1,718.1
Other liabilities	2,686.7
Investment income	455.0
Other financial income	75.0
Financial expenses	89.0

3.3.2.2.16 Income tax and statutory employee profit-sharing

The income tax expense breaks down as follows:

The gain resulting from application of the tax consolidation regime for fiscal year 2008 is €174.4 million, plus an adjustment in respect of fiscal year 2007 of €11.3 million and a portion of the Sagem Communication research tax credit (€3.6 million) which definitively vested to SAFRAN following the removal of this company from the Group, representing total income of €189.3 million (including €99 million in respect of Sagem Télécommunications and Sagem Mobiles).

Related charges to contingency provisions, covering the risk of repayment to loss-making subsidiaries of the tax savings recognized by SAFRAN, less provision reversals to neutralize a capital gain realized in 2007, totaled €193.8 million (including €178 million in respect of Sagem Télécommunications and Sagem Mobiles).

A statutory employee profit-sharing charge was not recorded in 2008.

Information on expenses disallowable for tax purposes

Expenses disallowable for tax purposes include, in particular, the portion of car depreciation not deductible for tax purposes and the portion of directors' fees exceeding the tax ceiling. Such expenses totaled €0.1 million.

3.3.2.2.17 Payroll costs – Parent company financial statements**Breakdown of average employee numbers**

	2007	2008
Supervisors	1	1
Technicians	22	23
Office staff	70	73
Engineers and executives	298	306
Total	391	403

Management compensation

<i>(in € millions)</i>	2007	2008
Short-term benefits	7.2	8.6
Post-employment benefits	1.6	0.6
Other long-term benefits	-	-
Severance pay	3.3	1.2
Share capital benefits	0.4	0.0

Management comprises members of the Supervisory Board, members of the Executive Board and members of SAFRAN Executive Management. Compensation relating to "short-term benefits" is presented gross and includes amounts paid in 2008 and the provision for variable compensation that will be paid in 2009.

3.3.2.2.18 Off-balance sheet commitments – Parent company financial statements**Commitments given**

<i>(in € millions)</i>	2007	2008
Customers, completion warranties	2.1	2.1
Customers, joint and several guarantees	331.8	432.7
Loan counterparties	0.1	0.1
Vendor warranties	0.0	30.0
Customs	66.9	65.4
Actuarial gains and losses on retirement termination commitments	2.5	2.9
Financing of civil programs	256.0	185.0
Other	1.0	0.6
Total (1)	660.4	718.8
(1) o/w related parties	298.0	309.8

Commitments received

<i>(in € millions)</i>	2007	2008
Financing of civil programs	256.0	185.0

Financial instruments

Financial derivatives held, consisting of forward contracts, swaps or options, are used to hedge highly probable future flows determined based on the order book and budget forecasts, and the net balance sheet position made up of trade receivables and payables and cash denominated in foreign currencies.

The portfolio of financial derivatives breaks down as follows:

<i>(in millions of foreign currency)</i>	December 31, 2007				December 31, 2008			
	Fair value	Notional amount	< 1 year	1 to 5 years	Fair value	Notional amount	< 1 year	1 to 5 years
Forward currency contracts								
Sell USD	55	2,891	2,891	-	(476)	11,251	5,214	6,037
<i>o/w sell USD buy EUR</i>	40	2,780	2,780	-	(331)	10,146	4,636	5,510
Buy USD	(4)	(58)	(35)	(23)	(1)	(35)	(28)	(7)
<i>o/w buy USD sell EUR</i>	-	-	-	-				
Sell GBP buy EUR	-	1	1	-				
Buy SGD sell EUR	-	-	-	-	-	(6)	(6)	-
Currency swaps	8				19			
<i>o/w sell USD buy EUR</i>	2	126	126	-	4	196	196	-
Currency options	63				18			
<i>Buy Put</i>	63	2,330	2,330	-	119	4,788	2,764	2,024
<i>Sell Call</i>	-	226	226	-	(101)	2,688	1,664	1,024
Total	122				(439)			

Fair value amounts are expressed in millions of euro, while notional amounts are expressed in millions of the original currency.

At the end of 2008, derivatives are allocated to hedge the net balance sheet position (no derivatives were allocated as hedges at the end of 2007). The remainder of the derivative portfolio is allocated to hedge future sales flows denominated in foreign currencies.

Credit lines

Available confirmed credit lines totaled €1,300 million as of December 31, 2008.

3.3.2.2.19 Disputes and Litigation – Parent company financial statements

Except for the matters described below, neither SAFRAN nor any of its subsidiaries are, or have been, in particular during the last twelve months, parties to any government, legal or arbitration proceedings likely to have or that have had, in the recent past, individually or collectively, a significant adverse effect on the financial position or profitability of SAFRAN and/or SAFRAN group and to the best of their knowledge no proceeding of this type is contemplated by government authorities or third parties. A provision is only booked to cover the expenses that may result from these proceedings when the expenses are probable, and their amount may be either quantified or estimated. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although it is specified that the occurrence of events during the proceeding may nonetheless lead to a reevaluation of the risk. SAFRAN believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

At the end of 2002, a group of French manufacturers including the former Snecma Group was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than U.S.\$ 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This demand 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 contest this claim. An agreement was signed, whereby the manufacturers concerned by the arbitration request waived their right to invoke legal statute of limitation periods and the claimant withdrew its request for arbitration in June 2003, although reserving the right to submit a new claim for a greater amount. SAFRAN has not recorded a provision at this point.

Following completion of the tax audits performed in the Group in 2006 and 2007, two material tax adjustments remain contested by SAFRAN at the end of December 2008:

- The tax adjustment notified in respect of the rules governing the allocation of the tax expense between the Snecma parent company and its consolidated subsidiaries up to the end of 2004 of €14 million has been contested and a provision has not been set aside in respect of this risk.
- A tax adjustment of €11.7 million based on documents obtained during an ongoing preliminary investigation into the facts surrounding the payment by SAGEM SA – between 2001 and 2003 – of commission to local intermediaries for the alleged purpose of corrupting public agents of the Federal Republic of Nigeria, with the alleged aim of being awarded the State's electronic ID card contract. SAFRAN brought an independent legal action in order to obtain all useful information concerning the facts of which it is accused and any potential liability. Based on contesting information provided by Safran in 2007, the French Tax Office agreed to suspend the proposed tax adjustment until completion of the legal procedures. The partial provision set aside in respect of this risk at the end of 2006 has since been retained. During December 2008, two employees of a Group subsidiary were charged in respect of this procedure and SAFRAN was itself charged in February 2009.

3.3.2.2.20 Other information – Parent company financial statements

In accordance with Decree n°208-1487 of December 30, 2008, statutory audit fees billed in respect of the statutory audit of the financial statements for fiscal year 2008 totaled €1,044 thousand and fees billed in respect of services directly related to the statutory audit engagement totaled €89 thousand for 2008.

3.3.2.2.21 Subsequent events – Parent company financial statements

None.

Section 3 – PARENT COMPANY FINANCIAL STATEMENTS

DETAILED FINANCIAL INFORMATION ON SUBSIDIARIES AND ASSOCIATES – PARENT COMPANY FINANCIAL STATEMENTS

Decree 83.1020 of November 29, 1983 – Article 24-11

Company	Activity	Share capital	Equity other than share capital and net profit	% voting rights	% share capital held	Carrying amount of investments		Outstanding loans and advances granted	Guarantees and endorsements given by the company	2008 Revenue	2008 profit/(loss)	Dividends received by SAFRAN in 2008	Receivables	Liabilities
						gross	net							
A. DETAILED INFORMATION ON SUBSIDIARIES AND ASSOCIATES WHOSE GROSS CARRYING AMOUNT EXCEEDS 1% OF SAFRAN SHARE CAPITAL (i.e., € 0.8 million)														
1. Subsidiaries (over 50% of share capital)														
a) French companies														
. Connecteurs Cinch	Holding company	13.5	0.5	100.0	100.0	11.3	11.3			1.1	0.6	0.6	0.0	11.5
. Etablissements Vallaroche	Holding company	15.6	1.7	100.0	100.0	62.8	18.3			0.0	1.0		0.4	47.9
. Aircelle	Equipment	41.2	(360.4)	52.7	52.7	224.2	224.2	30.1	245.4	711.8	(112.3)		651.8	9.2
. Hispano-Suiza	Equipment	36.8	31.7	100.0	100.0	163.8	163.8	50.1	40.2	488.6	(1.2)	1.5	0.1	18.7
. Labinal	Equipment	19.3	9.4	100.0	100.0	185.6	185.6			370.3	15.9	20.4	4.2	38.8
. Messier Bugatti	Equipment	33.6	130.9	100.0	100.0	180.3	180.3		0.4	424.7	21.0	5.9	0.2	4.2
. Safran Informatique	Holding company	7.2	3.6	100.0	100.0	8.7	8.7			70.1	0.2	1.4	1.8	4.7
. Sagem Télécommunications (1)	Communications	300.3	(210.7)	100.0	100.0	301.0	159.8		100.0	12.4	(349.7)		5.1	35.3
. Sagem Défense Sécurité	Defense Security	593.3	(217.7)	100.0	100.0	595.0	595.0			851.4	8.4		1.0	85.4
. Snecma	Propulsion	150.0	111.6	100.0	100.0	199.4	199.4		36.2	3 984.6	178.8	314.0	18.9	1 855.6
. Snecma Propulsion Solide	Propulsion	20.0	10.8	100.0	100.0	23.9	23.9			250.6	19.4	12.9	0.1	32.1
. SnecmaSat	Holding company	0.2	0.0	100.0	100.0	9.3	0.2			0.0	0.0		0.0	0.2
. Sofrance	Equipment	1.4	2.9	100.0	100.0	21.2	21.2			18.3	0.5	0.6	0.7	0.2
. Teuchos	Equipment	0.1	2.8	100.0	100.0	14.4	14.4			93.3	6.8	10.9	0.1	0.7
. Turbomeca	Propulsion	38.8	122.2	100.0	100.0	539.0	539.0		4.7	1 030.0	25.6	61.5	77.2	23.8
. Technofan	Equipment	1.4	34.3	90.6	83.6	30.7	30.7			46.6	1.8	1.2	0.0	23.0
b) Foreign companies														
. Messier Dowty Int Ltd	Equipment	83.4	297.4	100.0	100.0	380.2	380.2			23.2	10.7		22.4	0.0
. Safran UK Ltd	Holding company	17.0	0.2	100.0	100.0	40.0	20.8			0.1	0.1		0.0	2.8
. Safran USA Inc	Holding company	91.0	29.8	100.0	100.0	129.0	129.0			0.0	58.3		7.0	1.8
. Techspace Aéro (Belgium)	Propulsion	55.3	118.5	55.8	55.8	79.1	79.1			337.0	11.1	19.8	0.1	122.4
2. Associates (10 to 50% of share capital)														
a) French companies														
. Arianespace Participation (2)	Holding company	21.9	29.3	10.4	10.4	31.7	5.6			0.0	2.4			
. Corse Composites Aéronautiques (2)	Equipment	1.7	4.9	24.8	24.8	1.0	1.0			25.7	0.6			
. Eurotradia International (2)	Equipment	3.0	31.1	11.0	11.0	2.1	2.1			38.6	1.8	0.2		
. FCPR Aerofund II (3)	Investment fund	75.0		20.0	20.0	15.0	15.0							

B. SUMMARY INFORMATION CONCERNING OTHER SUBSIDIARIES AND ASSOCIATES

1. Subsidiaries (over 50% of share capital)														
(a) French companies														
						2.2	1.1							
(b) Foreign companies														
2. Associates (10 to 50% of share capital)														
(a) French companies														
						0.5	0.5							
(b) Foreign companies														
						0.8	0.0							

For foreign companies, share capital, equity, revenue and net profit amounts are translated into euro at the official exchange rate prevailing as of December 31, 2008

(1) The provision for impairment of securities is completed by a contingency provision recorded in liabilities in the amount of €255.9 million

(2) As of 12/31/2007

(3) Fund created in July 2008

3.3.3 FIVE-YEAR FINANCIAL SUMMARY – PARENT COMPANY FINANCIAL STATEMENTS

(in euros)	2004	2005	2006	2007	2008
Share capital	35,500,000	83,405,917	83,405,917	83,405,917	83,405,917
Number of ordinary shares outstanding	177,500,000	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	238,577,114	264,715,285	224,572,080	278,589,207	404,777,762
Income tax expense	51,820,536	(71,790,444)	(118,622,179)	(125,473,595)	(189,316,880)
Statutory employee profit-sharing for the fiscal year	15,470,000	0	5,288,647	1,467,529	0
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	110,055,539	302,595,258	216,429,174	204,555,304	151,150,969
Dividend distribution	91,746,509	150,130,650	91,746,509	166,811,834	100,087,100
	(1)				
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	0.96	0.81	0.81	0.97	1.42
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions - divided by the number of shares outstanding	0.62	0.73	0.52	0.49	0.36
Net dividend per ordinary share outstanding	0.22	0.36	0.22	0.40	0.25
EMPLOYEES					
Average number of employees during the fiscal year	11,780	334	374	391	403
Total payroll	422,760,011	41,110,233	46,674,831	50,594,640	51,314,080
Social security and other social welfare contributions	215,406,137	23,301,207	22,686,116	22,080,412	21,184,366

(1) This amount was calculated based on a number of shares equal to 417,029,585, representing the maximum number of shares comprising the share capital of SAGEM SA after the takeover bid for shares and cash for SNECMA and after the merger/absorption of SNECMA by SAGEM SA

(2) These figures are not comparable with prior year figures as activities in 2005 correspond to the holding company activities of SAFRAN, while activities in 2004 correspond to the operational activities of SAGEM SA

3.4 PROPOSED APPROPRIATION OF NET PROFIT

SAFRAN reported a net profit for fiscal year 2008 of €151,150,969.08.

Retained earnings brought forward from the prior year total €1,574,197.46 and break down as follows:

- Prior year retained earnings: €675,830.26
- Dividend payable on treasury shares held by SAFRAN at the dividend payment date: €898,367.20.

Distributable profits therefore total €152,725,166.54. The following appropriation of profits shall be proposed to the Annual General Meeting of Shareholders on May 28, 2009.

- Dividend per share pursuant to the bylaws (417,029,585 shares at € 0.01) €4,170,295.85
- Additional dividend (417,029,585 shares at €0.24) €100,087,100.40
- Optional reserves €48,000,000.00
- Retained earnings €467,770.29
- **Total** €152,725,166.54

The resulting dividend per share is 0.25 euros, representing a total distribution of €104,257,396.25. The dividend payment date is June 8, 2009.

Dividends payable on treasury shares held by the company on the dividend payment date shall be added to retained earnings, resulting, based on the number of treasury shares held as of December 31, 2008 (see Note 3.3.2.2.5 to the Parent company financial statements) in a net dividend distribution of €100,608,893.75.

An interim dividend of 0.08 euros per share was paid on December 15, 2008. As such, the residual balance payable is 0.17 euros per share.

Dividend distribution policy

Fiscal year		Number of shares	Earnings per share	Tax credit**	Net dividend (in euro)		Total dividend distribution (in euro)
			(in euro) Historical	(en euro) Historical	Historical	Adjusted figures***	
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*	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

* N.B.: it was decided in connection with the merger of Sagem and Snecma that an interim dividend of 0.10 euros per share would be paid on the profit for the 2004 fiscal year to all shareholders, including Snecma shareholders who accepted the public share exchange offer. The shares issued for the public share exchange offer and the shares issued following the Sagem/Snecma merger carried dividend rights from January 1, 2004.

Consequently, as all shares confer entitlement to the same dividend (0.22 euro 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.

** In accordance with the provisions of the 2004 Finance Act, no special dividend tax credits are allocated to dividends received after January 1, 2005. When calculating income tax, please note that:

- a total annual amount of €3,515 will be deducted from dividends received per married couple filing a joint tax return and domestic partners who have registered their domestic partnership pursuant to Article 1-1 525 of the French Civil Code and of €1,525 for single, widowed or divorced or married persons who file separate tax returns.
- 40% of the amount distributed will be deducted. This deduction is not capped, and will be made before deduction of the €1,525 or €3,050 detailed above. Furthermore, the dividends will be entitled to a normal 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 domestic partners filing a joint tax return who have registered their domestic 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 Finance Act, dividends received after January 1, 2008 may be subject, on option, to a flat-rate income tax deducted at source of 29% (18% income tax and 11% social security contributions), calculated on the gross amount (i.e. before deduction of purchase and holding costs and expenses).

Where this option is exercised, the two deductions and the tax credit detailed in the preceding paragraphs are not applied to dividends received in 2008.

This option must be exercised when the dividends are cashed at the latest; after this date, the option is irrevocable for the dividend payment in question.

*** *Adjusted to take into account the allocation of bonus shares on the basis of one new share for six existing shares in December 2003 and the division of the par value by five voted by the Extraordinary Shareholders' Meeting on December 20, 2004.*

N.B.: the conversion of preference shares into ordinary shares, approved by the Shareholders' Meeting held on March 7, 2003, was performed on April 3, 2003.

Dividends are time barred, in accordance with legal procedures and time limits, five years after the date of payment, in favor of the French State. Dividends that have not been collected shall be subject to the procedures provided for by law.

For fiscal year 2007, SAFRAN paid a dividend of 0.40 euros per share. For fiscal year 2008, the SAFRAN Executive Board decided to propose to the Combined Shareholders' Meeting a dividend distribution of 0.25 euros per share, including the interim dividend of 0.08 euros paid on December 15, 2008. The residual balance of 0.17 euros per share shall be paid on June 8, 2009 (see Sections 3.1.6.4 and 3.1.6.5).

Future dividends will depend on SAFRAN's ability to generate profits, its financial position and any other factor deemed relevant by the Executive Board or Supervisory Board.

3.5 AUDITORS' REPORTS

3.5.1 REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT
ON THE STATUTORY CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report on the statutory consolidated financial statements issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report on the statutory consolidated financial statements includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the statutory consolidated financial statements and includes an explanatory paragraph discussing the statutory auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the statutory consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report on the statutory consolidated financial statements should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying statutory consolidated financial statements of SAFRAN;
- the justification of our assessments;
- the specific verification required by law.

The statutory consolidated 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 statutory consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. These 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the statutory consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2008 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

II - Justification of our assessments

In accordance with Article L. 823-9 of the French Commercial Code (*Code du Commerce*) relating to the justification of our assessments, we bring to your attention:

As indicated in Note 3.1.3.1.3, the preparation of the Group's consolidated financial statements require that SAFRAN Management make assumptions to determine the estimates having an impact on the carrying amounts of assets and liabilities, and income and expenses recorded in the consolidated financial statements and on the disclosures in the Notes thereto.

We have determined that capitalized asset impairment tests, the measurement of certain provisions for contingencies and losses and the treatment of sales of businesses were among the items affected by significant estimates and qualifying for a justification of our assessments.

Capitalized assets

The Group tests goodwill at each year-end for impairment and assets with defined useful lives (development expenses, fixed assets used in the production process) for impairment if there is an indication of impairment loss. These tests are based on the discounting of the future cash flows expected from the subsidiaries or the projects, programs or product lines to which the dedicated assets relate, as set out in Note 3.1.3.3.8 to the consolidated financial statements.

We have examined the procedures implemented in these impairment tests and verified the consistency of the assumptions used, including the forecast data from medium-term plans. We have also verified that the disclosures in Note 3.1.6.6 to the consolidated financial statements are appropriate

Provisions for contingencies and losses

SAFRAN records provisions for losses on completion, provisions for financial guarantees in respect of sales and provisions for guarantee of proper operation, as described in Notes 3.1.3.3.13 a), b) and c) respectively to the consolidated financial statements. Our procedures more particularly consisted in assessing the assumptions, the contractual and forecast data, and the technical and statistical bases for such estimates, in verifying, on a test basis, the Group's calculations and in examining Management approval procedures of these estimates. We have assessed the reasonableness of those estimates on these bases.

Sales of businesses

As indicated in the introductory paragraph of the Notes to the consolidated financial statements, the Group has classified the Communications business as held-for-sale, given the sale of the Broadband business and the implementation of its withdrawal from the Mobile Phone business. Our procedures consisted in examining the presentation of these businesses in the Group's consolidated financial statements and reviewing the overall provisions recorded for identified risks and commitments given by SAFRAN in respect of such withdrawal, the amounts of which are shown in Note 3.1.6.15 to the consolidated financial statements.

These assessments were performed in the context of our audit approach to the statutory consolidated financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III - Specific verification

Pursuant to the law, we have also verified the information relating to the Group given in the management report.

We have no matters to report as to its fair presentation and its consistency with the statutory consolidated financial statements.

Paris and Courbevoie, April 16, 2009

The Statutory Auditors

CONSTANTIN ASSOCIES

Thierry Benoit

MAZARS

Jean-Marc Deslandes

3.5.2 REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

**STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
Year ended December 31, 2008**

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking 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 opinion on the Company financial statements and includes an explanatory paragraph discussing the statutory auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying financial statements of SAFRAN;
- the justification of our assessments;
- the specific verifications and disclosures required by law.

The financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements, based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. These 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2008 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

II - Justification of our assessments

In accordance with Article L. 823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention:

As indicated in Note 3.3.2.1.4 to the financial statements, the Company determines the provisions for impairment of long-term investments, including participating interests, on the basis of their value in use. Such value is assessed in view of each entity's net equity, adjusted for significant unrealized capital gains net of taxes and for the profitability outlook, if applicable. Our procedures consisted in assessing the data and assumptions on which the estimates are based and in reviewing the Company's calculations. As part of our assessment of the estimates used in the account closing process, we have verified the reasonableness of these estimates.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III - Specific verifications and disclosures

We have also performed the specific verifications required by law.

We have no comment to make as to:

- the fair presentation and consistency with the financial statements of the information given in the Executive Board's report and the documents addressed to the shareholders with respect to the financial position and the financial statements,
- the fair presentation of the information given in the management report in respect of remuneration and benefits granted to the relevant company officers and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in current function.

Pursuant to the law, we have verified that management's report contains the appropriate disclosures as to the acquisition of participating and controlling interests and as to the identity of and percentage interests and votes held by shareholders.

Paris and Courbevoie, April 16, 2009

The Statutory Auditors

CONSTANTIN ASSOCIES

Thierry Benoit

MAZARS

Jean-Marc Deslandes

RISK FACTORS

4.1	Identified risk factors	150
4.1.1	Risks relating to Group business sectors	150
4.1.2	Risks relating to technological advances	151
4.1.3	Risks relating to partnerships	151
4.1.4	Risks relating to raw materials	151
4.1.5	Risks relating to acquisitions and restructuring	151
4.1.6	Market and derivative risks	152
4.1.7	Legal risks	154
4.2	Risk management: general policy	155
4.2.1	Group risk committee	155
4.2.2	Risk and insurance department	155
4.3	Insurance.....	157
4.4	Health, safety and environmental	158
4.4.1	Occupational health and safety and environmental policy	158
4.4.2	Organization	158
4.4.3	Objectives.....	159
4.4.4	Certification	159
4.4.5	Scope	160
4.4.6	Environment and sites.....	160
4.4.7	Occupational health and safety and environmental data	163

4.1 IDENTIFIED RISK FACTORS

The following sections present the major risks identified as of the date of filing of the Reference Document. Other risks not yet identified, or not currently considered major for the Group, could have a negative impact on the activities, financial position or results of SAFRAN group.

4.1.1 RISKS RELATING TO GROUP BUSINESS SECTORS

The risks relating to the Group business sectors arise from a set of complex and interdependent factors which could impact Group results in the mid-term.

Changes in economic conditions

The macro-economic and program assumptions determined by the Group take into consideration the economic conditions observed as of the date of this document and are taken into account when preparing the budget and the mid-term business development plan.

The scenarios created on these assumptions are derived from action plans, supervised by the Executive Board, branch management and the Group Risk Committee.

Should the economic climate worsen even further, the assumptions and action plans would thus be adjusted according to a defined process. Specific steering committees have already been set up for clients, suppliers and the market. They meet regularly to constantly reassess the action plans according to the economic climate.

A difficult economic climate would have negative impacts on the level of Group activity. Changes in the worldwide GDP have a direct impact on passenger demand for air transport, which determines the market level of commercial aircraft intended for passenger transport. To meet the aircraft demand of airlines, manufacturers could adjust their production rates, which would have a direct impact on the OEM business of aircraft equipment and engine suppliers, such as SAFRAN. The decrease in air traffic caused by the decline in the economic environment could also impact the volume of Group services, including maintenance and repair activities in addition to 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 airlines. SAFRAN believes that these cycles could impact business levels and have a negative impact on its future financial position.

Furthermore, exceptional events, such as terrorism, pandemics and aviation disasters, could temporarily weigh down air traffic and, as such, impact the aircraft engine and equipment market.

In 2008, approximately 68% of adjusted Group consolidated revenue was generated by civil aviation activities. SAFRAN has a significant fleet of installed engines, including almost 18,600 CFM56 engines which have equipped most of the single-aisle aircraft with more than one hundred seats delivered to airlines over the past fifteen years. The increase in the age of the fleet enabled the Group to generate service revenue representing 46% of propulsion branch revenue and 31% of equipment branch revenue. In the event of a turnaround in the aviation cycle, OEM revenue would be initially more quickly impacted than service revenue.

Uncertainty surrounding return on investments

SAFRAN's businesses in the propulsion and equipment sectors require considerable investment, in particular in research and development. The return on such investments is long-term. The market and profitability assumptions made by the Group may not be confirmed, and the products for which these investments are made may not enjoy sufficient commercial success to ensure a return on the initial investment. Corresponding capitalized assets (excluding goodwill and program revaluations) recorded in the balance sheet as of December 31, 2008 total approximately €1 billion.

Changes in military orders

Government spending, especially defense 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 the delay of certain programs could impact SAFRAN's business. In 2008, approximately 20% of adjusted Group consolidated revenue was generated by military activities.

Competition and program delays

SAFRAN faces intense competition in all markets where it operates, both from major international players and specialized competitors in certain markets. This competitive pressure could impact the Group's position in its business sectors in the long term. To manage this risk, the Group occupies leading positions in markets where the entry barriers, especially the technological barriers, are high and the product development cycle particularly 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.

Political uncertainties

Certain aerospace and defense contracts are closed to foreign competition or are awarded based on national independence considerations. They may limit access to certain markets. If they prevail in the future, SAFRAN may not be able to penetrate some of these markets, which would reduce the growth potential of the Group's sales and results.

The development of SAFRAN's activities and sites worldwide sometimes exposes the Group to political risks specific to certain countries that may impact its activities and results.

Aircraft accidents

SAFRAN products are integrated in high-tech products with a high unit price, especially civil and military aircraft, satellites and helicopters. SAFRAN may therefore be held liable for the loss 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 a high level of quality and security standards in the design and manufacture of its products and services. Nonetheless, certain products may not present the expected level of performance or prove defective. These deficiencies could generate additional costs (product recalls, modernization campaigns or retrofits), lead to lost revenue for SAFRAN or adversely affect its commercial position.

4.1.2 RISKS RELATING TO TECHNOLOGICAL ADVANCES

Aerospace and defense markets are subject to rapid and major technological advances. SAFRAN designs, develops and manufactures products and services widely recognized for their high level of innovation and technology.

The Group is exposed to the risk of competitors developing products with better technical or economic performance levels or marketing them before the Group. SAFRAN's businesses or financial position could be affected (see Section 1.5).

4.1.3 RISKS RELATING TO PARTNERSHIPS

Generally speaking, SAFRAN group works in partnership with its major customers and suppliers in the majority of its businesses. Events likely to affect these partnerships could have an impact on SAFRAN's business.

Notably in the aviation sector, a substantial share of SAFRAN's revenue depends on certain key products developed and produced in cooperation with General Electric. SAFRAN estimates that approximately 30% of consolidated revenue is tied to these programs.

In July 2008, General Electric and SAFRAN signed an agreement to extend their civil propulsion partnership until 2040 in addition to an agreement for the manufacture of nacelles for future single-aisle aircraft. In addition, SAFRAN participates in several partnerships with other engine manufacturers. If these programs were stopped or if SAFRAN's partners ceased to assume their role in the development or marketing of the engines in question, aviation business revenue could be affected.

The other partnerships have no material impact.

4.1.4 RISKS RELATING TO RAW MATERIALS

The Group is exposed to raw-material risk, notably in respect of titanium and nickel alloys as a result of annual purchases of €200 million. The Group manages this risk, either by negotiating with its medium-term suppliers or building up its inventories.

4.1.5 RISKS RELATING TO ACQUISITIONS AND RESTRUCTURING

As part of its growth strategy, SAFRAN has acquired businesses or companies and may continue to acquire, merge with or set up companies. Despite implementing a strict monitoring process for these transactions, they may have a negative impact on the Group's activity, expected results and/or its image, should the Group fail to consolidate the transactions and the employees of the acquired entities, generate the expected synergies and savings, or maintain sound relations within the acquired entities following changes in management or control.

4.1.6 MARKET AND DERIVATIVE RISKS

The principal risks relating to Group financial instruments are foreign currency risk and liquidity risk. For other risks arising from financial instruments, refer to Section 3.1.8.

4.1.6.1 FOREIGN CURRENCY RISK

Most revenue in the Aerospace Propulsion and Aircraft Equipment branches is denominated in U.S. dollars, which is virtually the sole currency used in the civil aviation industry. Accordingly, the net excess of revenues over operating expenses for these activities totaled US\$5.18 billion for the year (US\$4.96 billion for 2007). The hedging policy described in Section 3.1.8.1 is aimed at safeguarding the Group's profitability and ensuring a steady flow of income.

A sustained weak U.S. dollar against the euro could have a negative impact on Group results, due to foreign currency flows in excess of flows hedged by instruments in place.

The exposure of the Group balance sheet to foreign currency risk breaks down as follows:

<i>(in millions of currency units)</i>	12.31.2007					12.31.2008			
	JPY / EUR	USD / EUR	USD / GBP	USD / CAD	TOTAL USD	USD / EUR	USD / GBP	USD / CAD	TOTAL USD
Total assets	625	1,490	248	113	1,851	1,434	289	148	1,871
Total liabilities	326	1,162	182	150	1,494	1,337	141	130	1,607
Net balance sheet position	299	328	66	(37)	357	97	148	18	264
Derivatives allocated to the net balance sheet position.	-	-	-	-	-	215	41	14	270
Net balance sheet position after the impact of hedging instruments	299	328	66	(37)	357	(118)	107	4	(6)
Derivative financial instruments designated to hedge future transactions (in USD millions)	-	5,098	111	8	-	14,631	662	419	15,712

The above table is presented in foreign currencies. The second column presents the U.S. dollar balance sheet positions of subsidiaries whose functional currency is the euro.

The table below presents the net position after taking into account the hedges allocated to the balance sheet position expressed in EUR (euro counter value at the closing rate: 1.39 as of December 31, 2008 compared to 1.47 as of December 31, 2007).

<i>(in millions of currency units)</i>	31.12.2007					31.12.2008			
	JPY / EUR	USD / EUR	USD / GBP	USD / CAD	TOTAL USD	USD / EUR	USD / GBP	USD / CAD	TOTAL USD
Net balance sheet position after the impact of hedging instruments (euro counter value at the closing rate: 1.39 as of December 31, 2008 compared to 1.47 as of December 31, 2007)	2	223	45	(25)	243	(85)	77	3	(5)

The sensitivity of the balance sheet to a 5% increase or decrease in the EUR/USD exchange rate is as follows:

<i>Impact on balance sheet positions (in € millions)</i>	December 31, 2007		December 31, 2008	
	USD		USD	
Closing exchange rate	1.47		1.39	
Assumed change in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Euro/dollar rate used for the sensitivity analysis	1.40	1.54	1.32	1.46
Impact on the net balance sheet position after adjustment* for hedges	12	(11)	(4)	4
Fair value gains or losses on derivative instruments designated to hedge future transactions	(138)	147	(418)	396

* debit balance position in 2007 and credit balance position in 2008

Section 4 – RISK FACTORS

The sensitivity of the main income statement aggregates to a 5% increase or decrease in the average EUR/USD exchange rate, based on a constant hedging strategy, is as follows for the adjusted consolidated financial statements:

	Possible fluctuations in the EUR/USD exchange rate	
	-5%	-5%
Monthly average rate (in \$)	1.47	
Average rate used for the sensitivity analysis (in \$)	1.40	1.40
Closing rate (in \$)	1.39	
Closing rate used for the sensitivity analysis (in \$)	1.32	1.32
Impact on the adjusted income statement (in € millions)		
Revenue	86	86
Operating income	6	6
Financial income/(loss)	(34)	(34)
Net income/(loss) before tax	(28)	(28)

The same sensitivity analysis would have the following impacts on the statutory consolidated financial statements:

	Possible fluctuations in the EUR/USD exchange rate	
	-5%	-5%
Monthly average rate (in \$)	1,47	
Average rate used for the sensitivity analysis (in \$)	1.40	1.40
Closing rate (in \$)	1.39	
Closing rate used for the sensitivity analysis (in \$)	1.32	1.32
Impact on the statutory income statement (in € millions)		
Revenue	246	246
Operating income	166	166
Financial income/(loss)	(578)	(578)
Net income/(loss) before tax	(412)	(412)

A USD 1 centime increase or decrease in the EUR/USD exchange rate has a €22 million impact on adjusted operating income.

It should be noted that the Group has fully hedged its exposure to U.S. dollar risk until 2011.

The hedging portfolios as of December 31, 2008 guarantee the following rates over the next three years:

- for 2009, €1 = \$1.45 with 25% of options
- for 2010, €1 = \$1.525 with 40% of options
- for 2011, €1 = \$1.43 with 30% of options

The rates indicated would result from the exercise of currency option contracts.

To recap, a \$/€ put confers upon the buyer (in consideration for the premium paid) the right, but not the obligation, to sell a defined quantity of U.S. dollars for euros at a price determined in advance, thus requiring the seller to buy U.S. dollars in case the put option is exercised. If the option exercise price is lower than the spot price observed in the market at the exercise date, SAFRAN will not exercise its put option and will sell its U.S. dollars in cash to take advantage of a better rate.

Thus, should the U.S. dollar remain constant at €1 = \$1.30 during 2009, the portfolio option would not be exercised and the Group would therefore obtain a cash exchange rate of €1 = \$1.30 instead of €1 = \$1.45 for the 25% of optional hedges. The impact on operating income would therefore amount to around €70 million.

4.1.6.2 LIQUIDITY RISK

As disclosed in Section 3.1.8.5, Group treasury management is centralized.

Given the low level of Group indebtedness and the existence of credit lines not drawn, the Group is relatively insensitive to liquidity risk. The covenants required by certain financing arrangements (see Section 3.1.8.5) are all satisfied.

Available confirmed credit lines totaled €1,200 million as of December 31, 2008.

In addition, one of the Group companies signed a real estate finance lease in the amount of €10.1 million for an ongoing investment. The project should be completed during the second half of 2009.

4.1.6.3 RISK ON FINANCIAL GUARANTEES GRANTED TO CUSTOMERS

Financial guarantees are granted to customers who may require financial support after a case-by-case analysis of their situation. As of December 31, 2008, total net commitments with SAFRAN customers amounted to US\$124 million. These commitments were provided for in the amount of US\$110 million and the risks arising from these commitments are spread out over the next six years: these commitments mainly concern asset value guarantees that are only exercisable at specific dates and in specific years. They do not concern demand guarantees.

4.1.7 LEGAL RISKS

In the same way as other industrial groups, SAFRAN group is exposed to technical and commercial risks as a result of its activities. The disputes and litigations detailed in this document (see Section 3.1.10) represent the principal known legal risks to which the Group is exposed. An analysis of legal risks to which the Group is exposed did not identify any other risks of material impact or seriousness.

4.2 RISK MANAGEMENT: GENERAL 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 comprises members of the Executive Board, Branch Executive Vice-Presidents, the Executive Vice-President for Economic and Financial Affairs and the Corporate Secretary.

Its duties encompass:

- Validating the risk management policy,
- Validating the mapping of Group risks and control measures,
- Confirming the correct operation of the risk management process,
- Confirming employees are sufficiently risk aware,
- Confirming the efficient operation of the crisis management procedure,
- Validating the transversal action plans of the Risk Department.

The Risk Committee met twice in 2008.

4.2.2 RISK AND INSURANCE DEPARTMENT

The Risk and Insurance Department reports to the Corporate Secretary and is responsible for the implementation of this policy. Its duties encompass:

1) Mapping Group Risks

The Risk and Insurance Department summarizes risk appraisal results at Group level and presents a risk mapping to the Group Risk Committee for validation. 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 level of control is essential in order to characterize the risk.

The Risk and Insurance Department proposes to the Group Risk Committee a compromise between retaining a level of risk and transferring risks to the insurance and reinsurance markets via Group global, comprehensive programs.

2) Rolling-out risk management measures

In order to achieve optimal risk coverage, risk management measures are founded on:

- Level 1 companies

Each level 1 company appoints a Risk Manager, who prepares a risk mapping for the company, reviewed during Management/Risk Committee meetings. In all instances, risk management flows from a common methodology, with risk analysis as the starting point. A risk owner is appointed for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The target objective is the permanent control of the risk up to its maximum treatment.

The Risk Manager of each Level 1 company submits four indicators to the Risk Department each quarter (mapping of major risks, level of control of these risks, coverage of risk reference base by processes and coverage of subsidiaries and JVs) and an annual report on the risk management structure in the company concerned. In addition, the Risk Department meets with the Risk Manager of each Level 1 company in order to assess the level of maturity of risk management in the company.

The Risk and Insurance Department coordinates the Risk Manager network. Meetings are held regularly to facilitate the sharing of best practices and the identification of emerging risks. Working groups are organized to consider issues validated annually by the Group Risk Committee.

- Functional / Process Departments

The Risk Department prepared a mapping of major risks by Functional department based on individual meetings. These mappings are validated by the functional departments. A risk owner is appointed for each risk identified and is responsible for drafting an action plan. These action plans are presented to the Group Management Committee.

Risk management measures are also supported by the Internal Audit and Internal Control Departments.

3) Developing risk management guidance and analyzing and recommending improvements to the management system

The Risk and Insurance Department develops methodology tools that ensure the consistent treatment 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 drafted by analyzing certain risks.

4) Promoting risk awareness communication and training sessions within 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 200 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, not only at Group level, but also at company and site levels.

6) Implementing the Products & Services Integrity Program (PSIP)

The aim of this program is to contribute to the prevention of accidents due to Group products/services and protect employees from the consequences of an accident attributable in whole or in part to the product/service.

4.3 INSURANCE

The key accident risks are covered by multi-risk multi-year global policies, negotiated with leading insurance companies:

A “comprehensive industrial risks” policy, covering all Group entities for damage to industrial installations (buildings, machines, inventories, etc.), resulting from fire, theft, water damage, machine breakdown or operating losses. The overall payout under the policy is €400 million, and €800 million for certain losses.

“Product third-party liability” policies covering the financial consequences of product failure, due to an accidental event following delivery to a third party:

- **Aviation products**
The policies provide coverage of \$1.5 billion per year, which can be used during the year, for aviation products and \$1 billion per year, which can be used during the year, for helicopter products.
- **Land products (excluding aviation businesses)**
The policies provide coverage of €150 million per year, which can be used during the year.

Total premiums paid by the Group under all policies in 2008 represented 0.20% of 2008 adjusted consolidated revenue.

Finally, a captive reinsurance company, Soreval, based in Luxembourg, participates in the risk coverage scheme. Its purpose is to bear marginal risks not covered by Group insurance policies.

Local insurance programs are subscribed throughout the world either to cover specific risks or in response to local insurance regulations.

4.4 HEALTH, SAFETY AND ENVIRONMENTAL

4.4.1 OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL POLICY

As an international leader in technology, SAFRAN group aims for excellence in the field of occupational health and safety and the environment, as is the case for its products and services, in line with Group values and consistent with its sustainable development ambitions.

In accordance with one of its seven values: civic responsibility, SAFRAN undertakes to develop a Group culture of anticipation and prevention for controlling risks to Occupational Health and Safety and the Environment to the benefit of its employees, partners, suppliers, customers and all communities in proximity to its operations.

The objectives defined in this policy, proposed by the Sustainable Development Department (HSE) and validated by the Chairman of the Executive Board, are in line with the continual improvement initiative that seeks to:

- preserve the Health and Safety of the men and women who contribute to our activities,
- guarantee that industrial installations are secure and respect the environment,
- design and provide products and services that take into account the requirements of Occupational Health and Safety and the Environment.

In 2008, the Sustainable Development Department specified the eight HSE fundamentals that guide Group management in this area:

- management of risks and impacts,
- compliance with Group HSE requirements,
- integration of HSE in managerial actions,
- demonstration of HSE leadership,
- inclusion of HSE in changes,
- measurement of HSE performance,
- sharing of experience,
- shared monitoring.

4.4.2 ORGANIZATION

At Group level, the Sustainable Development Executive Vice-President, in conjunction with other departments, supervises overall management of Health, Safety and Environmental issues in each Group company, via a network of Health, Safety and Environment (HSE) Coordinators.

At company level, an HSE Coordinator supervises a network of site HSE Prevention Officers to ensure the roll-out of objectives, the consistency of management system components and the sharing of experience.

At local or site level, HSE Prevention Officers, in conjunction with the departments, ensure the implementation of improvement measures to reduce HSE risks and encourage employee training and awareness-raising measures.

Each company has a Product Environment Correspondent, whose role is to facilitate the implementation of measures in response to growing environmental requirements applicable to products and, in particular, the REACH¹ Regulations on hazardous substances.

Since 2008, a "Group REACH" project team has relied on the Product Environment Correspondent network to coordinate all the Group initiatives in this area. This team reports periodically to the Group Steering Committee comprising members of the relevant main departments.

¹ REACH: Registration, Evaluation, an Authorization of Chemicals

4.4.3 OBJECTIVES

Three challenges for the international roll-out of SAFRAN HSE risk management programs and guidelines underpin the Group HSE policy:

- Implement SAFRAN common, multi-year Health, Safety and Environment objectives in all entities, in order to reduce risks and strengthen operational control,
- Steer and improve Health, Safety and Environment synergies, necessitating the commitment and involvement of Group and Company Departments,
- Contribute to the Group's sustainable development ambitions with regard to HSE.

The multi-year HSE objectives are validated by the Management Committee and implemented in the companies by operational management, with the advice and support of the HSE Coordinator and Prevention Officers.

The 2008 objectives mainly focused on:

- improving HSE risk management based on the SAFRAN database that was updated with two new standards concerning consignment and confined spaces,
- creating a carbon footprint on all identified sites,
- rolling out a monitoring tool and validating CORP¹ regulatory compliance developed by GIFAS²,
- identifying and reducing employee exposure to hazardous substances with the continued deployment of the Group internal tool to monitor risk exposure,
- improving ergonomic analyses,
- assessing psychosocial risks based on a recommended four-step approach: commitment, training, analysis and action plans,
- setting up a health observatory called EVREST³,
- completing the pilot program on addictions with communication of a Group brochure to all personnel.

Each company organizes an annual review, during which the Chairman and the Sustainable Development Executive Vice-President review the objectives attained and progress plan development.

The Sustainable Development Department submits a quarterly HSE management report to the Management Committee, Company Chairmen and managers, based on data provided by the Group sites or entities.

Furthermore, several specific management initiatives were undertaken in 2008:

- six sessions trained 62 executives in the constant HSE improvement process,
- two forums brought together more than two hundred Group line managers on the issues of psychosocial risks (stress) and ergonomics,
- newly recruited or promoted executives participated in a SAFRAN group environmental issue awareness session as part of a seminar organized in Poitiers (France).

4.4.4 CERTIFICATION

As of December 31, 2008, the environmental management systems of fifty-five Group facilities were certified ISO 14001⁴, encompassing 60% of Group employees. In line with the Group's HSE policy, which targets certification of all major industrial facilities, three facilities will seek to obtain certification in 2009.

Still in line with HSE policy objectives, twenty-eight research and development facilities, already certified for site management, received the ISO 14001 certification for their design processes.

Similarly, at the end of 2008, the health and safety management systems of ten facilities were certified OHSAS 18001⁵.

Sixty-two inter-company internal audits were carried out in 2008 and enabled the different facilities to improve the effectiveness of their HSE management systems by sharing experience.

Forty-eight HSE auditors, whose internal certification is maintained by the Sustainable Development Department, undertake facility reviews in accordance with the annual plan presented at the beginning of the year. Forty-two auditors are ISO 14001 certified, including 9 for environmental consideration in design, and twenty-three auditors are OHSAS 18001 certified.

¹ CORP: Customized Regulatory Compliance

² GIFAS: French Aerospace Industrial Grouping

³ EVREST: Evaluation des Relations en Santé au Travail

⁴ ISO 14001: Environmental management systems: Requirements with guidance for use

⁵ OHSAS 18001: Occupational Health & Safety management system: Guidelines for implementation

The increasing number of facilities including design within the scope of their environmental certification led the Sustainable Development Department and the Quality Department to develop a specific training program in 2006. One session held in 2008 broadened the expertise of ten potential auditors in this area. Nine audits of this type were performed in 2008.

4.4.5 SCOPE

The scope of SAFRAN's activities is presented in Section 6.3.

The reporting scope encompasses all sites whose businesses and products may present HSE risks and impacts in 2008. Figures are presented based on the 2008 Group structure.

The following sites were removed from the reporting scope in 2008.

- Bayonne, Dinan, Dinan-CDO, Cergy, Tourcoing, Tunisia, Vélizy, Osny for Sagem Communications
- Montauban for Sagem mobiles

The following sites were added:

- Tarbes, Valence, Montrouge Osny for Sagem défense sécurité,
- Plaisir for Aircelle –SLCA
- Blagnac and Bristol for Labinal
- Sydney and Monroe for Turbomeca.

4.4.6 ENVIRONMENT AND SITES

4.4.6.1 SEVESO FACILITIES

Two SEVESO classified SAFRAN facilities operate a ISO 14001 and OHSAS 18001 certified HSE management system in order to better assess risks, implement predetermined control measures and improve performance in this area.

4.4.6.2 CONTROLLING GREENHOUSE GAS EMISSIONS

Four SAFRAN group companies, classified as combustion installations (boilers for industrial use and heating installations, cracking ovens) with a rated thermal input exceeding 20MW, were concerned by the allocation of greenhouse gas emission allowances for the period 2005 — 2007.

Company	Location	Activity	Allowance used in 2007 (t)	2005-2007 annual allowance (t)
Snecma	VILLAROCHE (France)	Manufacture of engines	8,154	29,257
Snecma	GENNEVILLIERS (France)	Manufacture of engines	0	17,578
Messier-Bugatti	VILLEURBANNE (France)	Production of carbon brakes	17,028	23,812
Techspace Aero	MILMORT (Belgium)	Design, manufacture and maintenance of engine equipment	4,498	4,233
			29,680	74,880

The decline in emissions at Villaroche (France) was due to the reduced use of its co-generation facility and the fact that Gennevilliers (France) did not certify allowances in 2007 following the shutdown of its facility.

The emissions of Messier Bugatti relate directly to its carbon-based material manufacturing processes and not combustion processes like at other sites.

Having made investments in 2007-2008, the Milmort (Belgium) site was no longer liable for the allowances system for the 2008-2012 period.

In accordance with its objectives to reduce global warming, SAFRAN decided to measure its carbon footprint. The Sustainable Development Department developed an effective international tool to identify all the Group's businesses and assess their equivalent CO₂ emissions.

The roll-out of this tool, initiated in 2008 at 63 "significant" sites, served as a trial test to validate the method and data reporting. The initial results will be used to determine working guidelines for 2009-2011.

4.4.6.3 ASBESTOS

The Group is concerned by asbestos legislation, in terms of both the protection of users of its products and the protection of employees and service providers.

Substitute solutions have been implemented for products containing asbestos, marketed by Group companies.

With respect to the presence of asbestos-containing materials in buildings, several specialized firms have, since 1997, investigated and diagnosed asbestos risks, according to the nature and condition of such materials. In advance of legal requirements, these investigations also covered non-friable materials. Identified risks have been targeted by uplift and monitoring programs, in accordance with regulations in the countries in which the facilities are located.

This issue is subject to planned supervision, achieved using "HSE Standards" appraisal questionnaires, rolled-out across the Group.

4.4.6.4 STATE OF SOIL AND GROUNDWATER

The Group has undertaken systematic studies and analyses to assess the risk of soil and groundwater pollution at its industrial sites. Preventive or restoration measures were implemented wherever necessary.

85 significant sites carried out soil and subsoil analyses and a phase 1 analysis was performed for 46 sites by a third party.

The Sustainable Development Department supervises environmental reviews of buildings, activities, soil and groundwater performed on the lease, divestment or acquisition of assets. The HSE risk appraisal procedure was implemented.

4.4.6.5 PCB¹/PCT² POLLUTION

In 2002, the Group launched an electric transformer replacement program for ten of its companies in France. At the end of 2008, 191 transformers were replaced out of a total of 199. This plan, scheduled to terminate in 2010, is 96% complete. No transformers containing PCB have been identified elsewhere in the Group.

4.4.6.6 HAZARDOUS SUBSTANCES

The reduction and elimination of hazardous substances in the products and processes implemented in Group companies has been for several years a line of improvement in the Group HSE policy.

A specific structure and resources ensures compliance with the requirements of the REACH regulation, applicable as from June 2008.

The REACH awareness program targeting corporate management teams was completed. They were introduced to the main stages of a Group REACH project management plan.

The purposes of this "Group REACH" project, created at the end of 2008 under the supervision of the Group Industrial Management, are to:

- coordinate the Group's initiatives pertaining to REACH,
- assist with the deployment of REACH in Group companies
- provide visibility over the project's roll-out for the holding company
- guarantee the sustainability of the measures implemented.

The Group companies appointed a REACH correspondent, known as the Product Environment Correspondent (PEC). These correspondents are responsible for the REACH project in each company and share their experience and expertise in a Group IT forum.

As the Purchasing structure will be heavily involved in this project, a coordination unit comprising a buyer from each company was formed. It is coordinated by the Group Purchasing Department, which launched the first supplier awareness-raising initiatives in 2008.

In order to control the implementation of these new requirements, SAFRAN will base its activities on a list of banned or restricted-use substances, called the Priority Declarable Substance List, provided by GIFAS and the ASD (Aerospace and Defense Industries of Europe). In addition to supplier awareness-raising initiatives, this list will be referred to throughout the supply chain.

In response to chemical product obsolescence triggered by the REACH Regulation, SAFRAN set up a group of experts charged with providing technical support to the search for and the certification of substitutes for hazardous substances under the coordination of the Materials and Procedures department.

SAFRAN offers support to GIFAS, in conjunction with numerous professional federations and government institutions, in order to consider the application and consequences of REACH.

¹ PCB: Polychlorinated biphenyl

² PCT: Polychlorinated terphenyl

In the same context, SAFRAN took part with GIFAS and the UIC¹ in six awareness-raising sessions for aviation sub-contractors and suppliers:

- in Toulouse in cooperation with Airbus, the DRIRE and the Aerospace valley division,
- in Marignane with the cooperation of Eurocopter and the DRIRE,
- in Paris with the French Defense Procurement Agency.

To increase awareness in environmental issues, SAFRAN took part in GIFAS centenary days on the Champs Elysées in Paris.

The Group also contributed, as part of GIFAS awareness-raising initiatives and with the participation of other industrial federations, to the publication of numerous documents including:

- the second revised edition of "A Guide to REACH",
- the "REACH articles guide",
- the "REACH uses guide",
- the Phased Declaration Process standard.

These documents can be consulted by manufacturers on the GIFAS site.

In 2008, the SAFRAN group financed the creation of a substance and preparations management application for all Group companies. This will provide HSE Prevention Officers and design engineers with direct access to information in safety data files and the substance classification according to several reference lists such as appendix XIV of REACH or the Declarable Substance List of the ASD².

4.4.6.7 FIRE PROTECTION AND PREVENTION

Depuis 2007, la Direction Développement Durable en coopération avec un cabinet international d'expertise en prévention et protection incendie, a établi un plan de cartographie des risques correspondants.

En application de ce plan pluriannuel, 31 sites ont fait l'objet d'un examen en 2008 et 20 sites ont bénéficié d'une assistance technique d'ingénierie Groupe pour la prévention incendie.

L'outil informatique de gestion mis en place permet à chaque site, et par consolidation au niveau de chaque société et du Groupe de :

- connaître et identifier les risques et dommages,
- visualiser et évaluer les mesures correctives et préventives prises,
- traiter les recommandations,
- gérer l'effort d'amélioration,
- définir la stratégie de réduction des risques potentiels.

4.4.6.8 ENVIRONMENT AND PRODUCTS

SAFRAN allocates a significant part of its Research and Technology budget to programs aimed at reducing environmental impacts (See Section 1.5).

In 2008, after 3 years of preparation, the Clean Sky Joint Technology Initiative was introduced. This wide-scale project seeks to validate technological innovations in order to achieve the environmental objectives set by the Advisory Council for Aeronautics Research in Europe (ACARE)³. These objectives include a 50% reduction in carbon dioxide emissions, an 80% reduction in nitrogen oxide emissions and 50% reduction in perceived noise. Twelve European companies (including SAFRAN, Airbus, Alenia, Thales, Rolls-Royce and Eurocopter) founded Clean Sky and jointly coordinate the major demonstrators with their flight and ground demonstrations. Snecma jointly coordinates engine demonstrations. Twelve SAFRAN group companies contribute to all Clean Sky demonstrators.

SAFRAN, one of the top two participants in this project, contributes in each technology initiative to reducing the overall impact on the environment of the aircraft life cycle, in its role as a leading engine manufacturer and a highly important partner for "all-electric aircraft" systems.

In the end-of-life sector, Snecma Services holds a 20% interest in the first industrial company specializing in the dismantling of aircraft (TARMAC AEROSAVE), based in Tarbes (France) since June 2007. The annual market is estimated at 300 aircraft per year.

SAFRAN is also a member of AFRA⁴, whose platform located at Châteauroux (France) seeks to define best practices for aircraft dismantling.

¹ UIC: French Chemical Industries Union

² ASD: AeroSpace and Defence industries association of Europe

³ ACARE: Advisory Council for Aeronautical Research in Europe

⁴ AFRA: Aircraft Fleet Recycling Association

4.4.7 OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL DATA

Since 2006, the Sustainable Development Department consolidates HSE data provided by the main Group facilities using the SCORE¹ reporting tool.

2008 data covers 83% of the total Group scope for occupational health and safety data and 80% for environmental data.

4.4.7.1 OCCUPATIONAL HEALTH AND SAFETY

The number of occupational accidents recorded in 2008 at the Group's 86 sites, representing over 47,050 employees, is slightly lower than that recorded in 2007 (Frequency rate = 6.1), confirming the decrease recorded since 2000.

	2007	2008
Frequency rate	6.7	6.6
Severity rate	0.17	0.16

Frequency rate: Number of accidents resulting in work stoppages of over 24 hours per million hours worked

Severity rate: Number of day's sick leave as result of occupational accidents per thousand hours worked during the reference period

In 2007, SAFRAN group validated a tool to appraise workstation risk and track employee exposure at its Gennevilliers site. This IT tool was rolled-out to an additional twenty-five sites in 2007-2008. This represents a major advance in our understanding, analysis, use and traceability of Health, Safety and Environmental data.

A further twenty sites will be equipped with this tool in 2009, thus bringing the total number of sites that use this tool to 60 at the year-end.

After implementing tools to analyze the ergonomics of workstations, the SAFRAN group offers the sites the training necessary to their roll-out, in order to increase the importance placed on ergonomics in the analysis of workstation risks.

To date, 20% of the sites have conducted this analysis on new workstations. The most advanced site has assessed 95% of all its workstations. This multi-annual objective contributing to industrial performance will be reinforced in 2009.

The total number of occupational illnesses reported remains proportionally stable. The corresponding rate based on consolidated employee numbers is 1.4 for one thousand. The number of occupational illnesses linked to prior exposure to asbestos is stable. These disorders were primarily reported following exposure suffered in other activities outside the Group.

In addition, Group expatriates benefit from increased health monitoring.

SAFRAN has drafted a health crisis management plan, including a detailed section covering the risk of a flu pandemic.

A health observatory was rolled out in 2008 in the Group health departments. The EVREST questionnaire tool was selected and enables employee work and health data to be capitalized on a real-time basis.

4.4.7.2 ENVIRONMENTAL DATA

Water consumption

The Group facilities mainly use drinking water. Nineteen sites pump water from rivers and underground pools.

	2007	2008
TOTAL SAFRAN group (m ³ /employee)	98	109

The increase in water consumption per employee mainly results from a greater consumption of groundwater at the Bordes site, whose industry activity has intensified. It should be noted that mains water consumption declined by 10% per employee, from 31m³ in 2007 to 28m³ in 2008.

Energy consumption

Electricity is the prime energy source and represents 46% of total energy consumption. Premises are mainly heated by natural gas. Hydrocarbons are used less and less for heating and are now reserved for engine trials and backup equipment. The energy impact of transporting goods is not currently taken into account.

	2007	2008
Electricity (metric tons of oil equivalent/employee)	1.40	1.49
Gas (metric tons of oil equivalent/employee)	1.02	1.34
Fuel (metric tons of oil equivalent/employee)	0.50	0.39
Total SAFRAN group (metric tons of oil equivalent/employee)	2.92	3.22

¹ SCORE: SAFRAN COrporate REporting

Section 4 – RISK FACTORS

Energy consumption has increased, especially gas. This is due to the commissioning of a co-generation facility at Techspace-Aero and an increase in production at Haillan (Snecma Propulsion Solide) and Walton (Messier Bugatti – USA).

The equivalence factor used for electricity consumption (1MWh = 0.086 metric tons of oil equivalent) is taken from “The new methodology for preparing energy consumption reports in France” published in February 2002.

Atmospheric emissions

	2007	2008
Carbon dioxide (metric tons)	186,014	201,246
Nitrogen oxides (metric tons)	192	209
Sulfur oxides (metric tons)	95	73

For the most part, these emission levels are due to heating and engine tests. They are calculated based on gas and fuel consumption. Each Group facility has an emission monitoring plan which ensures optimum performance and emissions of boilers used in heating installations and manufacturing. As with energy consumption, the increase in these emissions relates to gas.

Other discharges into the atmosphere arise from industrial activities. These mainly concern solvents. By implementing plans for the management of solvents, the facilities have started reducing emissions of volatile organic compounds.

Waste

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary, non-hazardous waste and other waste, known as hazardous industrial waste. The production of metallic chips is included in ordinary waste data.

	2007	2008
Ordinary waste (metric tons/employee)	0.38	0.39
Hazardous industrial waste (metric tons/employee)	0.45	0.40

Waste is either recycled and transformed or stored.

	2007	2008
Percentage recycled (% of total processed)	45%	42%
Percentage transformed into energy (% of total processed)	37%	40%
Percentage stored (% of total processed)	18%	18%

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 as an industrial process.

4.4.7.3 MEDIUM-TERM ENVIRONMENTAL OBJECTIVES

With respect to its multi-annual HSE objectives, the Group has defined the following 3-year environmental goals, using 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 discharged waste,
- 15% reduction in greenhouse gas emissions.

GOVERNANCE AND INTERNAL CONTROL

5.1	Executive Board.....	168
5.1.1	Members of the Executive Board.....	168
5.1.2	Information on members of the Executive Board.....	168
5.2	Supervisory Board.....	170
5.2.1	Members of Supervisory Board.....	170
5.2.2	Information on members of the Supervisory Board.....	172
5.3	Corporate officer compensation.....	180
5.3.1	Compensation and benefits paid to members of the Executive and Supervisory Boards.....	180
5.3.2	Pension plans.....	183
5.3.3	commitment given in respect of the termination of corporate officer functions.....	183
5.3.4	Share subscription and purchase options – Bonus shares.....	184
5.4	Other information.....	185
5.4.1	Share transactions performed by corporate officers.....	185
5.4.2	Information on service contracts linking members of Executive Management or Supervisory bodies and the company or one of its subsidiaries.....	185
5.4.3	Declaration of family ties and the absence of convictions involving members of the Executive Board and the Supervisory Board.....	185
5.4.4	Conflicts of interest at management and Supervisory Body level.....	185
5.4.5	Declaration concerning the corporate governance regime.....	185
5.5	Observations of the Supervisory Board on the Executive Board’s management report and the 2008 financial statements.....	186
5.6	Report of the Chairman of the Supervisory Board.....	187
5.7	Statutory auditor’s report on the report of the Chairman of the Supervisory Board.....	202
5.8	Auditor’s special report on regulated agreements and commitments with third parties.....	203
5.9	Audit fees.....	205

5.1 EXECUTIVE BOARD

General information on the Executive Board and its work is set out in Section 6.2.2.1.

5.1.1 MEMBERS OF THE EXECUTIVE BOARD

The Supervisory Board has eighteen members – including four representatives of the French State and two representatives of employee shareholders – appointed by the Annual General Meeting of Shareholders.

The Board was made up of the following members in 2008:

Members of the Executive Board	Duties at SAFRAN	Date of first appointment Term of office end date	Number of SAFRAN shares held as of 12/31/2008
Jean-Paul Herteman 58 years old	Chairman of the Executive Board CEO, Defense Security Branch	September 3, 2007 2011 AGM	10,600 via units in the SAFRAN group Corporate Mutual Fund (FCPE)(*)
Dominique-Jean Chertier 58 years old	Member of the Executive Board Executive Vice-President, Social and Institutional Affairs	January 1, 2007 2011 AGM	4,803 via units in the SAFRAN Group Corporate Mutual Fund(*)
Xavier Lagarde 61 years old	Member of the Executive Board Executive Vice-President, Communications	January 1, 2007 2011 AGM	129,588 shares held directly and 49,611 via units in the SAFRAN group Corporate Mutual Fund and Club Sagem units(*)

(*) conversion based on the SAFRAN share price as of 12/31/2008

5.1.2 INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

Jean-Paul Herteman, Chairman of the Executive Board

Other current offices

SAFRAN group:

Director: Snecma; Sagem Sécurité

Permanent representative on the Board of Directors: Sagem Défense Sécurité (company represented: SAFRAN)

Non-Group: None

Offices that expired during the last five years

SAFRAN group:

Chairman and CEO: Sagem Défense Sécurité, from November 2006 to September 2007

Director and Chairman of the Board: Sagem Avionics, Inc. (United States), from November 2006 to December 2007; SAFRAN Sixty, from March 2006 to September 2007; EPI Europrop International GmbH (Germany), up to March 2005

Director: Sagem Morpho, Inc. (United States), up to May 2008; Snecma Propulsion Solide, up to February 2004 and then from May to September 2007; Snecma Services, up to February 2007; Techspace Aero (Belgium), up to February 2007; Société de Motorisations Aéronautiques (SMA), up to October 2006; Snecma (formerly Snecma Moteurs), up to February 2005; CFM International, Inc. (United States), up to January 2004

Member of the Supervisory Board: Sagem Orga GmbH (Germany), from November 2006 to July 2007

Permanent representative on the Board of Directors of various French Group companies (companies represented: Snecma, SAFRAN, Sagem Défense Sécurité)

Non-Group: None

Management expertise and experience

Graduate of Ecole Polytechnique – Graduate of Ecole Nationale Supérieure de l'Aéronautique et de l'Espace (French Aerospace School of Engineering)

1975 – 1983

Weapons Engineer at the Toulouse Aviation Testing Center

1984 – 1986

Head of Materials Research at Snecma

1987 – 1992

Assistant Director and then Director of Quality at Snecma

1993 – 1995

Director and then Deputy Technical Director of the Mechanical Division at Snecma

1995 – 1996

CFM 56 Program Director at Snecma and Vice-President of CFM International

1996 – 1998

Technical Director at Snecma

1999 – 2002

CEO of the Rocket Engine Division at Snecma (now Snecma Moteurs)

2002 – 2003

Chairman and CEO of Snecma Moteurs

2004 – 2006

Executive Vice-President of Snecma Group and then SAFRAN group, responsible for the Aerospace Propulsion Branch

11/2006–09/2007

Executive Vice-President of SAFRAN, responsible for the Defense Security Branch; Chairman and CEO of Sagem Défense Sécurité

Since 09/03/2007

Chairman of the SAFRAN Executive Board; Chief Executive Officer, Defense Security

Vice-President of the French Aerospace Industrial Grouping, GIFAS

Member of the Board of AeroSpace and Defense Industries Association of Europe, ASD

Dominique-Jean Chertier, Member of the Executive Board

Other current offices

SAFRAN group:

Director and Chairman of the Board: SAFRAN Employment Services, Inc. (United States); SAFRAN Human Resources Support, Inc. (United States)

Director: SAFRAN Conseil

Non-Group:

Chairman of the Board of Directors: Pôle Emploi (merger of ANPE and ASSEDIC)

Director: Air France

Offices that expired during the last five years

SAFRAN group:

Chairman and CEO: SAFRAN Human Resources Support, Inc. (United States), up to May 2006

Chairman of the Board of Directors: SAFRAN Conseil, up to December 2005

Director: Messier-Dowty International Ltd (UK), up to November 2007; SAFRAN Sixty, from March to December 2006

Non-Group: None

Management expertise and experience

Post-graduate degree (DEA) in the arts – Graduate of CELSA (School of Information Sciences and Communication)

1976 – 1982 Assistant to the Director, Administration Services and Personnel at Renault International

1982 – 1986 Head of Employee/Management Relations in the Sacilor Group

1986 – 1992 Director of Human Resources, member of the AIR INTER Management Committee

1992 – 2002 Director General of UNEDIC

2002 – 2003 Advisor to the Prime Minister on social affairs

Since 2003 Executive Vice-President of Snecma Group and then SAFRAN group, responsible for Social and Institutional Affairs

Member of the Economic and Social Council (CES)

2004 - 2008 Member of the Pensions Advisory Council (COR) and member of the Inter-Ministerial Committee for the supervision of senior management

Since 2005 Member of the Employment Policy Council (COE)

Since 01/01/2007 Member of the SAFRAN Executive Board

Since 12/19/2008 Chairman of the Pôle Emploi (merger of ANPE and ASSEDIC)

Xavier Lagarde, Member of the Executive Board

Other current offices

SAFRAN group:

Chairman and CEO: Sagem Télécommunications

Director: Aircelle; SAFRAN Conseil, Sagem Mobiles

Permanent representative on the Board of Directors: Sagem Industries (company represented: Sagem Télécommunications)

Non-Group:

Member of the Supervisory Board: Gores Broadband SA

Offices that expired during the last five years

SAFRAN group:

Chairman of the Board of Directors: SAFRAN Conseil, from January 1, 2006 to May 23, 2008

Director: Sagem Communications, from July 31, 2007 to January 25, 2008

Member of the Supervisory Board: Sagem SA, now SAFRAN, up to December 31, 2006

Non-Group:

Chairman: Club Sagem SAS, from June 2006 to June 2007

Management expertise and experience

ENSICA Engineer – Master of Sciences in Aeronautics from CALTECH (California Institute of Technology)

1974 – 1981 Various R&D functions at Sagem

1981 – 1986 Head of the Sagem Avionics R&D unit

1986 – 1987 Deputy Director of the Sagem R&D Center, Argenteuil

1987 – 1989 Director of the Sagem R&D Center, Eragny

1989 – 10/2001 Director, Personnel and Employee Relations at Sagem

1999 – 2000 Executive Director of SFIM

2001 – 2003 Director, Quality at Sagem

04/2001–12/2006 Member of the Supervisory Board of Sagem SA and then SAFRAN

2003 – 2005 Director, Engineering and Quality at Sagem

05/2005–09/2006 Director, Quality at SAFRAN

09/2006–12/2008 Executive Vice-President of SAFRAN, Communications Branch

Since 01/01/2007 Member of the SAFRAN Executive Board and Executive Vice-President of the SAFRAN group

5.2 SUPERVISORY BOARD

General information on the Supervisory Board and its work is set out in Section 6.2.2.2 and information on the Supervisory Board's work in 2008 is set out in Section 5.6.

5.2.1 MEMBERS OF SUPERVISORY BOARD

The Supervisory Board has eighteen members – including four representatives of the French State and two representatives of employee shareholders – appointed by the Annual General Meeting of Shareholders.

The Board was made up of the following members in 2008:

Members of the Supervisory Board	Duties on the Supervisory Board	Date of first appointment Term of office end date	Number of SAFRAN shares held as of 12/31/2008	Main position Address
Francis Mer 69 years old	Chairman of the Supervisory Board Chairman of the Strategy Committee	January 16, 2007 (Board member since December 12, 2006) 2011 AGM	1,500 (direct holding)	Chairman of the Supervisory Board of SAFRAN, 2 Boulevard du Général Martial Valin, 75015 Paris
Anne Lauvergeon 49 years old	Vice-Chair of the Supervisory Board Member of the Strategy Committee	April 24, 2001 April 15, 2009	1,500 (direct holding)	Chair of the Executive Board of Areva, 33 Rue La Fayette, 75009 Paris
Pierre Aubouin 38 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	Nil	Head of Investments, Services, Aerospace & Defense at the State Investments Agency APE, 139 Rue de Bercy, 75012 Paris
Christophe Burg 45 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	Nil	Director, Department of Industrial Affairs and Economic Intelligence at the French Defense Procurement Agency DGA, 7-9 Rue des Mathurins, 92220 Bagneux
Mario Colaiacovo 67 years old	Member of the Supervisory Board Member of the Strategy Committee	April 24, 2001 2011 AGM	390,015 shares held directly and 29,788 shares held via units in the SAFRAN group Corporate Mutual Fund and Club Sagem units(*)	20 Rue Weber, 75116 Paris
François de Combret 67 years old	Member of the Supervisory Board (independent) Member of the Appointments and Compensation Committee	October 30, 2002 2011 AGM	1,500 (direct holding)	Senior Advisor to UBS Investment Bank, 65 Rue de Courcelles, 75008 Paris
Armand Dupuy 60 years old	Member of the Supervisory Board	April 24, 2001 2011 AGM	78,240 shares held directly and 51,978 shares held via units in the SAFRAN group Corporate Mutual Fund and Club Sagem units(*)	Executive Vice-President, Research & Technology at SAFRAN (up to June 30, 2008), 2 Boulevard du Général Martial Valin, 75015 Paris
Jean-Marc Forneri 49 years old	Member of the Supervisory Board (independent) Member of the Appointments and Compensation Committee	March 17, 2005 2011 AGM	2,312 (direct holding)	Chairman of Bucéphale Finance, 17 Avenue George V, 75008 Paris
Patrick Gandil 53 years old	Member of the Supervisory Board representing the French State	February 13, 2008 2011 AGM	Nil	Director General of Civil Aviation, DGAC, 50 Rue Henry Farman, 75015 Paris
Yves Guéna 86 years old	Member of the Supervisory Board (independent)	April 21, 2004 2011 AGM	1,500 (direct holding)	13 Rue René Bazin, 75016 Paris
Christian Halary 55 years old	Member of the Supervisory Board representing employee shareholders	May 12, 2006 2011 AGM	13,450 shares held directly and 667 shares held via units in the SAFRAN group Corporate Mutual Fund(*)	Engineer responsible for product development at Sagem Défense Sécurité, 21 Avenue du Gros Chêne, 95610 Eragny-sur-Oise

Section 5 – GOVERNANCE AND INTERNAL CONTROL

Didier Lallement 52 years old	Member of the Supervisory Board representing the French State	March 20, 2007 January 19, 2008 (replaced by Patrick Gandil)	Nil (as of 01/19/2008)	General Secretary of the Ministry for Ecology, Energy, Sustainable Development and Regional Development, 20 Avenue de Ségur, 75007 Paris
Jean-Yves Leclercq 39 years old	Member of the Supervisory Board representing the French State Member of the Strategy Committee, the Audit Committee and the Appointments and Compensation Committee	March 17, 2005 June 11, 2008 (replaced by Pierre Aubouin)	Nil (as of 06/11/2008)	Head of Investments, Services, Audiovisual and Defense at the State Investments Agency (up to June 2008), APE, 139 Rue de Bercy, 75012 Paris
Shemaya Levy 61 years old	Member of the Supervisory Board (independent) Chairman of the Audit Committee	March 17, 2005 2011 AGM	1,500 (direct holding)	Director 170 Rue de la Pompe, 75116 Paris
Michel Lucas 69 years old	Member of the Supervisory Board (independent) Chairman of the Appointments and Compensation Committee, member of the Audit Committee	October 30, 2002 2011 AGM	1,500 (direct holding)	Chairman of the Executive Board of CIC, 6 Avenue de Provence, 75009 Paris
Michèle Monavon 51 years old	Member of the Supervisory Board representing employee shareholders	May 12, 2006 2011 AGM	33 shares held directly and 2,188 shares held via units in the SAFRAN group Corporate Mutual Fund(*)	External Relation Project Manager for employee SAFRAN, 2 Boulevard du Général Martial Valin, 75015 Paris
Jean-Bernard Pène 55 years old	Member of the Supervisory Board representing the French State	March 17, 2005 2011 AGM	Nil	Director of technical expertise at the French Defense Procurement Agency DGA, 7-9 Rue des Mathurins, 92220 Bagneux
Jean Rannou 66 years old	Member of the Supervisory Board (independent) Member of the Strategy Committee and the Audit Committee	March 17, 2005 2011 AGM	1,649 (direct holding)	4 rue du sommet des Alpes, 75015 Paris
Michel Toussan 69 years old	Member of the Supervisory Board Member of the Audit Committee	April 24, 2001 to May 11, 2006 and since January 1, 2007 2011 AGM	169,360 shares held directly and 24,180 shares held via Club Sagem units(*)	Judge of the Paris Commercial Court 61 Rue de Sannois, 95120 Ermont
Bernard Vatier 61 years old	Member of the Supervisory Board (independent) Member of the Appointments and Compensation Committee	April 24, 2001 2011 AGM	1,626 (direct holding)	Attorney at the Paris Court of Appeals Vatier & Associés, 12 Rue d'Astorg, 75008 Paris

(*) conversion based on the SAFRAN share price as of 12/31/2008

Two Board advisors (*censeurs*), Pierre Morailon and Georges Chodron de Courcel, as well as a Government Commissioner, the Controller General of the Armed Forces, Etienne Bosquillon de Jenlis, also attend Supervisory Board meetings in an advisory capacity.

Changes in the composition of the Supervisory Board during 2008 and up to the date of filing of this Reference Document

Patrick Gandil was co-opted as a member of the Supervisory Board representing the French State by the Board meeting of February 13, 2008, following his appointment by decision of the Ministry of Defense on January 7, 2008, to replace Didier Lallement. His appointment was ratified by the Combined Shareholders' Meeting of May 28, 2008.

Pierre Aubouin was co-opted as a member of the Supervisory Board representing the French State by the Board meeting of July 30, 2008, following his appointment by decision of the Ministry of Economy, Trade and Employment on June 2, 2008, to replace Jean-Yves Leclercq. His appointment will be subject to ratification by the Shareholders' Meeting on May 28, 2009.

Anne Lauvergeon resigned from her position as Vice-Chair and member of the Supervisory Board on April 15, 2009. At its meeting of April 15, 2009, the Supervisory Board appointed Areva to replace her as member of the Supervisory Board; Areva appointed Luc Oursel as its permanent representative. This appointment will be subject to ratification by the Shareholders' Meeting on May 28, 2009.

5.2.2 INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

Francis Mer, Chairman of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Director: Rhodia; Adecco (Switzerland)

Offices that expired during the last five years

SAFRAN group: None

Non-Group:

Chairman of the Supervisory Board: Oenoholding, up to April 2008

Director: Alstom, in 2005 and 2006; Inco (Canada) in 2005 and 2006

Management expertise and experience

Graduate of Ecole Polytechnique – Graduate of the prestigious Corps des Mines engineering school

1974 – 1978

CEO of Saint-Gobain Industries

1978 – 1982

Executive Vice-President of Groupe Saint-Gobain responsible for industrial policy

1982 – 1986

Chairman and CEO of Pont-à-Mousson SA; Director of the Tubing and Engineering Division of Groupe 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

Minister of Economy, Finance and Industry

2004 – 2005

Chairman of the Foundation for Political Innovation

Anne Lauvergeon, Vice-Chair of the Supervisory Board (*office terminated on April 15, 2009*)

Current offices

SAFRAN group: None

Non-Group:

Chair of the Executive Board: Areva

Chair and CEO: Areva NC

Director: Areva T&D; Areva Enterprises, Inc. (United States); Suez; Total; Vodafone Group Plc (UK)

Offices that expired during the last five years

SAFRAN group:

Vice-Chair of the Supervisory Board: up to April 15, 2009

Non-Group:

Permanent representative on the Board of Directors: FCI, up to November 2005 (company represented: Areva)

Management expertise and experience

Degree in Physical Sciences – Graduate of the prestigious Corps des Mines engineering school

1990

International Economy and External Trade Representative of the French President

1991

Deputy Secretary General of the French Republic responsible for the organization of international summits (G7)

1995

Managing Partner of Lazard Frères & Cie

1997

Executive Vice-President of Alcatel Télécom

1998

Member of the Alcatel Group Executive Committee

Since 1999

Chair and CEO of Areva NC

Since 2001

Chair of the Areva Executive Board

Since 2006

Member of the Executive Council of the French Business Confederation (MEDEF)

Since 11/2008

Member of the Atomic Energy Committee

Christophe Burg, Member of the Supervisory Board representing the French State

Other current offices

SAFRAN group: None

Non-Group:

Director representing the French State: DCNS; Giat Industries; SNPE; Société de Gestion de Participations Aéronautiques (SOGEPA);

Sogéade Gérance SAS

Offices that expired during the last five years

SAFRAN group:

Director representing the French State: Snecma, up to March 2005

Non-Group: none

Management expertise and experience

Graduate of Ecole Polytechnique – Graduate of Ecole 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 Optronic” Equipment, 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 Defense Procurement Agency (DGA)
03/2002–09/2004	Deputy Director, “Aeronautics-Missiles-Space” at the French Defense Procurement Agency
09/2004–07/2006	Implementation manager and, as of February 2005, Head of the European Cooperation and Development subdivision at the French Defense Procurement Agency
Since 07/2006	Head of Industrial Affairs and Economic Intelligence at the French Defense Procurement Agency

Mario Colaiacovo, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Director: Covéa Group ; MMA Iard Assurances Mutuelles; MMA Vie Assurances Mutuelles

Permanent representative on the Board of Directors:

Covéa Group: MMA Iard SA (company represented: MMA Vie Assurances Mutuelles); MMA Coopérations SA (company represented: Financière du Bourg d’Anguy); Covéa (company represented: MMA Vie SA)

Crédit Mutuel Group – CIC: CIC Finance (company represented: Ugepar Services); CIC Investissement (company represented: Ugepar Services); Banque Transatlantique (company represented: Impex)

Permanent representative on the Supervisory Board: Le Monde & Partenaires Associés SAS (company represented: Investmonde)

Offices that expired during the last five years

SAFRAN group:

Chairman of the Supervisory Board: Sagem SA (now SAFRAN), up to January 15, 2007

Director: Snecma, up to May 11, 2005

Non-Group:

Chairman: Club Sagem SAS, up to June 14, 2006

Director: Consortium de Réalisation (CDR), up to December 31, 2005

Management expertise and experience

Graduate of the Dijon Business School (Ecole Supérieure de Commerce et de l’Institut d’Administration des Entreprises) – Certified Public Accountant

1977 – 1986 CFO and then Chairman and CEO of Compagnie des Signaux et d’Entreprises Electriques (CSEE)

1987 – 2001 Financial and Administrative Director and then Executive Vice-President, CEO and Chairman and CEO of Sagem

04/2001–01/2007 Chairman of the Supervisory Board of Sagem SA, now SAFRAN

François de Combret, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Director: Bouygues Télécom; Nexans

Offices that expired during the last five years

SAFRAN group: None

Non-Group:

Director: Renault, up to 2008; Institut Pasteur, up to 2005; Fonds Partenaires Gestion, up to 2005

Managing Partner of the Lazard Frères bank up to 2005

Management expertise and experience

Graduate of the French School of Administration (ENA) – Graduate of the Paris School of Political Science (IEP)

1967 – 1971 Auditor at the French Audit Office (*Cours de Comptes*)

1972 – 1974 Advisor for Industrial Affairs to the Economy and Finance Minister

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

Since 2006 Senior Advisor to UBS Investment Bank

Armand Dupuy, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Vice-Chairman: Club Sagem SAS

Offices that expired during the last five years

SAFRAN group:

Permanent representative on the Board of Directors: Teuchos (company represented: SAFRAN), up to September 9, 2008

Non-Group: none

Management expertise and experience

Graduate of the ESE engineering school

1975 – 1979 Research Engineer at Sagem
 1979 – 1988 Head Project Engineer at Sagem
 1988 – 1990 Head of the R&D unit at the Sagem Research and Development Center, Eragny
 1990 – 1995 Director of the Sagem Research and Development Center, Eragny
 1995 – 1997 Director of Sagem R&D centers in Eragny and Argenteuil
 1997 – 2005 Head of Research and Development at Sagem SA
 2003 – 2005 Director of Sagem SA's head office
 05/2005–06/2008 Executive Vice-President, Research and Technology, SAFRAN

Jean-Marc Forneri, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Chairman: Bucéphale Finance SAS

Member of the Supervisory Board: Grand Port Maritime de Marseille (GPMM)

Director: Balmain; Intercontinental Exchange (United States)

Manager: Perseus Participations

Offices that expired during the last five years

SAFRAN group:

Director: Snecma, up to 2005

Non-Group:

Director: Bonnasse Lyonnaise de Banque, up to May 2008; IPE (UK), up to 2005

Management expertise and experience

Graduate of the French School of Administration (ENA) – Graduate of the Paris School of Political Science (IEP) – Masters in Corporate Law, Completion of the French bar exam (CAPA)

1984 – 1987 Finance Inspectorate
 1987 – 1988 Advisor to Edouard Balladur, Minister of Finance, Reporter for the Commission on Estate Taxes (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

Patrick Gandil, Member of the Supervisory Board representing the French State (*appointed as of February 13, 2008*)

Other current offices

SAFRAN group: None

Non-Group:

Director representing the French State: Société de Gestion de Participations Aéronautiques (SOGEPA), Office National d'Etudes et de Recherche Aérospatiales (ONERA)

Government Commissioner: Aéroports de Paris

Offices that expired during the last five years: None

Management expertise and experience

Graduate of Ecole Polytechnique – Civil engineer (Ponts et Chaussées)

1979 – 1980 Engineer responsible for the Loing Water Management Plan at the Seine-Normandy 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 Ecole 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 Ministry of Infrastructure
 1994 – 1995 Val d'Oise Regional Head of Infrastructure
 1995 – 1997 Deputy Cabinet Director to the 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 Ministry of Infrastructure, Housing, Transport and Tourism
 Since 2001 General Civil Engineer (*Ponts et Chaussées*)
 2003 – 2005 Cabinet Director and then Advisor to the Minister of Infrastructure, Transport, Housing, Tourism and the Sea
 2005 – 2007 Secretary General of the Ministry of Infrastructure, Transport, Regional Development, Tourism and the Sea
 Since 10/2007 Director General of Civil Aviation

Yves Guéna, Member of the Supervisory Board

Other current offices: None

Offices that expired during the last five years: None

Management expertise and experience

Graduate of the French School of Administration (ENA) – Honorary Councilor of State

1962 – 1981	Deputy for the Dordogne region
1967 – 1969	Minister of Postal Services and Telecommunications
05 – 07/1968	Information Minister
1971 – 1997	Mayor of Périgueux
1973 – 1974	Minister of Transport
03 – 06/1974	Minister for Industry, Commerce and Trade
1986 – 1997	Deputy 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 – 01/2007	Chairman of the Institut du Monde Arabe

Christian Halary, Member of the Supervisory Board representing employee shareholders

Other current offices

SAFRAN group:

Chairman of the Supervisory Board of the Corporate Mutual Funds (FCPE) Partifond, Interfond and Avenir

Non-Group: None

Offices that expired during the last five years: None

Management expertise and experience

Post-graduate degree (DEA) in microwave frequency

1980 – 2005	Research Engineer and then Engineer responsible for product development at Sagem SA
Since 2005	Engineer responsible for product development at Sagem Défense Sécurité
	Employee Representative at Sagem Défense Sécurité
	Former Secretary of the Sagem Défense Sécurité Central Works Council (CCE)
	Former Secretary of the Sagem SA Group Committee
	Member of the CFE/CGC Coordination Committee for SAFRAN group

Didier Lallement, Member of the Supervisory Board representing the French State up to January 19, 2008

Current offices

SAFRAN group: None

Non-Group: None

Offices that expired during the last five years

SAFRAN group:

Member of the Supervisory Board representing the French State: SAFRAN, up to January 19, 2008

Non-Group:

Director representing the French State: Société de Gestion de Participations Aéronautiques (SOGEPA), up to January 2008
Government Commissioner: Aéroports de Paris, up to October 2007

Management expertise and experience

Graduate of the Institut Supérieur de Gestion Business School – Post-graduate degree (DESS) in public law

1981 – 1985	Chief of staff and then Deputy Secretary General of the Epinay-sur-Seine Municipal Council
1985 – 1988	Secretary General of the Inter-municipal Association of Epinay-sur-Seine
1988 – 1989	Principal private secretary of the Secretary of State responsible for youth and sport
1989 – 1990	Technical advisor to the Cabinet of the Secretary of State responsible for local authorities
1990 – 1991	Sub-Prefect – Cabinet Director for the Prefect of Essonne
1991 – 1993	Cabinet Director for the Secretary of State, responsible for local authorities
1993 – 1996	Secretary General of the Marne Prefecture
1996 – 1997	Head of Department for Regional and Rural Action for the State organization for regional development (DATAR)
1997	Technical Advisor to the Cabinet of the Minister of the Interior, Director General of local authorities
2000 – 2001	Prefect of Aisne
2001 – 2004	Head of the Penitentiary Administration
2004 – 2005	Prefect of Saône-et-Loire
2005 – 2007	Chief of Cabinet of the Ministry of Transport, Infrastructure, Tourism and the Sea
02/2007–10/2007	Director General of Civil Aviation
10/2007-07/2008	Interim Secretary General of the Ministry for Ecology, Development and Sustainable Regional Development and of the Ministry for Infrastructure, Transport, Regional Development, Tourism and the Sea
Since 07/2008	Secretary General of the Ministry for Ecology, Energy, Sustainable Development and Regional Development, General Transport Commissioner

Jean-Yves Leclercq, Member of the Supervisory Board representing the French State up to June 11, 2008

Current offices

SAFRAN group: None

Non-Group:

CEO and Director: YFE Partenaires SA, since October 8, 2008

Directors: Voyages-SNCF.com, since June 5, 2009; Rail Europe Inc. (United States), since September 2008

Offices that expired during the last five years

SAFRAN group:

Member of the Supervisory Board representing the French State: SAFRAN, up to June 11, 2008

Director representing the French State: Snecma, up to May 2005

Non-Group:

Director representing the French State: DCNS, up to July 2008; Etablissement Public de Financement et de Restructuration (EPFR), up to June 2008; Imprimerie Nationale, up to June 2008; SNPE, up to July 2008; Société de Gestion de Participations Aéronautiques (SOGEPA), up to July 2008; Sogéade Gérance SAS, up to July 2008

Director: Autoroutes de France, up to 2004; Autoroutes Rhône-Alpes, up to 2004; Bull, up to 2004; Sanef, up to 2004; Société Française du Tunnel routier de Fréjus, up to 2004; Sofreavia, up to 2004

Management expertise and experience

Graduate of the French School of Statistics and Economic Administration (ENSAE) – Masters in Contemporary History from the University of Paris I – Graduate of Ecole Normale Supérieure

1994 – 1997 Deputy to the Head of the Administration Office and the Social Transfers Office, Department of Economic Forecasts, Ministry of Economy, Finance and Industry

1997 – 1999 Deputy to the Head of the State Funding and Monetary Affairs Office, Treasury Department

1999 – 2001 Finance Officer, Southeast Asia Finance Office, Treasury Department, Singapore

2001 – 2002 Head of the Office of Emerging, Developing and Transitional Countries, Treasury Department

05/2002–10/2003 Head of the Transport and Urban Planning Office, State Investments, Treasury Department

10/2003–05/2004 Head of the Air and Road Transport Office, State Investments Agency

06/2004–06/2008 Head of Investments, Services, Audiovisual and Defense at the State Investments Agency

Since 07/2008 Director Finance-Strategy-Legal Affairs, SNCF, France-Europe Passenger Transport Branch

Shemaya Levy, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Member of the Supervisory Board: Aegon NV (Netherlands); Groupe Ségula Technologies; TNT NV (Netherlands)

Director: Nissan Motor Co., Ltd (Japan); Renault Spain

Offices that expired during the last five years

SAFRAN group:

Director: Snecma, up to May 2005

Non-Group:

Director: Renault Finances, up to February 2006; Renault Crédit International, up to February 2004

Management 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

Michel Lucas, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Chairman of the Executive Board: Crédit Industriel et Commercial (CIC)

Chairman of the board: Carmen Holding Investissement

Executive vice-president: Confédération Nationale du Crédit Mutuel

Chairman: Crédit Mutuel Cartes de Paiement (CMCP) SAS ; Europay France SAS

Chairman of the Board of Directors: Groupe des Assurances du Crédit Mutuel ; Assurances du Crédit Mutuel Vie SA ; Assurances du Crédit Mutuel Iard SA ; Assurances du Crédit Mutuel Vie SFM ; Banque du Crédit Mutuel Ile-de-France

Chairman of Supervisory Board: Citicorp Deutschland GmbH (Germany) ; Citicorp Management AG (Germany) ; Citibank Privatkunden AG (Germany) ; Euro Information Production ; Fonds de Garantie des Dépôts

Vice-Chairman of Supervisory Board: Banco Popular France ; Banque de Luxembourg

Director, executive vice-president : Fédération du Crédit Mutuel Centre Est Europe ; Caisse Fédérale du Crédit Mutuel Centre Est Europe ; Banque Fédérative du Crédit Mutuel

Director : ACMN Iard ; Astrée (Tunis) ; Banque de Tunisie (Tunis) ; Banque Marocaine du Commerce Extérieur (Casablanca) ; Banque Transatlantique Belgium (Bruxel) ; Caisse de Crédit Mutuel Grand Cronenbourg ; CIC Banque Transatlantique ; CIC Finance ; CIC Investissements ; CIC Lyonnaise de Banque ; CRCM Midi-Atlantique ; Crédit Mutuel Paiements Electroniques ; Desjardins Assurances Générales (Québec) ; Sofedis

Member of Supervisory Board : Banque de l'Economie du Commerce et de la Monétique ; CM-CIC Asset Management ; CM-CIC Services ; Manufacture Beauvillé

Offices that expired during the last five years: None

Management 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 Institute of Finance, Paris

With Crédit Mutuel since 1971:

Advisor to the Chairman (1971 – 1985)

Head of the IT Department (1973 – 1998)

Current positions:

Chairman of the CIC Executive Board

CEO of Confédération Nationale du Crédit Mutuel

CEO of the Fédération du Crédit Mutuel Centre Est Europe

CEO of Caisse Fédérale du Crédit Mutuel Centre Est Europe

CEO of de la Banque Fédérative du Crédit Mutuel

Michèle Monavon, Member of the Supervisory Board representing employee shareholders

Other current offices

SAFRAN group:

Chair of the Supervisory Boards of the Corporate Mutual Funds (FCPE) SAFRAN Abond and SAFRAN Investissement

Chair of Actio's (Association of SAFRAN employee shareholders)

Non-Group:

Chair of the French Federation of associations of current and past employee shareholders (FAS)

Offices that expired during the last five years: None

Management expertise and experience

Masters in "physical techniques and instrumentation" (ISTASE Saint-Etienne) – 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 – 09/2008 Sales Manager – Financial and strategic analyst, competition analyst at Snecma and then SAFRAN

Since 10/01/2008 External Relation Project Manager for employee SAFRAN

Jean-Bernard Pène, Member of the Supervisory Board representing the French State

Other current offices: None

Offices that expired during the last five years: None

Management expertise and experience

Graduate of Ecole Polytechnique – Engineering graduate of Ecole Nationale Supérieure des Techniques Avancées (ENSTA)

1979 – 1989 Head of Research and the Acquisition of Battle Group Monitoring Systems and then Director of the "Forward Electronic Warfare System" Program at the French Defense Procurement Agency

1989 – 1997 Ecole Supérieure de Guerre and then Deputy Head of the Land Armament Department's Ordnance Office and then head of this office

1997 – 2000 Force Systems Architect responsible for managing air-land matters at the Force Systems and Planning Department

2000 – 2004 Head of the Land Armament Programs Department

2004 – 2005 Project Manager for the Technical Division of the French Defense Procurement Agency and responsible for the creation of the Technical Expertise Department

Since 2005 Head of Technical Expertise at the French Defense Procurement Agency and Lieutenant General Armament Corps

Jean Rannou, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Member of the Supervisory Board: Thalès-Raytheon Systems Company SAS

Director: Institut Français des Relations Internationales (IFRI)

Offices that expired during the last five years

SAFRAN group:

Director: Snecma, up to May 2005; Messier-Dowty International Ltd (UK), up to May 2004

Non-Group

Director: Institut de Radioprotection et de Sécurité Nucléaire (IRSN), up to April 2008

Management expertise and experience

Engineer, Ecole de l'Air – Certified Fighter Pilot – General Staff Commission– Graduate of the Ecole Supérieure de Guerre Aérienne

French Air Force General, former Chief of Air Staff, retired July 1, 2000

Expert Consultant in strategic and international affairs for two consulting firms

Chairman of the EuroDéfense France Association

Member of the Scientific Defense Council

Non-Executive Director on the Supervisory Board of Thalès-Raytheon Systems (TRS) and Chairman of the Security Committee

Member of the Franco-British Council

Member of the Air and Space Academy

Michel Toussan, Member of the Supervisory Board

Other current offices

SAFRAN group: none

Non-Group:

Chairman: Club Sagem SAS

Offices that expired during the last five years: None

Management expertise and experience

Engineer, Arts et Métiers – Graduate of the Supélec Engineering School – Graduate of Ecole du Chef d'Entreprise (CEO Management School)

Sagem Group from 1969 to 2001:

1969 – 1971 Research Engineer

1971 – 02/1986 Head of a Research and Development unit

03/1986–09/2001 Successively occupied the positions of:
 Head of the Digital Terminals and Captors Department
 Head of the Remote Computing Systems Department
 Head of the Electronics Division
 Head of the Automobile Division
 Head of the Cable Division

03/1998–09/2001 Executive Vice-President of Sagem SA

Since 2002 Judge at the Paris Commercial Court

Bernard Vatier, Member of the Supervisory Board

Other current offices

SAFRAN group: None

Non-Group:

Director: Aviva Participations; Aviva France

Offices that expired during the last five years: None

Management expertise and experience

Post-graduate degree (DES) in private law and criminal sciences – Graduate of the Corporate Law Institute, University of Paris II

Since 1971 Attorney at the Paris Court of Appeals

1974 – 1985 Lecturer at the Ecole Supérieure des Sciences Economiques 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

1996 – 1997 Chairman of the Bar of the Court of Paris

1998 – 2002 Head of the French Delegation of the European Bar Council

2003 – 2005 Vice-Chairman and then Chairman to the Council of Bars of Europe

Since 1997 Partner of the Vatier & Associés law firm

Since 1998 Member of the Paris Bar Council

2009 Chairman of the Union Nationale des CARPA

Information on members of the Supervisory Board whose appointment is subject to ratification by the Combined Shareholders' Meeting of May 28, 2009

Pierre Aubouin

38 years old

Head of Investments, Services, Aerospace and Defense at the French Investments Agency (APE)

Pierre Aubouin was co-opted as a member of the Supervisory Board representing the French State by the Board meeting of July 30, 2008, following his appointment by decision of the Ministry of Economy, Trade and Employment on June 2, 2008, to replace Jean-Yves Leclercq.

Number of SAFRAN shares held: nil.

Other current offices

SAFRAN group: None

Non-Group:

Director representing the French State: DCNS; Etablissement Public de Financement et de Restructuration (EPFR); Imprimerie Nationale; SNPE; Société de Gestion de Participations Aéronautiques (SOGEPA); Sogeade Gérance SAS

Offices that expired during the last five years

SAFRAN group: None

Non-Group:

Director representing the French State: La Monnaie de Paris up to October 2008; Civi.Pol Conseil, Giat Industries, TSA (formerly Thomson SA) up to July 2008;

Management 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, Trust Department for France

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 Project Director at McKinsey & Co. Inc. France. Member of Global High Technology, Media and Corporate Finance divisions

12/2006–05/2008 Head of Aerospace and Defense at the State Investments Agency

Since 06/2008 Head of Investments, Services, Aerospace and Defense at the State Investments Agency

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.

Areva was co-opted as a member of the Supervisory Board at the Board meeting of April 15, 2009, to replace Anne Lauvergeon who resigned.

Number of SAFRAN shares held: 30,772,945.

Information on Areva's permanent representative on the Supervisory Board of SAFRAN:

Luc Oursel

49 years old

Member of the Areva Executive Board, member of the Executive Committee and Nuclear Executive Committee of Areva

Other current offices

SAFRAN group: None

Non-Group:

Chairman and CEO: Areva NP

Member of the Executive Board: Areva

Offices that expired during the last five years

SAFRAN group: None

Non-Group:

Member of the Executive Board: Sidel, up to 2004

CEO: Geodis, up to 2006

Management expertise and experience

Engineering graduate of the prestigious Corps des Mines engineering school

1984 – 1988 Head of the Underground Energy Division at the Rhône-Alpes Regional Department for Industry and Research, Ministry of Research and Industry

Lecturer on the economics of natural resources at the Saint-Etienne Ecole des Mines

1988 – 1991 Head of the Electricity Department and then Deputy Head of the Department for Gas, Electricity and Coal (DIGEC), Ministry of Industry

1991 – 1993 Technical Advisor responsible for industrial affairs, armament programs and research at the Ministry of Defense

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 01/02/2007 Chairman of Areva NP, member of the Executive Committee and the Nuclear Executive Committee of Areva

Since 03/22/2007 Member of the Executive Board of Areva

5.3 CORPORATE OFFICER COMPENSATION

5.3.1 COMPENSATION AND BENEFITS PAID TO MEMBERS OF THE EXECUTIVE AND SUPERVISORY BOARDS

5.3.1.1 COMPENSATION PAID TO MEMBERS OF THE EXECUTIVE BOARD

The principles and rules applied to determine the compensation paid to members of the Executive Board are set out in the report by the Chairman of the Supervisory Board (see Section 5.6).

Jean-Paul Herteman, Chairman of the Executive Board

Summary of Compensation, Stock Options and Shares Granted		
	Exercice 2007	Exercice 2008
Compensation due for the year (set out in the table below)		
- as branch Executive Vice President from 01/01/07 to 09/02/07	€543,956	€1,372,621
- as Chairman of the Executive Board (since 09/03/07)	€438,645 (*)	
Valuation of options granted during the year	No options granted	No options granted
Valuation of performance shares granted during the year	No performance shares granted	No performance shares granted
	(*) corresponding to an annual base of 1,315,934 €	

Summary of compensation (gross)				
	2007		2008	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€496,667 (1)	€496,667 (1)	€700,000	€700,000
Variable compensation	€480,000 (2)	€272,000 (3)	€65,000	€480,000 (2)
Extraordinary compensation	€2,000 € (4)	€22,116 (5)	€2,000 (4)	€2,000 (4)
Attendance fees	none	none	none	none
Benefits-in-kind (6)	€3,934	€3,934	€5,621	€5,621
TOTAL	€982,601	€794,717	€1,372,621	€1,187,621
- including as branch Executive Vice President	€543,956 (8 month)		none	none
- including as Chairman of the Executive Board	€438,645 (4 month)		€1,372,621	€1,187,621

NB: Jean-Paul Herteman was appointed as Chairman of the Executive Board as from September 3, 2007. For the period prior to his appointment as a corporate officer, he received compensation under his employment contract with SAFRAN. For 2007, his annual fixed compensation was €420,000 as branch Executive Vice President and was up-graded to €650,000 with his appointment as Chairman of the Executive Board.

(1) Including €280,000 for the period from 01/01/07 to 09/02/07 as branch Executive Vice President and €216,667 for the period from 09/03/07 to 12/31/07 as Chairman of the Executive Board

(2) Including €260,000 for the period from 01/01/07 to 09/02/07 as branch Executive Vice President and €220,0 for the period from 09/03/07 to 12/31/07 as Chairman of the Executive Board

(3) For 2006

(4) Company contribution

(5) Profit-sharing and incentive payments for 2006; 2007 company contribution

(6) Company car

Dominique-Jean Chertier, Member of the Executive Board

Summary of Compensation, Stock Options and Shares Granted		
	2007	2008
Compensation due for the year (set out in the table below)	€766,462	€901,462
Valuation of options granted during the year	No options granted	No options granted
Valuation of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)				
	2007		2008	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€440,000	€440,000	€460,000	€460,000
Variable compensation	€320,000	€140,000 (1)	€437,000	€320,000 (2)
Extraordinary compensation	€2,000 (3)	€17,683 (4)	none (5)	none
Attendance fees	none	none	none	none
Benefits-in-kind (6)	€4,462	€4,462	€4,462	€4,462
TOTAL	€766,462€	€602,145	€901,462	€784,462

(1) For 2006

(2) For 2007

(3) Company contribution

(4) Profit-sharing and incentive payment for 2006; 2007 company contribution

(5) Excluding profit-sharing and incentive payments, which were not known on the date this document was prepared

(6) Company car

Xavier Lagarde, Member of the Executive Board

Summary of Compensation, Stock Options and Shares Granted		
	2007	2008
Compensation due for the year (set out in the table below)	€666,864	€824,864
Valuation of options granted during the year	No options granted	No options granted
Valuation of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)				
	2007		2008	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€400,000	€442,769 (1)	€410,000	€410,000
Variable compensation	€260,000	€126,000 (2)	€410,000	€260,000 (3)
Extraordinary compensation	€2,000 (4)	€13,229 (5)	none (6)	none
Attendance fees	none	€31,277 (7)	none	none
Benefits-in-kind (8)	€4,864	€4,864	€4,864	€4,864
TOTAL	€666,864	€618,139	€824,864	€674,864

(1) Including back pay for 2006: €42,769

(2) For 2006

(3) For 2007

(4) Company contribution

(5) Profit-sharing and incentive payment for 2006; 2007 company contribution

(6) Excluding profit-sharing and incentive payments, which were not known on the date this document was prepared

(7) For 2006 (member of the Supervisory Board up to December 31, 2006)

(8) Company car

5.3.1.2 MEMBERS OF THE SUPERVISORY BOARD

The principles and rules applied to determine the compensation paid to members of the Supervisory Board are set out in the report by the Chairman of the Supervisory Board (see Section 5.6).

Francis Mer, Chairman of the Supervisory Board

Summary of Compensation, Stock Options and Shares Granted		
	2007	2008
Compensation due for the year (set out in the table below)	€383,509	€445,340
Valuation of options granted during the year	No options granted	No options granted
Valuation of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (net)				
	2007		2008	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€345,000 (1)	€345,000	€400,000	€400,000
Variable compensation	none	none	none	none
Extraordinary compensation	none	none	none	none
Attendance fees	€38,509	€1,327 (2)	€45,340	€38,509
Benefits-in-kind	none	none	none	none
TOTAL	€383,509	€346,327	€445,340	€438,509

(1) For the period from January 16, 2007 (start of office) to December 31, 2007, based on annual compensation of €360,000.

(2) For 2006 (member of the Supervisory Board since December 12, 2006)

Armand Dupuy, Member of the Supervisory Board and SAFRAN employee

Summary of Compensation, Stock Options and Shares Granted		
	2007	2008
Compensation due for the year (set out in the table below)	€448,045	€719,047
Valuation of options granted during the year	No options granted	No options granted
Valuation of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)				
	2007		2008	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€259,992	€329,428 (1)	€270,000	€270,000
Variable compensation	€130,000	€103,000 (2)	€106,667	€130,000 (3)
Extraordinary compensation	€23,766 € (4)	€13,184 (5)	€306,951 (6)	328,717 (7)
Attendance fees	€31,541	€31,277 (2)	€31,876	€31,876
Benefits-in-kind (8)	€2,746	€2,746	€3,553	€3,553
TOTAL	€448,045	€479,635	€719,047	€763,811

NB: Except for attendance fees, the compensation received by Armand Dupuy was payable under his employment contract with SAFRAN. Armand Dupuy claimed his pensionable rights and his employment contract with SAFRAN ended on December 31, 2008.

(1) Including back pay for 2006: €69,436

(2) For 2006

(3) For 2007

(4) Profit-sharing, incentive payments and company contribution

(5) Profit-sharing and incentive payments for 2006; 2007 company contribution

(6) 2008 Company contribution (€2,000), severance pay pursuant to the collective bargaining agreement applicable to engineers and managerial staff in the metallurgy industry (€235,406), compensation in lieu of paid vacation (€69,545). Excludes profit-sharing and incentive payments for 2008, which were not known on the date this document was prepared

(7) Profit-sharing and incentive payments for 2007 (€21,766); 2008 company contribution (€2,000), severance pay pursuant to the collective bargaining agreement applicable to engineers and managerial staff in the metallurgy industry (€235,406), compensation in lieu of paid vacation (€69,545)

(8) Company car

Supervisory Board Members' Attendance Fees

The rules applied to determine the attendance fees paid to members of the Supervisory Board are set out in the report by the Chairman of the Supervisory Board (see Section 5.6).

Members of the Supervisory Board in office in 2008 (excluding State representatives)	Amount of attendance fees		
	2006 (paid in 2007)	2007 (paid in 2008)	2008 (paid in 2009)
Francis Mer	€1,327	€38,509	€45,340
Anne Lauvergeon	€41,878	€33,283	€30,840
Mario Colaiacovo	€51,301	€41,993	€38,090
François de Combret	€41,878	€37,638	€31,876
Armand Dupuy	€31,277	€31,541	€31,876
Jean-Marc Forneri	€32,455	€32,412	€29,804
Yves Guéna	€31,277	€31,541	€31,876
Christian Halary (office start date: May 12, 2006)	€20,232	€31,541	€29,804
Shemaya Levy	€40,700	€47,219	€43,268
Michel Lucas	€51,301	€37,638	€34,983
Michèle Monavon (office start date: May 12, 2006)	€20,232	€31,541	€31,876
Jean Rannou	€31,277	€35,896	€44,304
Michel Toussan	€12,223	€33,283	€38,090
Bernard Vatier	€38,344	€35,025	€32,911
Total attendance fees paid to members of the Supervisory Board in 2008	€445,702	€499,060	€494,938
Total attendance fees paid	€670,000 (1)	€667,863 (2)	€670,000 (3)

(1) Including 2006 attendance fees paid to:

- the Treasury for State representatives: €164,481
- the Board advisors (censeurs): €16,317 (Georges Chodron de Courcel: €15,673; Pierre Moraillon who took up office on December 12, 2006: €644)
- individuals who ceased to be members of the Supervisory Board in 2008: €43,500 (Dominique Paris whose office ended on May 11, 2006: €12,223; Xavier Lagarde whose office ended on December 31, 2006: €31,277)

(2) Including 2007 attendance fees paid to:

- the Treasury for State representatives: €138,763
- the Board advisors (censeurs): €30,040 (Georges Chodron de Courcel: €15,020; Pierre Moraillon: €15,020)

(3) Including 2008 attendance fees paid to:

- the Treasury for State representatives: €142,002
- the Board advisors (censeurs): €33,060 (Georges Chodron de Courcel: €17,632; Pierre Moraillon: €15,428)

5.3.1.3 COMPENSATION PAID TO CORPORATE OFFICERS BY CONTROLLED COMPANIES

None

5.3.2 PENSION PLANS

There is no special pension plan set up for SAFRAN's corporate officers.

5.3.3 COMMITMENT GIVEN IN RESPECT OF THE TERMINATION OF CORPORATE OFFICER FUNCTIONS

When setting the compensation payable to Jean-Paul Herteman, appointed as Chairman of the Executive Board with effect from September 3, 2007, the Supervisory Board meeting of October 18, 2007, on the recommendation of the Appointments and Compensation Committee which met the same day, decided that at the end of his term of office and in the event of the early termination thereof, for whatever reason – except in the event of the merger or absorption of the Company as referred to below – Jean-Paul Herteman shall regain his position as an employee, since his employment contract will only have been suspended during his office, and the period during which he exercised the office of Chairman of the Executive Board 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 office is interrupted before term as a result of merger with or absorption by another company, Jean-Paul Herteman shall regain his position as an employee under the conditions detailed above. However, in this specific case and should Jean-Paul Herteman fail to accept any of the employment positions proposed, his employment contract shall be terminated and he shall benefit, 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 exercise of his office as Chairman. The Supervisory Board shall hold a special meeting in order to assess attainment of these objectives and set the exact amount of this compensation.

In accordance with the provisions of Article L. 225-90-1 of the French Commercial Code (*Code de commerce*), these commitments were approved by the Combined Shareholders' Meeting of May 28, 2008 (sixth ordinary resolution) and have been posted on the Company's website (www.safran-group.com).

For 2008, performance objectives were one-third individual and two-thirds economic, based on Group free cash flow (1/3), Group EBIT (1/3) and the SAFRAN share price (1/3). For 2009, the performance objectives used are one-third individual and two-thirds economic, based at Group level on EBIT (1/2) and working capital requirements (1/2).

5.3.4 SHARE SUBSCRIPTION AND PURCHASE OPTIONS – BONUS SHARES

5.3.4.1 SHARE SUBSCRIPTION OPTIONS GRANTED AND EXERCISED IN 2008

SAFRAN's corporate officers were not granted any options entitling them to subscribe for shares in the Company.

5.3.4.2 SHARE PURCHASE OPTIONS GRANTED AND EXERCISED IN 2008

No share purchase options were granted to SAFRAN's corporate officers in 2008, and the officers did not exercise any options in connection with previous plans.

The share purchase options valid as of December 31, 2008 are set out in the table in Section 6.13.2.

5.3.4.3 BONUS SHARES GRANTED IN 2008

SAFRAN's corporate officers were not granted any bonus shares in 2008.

No corporate officers of SAFRAN received bonus shares under the allocation plan decided by the Executive Board meeting of April 3, 2009, pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008.

5.4 OTHER INFORMATION

5.4.1 SHARE TRANSACTIONS PERFORMED BY CORPORATE OFFICERS

To the best of the Company's knowledge, share transactions performed by SAFRAN's corporate officers in 2008 were as follows:

Corporate officer	Transaction date	Nature of the transaction	Number of shares	Unit price
Jean-Paul Herteman	02/29/2008	Acquisition	7,346	€13.34
Anne Lauvergeon	04/07/2008	Acquisition	625	€13.55

5.4.2 INFORMATION ON SERVICE CONTRACTS LINKING MEMBERS OF EXECUTIVE MANAGEMENT OR SUPERVISORY BODIES AND THE COMPAGNY OR ONE OF ITS SUBSIDIARIES

There are no service contracts linking members of the Executive Board or Supervisory Board and SAFRAN or any of its subsidiaries concerning the award of benefits.

5.4.3 DECLARATION OF FAMILY TIES AND THE ABSENCE OF CONVICTIONS INVOLVING MEMBERS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

To the best of the Company's knowledge:

- There are no family ties between members of the Executive Board and the Supervisory Board.
A family tie exists between two members of the Supervisory Board, François de Combret and Bernard Vatie (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 incriminated and/or sanctioned by a legal or regulatory authority,
 - has been prohibited by a court of law from being a member of an administration, management or supervisory body, or from participating in the management or performance of a company's business.

5.4.4 CONFLICTS OF INTEREST AT MANAGEMENT AND SUPERVISORY BODY 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 party.

The restrictions accepted by certain members of the Executive Board and the Supervisory Board on the sale of their shares in SAFRAN are set out in Section 6.12 "Undertaking to Hold Shares."

5.4.5 DECLARATION CONCERNING THE CORPORATE GOVERNANCE REGIME

SAFRAN's reference code for corporate governance practices is the code prepared jointly by AFEP (French Association of Private Undertakings) and MEDEF (French Business Confederation) in October 2003, as completed by the recommendations of January 2007 and October 2008, on the compensation of executive corporate officers. A consolidated version of this code was published in December 2008.

5.5 OSERVATIONS OF THE SUPERVISORY BOARD ON THE EXECUTIVE BOARD'S MANAGEMENT REPORT AND THE 2008 FINANCIAL STATEMENTS

This report was prepared in accordance with Article L. 225-68 (6) of the French Commercial Code (*Code de commerce*).

After reviewing and auditing the company and consolidated financial statements for 2008 approved by the Executive Board and presented to the Supervisory Board at its meeting of February 17, 2009, following a review thereof by the Audit Committee on February 16, 2009, the Supervisory Board wishes to inform the Shareholders' Meeting that it has no observations to make on said financial statements.

Furthermore, the Supervisory Board does not wish to make any observations on the Executive Board's management report relating to 2008 that was reviewed at its meeting of April 15, 2009.

Accordingly, the Supervisory Board asks shareholders to adopt the draft resolutions presented by the Executive Board.

For the Supervisory Board
The Chairman

Francis Mer

5.6 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD
(Article L. 225-68 of the French Commercial Code [Code de commerce])

2008

To prepare this report that is to be presented to the Combined Shareholders' Meeting of May 28, 2009, the Chairman of the Supervisory Board consulted the Company Secretary as well as the Economic and Financial Affairs Department, the Audit and Internal Control Department and the Group Risk and Insurance Department. This report was approved by the Supervisory Board at its meeting of April 15, 2009, after the review done by the Audit Committee the same day.

CHAPTER I COMPOSITION, ORGANIZATION AND WORK OF THE SUPERVISORY BOARD

When Sagem formed an alliance with Snecma, which led to the privatization of Snecma and the formation of SAFRAN, the managers of the two companies chose to ensure continuity in terms of governance by maintaining the dual structure of an Executive Board and a Supervisory Board, the structure originally in place in the absorbing company.

SAFRAN's reference code for corporate governance practices is the code prepared jointly by AFEP¹ and MEDEF² in October 2003, as completed by the recommendations of January 2007 and October 2008, on the compensation of executive corporate officers. The consolidated version of this code, published in December 2008, is available at www.medef.fr.

A. MEMBERS OF THE SUPERVISORY BOARD

1. Composition of the Supervisory Board

The composition of the SAFRAN Supervisory Board is subject to the provisions of French ordinary law applicable to private sector companies. However, since the State owns more than ten percent of the share capital, pursuant to Article 12 of French Law No. 49-985 of July 25, 1949, a number of seats are reserved for the State in proportion to its stake, on the understanding that it may not hold more than two-thirds of the total number of seats on the Board.

The Supervisory Board has eighteen members appointed by the Annual General Meeting of Shareholders, including four representatives of the French State appointed by Ministerial Decree and then put to the vote of 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 (*censeurs*) appointed by the Supervisory Board in accordance with the Company's Bylaws also attend Supervisory Board meetings, along with a Government Commissioner appointed by decision of the Ministry of Defense in accordance with the regulations applicable in the Company's business sector, and four representatives of the Works Council in accordance with the French Labor Code.

The statutory auditors are invited to the Board meetings called to review and close off the annual and interim financial statements and the documents prepared for the Annual General Meeting of Shareholders.

In accordance with the Board's Internal Rules, depending on the matters discussed, the Chairman of the Supervisory Board may invite one or more members of the Executive Board and/or any member of management who may be able to provide Board members with helpful information on an agenda item to attend Supervisory Board meetings.

The following held seats on the Supervisory Board in 2008:

- Francis Mer (Chairman)
- Anne Lauvergeon (Vice-Chair)
- Mario Colaiacovo, François de Combret, Armand Dupuy, Jean-Marc Forneri, Yves Guéna, Shemaya Levy, Michel Lucas, Jean Rannou, Michel Toussan and Bernard Vatier
- Christophe Burg, Jean-Bernard Pène, Didier Lallement up to January 19, 2008, replaced as of February 13, 2008 by Patrick Gandil, Jean-Yves Leclercq up to June 11, 2008, replaced as of July 30, 2008 by Pierre Aubouin (State representatives)

¹ AFEP: French Association of Private Undertakings

² MEDEF: French Business Confederation

- Christian Halary, Michèle Monavon (representatives of employee shareholders).

The following changes occurred on the Supervisory Board between January 1, 2009 and the date of notification of the Annual General Meeting of May 28, 2009:

Anne Lauvergeon resigned from her duties as Vice-Chair and member of the Supervisory Board on April 15, 2009. At its meeting of April 15, 2009, the Supervisory Board co-opted Areva as new Board member, and Areva appointed Luc Oursel as its permanent representative. Michel Lucas was appointed Vice-Chair of the Supervisory Board

2. Independence of Board Members

Seven of the eighteen, *i.e.* 39%, of members of the Supervisory Board are deemed to be independent: François de Combret, Jean-Marc Forneri, Yves Guéna, Shemaya Levy, Michel Lucas, Jean Rannou and Bernard Vatier. Excluding the four seats reserved for the State, independent members represent one-half of Board members.

The independence of Board members is periodically reviewed by the Supervisory Board after the matter has been discussed by the Appointments and Compensation Committee. When the situation was last reviewed on February 17, 2009, it was observed that no change had occurred in the situation of Board members with regard to the independence criteria set out in the AFEP-MEDEF code.

The Supervisory Board has defined the following rules of conduct applicable to Board members who work in banks:

- members may not take part in the preparation or solicitation of service offers targeting the Company,
- members may not effectively take part in the activities of the bank where a mandate is granted
- members may not vote on any resolution concerning a project in which the bank concerned is or may be involved as an advisor.

Members of the Supervisory Board falling into this category (François de Combret, Jean-Marc Forneri, Michel Lucas) undertook to abide by the above principles and this undertaking was taken into account when assessing their position with regard to independence criteria.

Finally, it should be noted that under the terms of the Board Internal Rules, members of the Supervisory Board must inform the Chairman of any effective or potential conflict of interest with the Company.

3. Term of office of Supervisory Board members

The eighteen members of the Supervisory Board are appointed by the Annual General Meeting of Shareholders for a term of six years in accordance with Article 24 of the Company's Bylaws.

The positions of current Supervisory Board members will all expire on the same day, since all Board members were appointed by the same Shareholders' Meeting when Sagem formed an alliance with Snecma leading to the formation of SAFRAN. Members who subsequently stepped down were replaced for the remaining term of their predecessors' office.

To avoid all Board members having to be elected at the same time, a procedure for staggering appointments and reducing the term of appointments will be reviewed in 2009.

In accordance with French law and Article 24 of the Bylaws, no more than one-third of Supervisory Board members may be over the age of 70.

4. Compulsory shareholdings

In accordance with Article 23 of the Company's Bylaws, each member of the Supervisory Board, except for representatives of the State or employee shareholders, must hold at least 20 registered shares in the Company.

At its meeting on June 23, 2005, the Supervisory Board decided to significantly increase, in stages, the minimum number of shares its members must hold. As of December 31, 2008, this minimum was set at 1,500 shares. As of that date, each Board member subject to the shareholding obligation fulfilled this requirement.

5. Confidentiality – Transactions in the Company's shares

Members of the Supervisory Board and all individuals who attend Board meetings are bound by a strict obligation of confidentiality and reserve with respect to information provided to them in this context.

At its meeting of December 13, 2007, on a proposal by the Executive Board, the Supervisory Board adopted a procedure concerning the prevention of insider trading within SAFRAN group. The aim of this procedure is to:

- reiterate all obligations arising in particular out of the General Regulations and instructions issued by the AMF applicable to corporate officers, executive management and key employees with access to confidential information;
- enact, in addition to the obligations imposed by law and regulations, internal rules concerning the periods in which transactions in the Company's shares may be carried out.

Under the terms of this internal procedure, transactions in the Company's shares may only be performed by corporate officers, executive management and key employees with access to confidential information between the 11th stock market session following:

- the date of publication of annual results
 - the date of publication of half-year results
- and the 90th calendar day following these dates.

B. ORGANIZATION AND WORK OF THE SUPERVISORY BOARD

1. Internal Rules of the Board

The work of the Supervisory Board is governed by provisions of the law and the Bylaws and by a set of Internal Rules, which clarify, in particular, the conditions governing the exercise by the Board of its powers, define the duties and operating rules of its special committees and set the rules for the allocation of attendance fees to Board members. These Internal Rules are available on the Company's website (www.safran-group.com).

2. Powers of the Supervisory Board – Limits imposed on the powers of the Executive Board

The Supervisory Board exercises the rights granted by law and regulations.

In addition, pursuant to Article 19 of the Company's Bylaws and the Board's Internal Rules, the following decisions of the Executive Board must be submitted to the Supervisory Board for prior authorization:

- 1/ Decisions subject to prior authorization, irrespective of the transaction amount:
 - Issues of any kind of investment securities liable to entail a change in the share capital,
 - Major decisions to establish foreign operations, directly via the creation of companies or direct or indirect subsidiaries, or by the acquisition of interests, or decisions to close these establishments,
 - Major operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.

The Executive Board is responsible for assessing the importance of decisions or operations.

- 2/ Decisions subject to prior authorization where the transaction amount exceeds €40 million:
 - Acquisition or disposal of real estate,
 - Acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issue of shares, partnership shares or bonds, excluding cash transactions,
 - Any exchange, with or without balancing cash adjustment, relating to assets or securities, excluding cash transactions,
 - In the event of litigation, the signature of any agreement or settlement agreement, acceptance of any settlement,
 - Creation of collateral on Company assets.
- 3/ Decisions subject to prior authorization where the transaction amount exceeds €150 million:
 - The granting or taking out of any loan, credit facility or advance,
 - The acquisition or disposal of any receivable, by any means.

In addition and in accordance with legal provisions, deposits, endorsements and guarantees may only be granted by the Company after authorization of the Supervisory Board. Each year, the Board sets an overall threshold up to which deposits, endorsements and guarantees may be granted by the Executive Board; any commitment exceeding this overall limit must be specifically authorized by the Supervisory Board.

The annual threshold was set at €150 million by the Supervisory Board on April 24, 2007 and reapplied in the same amount on May 22, 2008 for a further period of one year. At its meeting of October 16, 2008, the Supervisory Board agreed to grant an exceptional guarantee of €177 million in connection with an acquisition.

At its meeting of December 18, 2008, the Supervisory Board decided to increase the overall threshold to €500 million for 2009, to enable the Executive Board to meet potential requests for guarantees by its airline customers.

3. Board information

The agenda for Supervisory Board meetings is proposed by the Secretary to the Chairman and takes account of the work of the Board's special committees and proposals made by Board members.

Before each meeting and approximately one week prior to the meeting date, Board members receive the agenda and all documents necessary to inform them on the matters to be discussed during the meeting, as well the draft minutes of the previous meeting. They may request communication prior to the meeting of any additional documents they consider useful.

In addition, the Executive Board or its Chairman continually keep the Supervisory Board informed, by any means, of all significant events concerning the Group. Its members receive a copy of Company press releases and a monthly press review, together with the minutes of all Audit Committee meetings.

4. 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 may be convened by any means. The Board's Internal Rules state that meetings may be held, where necessary, by conference call or videoconference.

At least one-half of members must actually be present at Board meetings for the Board's decisions to be valid. Decisions are taken by majority vote of the members present or represented. In the event of a split vote, the Chairman shall cast a deciding vote.

Supervisory Board members may be represented, under their responsibility, by another member of the Board, subject to a maximum of one power of proxy per Board member.

Minutes are drawn up for each Board meeting and forwarded to all Board members with a view to their adoption at the next meeting.

5. Activities of the Supervisory Board in 2008

The Supervisory Board met eight times in 2008 and one of the meetings was held by teleconference. The average attendance rate was 84%.

The Chairman and members of the Executive Board attended all meetings, and the Executive Vice-President responsible for Economic and Financial Affairs attended six of the eight meetings. Other members of Executive Management attended meetings held to address issues that fell within the scope of their remit. The statutory auditors attended the meetings held to review and certify the 2007 financial statements and the 2008 interim financial statements and to prepare the documents intended for the Combined Shareholders' Meeting of May 28, 2008.

In accordance with the provisions of the Supervisory Board Internal Rules, certain decisions were prepared by special Board committees within the scope of their remit, and these committees reported to the Board on their work and submitted their opinions and proposals to the Board.

The main work of the Supervisory Board in 2008 was as follows:

In connection with its supervisory role:

- The Board particularly reviewed the quarterly business reports of the Executive Board, the individual and consolidated financial statements for 2007 and the interim financial statements for 2008, as well as the Company's forward management documents.
- All documents prepared for the Annual General Meeting of shareholders of May 28, 2008 were submitted to the Board.

In the area of governance:

- The Supervisory Board co-opted two new Board members representing the French State.
- The Board implemented a system for assessing its own work and took the steps necessary to fulfill the requests of its members.
- In October, the Board approved SAFRAN's adherence to the code of integrity of the AeroSpace and Defense Industries Association of Europe (ASD), which aims to set common anti-corruption principles and standards for all companies across Europe. The Supervisory Board asked the Executive Board to take all the necessary steps to implement this code within the Group.
- With regard to the compensation of corporate officers, the Supervisory Board adopted the proposals of the Appointments and Compensation Committee concerning the amount of fixed compensation set for 2008 and the variable compensation payable for 2007, as well as the criteria for calculating variable compensation in respect of 2008. The Board adhered to the new AFEP-MEDEF recommendations issued in October 2008 with regard to the compensation of corporate officers.

Concerning the economic position of the Group:

- In January, the Supervisory Board reviewed the mid-term plan submitted by the Executive Board for 2008-2011. It noted the measures that the Executive Board intends to adopt in 2009 and 2010 to hedge against foreign exchange risk with the dollar, and the Audit Committee's approval of this policy.

- After reviewing the individual and consolidated financial statements for 2007 approved by the Executive Board, the Supervisory Board set the guidance for 2008 in respect of revenue and profit from operations in February.
- Throughout the year, key events concerning the Group's activities were presented to the Board, and it was kept informed of trends in results compared to budget, the Group's financial position, the foreign exchange hedge position and the employment situation. In addition, in October, the Executive Vice-President responsible for Economic and Financial Affairs gave a detailed review of the Group's cash flow, foreign exchange hedges put in place for 2009-2011 and the various risks arising due to the weakness of the banking industry.
- In December, the Board reviewed the 2009 budget and the mid-term plan for 2008-2012.

In terms of strategy:

- In April, after reading the review and recommendations of the Strategy Committee, the Supervisory Board approved the proposal to acquire the Dutch company Sdu-Identification, which specializes in the production of highly secure identity documents.
- In July, in light of information reviewed by the Strategy Committee and the Audit Committee and provided to the Board in respect of the offers accepted, the Board approved the proposal to sell the Sagem Mobiles business to the Sofinnova venture capital firm.
- In accordance with the favorable opinion of the Strategy Committee, the Board authorized the submission of a bid to acquire Motorola's biometrics business (Printrak).
- The Board was kept informed of new developments in the plan to merge solid propulsion activities with SNPE.
- In accordance with the request made during the assessment of the Board's work, in October, half a day was spent on a presentation and discussion of the long-term strategic plan proposed by the Executive Board and previously submitted to the Strategy Committee.

In addition, to complete the information provided to the Board, presentations were given and discussions were held with respect to the following topics:

- Group awareness of a potential macroeconomic downturn,
- Changes in the price of SAFRAN shares compared with other companies in the same business sector,
- Situation of the aircraft and aviation sector with regard to sustainable development and in particular the "*Grenelle de l'Environnement*"¹ talks,
- Research and technology within the Group,
- Investor relations and the results of shareholder inquiries (with respect to identifiable bearer shares).

In addition, one Board meeting was held at Snecma's production site in Villaroche following a tour of the facilities.

6. Supervisory Board committees

The Internal Rules of the Supervisory Board provide for the Board's decisions regarding certain matters to be prepared by special committees that review matters within their remit and submit their opinions and proposals to the Board. The Supervisory Board has three special committees: the Strategy Committee, the Audit Committee and the Appointments and Compensation Committee.

Committee members are appointed by the Supervisory Board from among its members. Their term of office coincides with their term of office 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 valid. In the event of a split decision, the Chairman shall cast a deciding vote. Members may not be represented at committee meetings. Written minutes are drawn up of all committee meetings.

a) Strategy Committee

Composition

The Strategy Committee has six members, including one independent member: Francis Mer (Chairman), Anne Lauvergeon, Christophe Burg, Mario Colaiacovo, Jean-Yves Leclercq, who was replaced by Pierre Aubouin on July 30, 2008, and Jean Rannou².

¹ *Grenelle de l'Environnement (France)*: talks between the French government and a wide variety of organizations in October 2007 to establish a roadmap for sustainable ecology, development and construction

² Independent Supervisory Board member

Duties

The role of the Strategy Committee is to express its opinion on the Group's major strategic orientations and development policy as presented to the Supervisory Board by the Executive Board.

It examines draft strategic and partnership agreements. It examines external growth transactions and transactions that impact Group structure and in particular plans to acquire assets, set up subsidiaries and acquire or dispose of major shareholdings. It gives its opinion on all other strategic matters referred to it by the Supervisory Board.

In the performance of its work, the Strategy Committee may refer any matter to, and request any information from, the Executive Board.

Activities in 2008

The Strategy Committee met seven times in 2008, with an average attendance rate of 86%.

The Chairman of the Executive Board attended the Strategy Committee meetings along with the Executive Vice-President responsible for Strategy and the Executive Vice-President responsible for Economic and Financial Affairs. The Branch Executive Vice-Presidents attended to address matters concerning their field of activity.

The Strategy Committee primarily reviewed the long-term strategic plan presented by the Executive Board on the Group's strategy with regard to the mobile phone business and solid propulsion and considered various proposed acquisitions.

b) Audit Committee

Composition

The Audit Committee has five members, including three independent members: Shemaya Levy¹ (Chairman), Jean-Yves Leclercq, who was replaced by Pierre Aubouin on July 30, 2008, Michel Lucas¹, Jean Rannou¹ 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, CFO and Management Control Director, may attend meetings of the Audit Committee.

Members of the Supervisory Board will receive a copy of the Audit Committee meeting schedule and may also attend Committee meetings if they so wish.

Duties

The role of the Audit Committee is to examine the accounts and accounting procedures. It also analyses authorization requests submitted by the Executive Board to the Supervisory Board concerning major investment or divestment transactions or capital increases.

The Audit Committee is responsible, in particular, for the following:

With respect to accounting and financial documents:

- Reviewing the draft interim and annual individual and consolidated financial statements before they are submitted to the Supervisory Board and in particular any changes in the accounting methods and rules applied in preparing the financial statements,
- Reviewing the financial documents issued by the Company at the time of the annual and half-yearly closings,
- Overseeing the quality of procedures to ensure compliance with stock market regulations,
- Reviewing draft financial statements for the requirements of special transactions, such as contributions, mergers, spin-offs or payments of interim dividends,
- Analyzing, where necessary, authorization requests submitted by the Executive Board to the Supervisory Board in connection with capital increases, investments, acquisitions or disposals.

With respect to the external audit and internal control of the Company:

External audit

- Reviewing proposals for the appointment of auditors and their fees,
- Conducting an annual review with the auditors of their audit plan, findings, recommendations and the subsequent action that will be taken.

Internal control

- Assessing the Group's internal control systems with Group managers,

¹ Independent Supervisory Board member

- Reviewing internal control objectives, work schedules and action plans with these managers and with the assistance of the internal audit department: the findings of their audits and actions and their recommendations and the follow-up thereof,
- Reviewing internal audit methods and results, checking that the procedures applied ensure that the Company financial statements present a true and fair view of the Company and comply with accounting rules,
- Assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of decisions taken to handle major transactions,
- Reviewing the methods and procedures used for reporting purposes and for the restatement of accounting information from foreign subsidiaries.

With respect to risks:

- Reviewing the relevance of risk analysis and monitoring procedures,
- Ensuring there is a process to identify, quantify and prevent the main risks arising from the Group's activities.

In the performance of its work, the Audit Committee may ask the Executive Board to seek the opinion of any person and to provide the Audit Committee with any information. It may also seek the opinion of the auditors or initiate an independent investigation where it considers this necessary.

Activities in 2008

The Audit Committee met six times in 2008, with an average attendance rate of 93%.

The Chairman of the Supervisory Board, the Chairman of the Executive Board and the Company Secretary responsible for audit, internal control and risk management attended five of the six meetings. The Executive Vice-President responsible for Economic and Financial Affairs attended all Audit Committee meetings and the statutory auditors attended the meetings held to review the financial statements for 2007 and the interim financial statements for 2008.

January 14: Environment and commercial policy on the civil aviation propulsion market. Foreign exchange hedging policy: proposals for 2009/2010.

February 11: Review of the individual and consolidated financial statements for 2007, the dividend distribution policy, the forward management documents, as well as the draft resolutions to be submitted to the Annual General Meeting of shareholders. The statutory auditors presented the findings of their audit work based on the document provided at the meeting. The Audit Committee held a private session for questions with the auditors and then the Executive Vice-President responsible for Economic and Financial Affairs.

April 1: Presentation of the Group Risk, Audit and Internal Control functions and the proposed development of these functions. Schedule for audit work and follow-up measures. Review of the internal control system put in place within the Group. Replacement of a principal and a deputy auditor who resigned. Foreign exchange hedges put in place for 2008/2010.

July 30: Review of interim financial statements for 2008, presentation by the statutory auditors of the findings of their audit work. Review of the work of the Audit and Internal Control Department, presentation of the audit plan for the second half of 2008 and the first half of 2009.

October 16: Proposal to reorganize the audit function. Summary presentation of the fraud prevention program launched with the assistance of PricewaterhouseCoopers Conseil. Progress report on 2008 audits and proposed schedule for 2009. Review of financial commitments.

December 10: Presentation of the Group progress initiative (Action V). Review of the 2008/2011 foreign exchange hedging policy. Main elements of economic forecasts for 2008 and progress report on the 2009 budget.

c) Appointments and Compensation Committee

Composition

The Appointments and Compensation Committee has six members, including four independent members: Michel Lucas¹ (Chairman), Christophe Burg, François de Combret¹, Jean-Marc Forneri¹, Jean-Yves Leclercq, who was replaced by Pierre Aubouin on July 30, 2008, and Bernard Vatier¹.

Duties

The Appointments and Compensation Committee has the following role:

With respect to appointments

- To assist the Supervisory Board in its choice of members, senior managers and Board Committee members,
- To propose a list of Supervisory Board members who may be deemed to be independent.

¹ Independent Supervisory Board member

With respect to compensation

- To make recommendations and proposals concerning the following for eligible members of the Supervisory Board and Executive Board: compensation and attendance fees, any modifications or changes to pension and health insurance plans, benefits-in-kind and various financial benefits and the granting of share subscription or purchase options.

The Appointments and Compensation Committee is informed of all decisions concerning compensation and benefits granted to key senior managers who are not corporate officers. It makes recommendations concerning the grant of subscription or purchase options for shares in the Company or any other Group company, the distribution of shares to employees and share issues reserved for employees.

Activities in 2008

The Appointments and Compensation Committee met once in 2008, on February 13, to propose the compensation to be paid in 2008 to corporate officers and the rules for determining variable compensation payable in respect of 2008. The meeting was attended by all members of the Appointments and Compensation Committee as well as the Chairman of the Supervisory Board.

7. Assessment of the work of the Supervisory Board

In 2008, the Supervisory Board undertook a formal assessment of its work and the work of its committees using a self-assessment questionnaire prepared by the Appointments and Compensation Committee. This questionnaire related primarily to the composition of the Board (members, skills, independence), the work of the Board and its committees (frequency and length of meetings, meeting procedures, issues addressed, operating rules and practices, quality of work and minutes of Board meetings), as well as the type of information provided to the Board and the procedures for providing such information.

The results of this self-assessment, which were presented to the Supervisory Board on May 22, 2008, showed overall satisfaction with the organization and work of the Board and its committees. Requests were made for additional information to be provided to Board members, and the Chairman suggested how these requests may be fulfilled. The Board decided, in particular, to organize:

- a presentation and discussion of SAFRAN's strategy (this matter was addressed at the Supervisory Board meeting of October 16, 2008);
- a presentation of human resource issues (forward management of jobs and skills);
- a presentation by the chairmen of the main Group companies: each chairman will be invited to attend the Board meeting at which his company's situation is reviewed;
- a periodic review of the foreign exchange hedging position: this matter was addressed at various Board meetings held in 2008 and will be reviewed on a regular basis.

Furthermore, Board members should be provided with interim accounting documents earlier.

CHAPTER II CORPORATE OFFICER COMPENSATION

SAFRAN complies with AFEP-MEDEF recommendations for the compensation of its corporate officers. The Supervisory Board meeting of October 16, 2008 reviewed the new recommendations published by AFEP-MEDEF on October 6, 2008. The Supervisory Board determined that the recommendations fell within the scope of the corporate governance strategy already followed by SAFRAN and, thus, decided to apply the recommendations.

A. PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF MEMBERS OF THE EXECUTIVE BOARD

Executive Board member compensation is set by the Supervisory Board at the proposal 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.

For 2008, the fixed compensation of Executive Board members was set by the Supervisory Board meeting of February 13, 2008, at the proposal of the Appointments and Compensation Committee. The Supervisory Board approved the Committee's recommendation to apply the same criteria used the previous year to determine the 2008 variable component, i.e. one-third based on individual objectives and two-thirds based on economic objectives relating to Group free cash flow (1/3), Group EBIT (1/3) and the SAFRAN share price (1/3). The individual objectives were set by the Appointments and Compensation Committee meeting of February 13, 2008.

The Supervisory Board meeting of February 17, 2009 established the amount of variable compensation for 2008 based on the proposals of the Appointments and Compensation Committee, which met on the same day. It also set the performance criteria for the 2009 variable component: one-third individual and two-thirds economic, based at Group level on EBIT (1/2) and working capital requirements (1/2)

Commitments given to the Chairman of the Executive Board in the event of termination of his office

When setting the compensation payable to the Chairman of the Executive Board, appointed with effect from September 3, 2007, the Supervisory Board meeting of October 18, 2007 gave commitments regarding the setting of the compensation payable to the Chairman at the end of his term of office in the event of interruption of his office before term, as well as the conditions for a severance payment if his term of office ends as a result of a merger with or absorption by another company.

These commitments are described in the Executive Board's Management Report, as well as in the Auditors' Special Report on Regulated Agreements and Commitments with Third Parties, and are posted on the Company's website: www.safran-group.com. They were approved by the Combined Shareholders' Meeting of May 28, 2008 (sixth ordinary resolution). These commitments are subject to performance objectives, which are the same as those set to calculate variable compensation. The Supervisory Board must note attainment of these objectives.

B. PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF MEMBERS OF THE SUPERVISORY BOARD

The Chairman of the Supervisory Board is the only member of the Supervisory Board who receives compensation from the Company for his term of office. Three members of the Supervisory Board have an employment contact with the Company – one member of management and two representatives of employee shareholders.

The Supervisory Board sets the compensation of its Chairman at the proposal of the Appointments and Compensation Committee. This compensation comprises fixed compensation and the provision of a company car with driver. For 2008, the compensation of the Chairman of the Supervisory Board was set by the Supervisory Board meeting of February 13, 2008, in accordance with the recommendation of the Appointments and Compensation Committee.

The Executive Board informs the Appointments and Compensation Committee of the compensation paid to the salaried member of management of the Supervisory Board, and the Appointments and Compensation Committee shares this information with the Supervisory Board.

Members of the Supervisory Board, including the Chairman, receive attendance fees in accordance with Article 29 of the Company's Bylaws.

The total amount of attendance fees was set at €670,000 by the Combined 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 Supervisory Board Internal Rules stipulate that members of the Board waive entitlement to part of their attendance fees in favor of two Board advisors (*censeurs*), who are taken into account as one member when allocating total fees. In accordance with legal provisions, attendance fees allocated to representatives of the French State are paid to the Public Treasury.

The Supervisory Board Internal Rules set out the following method for allocating attendance fees: a fixed portion (2/3) is split equally among members and a variable portion (1/3) reflects attendance rates at meetings of the Supervisory Board and committees to which members belong.

C. SHARE SUBSCRIPTION AND PURCHASE OPTIONS – BONUS SHARES

No share subscription or purchase options were granted to corporate officers in 2008, by SAFRAN or SAFRAN associates. No bonus shares were granted over the year.

D. COMPLEMENTARY PENSION OBLIGATIONS

No special pension plan has been set up in favor of corporate officers.

CHAPTER III ADDITIONAL INFORMATION

A. PARTICIPATION OF SHAREHOLDERS IN SHAREHOLDERS' MEETINGS

The conditions for the participation of shareholders in shareholders' 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 shareholders' meetings, on proof of identity and of his/her quality as a shareholder, provided that the shareholder's shares are registered in the shareholder's name in the registered share accounts maintained by BNP Paribas, which is the Company's agent, or in the bearer share accounts kept by the authorized intermediary, by midnight (Paris time) three business days before the meeting.

As regards voting rights, each participant at Shareholders' Meetings has as many votes as the ordinary sharers he/she owns, subject to certain exceptions under the law and the following provisions concerning double voting rights stipulated in Article 33 of the Bylaws. There is no limit on the number of voting rights a shareholder may hold.

Double voting rights are granted for all fully-paid up shares that have been registered in the name of the same shareholder for at least two years, of which evidence must be proved at least five days prior to the meeting.

The Company's Bylaws do not provide for attendance at meetings or voting using electronic telecommunications means.

B. SHARE CAPITAL STRUCTURE OF THE COMPANY AND EVENTS THAT MAY HAVE AN IMPACT IN THE EVENT OF A TAKEOVER

In accordance with the provisions of Article L. 225-100-3 of the French Commercial Code (*Code de Commerce*), information regarding the Company's share capital structure and items that may have an impact in the event of a takeover is set out in the management report drawn up by the Executive Board.

CHAPTER IV INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

A. INTERNAL CONTROL AND RISK CONTROL OBJECTIVES

SAFRAN group formally established its internal control system based on the guidelines recommended by the international body COSO¹.

SAFRAN group defines internal control as a process implemented by its Executive Board, management and personnel to provide reasonable assurance as to the realization of the following objectives:

- Implementation of Company strategies and the effective conduct of operations;
- Fairness and reliability of financial reporting;
- Compliance with applicable laws and regulations.

Internal control thus contributes to the safeguarding of assets and the prevention of any organizational dysfunctions, yet, as with all control systems, it cannot provide an absolute guarantee that the objectives described above are fully achieved.

Within the scope its activities, SAFRAN group is exposed to a certain number of risks – both internal and external – that it must strive to prevent and control. As such, the Group's internal control system was combined with the risk management process in 2008 to create a stronger control environment.

The purpose of risk control initiatives is to:

- Identify and assess the Company's major risks in terms of their probability and their impact;
- Reduce critical risks to a level that is deemed acceptable, by implementing specific measures or initiatives that are appropriate.

B. COMPONENTS OF THE INTERNAL CONTROL SYSTEM

1. Internal control environment

a) Group organizational structure

SAFRAN is a decentralized industrial group, as each subsidiary directly manages the operational aspects of its activity and assumes responsibility for the internal control system that it must implement in accordance with Group procedures.

The organizational structure is based on:

- A head company, responsible for Group Strategic management, organization and development; This company adopted, at the Shareholders' Meeting of April 24, 2001, the legal administrative form that uses an Executive Board and a Supervisory Board;
- Three branches² grouping together the companies or entities dedicated to Aerospace Propulsion, Aircraft Equipment and Defense Security;
- Companies by business line. Within the guidelines defined by the Executive Board of the head company and under its control, each company assumes all the functions and responsibilities of an individual company with respect to legal, commercial, technical, industrial, economic, financial and social issues.

Under the authority of the Executive Board, the primary responsibilities of the head company are to:

- Define and lead the strategy of the Group;

¹ COSO: Committee of Sponsoring Organizations of the Treadway Commission

² The entire Communications branch was divested in 2008.

- 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 Group head company;
- Provide certain services on behalf of all Group companies;
- Lead or coordinate actions intended to develop the Group's reputation and increase its effectiveness.

In addition to these hierarchical relationships, SAFRAN group implements cross-Group operations so that the support functions can coordinate Group-wide actions among the various entities within the Group.

b) Key players

Group Executive Management

The Executive Board defines the primary features of the internal control system. 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 Economic and Financial Affairs Department centralizes and coordinates activities in the following areas: financing, treasury, taxation, the budget process, reporting, consolidation of the accounts and mergers/acquisitions. It ensures compliance with the internal control aspects falling within the scope of its responsibilities. It has authority over the Finance departments of subsidiaries.

The Corporate Secretary, which comprises the Risk and Insurance Department, the Audit and Internal Control Department and the Legal Department, is tasked with overseeing the risk identification process, ensuring that internal procedures are followed and monitoring the central audit function.

Company Chairmen

The Chairmen of the various Group companies 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.

Other players

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 its customers. These players are thus part of the Group's control environment.

c) Group values and the Ethics Charter

SAFRAN group has a set of values that are 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 Ethics Charter, distributed throughout the Group, sets out the principles governing the conduct of all Group employees. Each company is responsible for its implementation in day-to-day operations. It is now included in the Group's procedures manual.

The Group emphasizes the importance of complying with international rules for export controls on military goods and dual-use goods. SAFRAN has implemented procedures and put in place a system to ensure that the Group complies with these rules.

d) Control procedures

Procedures relating to Group operations

The main procedures governing Group operations are assembled in a documentation system, accessible via the Group intranet. This manual is organized by major process.

The manual primarily includes:

- Corporate governance rules (authorization delegations, governance of Group companies, internal control principles, ethics charter);

- The rules relating to processes: asset management, industrial protection, safety-environment, legal, information systems, purchases and sales, quality, risk and crisis management.

Standards and regulations

Standards and regulations are monitored and followed up on by the headquarter specialized departments, which, within their area of expertise, lead and coordinate a network of correspondents in the various Group companies.

The quality management systems in place in the industrial companies comply with ISO 9000 and are used to support the internal control systems.

Financial and accounting procedures

Financial and accounting principles are grouped together in four manuals:

- Group IFRS accounting manual;
- Rules for the preparation of consolidated financial statements and rules concerning intra-group and inter-company transactions;
- Quarterly consolidation instructions communicated to all companies concerned;
- The consolidation software package user guide; this software contains the controls necessary to ensure the consistency of components used in the consolidation of financial statements.

In terms of accounting standards, the Group applies IFRS as adopted in the European Union.

e) Communication and in-house training

The Audit and Internal Control Department is tasked with communicating, throughout the Group's companies, the strategies set out by Executive Management. It organizes regular meetings with its network of internal control officers and communicates on the main events of the month.

In 2008, the Group set up a prevention, detection and assessment program for cases of potential internal fraud. This program brought together a number of players involved in internal control and industrial protection. The program seeks, in particular, to: 1) train the various players, 2) offer strategic assistance on specific audit assignments, and 3) ensure that the concept of fraud is adequately taken into account in the internal control standards.

2. Reporting and management control system

Each week, Group parent company Executive Management receives a report from each company summarizing the main events concerning its activity.

In 2008, the Group began using a Quality report to monitor the satisfaction of the main customers of the Group's companies.

The companies prepare monthly budget and financial reports on their activities.

Each year, the budget and planning process results in the formalization of objectives for each subsidiary at Group level.

A management reporting committee examines the actual results of each subsidiary at least three times a year, defines any corrective measures necessary and validates, where appropriate, new forecasts for the year. The Economic and Financial Affairs Department and management of the branch and company concerned are represented at this meeting.

3. Internal control activities

SAFRAN established a certain number of control points (184 in total) for the Group's 12 main accounting and financial reporting processes. These are used to assess how effectively internal control procedures are applied within each of its entities (61 consolidated companies as of 2008).

In 2008, the following processes were tested:

- Purchases
- Treasury
- Payroll
- Sales
- Taxation
- General IT controls
- Information system security.

The five processes that were not selected in 2008 will be included in the testing program in 2009.

The Group defined a questionnaire-based approach for level-two companies. This approach is based on the same internal control requirements and enables an assessment of the appropriateness and effectiveness of existing procedures.

On completion of these assessments, action plans are drafted if the control results are not at the level required. Progress with these plans is regularly monitored.

The Audit and Internal Control Department is responsible for oversight of these activities. It counts on the support of its network of correspondents and an IT reporting tool that assembles documents related to the processes, the results of tests carried out on key control issues and action plans.

4. Monitoring the internal control system

a) Internal Audit

Internal Audit is made up of 17 auditors and is certified compliant with the international standards of the Institute of Internal Auditors by the IFAC¹.

The audit plan is prepared within the scope of a plan that is adapted every year and that is largely based on the mapping of Group risks.

The teams carry out assignments 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 management of the 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.

b) The Supervisory Board Audit Committee

The Supervisory Board Audit Committee reviews:

- The financial statements and accounting procedures presented by the Executive Board and management;
- The results of audits and internal control procedures presented by the Audit and Internal Control Department.

c) The statutory auditors

As part of the audit and certification of the individual and consolidated financial statements, the statutory auditors organize regular reviews to assess the soundness of procedures in the various company cycles contributing to the preparation of accounting and financial information. They base their procedures on those carried out by companies as part of their internal control approach and on Group reference manuals.

The statutory auditors report to the Supervisory Board Audit Committee on their assignment.

The statutory auditors adopt the following approach:

- Review of documentation of controls performed by subsidiaries;
- Performance of tests to verify the effectiveness of procedures implemented;
- Review of completed action plans;
- Reading of results of tests performed by subsidiaries.

C. RISK CONTROL SYSTEM

Identifying and managing risks that may impact SAFRAN's objectives and results are core to the management strategy developed by the Group.

¹ IFAC: French Institute of Audit and Internal Control

1. Key players

The risk management system relies on the support of:

a) *The Risk and Insurance Department*

The Risk and Insurance Department summarizes risk appraisal results at Group level and prepares a risk mapping.

The impact of each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario.

In terms of insurance, the Risk and Insurance Department proposes a compromise between retaining a level of risk and transferring risks to the insurance and reinsurance markets via Group global, comprehensive programs.

b) *Company-level Risks Managers*

Each company appoints a Risk Manager who prepares a risk mapping for the company that is reviewed during Risk Management Committee meetings. Risk management operates based on a common methodology, with risk analysis as the starting point. A risk owner is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation.

The Risk Manager of each company reports to the Risk and Insurance Department on a regular basis.

The Risk and Insurance Department leads the Group's Risk Manager network. Regular meetings are held to share good practices and identify emerging risks.

c) *Functional support departments*

The Risk Department prepares a mapping of major risks by Functional department. A risk owner is responsible for drawing up an action plan for each risk identified.

d) *Audit and Internal Control Department*

Internal control points and specific audits help to ensure that the Group's major risks are managed effectively.

e) *The Group Risk Committee and the Supervisory Board Audit Committee*

The Group Risk Committee, which comprises members of the Executive Board, Branch Executive Vice-Presidents, the Executive Vice-President for Economic and Financial Affairs and the Corporate Secretary, validates the risk management policy, the mapping of Group risks and control measures. The Committee is also responsible for confirming that the risk management process functions properly, that employees are sufficiently risk aware and that the crisis management procedure functions effectively.

The Supervisory Board Audit Committee reviews the procedures relating to the Group's main risks presented by the Risk and Insurance Department.

2. Methodology tools and procedures

The Risk and Insurance Department develops methodology tools that ensure the consistent treatment of risks between companies, assists with their use and encourages the sharing of good practice. The Group has a risk manual organized by process, level of impact, frequency, probability and control.

Coordinated procedures have been implemented for managing warnings and crises, not only at Group level, but also at company and facility level.

3. Training and communication

The training course launched in 2007, within the framework of SAFRAN University, has been used to promote risk awareness for over 200 managers throughout the Group.

The Risk Department has also implemented a PSIP Program (Products & Services Integrity Program). This program seeks to contribute to the prevention of accidents attributable to Group products/services and protect employees from the consequences of an accident due in whole or in part to the product/service.

4. Main risks identified

The Group is exposed to the following main types of risks:

a) Risks relating to activities

Cyclical nature of the civil aviation market

The commercial aircraft market, which contributes significantly to the Group's activities and results, has cycles that historically have shown to be highly correlated to changes in the global economic climate.

SAFRAN has thus included an estimate of the impact of the current financial crisis in its forecasts, based on all information – particularly commercial information – at its disposal.

If the impact of the crisis on airlines is significantly greater than estimated or if the crisis affects the global economy more severely or over a longer period of time than anticipated, the Group would mitigate the impact of the crisis on its results by strengthening its current action plans and reducing its cost base.

Program delays

SAFRAN is involved in major aircraft development programs that have significant stakes for equipment performance and scheduling.

The Group would face financial consequences if it does not fulfill its commitments to customers.

Programs are subject to risk analyses, updated on a regular basis. Control measures implemented are reassessed based on the progress of programs.

b) Financial risks

Financials risks are described in detail in the financial report.

The main financial risk to which the Group is exposed is foreign exchange risk.

Most sales in the Aerospace Propulsion and Aircraft Equipment branches are transacted in U.S. dollars, which is virtually the sole currency used in the civil aviation industry. Furthermore, the Group's offering, even when it is denominated in euros, is often in competition with manufactures whose cost base is in U.S. dollars.

In order to reduce its foreign exchange risk, while remaining close to its customers, SAFRAN is developing a cost base in the dollar zone.

The Group has also entered into foreign exchange hedges covering the next three years, to ensure the stability of results in a context of high euro/dollar exchange rate volatility.

5.7 STATUTORY AUDITOR'S REPORT ON THE REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

**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
Year ended December 31, 2008**

This is a free translation into English of the statutory auditors' report issued in French 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 on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and the relevant 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 the Supervisory Board of your Company in accordance with Article L.225-68 of the French Commercial Code for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-68 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-68 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control 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 procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control procedures relating to the preparation and processing of 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.

Other disclosures

We hereby attest that the report of the Chairman of the Supervisory Board includes the other disclosures required by Article L.225-68 of the French Commercial Code.

Paris and Courbevoie, April 16, 2009

The Statutory Auditors

CONSTANTIN ASSOCIES

Thierry Benoit

MAZARS

Jean-Marc Deslandes

5.8 AUDITOR'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

AUDITORS' SPECIAL REPORT
ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES
Year ended December 31, 2008

This is a free translation into English of the Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In accordance with our appointment as statutory auditors by your Company, we hereby report on regulated agreements and commitments with third parties.

The terms of our engagement do not require us to identify such agreements or commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness or their merit. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

No agreements or commitments have been brought to our attention

We hereby inform you that we have not been advised of any agreement or commitment entered into during the year and governed by Article L. 225-86 of the French Commercial Code.

Agreements and commitments authorized in previous years and having continuing effect during the year

In addition, pursuant to the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have had continuing effect during the year.

- **Tripartite agreement between the French State, Sagem SA and Snecma**

In order to protect national interests and preserve national independence, in view of the merger of Sagem and Snecma, the French State informed Snecma and Sagem of its intention to exercise its right to take special measures with regard to the Snecma capital of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to take special measures, the State required sufficient contractual rights to ensure national interests are protected.

In view of this, a tripartite agreement in lieu of special measures was entered into by Sagem SA and Snecma, now merged within SAFRAN, and the French State. This agreement was signed on December 21, 2004 and remained in force during 2008 without any legal or financial impact.

- **Commitment given to Mr. Jean-Paul Herteman in connection with his compensation as Chairman of The Executive Board**

When setting the compensation payable to Mr. Jean-Paul Herteman, appointed Chairman of the Executive Board with effect from September 3, 2007 to replace Mr. Jean-Paul Béchat, the Supervisory Board meeting of October 18, 2007, at the recommendation of the Appointments and Compensation Committee which met the same day, decided the following measures:

- Setting of compensation payable under the employment contract, at the end of the term(s) of office of Chairman of the Executive Board and in the event of interruption before term

At the end of his term(s) of office and in the event of interruption of his office before term – for whatever reason – (other than the specific cases detailed below), Mr. Jean-Paul Herteman shall regain his position of employee and the period during which he exercised the office of Chairman of the Executive Board shall be taken into account when calculating his length of service, the employment contract being merely suspended during his term(s) of office. Except where the objectives set by the Supervisory Board are significantly under-attained for the last fiscal years, he will benefit on return from maintenance of the last compensation amount (fixed and variable) received as Chairman of the Executive Board. The Supervisory Board shall meet to assess the extent to which objectives are attained; for 2008, objectives are one-third personal and two-thirds economic, based on Group free cash flow (1/3), Group EBIT (Earnings Before Interest and Taxes) (1/3) and the SAFRAN share price (1/3) as indicated in Section 8.2.5 of the Management Report.

- Commitment in respect of severance payment due in certain instances of cessation of the office of Chairman of the Executive Board

In the specific case where the office of Chairman of the Executive Board is interrupted before term as a result of merger with or absorption by another company, Mr. Jean-Paul Herteman shall regain his position of employee under the conditions detailed above.

However, in this specific case and should Mr. Jean-Paul Herteman fail to accept any of the employment positions proposed, his employment contract shall be terminated and he shall benefit from the provisions set out in the Labor Code and the Sector Agreement applicable to Metallurgy Engineers and Executives. In accordance with the decision of the Supervisory Board, he shall also receive an additional payment equal to nine months of his final salary as Chairman of the Executive Board. This payment shall potentially be reduced to reflect the extent to which performance objectives set by the Supervisory Board for the determination of variable compensation, are attained during the last year of exercise of his office of Chairman. For 2008, performance objectives are identical, in nature, to those set-out above.

The Supervisory Board shall hold a special meeting in order to assess attainment of these objectives and set the exact amount of this compensation.

These commitments have been authorized by the Shareholders' Combined General Meeting of May 28, 2008.

- **Agreement concerning a credit facility granted by a group of five banks, including Crédit Mutuel-CIC**

During its meeting of December 13, 2007, your Supervisory Board previously authorized the signature of an agreement regarding 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 renewable term of one year. This agreement falls within the framework of the credit facility provided to your Company by this group of banks since January 2005 of a total amount of €1,295 million, the €495 million short-term portion of which arrived at maturity in January 2008.

This agreement, signed on January 18, 2008 and effective the same day, raised the amount of the credit facility to a total of €1,300 million.

The interest rate applicable to each advance for each interest period shall be the annual rate expressed as a percentage, corresponding to the sum of the applicable margin (0.15% or 0.20% depending on the credit), the applicable EURIBOR rate and, where appropriate, any mandatory costs applicable, determined for each lender.

During the fiscal year 2008, your Company drew down €50 million, on two occasions, on October 13 and 17, 2008, maturing on January 16, 2009; interest expenses totaled €1.1 million over the fiscal year 2008.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Paris and Courbevoie, April 16, 2009

The Statutory Auditors

CONSTANTIN ASSOCIES

Thierry Benoit

MAZARS

Jean-Marc Deslandes

5.9 AUDIT FEES

(in € thousands)	Constantin Associés Member of Deloitte Touche Tohmatsu				Mazars				TOTAL				
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		Change	%	
	2007 (d)	2008	2007 (d)	2008	2007 (e)	2008	2007 (e)	2008	2007	2008	2008/ 2007	2007	2008
Audit													
1) Statutory audit, certification, review of individual and consolidated financial statements ^(a)													
1.a) SAFRAN (issuer)	998.7	522.0	22%	13%		542.0		15%	998.7	1,064.0	65.3	13%	14%
1.b) Fully consolidated subsidiaries	2,920.9	2,789.8	63%	68%	3,160.0	2,935.0	100%	79%	6,080.9	5,724.8	-356.1	78%	73%
2) Other engagements and services directly related to the statutory audit engagement ^(b)													
2.a) SAFRAN (issuer)	35.0	89.0	1%	2%					35.0	89.0	54.0	0%	1%
2.b) Fully consolidated subsidiaries	183.5	391.6	4%	10%		257.0		7%	183.5	648.6	465.1	2%	8%
Sub-total	4,138.1	3,792.4	90%	92%	3,160.0	3,734.0	100%	100.0%	7,298.1	7,526.4	228.3	94%	96%
Other services rendered by the network to fully consolidated subsidiaries^(c)													
3.a) Legal, tax, employee-related	462.5	318.3	10%	8%					462.5	318.3	-144.2	6%	4%
3.b) Other (provide details if > 10% of audit fees)	7.4		0%						7.4		-7.4	0%	
Sub-total	469.9	318.3	10%	8%					469.9	318.3	-151.6	6%	4%
TOTAL	4,608.0	4,110.7	100%	100%	3,160.0	3,734.0	100%	100%	7,768.0	7,844.7	76.7	100%	100%

a) The fees covering the statutory audit, certification and review of the individual and consolidated financial statements for the years ended December 31, 2008 and 2007 mainly concern the professional services rendered for the review and certification of SAFRAN group's consolidated financial statements prepared in accordance with IFRS as adopted in the European Union, the certification of the statutory financial statements of SAFRAN Group subsidiaries, compliance with local regulations, and the review of the documents filed with the AMF.

b) 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).

c) The legal, tax and employee-related services rendered by the network to fully consolidated subsidiaries concern non-audit services rendered by a Deloitte or Constantin network member to consolidated subsidiaries. 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.

(d) Deloitte & Associés and Constantin Associés fees for 2007 were combined for comparison with fees paid for 2008, as the two firms have been part of the Deloitte Touche Tohmatsu network since their merger in July 2007.

(e) Mazars was appointed as SAFRAN's statutory auditor at the Annual General Meeting of May 2008.

INFORMATION ABOUT THE COMPANY, CAPITAL AND SHARE OWNERSHIP

6.1	General information about the Compagny	208
6.2	Instrument of incorporation and bylaws	208
6.2.1	Corporate purpose	208
6.2.2	Executive management and Supervisory bodies	208
6.2.3	Right and restrictions attached to each class of existing share	210
6.2.4	Actions necessary to modify shareholder rights	210
6.2.5	Shareholders' meetings	211
6.2.6	Provisions that can delay, postpone or prevent a change in control	211
6.2.7	Disclosure thresholds	212
6.2.8	Provisions governing changes in capital under conditions that are more restrictive than the law	212
6.3	Real estate, production plants and equipment	213
6.4	Information on investments	216
6.5	Transactions with related parties	217
6.6	Share capital	219
6.6.1	Capital subscribed and authorized	219
6.6.2	Shares not representing capital	219
6.6.3	Treasury share – share buy-back program	219
6.6.4	Share buy-back programs	220
6.7	Breakdown of share capital and voting rights	223
6.7.1	Position as of December 31, 2008	223
6.7.2	Breakdown of share ownership by geographical origin	223
6.7.3	Significant Movements during 2008	223
6.7.4	Position as of March 31, 2008	224
6.7.5	Change in the breakdown of share capital and exercisable voting right over the last three fiscal year (as of december 31, 2008)	224
6.8	Voting right	225
6.9	Control of the Company	225
6.10	Agreements whose implementation could lead to a change in control of the Company	225
6.11	Shareholder agreement	225
6.12	Undertaking to hold securities	225
6.13	Share subscription and purchase Options – Bonus share allocations	226
6.13.1	Share subscription options	226
6.13.2	Share purchase options	226
6.13.3	Bonus share	227
6.14	Pledging of share	228
6.15	Stock market of SAFRAN	229

6.1 GENERAL INFORMATION ABOUT THE COMPANY

SAFRAN is a limited liability company with Executive and Supervisory Boards, governed by French law. It is registered with the Paris Trade and Companies Register under number 562 082 909.

SAFRAN was incorporated by private deed in Paris on August 16, 1924. It was incorporated for a term of 99 years commencing its date of registration in the Trade and Companies Register, unless dissolved in advance or extended.

The registered office of SAFRAN is located at 2 Boulevard du Général Martial Valin, 75015 Paris, France.

6.2 INSTRUMENT OF INCORPORATION AND BYLAWS

6.2.1 CORPORATE PURPOSE

Under Article 3 of the Bylaws, the Company's corporate purpose, in France and abroad, is to:

- carry out, on its own behalf, or where applicable, on behalf of third parties, all financial, commercial, industrial, moveable property or real estate transactions and, particularly, the operation of all companies related to the general applications of electricity, radio-electricity, optics, mechanics and civil engineering,
- conduct activities, and provide products and services connected with industries involving engines and mechanical equipment, particularly for aircraft and spacecraft, and operate all processes, equipment and systems of any kind relating to propulsion, and machines that produce or use energy in any form or any equipment designed to be used with these machines or the user vehicles,
- in general, carry out all types of transactions that may be directly or indirectly related to the aforementioned purposes or that could facilitate the Company's business and, specifically, 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.

6.2.2 EXECUTIVE MANAGEMENT AND SUPERVISORY BODIES

The Company is governed by an Executive Board and a Supervisory Board.

6.2.2.1 EXECUTIVE BOARD

Composition

Under Article 16 of the Bylaws, the number of Executive Board members is set by the Supervisory Board, with a minimum number of two and a maximum number of seven.

Executive Board members must be natural persons and may include non-shareholders.

One of the Executive Board members is appointed Chairman by the Supervisory Board. The Chairman of the Executive Board represents the Company in its relations with third parties.

Term of office – Age limit

Article 17 of the Bylaws stipulates that members of the Executive Board are appointed for a term of four years, ending subsequent to the Ordinary General Meeting of Shareholders held in the year the mandate expires to approve the financial statements for the year then ended.

The duties of all Executive Board members shall end on the same date. Executive Board members may be reappointed.

The age limit for Executive Board members to perform their duties is set at 66 by Article 17 of the Bylaws. Members may not be appointed to the Executive Board past the age of 66. Executive Board members in office shall be deemed to resign at the end of the fiscal year during which they reach this age.

Deliberations

Under Article 18 of the Bylaws, the Executive Board shall meet as and when dictated by the Company's interests. Meetings shall be called by the Chairman or at least half of the Board members.

Executive Board decisions must be approved by a majority of members, and voting by proxy is prohibited. In the event of a tie, the Chairman shall cast the deciding vote.

Powers

The Executive Board is vested with the broadest powers to act in all circumstances in the Company's name, within the scope of the Company's corporate purpose and subject to the authorities expressly attributed by law to the Supervisory Board and Shareholders' Meetings.

However, under Article 19 of the Company's Bylaws, the following Executive Board decisions require the prior authorization of the Supervisory Board:

- 1/ Decisions subject to prior approval, regardless of the amount of the transaction:
 - o issues of any kind of investment securities liable to entail a change in the share capital;
 - o material decisions to establish foreign operations, directly by the creation of companies, or direct or indirect subsidiaries, or by the acquisition of interests, or decisions to close these establishments;
 - o material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.The Executive Board is responsible for assessing the materiality of decisions or operations.
- 2/ Decisions subject to prior authorization where the transaction amount exceeds €40 million:
 - o acquisition or disposal of property;
 - o acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issue of shares, partnership shares, or bonds, excluding cash transactions;
 - o any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding cash transactions;
 - o in the event of litigation, signature of any agreement and transaction, acceptance of any settlement;
 - o collateral on Company assets.
- 3/ Decisions subject to prior authorization where the transaction amount exceeds €150 million:
 - o the granting or contracting of any loan, credit or advance;
 - o the acquisition or disposal of any receivable by any means.

In accordance with the law, the Supervisory Board's authorization shall also be obtained whenever the Executive Board grants, in the Company's name, a surety bond, endorsement or financial guarantee. The Supervisory Board shall set an annual overall limit for the granting of surety bonds, endorsements or financial guarantees by the Executive Board, and any commitment exceeding this limit shall be subject to the prior approval of the Supervisory Board.

6.2.2.2 SUPERVISORY BOARD

Composition

Under Article 22 of the Bylaws, the Supervisory Board is comprised of at least three members and no more than eighteen members, either natural persons or legal entities, subject to any temporary exemption in the event of a merger, including, where applicable, representatives of employee shareholders and representatives of the State appointed pursuant to Article 12 of the Law of July 25, 1949.

The Supervisory Board elects a Chairman and Vice-Chairman from among its members, who are required to be natural persons.

Shareholding

Article 23 of the Bylaws stipulates that each member of the Supervisory Board shall own a minimum of twenty registered shares throughout his or her term. Notwithstanding the legal provisions, this shareholding obligation shall not apply to State or shareholder employee representatives.

Moreover, following deliberations on June 23, 2005, the Supervisory Board decided that each of its members, with the exception of State or shareholder employee representatives, should hold a minimum of 1,500 registered shares no later than December 31, 2008.

Term of office – Age limit

Members of the Supervisory Board are appointed by the Ordinary Shareholders' Meeting for a term of six years, ending subsequent to the Ordinary General Meeting of Shareholders held in the year the mandate expires to approve the financial statements for the year then ended. Supervisory Board members may be reappointed.

Article 24 of the Bylaws stipulates that the number of Supervisory Board members in office over the age of 70 shall not exceed one third of the active Board members, rounded up to the nearest whole number of members.

Should this limit be exceeded, the Supervisory Board shall select the members who shall be deemed to resign. Those members holding or who have held the office of Chairman or Vice-Chairman of the Supervisory Board shall be the last to resign. Should one third of the Supervisory Board members be over the age of 70 and should each of them have held the office of Chairman or Vice-Chairman of the Supervisory Board, the eldest member shall be deemed to resign.

Non-compliance with the one-third threshold shall be assessed each year during the last meeting of the Supervisory Board. During this meeting, the Board shall designate the member(s) who shall be deemed to resign at December 31 of the current year and co-opt on a temporary basis new members to replace outgoing members, with effect from January 1 of the following year and for their predecessor's remaining term.

Article 26 of the Bylaws stipulates that the duties of the Chairman and Vice-Chairman shall end no later than at the end of the first Ordinary Shareholders' Meeting following the date they reach the age of 70. However, the Supervisory Board can extend this limit, on one or more occasions, for a maximum period of three years.

Deliberations

Under Article 27 of the Bylaws, the Supervisory Board shall meet as and when dictated by the Company's interest, and at least four times yearly to review the quarterly report presented by the Executive Board, and once more if required to verify the financial statements for the fiscal year.

The Supervisory Board is convened by its Chairman or Vice-Chairman. However, should a minimum of one Executive Board member or a minimum of one third of the Supervisory Board members submit a justified request to the Chairman, the latter shall convene the Board within fifteen days following receipt of the request; failing which, the authors of the request may themselves convene the Board by indicating the meeting's agenda.

The effective presence of at least half of the current members is necessary in order to validate majority decisions. Decisions are voted by the majority of members present or their representatives; in the event of a split vote, the Chairman shall cast the deciding vote.

Under their responsibility, Supervisory Board members may be represented by another Board member, by means of a special proxy, each member having only one such proxy.

Powers

The Supervisory Board exercises permanent supervision over the Executive Board's management of the Company in accordance with prevailing law. The Supervisory Board conducts the verifications and controls it deems appropriate and obtains those documents it considers useful for the fulfillment of its duties.

Under Article 19 of the Bylaws, certain Executive Board decisions are subject to the prior approval of the Supervisory Board (see Section 6.2.2.1).

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 Board distributes these fees among its members as it sees fit.

6.2.2.3 ADVISORS TO THE BOARD (CENSEURS)

Under Article 30 of the Bylaws, the Supervisory Board may appoint a maximum of two Board advisors chosen for their expertise, who shall be natural persons and may or may not be shareholders. Board advisors are appointed for four years. They shall attend Supervisory Board meetings in an advisory capacity, and may not be represented if they are unable to attend.

6.2.3 RIGHT AND RESTRICTIONS ATTACHED TO EACH CLASS OF EXISTING SHARE

All Company shares are of the same class. They are in registered or bearer form, according to the shareholder's choice.

Under Article 15 of the Bylaws, each share shall grant its owner a fraction of the Company's assets, income and liquidation surplus, in proportion to the share of capital it represents.

Whenever several shares must be owned to exercise a particular right, the holders of single shares or of fewer shares than the required number, shall have no right against the Company. In such a case, shareholders shall make it their business to gather together the required number of shares.

6.2.4 ACTIONS NECESSARY TO MODIFY SHAREHOLDER RIGHTS

Changes to share capital and shareholder rights are governed by the prevailing legislation.

6.2.5 SHAREHOLDERS' MEETINGS

6.2.5.1 CONVOCAATION 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 held, has the right, on proof of identity and their capacity as shareholder, to attend Shareholders' Meetings, provided the shareholder's shares are registered for accounting purposes, in the shareholder's name or in the name of an intermediary registered on the shareholder's behalf, at midnight (Paris time) of the third working day preceding the Shareholders' Meeting:

- for holders of registered shares: in the registered share accounts kept by the Company or its agent;
- for holders of bearer shares: in the bearer share accounts kept by the authorized intermediary;

and, where necessary, provide the Company with all elements enabling the shareholder's identification, in accordance with the prevailing regulations.

The registration of shares for accounting purposes in bearer share accounts kept by an authorized intermediary is certified by an attestation of attendance delivered by the latter.

A shareholder may be represented at Shareholders' Meetings by the spouse or by another shareholder.

6.2.5.2 EXERCISE OF VOTING RIGHTS – DOUBLE VOTING RIGHTS

Each participant at the Shareholders' Meeting has as many votes as the ordinary shares he/she owns or represents, without limit, subject to certain exceptions under the law and the following provisions concerning double voting rights.

Under Article 33 of the Bylaws, and in accordance with the decisions of the Shareholders' Meetings of June 21, 1974, September 26, 1983 and December 18, 2003, fully-paid up shares that have been registered in the name of the same shareholder for at least two years, of which evidence must be provided at least five days prior to the meeting, are granted double voting rights.

In the event of an increase in capital through capitalization of reserves, income, issue premiums and, in general, of all available amounts that may be capitalized, the double voting right shall also be granted, from the issue thereof, to the free registered shares allocated to shareholders for existing shares for which they had such rights. However, for new free registered shares allocated for existing shares not entitled to double voting rights at the time of the capital increase, evidence that they have been registered in the name of the same shareholder for two years as from the grant date must be provided in order to avail of this double voting right.

The merger of the Company shall have no impact on the double voting right, which may be exercised within the acquiring company, if its' Bylaws so provide.

Double voting rights cease for any share that is converted to bearer form or transferred. Nevertheless, the two-year period set above shall not be suspended and the vested right shall be retained in the event of transfer between registered shareholders following an intestate succession or succession by will or liquidation of a joint estate between husband and wife. The same shall apply in the event of an *inter vivos* donation in favor of a spouse or a relative entitled to inherit.

The list of registered shares with double voting rights is determined by a Shareholders' Meeting committee.

6.2.6 PROVISIONS THAT CAN DELAY, POSTPONE OR PREVENT A CHANGE IN CONTROL

There are no provisions of the Bylaws that could delay, postpone or prevent a change in the Company's control.

6.2.7 DISCLOSURE THRESHOLDS

Article 14 of the Bylaws specifies that all shareholders, acting alone or in concert with others, who hold a fraction of the capital and voting rights equal to or exceeding 2.5% of the Company's capital or to any whole multiple of 2.5%, must notify the Company, by registered letter with acknowledgement of receipt, and within five trading days after exceeding the ownership threshold, of the total number of shares and voting rights they own. This notification is also required should the ownership level fall short of the threshold.

This disclosure obligation is applicable as of a 5% share of the Company's capital and up to 32.5%.

Pursuant to the law, non-compliance with these provisions shall result in the loss of voting rights for the shares or voting rights that exceed the fraction that should have been declared, for as long as the situation has not been rectified and for a two-year period following the date of such rectification, at the request of one or more shareholders holding at least 5% of the Company's share capital. Such request shall have been duly recorded in the minutes of the Shareholders' Meeting.

6.2.8 PROVISIONS GOVERNING CHANGES IN CAPITAL UNDER CONDITIONS THAT ARE MORE RESTRICTIVE THAN THE LAW

None.

6.3 REAL ESTATE, PRODUCTION PLANTS AND EQUIPMENT

The registered office of SAFRAN is located in Paris, France.

The Group exercises its activities from research, production, repair and maintenance and administrative centers located in over 500 sites around the globe. The following table presents a selection of these sites, satisfying the criteria of a minimum headcount of 30 employees.

The headcount was selected as a consistent common indicator of size, given the production, research and development and technical support activities of the Group. The productive capacity of the last two activities is also provided via the number of employees and the concept of utilization rate does not appear relevant.

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

Company	Site	Activity	Employee numbers as of 12/31/2008	Occupation	Expenses allocated to the site
Safran	Paris 15 - France	Group headquarters	419	O	No
Safran Informatique	Malakoff - France	Computing	205	O	No
Safran Conseil	Evry - France	Advisory services to Group companies	32	O	No
AEROSPACE PROPULSION BRANCH			Total employee numbers	21,021	
Snecma	Evry / Courcouronnes - France	Headquarters	105	T	No
Snecma	Evry / Corbeil - France	Aircraft parts machining and assembly, military engine sales and marketing	3,076	O	No
Snecma	Gennevilliers - France	Aircraft parts forging, casting and machining	1,687	O	No
Snecma	Istres - France	Flight testing of prototype engines and rocket engine tests	55	T	No
Snecma	Le Creusot - France	Turbine disk machining	201	O	No
Snecma	Vernon - France	Design and production of rocket engines	1,165	O	No
Snecma	Villaroche - France	Jet engine design, assembly and testing and civil engines sales and marketing	2,965	O	No
Snecma Propulsion Solide	Le Haillan - France	Headquarters, Solid propulsion for Ariane and missiles, thermostructural composites	1,181	O	No
Snecma Services	Montereau / Melun - France	Headquarters — Customer service	641	T	No
Snecma Services	Châtelleraut - France	Military engines, parts and modules and civil engines	680	O	No
Snecma Services	Saint Quentin en Yvelines - France	Aircraft MRO (engines)	761	O	No
Snecma Services	Brussels - Belgium	Civil engines MRO	245	T	No
Snecma Services	Casablanca - Morocco	Aircraft engines MRO	175	T	No
Snecma Services	Miami - USA	Repair of engine parts	138	T	No
Snecma Services	Chengdu - China	Civil aircraft engines MRO	183	O	No
Snecma - SMA	Bourges - France	Headquarters and manufacturing	66	T	Yes (*)
Snecma - Smartinvest-Smartec	Moscow - Russia	Holding company, design office	97	T	No
Snecma Suzhou Co. Ltd	Suzhou - China	Assembly of engine modules	145	O	No
Techspace Aero	Milmort / Herstal - Belgium	Headquarters, Aerospace production, testbed design and jet engine testing	1,258	O	No
Techspace Aero - Cenco Inc	Minneapolis - USA	Testbed engineering	46	T	No
Turbomeca	Bordes - France	Headquarters, gas turbine design, manufacture and testing	2,572	O	No
Turbomeca	Mezières - France	Equipment and testbeds	314	O	No
Turbomeca	Tarnos - France	Production of mechanical components for and maintenance of helicopter engines	1,432	O	No
Turbomeca - CGTM	Uzein - France	Helicopter services	48	O	No
Turbomeca - Aero	Toulouse - France	Manufacture of low-thrust turbine engines	451	O	No
Turbomeca UK	Fareham - UK	Marketing and customer care	181	O	No
Turbomeca	Bankstown - Australia	Marketing and after-sales support	121	T	No
Turbomeca	Grand Prairie - USA	Maintenance of delivered engines and delivery of spare parts	381	O	No
Turbomeca	Montreal - Mirabel - Canada	MRO of gas turbines and aircraft equipment and all work on helicopters	119	T	No
Turbomeca	Rio de Janeiro - Brazil	Design, manufacture, purchase-sale and maintenance of turbo engines	271	O	No
Turbomeca	Stanton-Bonaero – South Africa	Production and repair of helicopter engines	261	T	No
AIRCRAFT EQUIPMENT BRANCH			Total employee numbers	21,588	
Aircelle	Plaisir - France	Headquarters	212	T	No
Aircelle	Burnley - UK	Production of nacelles and thrust reversers	677	O	No
Aircelle	Colomiers / Toulouse - France	Customer service, Industrial integration	209	O	No
Aircelle	Le Havre / Gonfreville - France	Design and production of nacelles and thrust reversers	1,498	O	No
Aircelle	Pont Audemer - France	Nacelle MRO	53	FL	No
Aircelle	Casablanca - Morocco	Production and assembly of components for thrust reverses	286	T	No
Aircelle - SLCA	Plaisir - France	Headquarters	55	T	No
Aircelle - SLCA	Florange - France	Production of parts	157	O	No
Cinch	Lombard - USA	Connectors for vehicles	86	T	No
Cinch	Reynosa - Mexico	Connectors for vehicles	528	T	No
Cinch	Vinita - USA	Connectors for vehicles	178	O	No
Cinch	Worksop - UK	Connectors for vehicles	89	T	No
Globe Motors	Dayton - USA	Electric engines	125	O	No
Globe Motors	Dothan - USA	Electric engines	185	O	No

(*) Pledge: first demand guarantee in the amount of €270,000

Section 6 – INFORMATION ABOUT THE COMPANY, CAPITAL AND SHARE OWNERSHIP

Company	Site	Activity	Employee numbers as of 12/31/2008	Occupation	Expenses allocated to the site
Globe Motors	Reynosa - Mexico	Electric engines	153	T	No
Globe Motors	Vila Do Conde - Portugal	Electric engines	82	FL	No
Hispano-Suiza	Colombes - France	Headquarters	742	O	No
Hispano-Suiza	Peterborough - Canada	Electronic control systems	140	T	No
Hispano-Suiza	Réau / Moissy-Cramayel - France	Electronic control and regulation systems	936	T	No
Hispano-Suiza	Sedziszow Malopolski - Poland	Production of pinions and housings for aircraft mechanical transmission	355	O	No
Labinal	Blagnac Grimaud - France	Headquarters	70	T	No
Labinal	Vichy / Charmeil - France	Manufacturing	176	O	No
Labinal	Villemur sur Tarn - France	Production of aircraft wiring	519	O	No
Labinal	Ajaccio - France	Production of aircraft wiring	34	O	No
Labinal GmbH	Hamburg - Germany	Production of wiring	289	T	No
Labinal UK	Bristol - UK	Engineering	32	T	No
Labinal Maroc	Temara, Ain Atiq - Morocco	Production of aircraft wiring	533	T	No
Labinal de Mexico	Chihuahua - Mexico	Production of wiring	2,630	T	No
Labinal Corinth, Inc	Corinth - USA	Production of wiring	645	T	No
Labinal Inc	Everett - USA	Production of wiring	280	T	No
Labinal Inc	Pryor Creek - USA	Production of wiring	110	T	No
Labinal Inc	Charleston - USA	Assembly, installation, maintenance	91	T	No
Labinal	Blagnac - France	France engineering, IT services	570	O	No
Labinal	Blagnac Grimaud - France	Assembly, installation, maintenance	436	T	No
Messier Services	Velizy Villacoublay - France	Headquarters	54	T	No
Messier Services	Molsheim - France	Landing gear repair	443	O	No
Messier Services	Gloucester - UK	Landing gear repair	246	O	No
Messier Services	Queretaro - Mexico	Landing gear repair	222	T	No
Messier Services	Singapore - Singapore	Landing gear repair	330	O	No
Messier-Bugatti	Velizy Villacoublay - France	Headquarters - Brake and equipment design	597	O	No
Messier-Bugatti	Molsheim - France	Production of wheels and brakes and hydraulic systems	405	O	No
Messier-Bugatti	Villeurbanne - France	Production of carbon brakes - R&D	202	O	No
Messier-Bugatti Systems Inc.	Everett - USA	Repair and after-sales support	51	T	No
Messier-Bugatti - Sofrance	Nexon - France	Aircraft filtering systems	156	O	No
Messier-Bugatti - Technofan	Blagnac - France	Manufacture of ventilation and pressurization systems	205	O	No
Messier-Bugatti - USA LLC	Walton - USA	Production of carbon brakes - R&D	197	O	No
Messier-Bugatti Tracer	Milwaukee - USA	Wheels and brakes repair	44	T	No
Messier-Bugatti Systems Pte	Singapore - Singapore	Repair and after-sales support	33	T	No
Aero	Velizy Villacoublay - France	Headquarters - design and testing of landing gear and aircraft equipment	414	O	No
Aero	Bidos / Oloron Sainte Marie France	Production of landing gear	870	O	No
Aero	Gloucester - UK	Production of landing gear and testing equipment	1,010	O	No
Aero	Seattle - USA	Landing gear design	40	T	No
Aero	Mirabel Montreal / Toronto Canada	Production of landing gear	809	O	No
Messier-Dowty	Suzhou - China	Production of landing gear	296	O	No
Teuchos	Montigny le Bretonneux - France	Headquarters - Automobile, aerospace and defense engineering	461	T	No
Teuchos	Pau - France	Aircraft engineering	89	T	No
Teuchos	Toulouse - France	Aerospace and air control engineering	451	T	No
Teuchos	Vitrolles - France	Aircraft engineering	55	T	No
Teuchos	Moissy-Cramayel - France	Aircraft engineering	88	T	No
Teuchos	Valladolid - Spain	Automobile engineering	39	T	No
Teuchos	Casablanca - Morocco	Automobile / aircraft engineering	164	FL	No
Teuchos - Safran aerospace	Bangalore - India	Automobile / aircraft engineering	456	T	No
DEFENSE SECURITY BRANCH			Total employee numbers	10,437	
Sagem Défense Sécurité	Paris 15ème - France	Headquarters	439	O	No
Sagem Défense Sécurité	Argenteuil - France	R & D	644	O	No
Sagem Défense Sécurité	Dijon - France	Manufacture of optics, optoelectronics	229	O	No
Sagem Défense Sécurité	Eragny - France	R & D	677	O	No
Sagem Défense Sécurité	Mantes la ville - France	Manufacture of aircraft equipment	257	O	No
Sagem Défense Sécurité	Massy - France	Optoelectronics and aircraft manufacture	291	O	No
Sagem Défense Sécurité	Massy - France	R&D and optoelectronics and aircraft manufacture	814	T	No
Sagem Défense Sécurité	Montluçon Domerat - France	Mechanical, optics and electronics manufacture and systems integration	1,274	O	No
Sagem Défense Sécurité	Poitiers - France	Manufacture of optoelectronic equipment	491	O	No
Sagem Défense Sécurité	Tarbes - France	Manufacture of lasers	74	O	No
Sagem Défense Sécurité	St Pierre du Perray - France	Manufacture of large mirror optics, design and development	117	O	No
Sagem Défense Sécurité	Valence - France	Manufacture of aircraft components	153	T	No
Sagem Défense Sécurité - Vectronix	Heerbrugg - Switzerland	Research and manufacture of optronic defense products	188	T	No
Sagem Défense Sécurité - Sagem Navigation GmbH	Murr - Germany	Research and manufacture of navigation equipment	83	T	No
Sagem Défense Sécurité - Sagem Avionics Inc.	Grand Prairie - USA	Marketing and customer support for aircraft product lines	83	T	No
Sagem Défense Sécurité - Sagem Avionics Inc.	Puyallup - USA	Marketing and customer support for aircraft product lines	39	T	No
Sagem Industries	Fougères - France	Electronic subcontracting	756	O	No

Section 6 – INFORMATION ABOUT THE COMPANY, CAPITAL AND SHARE OWNERSHIP

Société	Etablissement	Activité	Effectif au 31/12/2008	Type de détention	Charges affectées au site
Sagem Sécurité	Montrouge - France	Headquarters	223	T	No
Sagem Sécurité	Osny – France	R & D	572	O	No
Sagem Sécurité	Saint Etienne du Rouvray - France	Electronics manufacture	293	O	No
Sagem Sécurité - Sagem Orga GmbH	Flintbeck, Paderborn - Germany	Research, manufacture and sale of smart cards	509	T	No
Sagem Sécurité - Orga Zelenograd	Moscow – Russia	Research, manufacture and sale of smart cards	120	O	No
Sagem Sécurité - Sagem Morpho Inc,	Tacoma – USA	Research and manufacture of biometric identification systems	226	T	No
Sagem Sécurité - Sagem Orga do Brasil	Taubate, Sao Paulo - Brazil	Research, manufacture and sale of smart cards	389	T	No
Sagem Sécurité	Bogota - Colombia	Local adaptation of government solution software and hardware	81	T	No
Sagem Sécurité - Smart Chip - Syscom	New Delhi – India	Research, manufacture and sale of smart cards	447	T	No
Sagem Sécurité - Smart Chip - Syscom	Noida - India	Research, manufacture and sale of smart cards	515	T	No
Sagem Sécurité - Orga	Singapore - Singapore	Sale and adaptation of cards for the Asian market	40	T	No
Sagem Australasia Pty, Ltd	Sydney - Australia	Sale and maintenance of Sagem Sécurité products	42	T	No
Sagem Identification	Haarlem - Netherlands	Production, customization and sale of plastic cards, ID and security documents and related products	295	T	No
Sagem Sécurité Maroc	Casablanca - Morocco	Applications of information technologies, electronics and cryptology in the security sector, particularly for electronic transactions and identification of persons and goods	76	T	No
COMMUNICATIONS BRANCH		Total employee numbers	3,174		
Sagem Mobiles	Ningbo-Zhejiang – China	Electronics manufacture	2,236	T	No
Sagem Mobiles	Ningbo-Zhejiang - China	R & D	415	T	No
Sagem Mobiles	Cergy St Christophe - France	Headquarters	523	O	No

The production capacity of production sites is optimized through recourse to sub-contracting, the development of intersite synergies and an organizational structure favoring the flexibility of production lines. As a result, the utilization rate is close to its optimal level, notably for aircraft activities which are currently enjoying a period of substantial growth. The Group did not have any material idle capacity in 2008.

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 level of control over property, plant and equipment and activities, notably for regulatory compliance purposes (hygiene, safety and the environment) and regularly performs self-appraisals and audits.

6.4 INFORMATION ON INVESTMENTS

6.4.1 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 income equal to at least 10% of the consolidated net income.

In € millions Companies	Currency	Registered business address	Business activity	% share capital and voting rights (if different)	Share capital	Reserves and retained earnings before allocation of net income (3)	Amount payable for shares held	Carrying amount of shares held (gross)	Net income (or loss) for 2008	Dividends collected in 2008	Loans and advances granted and not repaid
1) Main French subsidiaries and sub-subsidiaries - More than 50% of capital held											
Snecma	EUR	Paris 75015	Propulsion	100%	150	18	-	199	179	314	
Snecma Services	EUR	Paris 75015	Propulsion	100%	92	9	-	235	38	(1) 22	
Snecma Propulsion Solide	EUR	Le Haillan 33187	Propulsion	100%	20	2	-	24	19	13	
Turbomeca SA	EUR	Bordes 64510	Propulsion	100%	39	95	-	539	26	61	-
Labinal	EUR	Blagnac 31700	Aircraft Equipment	100%	19	8	-	186	16	20	
Messier Bugatti	EUR	Vélizy 78142	Aircraft Equipment	100%	34	114	-	180	21	6	
Messier Dowty SA	EUR	Vélizy 78142	Aircraft Equipment	100%	42	33	-	89	3	(1) 11	70
Hispano Suiza	EUR	Colombes 92707	Aircraft Equipment	100%	37	19	-	164	(1)	1	50
Aircelle	EUR	Harfleur 76700	Aircraft Equipment	100%	41	(390)	-	264	(112)		30
Sagem Défense Sécurité	EUR	Paris 75015	Defense Security	100%	593	(230)	-	595	8	-	
Sagem Sécurité	EUR	Paris 75015	Defense Security	100%	160	0	-	160	211	(1) 6	
Sagem Télécommunications	EUR	Paris 75015	Communications	100%	300	(211)	-	301	(350)	-	
Sagem Mobiles	EUR	Paris 75015	Communications	100%	49	(23)	-	148	(267)	-	
Snecma Participations	EUR	Paris 75015	Holding	100%	70	(56)	-	70	(19)	-	
2) Main foreign subsidiaries and sub-subsidiaries - More than 50% of capital held											
Techspace Aero	EUR	Belgium	Propulsion	56%	55	117	-	79	11	20	-
Messier Dowty International Ltd	EUR	United Kingdom	Aircraft Equipment	100%	83	297	-	380	11	-	
Messier Dowty Landing Gear Ltd	GBP	United Kingdom	Aircraft Equipment	100%	118	26	-	170	17		58
Messier Dowty Inc Toronto	CAD	Canada	Aircraft Equipment	100%	4	38	-	95	(17)	-	24
Labinal Inc	USD	USA	Aircraft Equipment	100%	44	(40)	-	44	(27)	-	
Safran Usa Inc	USD	USA	Holding	100%	91	30	-	129	58	-	
3) Main foreign subsidiaries and sub-subsidiaries - Less than 50% of capital held											
Shannon Engine Support 1	USD	Ireland	Propulsion	49.9%	6	427	-	113	22	-	

(1) dividends were paid to the parent company held indirectly by Safran SA

(2) direct and indirect investment

(3) excluding tax-driven provisions and investment grants

6.4.2 INVESTMENTS

The significant investments within the meaning of Article L.233-6 of the French Commercial Code made by SAFRAN during fiscal year 2008 were as follows:

- On September 22, 2008, SAFRAN exceeded the shareholding limit of two-thirds of the share capital and voting rights of S.A. Technofan, a company listed on the Segment C of the Euronext Paris Eurolist market. As of December 31, 2008, SAFRAN held 83.6% of Technofan, compared to 60.7% as of December 31, 2007.
- In July 2008, SAFRAN invested up to €15 million (20%) in the Aerofund II investment fund, worth €75 million and dedicated to supporting the development of small and medium subcontractors in the aviation industry. Airbus and the French Deposits and Consignments Office also invested €30 million each in this fund.

6.5 TRANSACTIONS WITH RELATED PARTIES

The list of equity associates and proportionately consolidated companies is presented in Section 3.1.5.

Quantified information is presented in:

- Section 3.1.6.10 for equity associates;
- Section 3.1.6.27 for proportionately consolidated companies.

Information on executive management compensation is presented in Section 3.1.6.28.2 and Section 5.3.

Information on sales to related parties is presented in Section 3.1.6.28.1.

6.5.1 RELATIONS WITH FRENCH STATE

In 2008, SAFRAN generated adjusted revenue of €1,129 million with the French State, primarily in the following military areas:

- The Aerospace Propulsion branch (see Section 1.4.1) 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 Etendard, refueling tankers, helicopters, Transall, and ATL 2. It also powers missiles of the ocean-going strategic force (M45 and M51), long-range air-ground missiles such as the Scalp and the Apache, and the very short-range ground-air missile, the Mistral. Finally, it is a major player in the rocket engine and space transport sector in which it is the prime contractor for propulsion systems and work to prepare the future.
- The Aircraft Equipment branch (see Section 1.4.2), participates in the aforementioned major French military aviation programs, primarily in terms of landing gear, brake and wiring systems.
- The Defense Security branch (see Section 1.4.3) applies advanced technology across all defense and security areas (national defense 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 vehicle and missiles,
 - optics and signal detection and processing for monitoring, observation/imaging, warning and guidance systems,
 - electronics, IT, cryptology and management of complex projects for the integration of full systems,
 - biometrics for police systems and border checkpoints (visas, passports, etc.).

It therefore supplies Modular Air-Ground Armament, submarine periscopes, unmanned air vehicle systems, mission preparation systems, the FELIN infantryman system (integrated equipment and links), and a number of other systems to safeguard French territorial security and citizen safety, including automatic penalty control radar systems under the road safety program, etc.

6.5.2 AGREEMENT WITH THE FRENCH STATE RELATING TO STRATEGIC ASSETS AND SUBSIDIARIES

In order to protect national interests and preserve national independence, and in the context of the proposed combination of Sagem and Snecma's businesses through the merger of these two companies, the French State informed these companies of its intention to exercise, in the context of the proposed transaction, its right to take special measures with regard to the Snecma capital of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to take special measures, the State required sufficient contractual rights to ensure national interests are protected.

In view of this, a tripartite agreement was entered into by Sagem, Snecma (replaced by SAFRAN following the merger of these two companies) and the French State on December 21, 2004, instead of the aforesaid special measures. The agreement provides, *inter alia*, that:

- the French State shall be entitled to appoint a non-voting representative to the SAFRAN Supervisory Board should its interest in the share capital of the Company fall below 10%, as a result of which the provisions of Article 12 of the Law of July 25, 1949 authorizing the appointment of voting representatives to this Board would no longer apply;
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors of strategic SAFRAN subsidiaries (Snecma Propulsion Solide and Microturbo) and subsidiaries holding assets with a connection to French combat aircraft engines;

- the French State shall have a prior right to approve or refuse the sale of certain military and aerospace assets identified as strategic, sensitive or defense¹, by entities of the SAFRAN group, the transfer of securities in 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 thirty business days, it shall be deemed to approve the transaction;
- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of SAFRAN, and failing an agreement on other ways of protecting national interests in connection with the strategic military and aerospace assets, the State shall be entitled to purchase the securities and assets of the strategic subsidiaries Snecma Propulsion Solide and Microturbo at a price to be set by a panel of experts, in which case the parties shall enter into an agreement for the provision of services and the transfer of technology relating to the assets sold.

6.5.3 OTHER REGULATED AGREEMENTS

The regulated agreements authorized in 2008 or which had continuing effect during this period are presented in the Auditors' Special Report in Section 5.8.

As of the date of this Reference Document, SAFRAN has not entered into any new regulated agreements since January 1, 2009.

¹ **Strategic assets** are assets that exist on the date the agreement comes into force, or that may be developed during the term of that agreement in the context of French defense contracts, and which concern prime 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.

Defense 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.

6.6 SHARE CAPITAL

6.6.1 CAPITAL SUBSCRIBED AND AUTHORIZED

Capital subscribed

As of December 31, 2008, share capital amounted to €83,405,917, breaking down into 417,029,585 fully paid-up ordinary shares at a par value of €0.20 per share.

Capital authorized but not issued

Valid authorizations and powers granted by the General Meeting of Shareholders to the Executive Board with respect to share capital increases

Nature of authorizations and powers	Maximum amount of the share capital increase	Date of the authorization	Term of validity
Share capital increase through capitalization of reserves, income, or issue premiums	€100 million	CSM of May 28, 2008	26 months until July 27, 2010
Share capital increase reserved for employees who are members of a Group savings plan or any Company savings plan existing within the Group	1.5% of share capital	CSM of May 28, 2008	26 months until July 27, 2010
Authorization to grant share subscription options	1.5% of share capital	CSM of May 28, 2008	38 months until July 27, 2011
Total limit for all share capital increases	€110 million	CSM of May 28, 2008	Duration of authorizations and powers

The authorizations and powers to increase share capital granted by the Combined Shareholders' Meeting (CSM) of May 28, 2008 were not used in 2008 or up until the filing date of this Reference Document.

Number of opening and closing outstanding shares

The number of shares issued by the Company stood at 417,029,585 as of January 1, 2008. The number remained unchanged throughout fiscal year 2008 and up until the filing date of this Reference Document.

To the best of the Executive Board's knowledge, 5,698,197 shares representing 1.37% of the share capital were pledged as of January 1, 2008, and 7,056,053 shares representing 1.69% of share capital were pledged as of December 31, 2008.

6.6.2 SHARES NOT REPRESENTATING CAPITAL

None

6.6.3 TREASURY SHARE – SHARE BUY-BACK PROGRAM

Position as of December 31, 2008

	Number of shares	% of share capital	Net carrying amount as of 12.31.2008	Total par value
Treasury shares held by SAFRAN	14,594,010	3.50	€140,832,197.32	€2,918,802.00
Treasury shares ⁽¹⁾	3,259,107	0.78	€31,450,382.55	€651,821.40
Total	17,853,117	4.28	€172,282,579.87	€3,570,623.40

⁽¹⁾ 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

6.6.4 SHARE BUY-BACK PROGRAMS

6.6.4.1 SHARE BUY-BACK PROGRAM AUTHORIZED BY THE COMBINED SHAREHOLDERS' MEETING OF MAY 25, 2007

The share buy-back program authorized by the Combined Shareholders Meeting of May 25, 2007 (ninth ordinary resolution) expired on May 28, 2008 and was not used.

6.6.4.2 SHARE BUY-BACK PROGRAM AUTHORIZED BY THE COMBINED SHAREHOLDERS' MEETING OF MAY 28, 2008

The share buy-back program authorized by the Combined Shareholders' Meeting of May 28, 2008 (ninth ordinary resolution), for a period of eighteen months, was limited to 10% of share capital, with a maximum purchase price of €30 per share and a maximum overall purchase amount of €1,250 million.

Period from May 28 to December 31, 2008

Number of shares purchased: 13,842,887 (1,891,444 under the liquidity contract)

Average purchase price: €12.48

Overall amount of negotiation fees: €107,081.10

Breakdown of purchased shares by objective:

- Allotment of bonus shares to employees of the Company or Group companies: 5,696,000 shares;
- Market-making for the SAFRAN share under the liquidity contract: 1,891,444 shares; (as of June 6, 2008, SAFRAN entered into a liquidity contract with Exane BNP Paribas, pursuant to the code of ethics recognized by the AMF);
- To hold them for purposes of exchange or payment as part of acquisition transactions: 6,255,443 shares

Number of shares sold: 1,494,795 (under the liquidity contract)

Average sale price: €12.49

Number of shares transferred: none.

Number of shares cancelled: none.

Treasury share position as of December 31, 2008

As of December 31, 2008, SAFRAN directly held 14,594,010 treasury shares, or 3.50% of its share capital, representing a net carrying amount of €140,832,197.32 and a nominal amount of €2,918,802.00.

The breakdown of treasury shares by objective was as follows:

- Coverage of the April 21, 2004 share purchase option plan: 750,000 shares
- Allotment of bonus shares to employees of the Company or Group companies: 5,696,000 shares
- Market-making for the SAFRAN share under the liquidity contract: 396,640 shares
- To hold them for purposes of exchange or payment as part of acquisition transactions: 6,255,443 shares
- Shares not allocated: 1,495,918 (formerly covering purchase option plans expiring on April 24, 2006, May 10, 2006, May 17, 2007 and April 23, 2008).

Period from January 1 to March 31, 2009

Number of shares purchased: 140,004 (under the liquidity agreement)

Average purchase price: €7.93

Number of shares sold: 122,006 (under the liquidity agreement)

Average sale price: €7.88

Number of shares transferred: none.

Number of shares cancelled: none.

Treasury share position as of March 31, 2009

As of March 31, 2009, SAFRAN directly held 14,612,008 treasury shares, or 3.50% of its share capital, representing a net carrying amount of €105,352,578.00 and a nominal amount of €2,922,401.60.

6.6.4.3 DESCRIPTION OF THE SHARE BUY-BACK PROGRAM TO BE APPROVED BY THE COMBINED SHAREHOLDERS' MEETING OF MAY 28, 2009

Pursuant to the eighth ordinary resolution, the Combined Shareholders' Meeting of May 28, 2009 is asked to authorize a new share buy-back program. Drafted in accordance with the provisions of Article 241-2 of the AMF General Regulations, the program's description is presented below and will not be published separately pursuant to Article 241-3-III of these same regulations.

Number of shares and percentage of share capital held directly or indirectly by the Company as of March 31, 2009

As of March 31, 2009, SAFRAN held, directly or indirectly, 17,871,115 of its own shares, representing 4.28% of its share capital, including:

- Shares held by SAFRAN: 14,612,008 shares or 3.50% of the share capital,
- Treasury shares (through the intermediary of Lexvall 2 and Lexvall 13, wholly owned indirect subsidiaries: 3,259,107 shares or 0.78% of the share capital.

Breakdown by objective of share capital held directly by the Company as of March 31, 2009

The 14,612,008 shares held directly by the Company as of March 31, 2009 are allocated by objective as follows:

- Coverage of the April 21, 2004 share purchase option plan: 750,000 shares
- Allotment of bonus shares to employees of the Company or Group companies: 4,200,000 shares
- Market-making for the SAFRAN share under the liquidity contract: 414,647 shares
- To hold them for purposes of exchange or payment as part of acquisition transactions: 7,751,443 shares
- Shares not allocated: 1,495,918 (formerly covering purchase option plans expiring on April 24, 2006, May 10, 2006, May 17, 2007 and April 23, 2008).

Objectives of the Company's share buy-back program to be approved by the Combined Shareholders' Meeting of May 28, 2009

In accordance with EC Regulation 2273/2003 of December 22, 2003 and the market practices authorized by the AMF, the objectives of the share buy-back program to be approved by the Combined Shareholders' Meeting of May 28, 2009 are as follows:

- Allocation or sale of shares to employees and/or corporate officers of the Company or Group, under the terms and conditions provided by law, namely through profit-sharing, bonus share allocations, share purchase option plans, or via a Group savings plan or any company savings plan existing within the Group;
- Cancellation of shares, pursuant to the fifteenth extraordinary resolution adopted by the Combined Shareholders' Meeting of May 28, 2008;
- Market-making for the SAFRAN share under the liquidity contract entered into with an investment service provider in accordance with the code of ethics of the French Financial Markets Association (AMAFI);
- To hold shares for purposes of exchange or payment as part of acquisition transactions up to a limit of 5% of the total number of shares comprising the share capital;
- For any other transaction that would be recognized under prevailing law.

Maximum share capital, maximum number and purchase price, and characteristics of the shares the Company wishes to acquire

The maximum share capital that can be purchased under this share buy-back program is 10% of the total number of shares comprising the share capital on the purchase date, the Company being prohibited from holding, at any moment, directly or indirectly, more than 10% of its share capital.

As an indication, given the 17,871,115 shares already directly or indirectly held at March 31, 2009, the maximum number of shares the Company could acquire in connection with this purchase program would be 23,831,843 shares.

The maximum purchase price is set at €20 per share and the maximum amount of funds that can be allocated to the purchase program's realization is €834 million.

In case of share capital transaction, the number of share and the amount indicated above will adjusted accordingly. (adjusted where necessary for capital transactions)

Term of the share buy-back program

This new share buy-back program shall be valid for a period of 18 months, or no later than November 27, 2010, as from the approval of the Combined Shareholders' Meeting of May 28, 2009.

6.6.4.4 MARKETABLE SECURITIES THAT ARE CONVERTIBLE, EXCHANGEABLE OR ACCOMPANIED BY SUBSCRIPTION WARRANTS

None.

6.6.4.5 HISTORY OF SHARE CAPITAL SINCE 2005

Date	Transaction	Par value (in euros)	Amount of share capital (in euros)	Number of outstanding shares	Issue premium (cumulative amount in thousands of euros)
Position as of December 31, 2008		0.20	83,405,917	417,029,585	3,288,568
May 11, 2005	Merger/absorption of Snecma by Sagem SA now SAFRAN	0.20	83,405,917	417,029,585	3,288,568
March 17, 2005	Settlement-delivery of Sagem shares exchanged as part of the Sagem public offer of exchange for the Snecma shares	0.20	73,054,834	365,274,170	3,214,696
Position as of January 1, 2005		0.20	35,500,000	177,500,000	163,366

6.7 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

6.7.1 POSITION AS OF DECEMBER 31, 2008

To the best of the Executive Board's knowledge, SAFRAN share capital and voting rights were held as follows as of December 31, 2008:

SHAREHOLDER	Shares		Exercisable voting rights		Published voting rights ⁽⁴⁾	
	Number	% capital	Number	Number	% capital	Number
PRIVATE INVESTORS	146,769,561	35.19	152,490,932	28.28	152,490,932	27.37
FRENCH STATE	125,940,227	30.20	150,706,249	27.95	150,706,249	27.05
EMPLOYEE CORPORATE MUTUAL FUNDS (FCPE)	37,249,429	8.93	61,063,666	11.32	61,063,666	10.96
CLUB SAGEM ⁽¹⁾	32,004,842	7.67	63,574,164	11.79	63,574,164	11.41
AREVA	30,772,945	7.38	59,363,695	11.01	59,363,695	10.66
CURRENT and former employees ⁽²⁾	19,256,784	4.62	37,726,220	7.00	37,726,220	6.77
BNP PARIBAS	7,182,680	1.72	14,365,360	2.66	14,365,360	2.58
Treasury shares ⁽³⁾	3,259,107	0.78	0	0.00	3,259,107	0.58
Treasury shares	14,594,010	3.50	0	0.00	14,594,010	2.62
Total	417,029,585	100.00	539,290,286	100.00	557,143,403	100.00

(1) Club Sagem is a simplified limited liability company with variable share capital (Société par Actions Simplifiée à Capital Variable) whose corporate purpose is the acquisition and management of securities and whose portfolio comprises SAFRAN shares and shares in other companies resulting from activities previously carried out by Sagem Group. Club Sagem is held 65.7% by current and former employees of SAFRAN group (current and former employees of Sagem), notably via a corporate mutual fund and 34.3% by Crédit Mutuel-CIC Group.

(2) Held in registered form.

(3) Shares held by the subsidiaries Lexwall 2 and Lexwall 13.

(4) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Art. 223-11 of AMF General Regulations).

To the best of the Executive Board's knowledge, no other shareholder holds more than 5% of the Company's share capital or voting rights.

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 General Meeting in their capacity of chairmen of the Supervisory Board of the Group corporate mutual funds with the highest number of SAFRAN shares.

6.7.2 BREAKDOWN OF SHARE OWNERSHIP BY GEOGRAPHICAL ORIGIN

According to a survey on identifiable bearer shares carried out by Euroclear France in May 2008, the number of SAFRAN shareholders was estimated at 178,475 and breaks down as follows:

- French shareholders represented 85% of capital. The remaining capital was owned by North American (6%), British (4%) and other (5%) shareholders;
- The breakdown in terms of private investors (excluding the shares held by the French State and Areva, employees and Club SAGEM) was as follows:
 - Institutional shareholders represented around 29% of capital and concerned French (58%), North American (21%) and British (12%) investors;
 - Individual shareholders (excluding the shares held by employees and Club SAGEM), 99% of whom were French, represented around 8% of capital.

6.7.3 SIGNIFICANT MOVEMENTS DURING 2008

To the best of the Executive Board's knowledge, there were no significant movements in SAFRAN share capital or voting rights during 2008.

6.7.4 POSITION AS OF MARCH 31, 2008

To the best of the Executive Board's knowledge, there were no significant movements in SAFRAN share capital or voting rights during the first quarter of 2009. The breakdown as of March 31, 2009 is as follows:

SHAREHOLDER	Shares		Exercisable voting rights		Published voting rights ⁽¹⁾	
	Number	% capital	Number	%	Number	%
PRIVATE INVESTORS	146,100,128	35.03	152,072,045	28.18	152,072,045	27.27
FRENCH STATE	125,940,227	30.20	150,706,249	27.92	150,706,249	27.03
EMPLOYEE CORPORATE MUTUAL FUNDS (FCPE)	38,247,401	9.17	62,622,889	11.60	62,622,889	11.23
CLUB SAGEM	32,007,342	7.68	63,583,474	11.78	63,583,474	11.40
AREVA	30,772,945	7.38	59,363,695	11.00	59,363,695	10.65
CURRENT and former employees	18,907,747	4.53	37,016,382	6.86	37,016,382	6.64
BNP PARIBAS	7,182,680	1.72	14,365,360	2.66	14,365,360	2.58
Treasury shares	3,259,107	0.78	0	0.00	3,259,107	0.58
Treasury shares	14,612,008	3.50	0	0.00	14,612,008	2.62
Total	417,029,585	100.00	539,730,094	100.00	557,601,209	100.00

(1) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Art. 223-11 of AMF General Regulations).

6.7.5 CHANGE IN THE BREAKDOWN OF SHARE CAPITAL AND EXERCISABLE VOTING RIGHT OVER THE LAST THREE FISCAL YEAR (AS OF DECEMBER 31, 2008)

SHAREHOLDER	December 31, 2006			December 31, 2007			December 31, 2008		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
PRIVATE INVESTORS	156,671,472	37.57	31.57	161,786,709	38.79	30.48	146,769,561	35.19	28.28
FRENCH STATE	128,641,895	30.84	25.37	126,811,995	30.41	27.61	125,940,227	30.20	27.95
EMPLOYEE CORPORATE MUTUAL FUNDS (FCPE)	32,112,630	7.70	7.99	32,967,722	7.91	9.89	37,249,425	8.93	11.32
CLUB SAGEM	31,975,817	7.67	11.89	31,991,722	7.67	11.57	32,004,842	7.67	11.79
AREVA	30,772,945	7.38	11.71	30,772,945	7.38	10.81	30,772,945	7.38	11.01
CURRENT and former employees	22,554,594	5.41	8.64	19,725,910	4.73	7.02	19,256,788	4.62	7.00
BNP PARIBAS	7,182,680	1.72	2.83	7,182,680	1.72	2.62	7,182,680	1.72	2.66
Treasury shares	3,259,107	0.78	0.00	3,259,107	0.78	0.00	3,259,107	0.78	0.00
Treasury shares	3,858,445	0.93	0.00	2,530,795	0.61	0.00	14,594,011	3.50	0.00
Total	417,029,585	100.00	100.00	417,029,585	100.00	100.00	417,029,585	100.00	100.00

6.8 VOTING RIGHT

The main SAFRAN shareholders do not have different voting rights from those of other shareholders.

They may obtain double voting rights in accordance with the provisions laid down in Article 33 of the Company's Bylaws which apply to all shareholders without distinction (see Section 6.2.5.2).

6.9 CONTROL OF THE COMPANY

As of the date of filing of this Reference Document, no shareholder held directly and/or indirectly, jointly or in concert with another shareholder, a percentage of voting rights conferring control of the Company.

6.10 AGREEMENTS WHOSE IMPLEMENTATION COULD LEAD TO A CHANGE IN CONTROL OF THE COMPANY

To the best of the Executive Board's knowledge, there are no agreements whose implementation at a later date could lead to a change in control of the Company.

6.11 SHAREHOLDER AGREEMENT

An agreement between shareholders of Sagem (now SAFRAN after the merger with Snecma) was signed on December 12, 2003 by Club Sagem, Cogema (now Areva NC) and BNP Paribas.

This five-year agreement signed in the context of the merger-absorption by Sagem of Coficem, the holding company of the leveraged management buy-out of Sagem, came into effect on December 18, 2003, that is the date of the merger-absorption. It expired on December 18, 2008 and was not renewed.

The main provisions of this agreement were as follows:

- a lock-in commitment, under which BNP Paribas and Cogema are prohibited from selling the Sagem shares received in exchange for their Coficem shares during a period of 20 months, after which any disposals shall be subject to pre-emption rights;
- reciprocal pre-emption rights between the three signatories of the agreement in the event of the transfer to a third party of shares representing 0.1% or more of Sagem voting rights after the merger-absorption of Coficem; these rights do not however apply in the event of a takeover bid for shares or cash.

This shareholders' agreement was published by the AMF (French Financial Market Authority) on December 15, 2003 (Decision and Information no. 203C2129) and its detailed contents may be viewed on the AMF website at www.amf-france.org.

6.12 UNDERTAKING TO HOLD SECURITIES

A collective undertaking to hold Sagem securities, 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 terminating March 30, 2010.

Following the merger of Sagem and Snecma and the creation of SAFRAN, the Sagem shares became SAFRAN shares. As of December 31, 2008, the signatories of this commitment to hold shares held 36,776,865 shares with double voting rights, representing 8.8% of SAFRAN share capital and 13.6% of exercisable voting rights. The signatories include a member of the SAFRAN Executive Board, Xavier Lagarde and three members of the Supervisory Board: Mario Colaiacovo, Armand Dupuy and Michel Toussan.

6.13 SHARE SUBSCRIPTION AND PURCHASE OPTIONS – BONUS SHARE ALLOCATIONS

6.13.1 SHARE SUBSCRIPTION OPTIONS

The SAFRAN Executive Board has never granted options conferring entitlement to subscribe for shares in the Company. SAFRAN affiliates do not grant share subscription options.

6.13.2 SHARE PURCHASE OPTIONS

Historical summary of share purchase option allocations

	2000 Plan	2001 Plan	2002 Plan	2003 Plan	2004 Plan
Date of Shareholders' Meeting	05/10/2000	04/24/2001	05/17/2002	04/23/2003	04/21/2004
Date of Executive Board meeting (or Board of Directors' meeting prior to April 24, 2001)	05/10/2000	04/24/2001	05/17/2002	04/23/2003	04/21/2004
Total number of options initially allocated	219,240	230,000	200,000	180,000	150,000
Of which to:					
- corporate officers (total figure)	20,580	64,634	47,133	36,167	39,000
- top-ten employee recipients (total figure)	47,460	35,000	37,334	32,667	25,000
Adjusted total number of options initially allocated (*)	1,278,900	1,341,667	1,166,667	1,050,435	750,000
Starting date for the exercise of options	05/10/2004	04/24/2003	05/17/2004	04/23/2005	04/21/2008
Expiry date	05/10/2006	04/24/2006	05/17/2007	04/23/2008	04/21/2009
Adjusted strike price (*)	50.24	20.51	10.29	10.63	17.26
Share purchase options outstanding as of 12/31/07 (*)	0	0	0	455,230	750,000
Share purchase options exercised by recipients during 2008 (*)	0	0	0	284,877	0
Share purchase options that lapsed during the year (*)	0	0	0	170,353	0
Share purchase options outstanding as of 12/31/08 (*)	0	0	0	0	750,000

(*) Adjusted to take into account the free allocation of December 2003 (1 bonus share for 6 shares held) and the share split on December 20, 2004.

Please note that SAFRAN affiliates do not grant share purchase options.

Share purchase options granted and/or exercised during 2008

The following table summarizes information on the share purchase options granted in 2008 to SAFRAN corporate officers and to the ten employees not holding a corporate office who received the most options as well as the share purchase options exercised in 2008 by SAFRAN corporate officers and the ten employees not holding a corporate office who purchased the most shares.

Number of shares adjusted to reflect the division of the par value

SHARE PURCHASE OPTIONS GRANTED TO CORPORATE OFFICERS AND OPTIONS EXERCISED BY THE LATTER	Total number of options allocated / shares purchased	Weighted average price	Expiry / exercise date	Plan
Options granted . Options granted during 2008 to corporate officers by SAFRAN or any other company authorized to grant options	0			
Options exercised . Options exercised, during 2008, by corporate officers of SAFRAN	0			
SHARE PURCHASE OPTIONS GRANTED TO EMPLOYEES NOT HOLDING A CORPORATE OFFICE AND OPTIONS EXERCISED BY THE LATTER	Total number of options allocated / shares purchased	Weighted average price		Plan
Options granted . Options granted during 2008 by SAFRAN or any other company authorized to grant options, to the ten employees of the Company or any other company falling within the scope, granted the most options				
EMPLOYEES NOT HOLDING A CORPORATE OFFICE	0			
Options exercised . Options on the Company and the companies referred to above exercised during 2008 by the ten employees of the Company and these companies who purchased or subscribed for the most options				
EMPLOYEES NOT HOLDING A CORPORATE OFFICE	124,340	€10.63		2003

6.13.3 BONUS SHARE

Fiscal year 2008

The following table summarizes information on the bonus shares granted in 2008 to SAFRAN corporate officers and to the ten employees not holding a corporate office who received the most bonus shares.

BONUS SHARES GRANTED TO CORPORATE OFFICERS	Number of bonus shares	Value
- Bonus shares granted during 2008 to corporate officers by SAFRAN or any other company authorized to grant bonus shares	0	
- Bonus shares definitively acquired during 2008 by SAFRAN corporate officers	0	
BONUS SHARES GRANTED TO EMPLOYEES NOT HOLDING A CORPORATE OFFICE	Number of bonus shares	Value
- Bonus shares granted during 2008 by SAFRAN or any other company authorized to grant bonus shares, to the ten employees of the Company or any other company falling within the scope, granted the most bonus shares EMPLOYEES NOT HOLDING A CORPORATE OFFICE	0	
- Bonus shares definitively acquired during 2008 by the ten employees of SAFRAN and the aforementioned companies, who received the most bonus shares EMPLOYEES NOT HOLDING A CORPORATE OFFICE	0	

Fiscal year 2009

On April 3, 2009, the Executive Board decided to allocate bonus shares for no consideration, pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008.

This allocation involves the employees of Group companies located in the European Union and part of the workforce as of April 3, 2009. Thus, more than 41,000 employees in 10 countries were allocated bonus shares.

As set forth in the Group Agreement signed on October 28, 2008, all the employees received the same number of bonus shares: 100 shares were therefore allocated to each employee involved.

The bonus share allocation in France takes place in two stages:

- A **vesting period of 2 years** (from April 3, 2009 to April 2, 2011) subsequent to which the employees own their shares. During this period, to retain the profits from the allocation, employees must remain within the SAFRAN group, except in certain circumstances (retirement, etc.).
- A **lock-in period of 2 years** (from April 3, 2011 to April 2, 2013) during which the beneficiaries own their shares and can exercise the rights attached to them (voting rights, dividends). However, the shares cannot be sold during the lock-in period.

6.14 PLEDGING OF SHARE

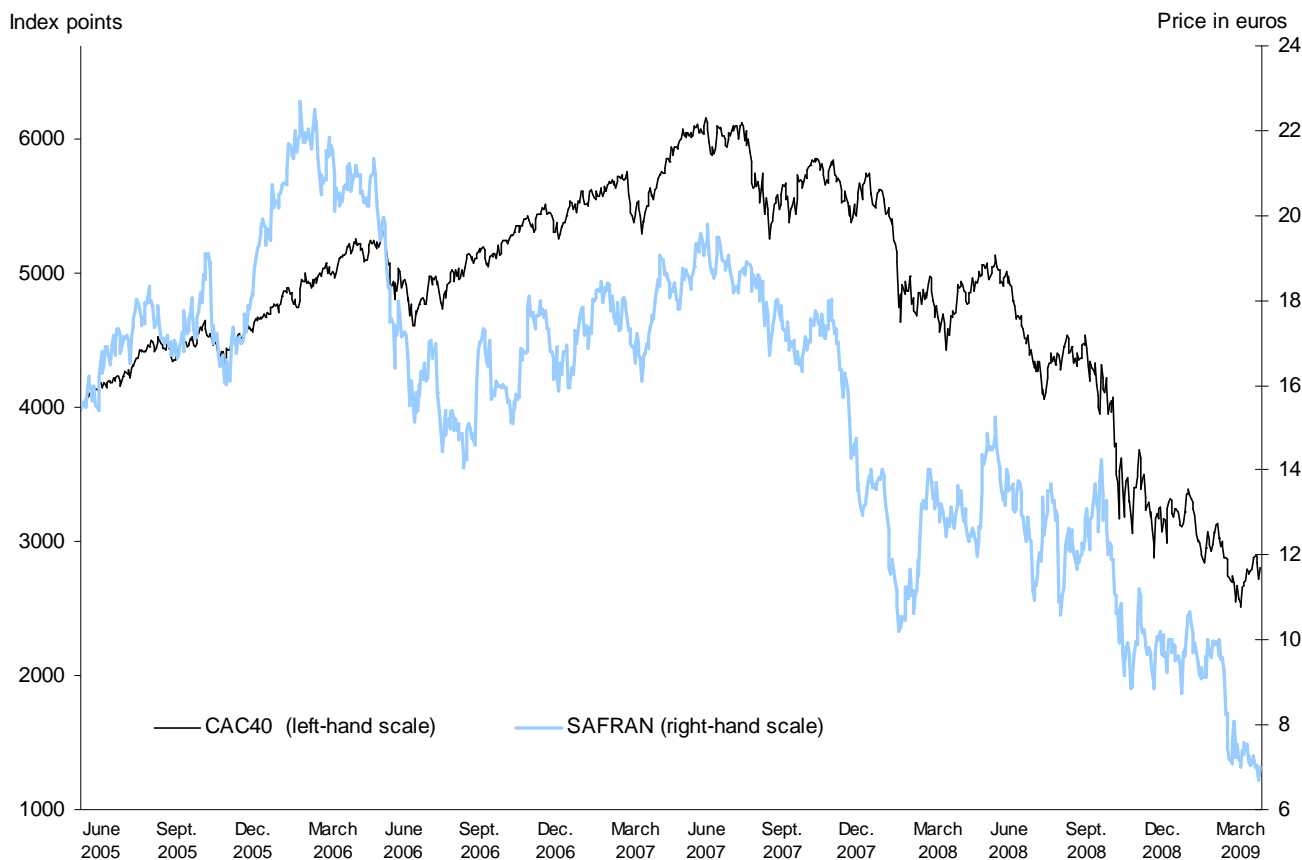
To the best of the Executive Board's knowledge, 7,056,053 SAFRAN shares representing 1.69% of the share capital were pledged as of December 31, 2008.

6.15 SAFRAN SHARE

The SAFRAN share (ISIN code: FR FR0000073272 - Code ticker: SAF) is listed on A list of the Euronext Paris Eurolist and is eligible for deferred settlement (see Euronext notice no. 2005-1865 of May 11, 2005).

The SAFRAN share is included in the Euronext SBF 120, SBF 250, Euronext 100, CAC IT Large, CAC IT 20, CAC NEXT 20 and Euronext FAS IAS indices.

Movements in the CAC 40 index and the share price since the initial listing of SAFRAN



ADDITIONAL INFORMATION

7.1	Persons responsible	232
7.1.1	Person Responsible for the reference document.....	232
7.1.2	Certification of the person responsible for the reference document	232
7.1.3	Responsible for the financial information	232
7.2	Statutory auditors	233
7.3	Documents available to the public	234
7.4	Cross-reference table	235
7.4.1	Executive Board Management Report cross-reference Table	235
7.4.2	EC Regulation No. 809/204 cross-reference table	236
7.4.3	Annual Financial Report cross-reference Table.....	238
7.4.4	Shareholders' meeting information cross-reference Table	239

7.1 PERSONS RESPONSIBLE

7.1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Jean-Paul Herteman

Chairman of the SAFRAN Executive Board

7.1.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

“To my knowledge, after having taken all reasonable measures for this purpose, I hereby attest that the information presented in this Reference Document fairly reflects the current situation and that no material omissions have been made.

I certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other companies included in the scope of consolidation, and that the management report, the various sections of which are listed on page 235 includes a fair review of the development of the business, performance and position of the company and all the other companies included in the scope of consolidation, together with a description of the principal risks and uncertainties that they face.

I have obtained from the statutory auditors, a letter drawn up at the end of their audit engagement in which they state that they have verified the financial position and the financial statements presented in this Reference Document and have read the Reference Document in full.

Statutory auditors' reports have been issued in respect of the historical financial information presented in this Reference Document.

An audit report containing a qualification for disagreement and observations was issued in respect of the consolidated financial statements for the year ended December 31, 2006 presented in the reference document filed on April 27, 2007 under the number D.07-0401 and incorporated by reference as stated in the introduction to Section 3 of this document.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2007 presented in the reference document filed on April 25, 2008 under the number D. 08-0299 and incorporated by reference as stated in the introduction to Section 3 of this document.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2008 presented in the reference document as stated in Section 3.5 of this document.”

Paris, April 23, 2009.

Chairman of the Executive Board,

Jean-Paul Herteman

7.1.3 RESPONSIBLE FOR THE FINANCIAL INFORMATION

Noël Gauthier

SAFRAN Executive Vice-President, Economic and Financial Affairs

Telephone: 01.40.60.83.32

Fax: 01.40.60.83.92

E-mail: noel.gauthier@safran.fr

7.2 STATUTORY AUDITORS

The statutory auditors of SAFRAN are as follows:

Incumbent statutory auditors

<p>Mazars & Guérard</p> <p>Represented by: Jean-Marc Deslandes</p> <p>61 rue Henri Régnauld 92400 Courbevoie</p> <ul style="list-style-type: none"> • <u>First term of office start date</u>: May 28, 2008 Appointed by the Combined Shareholders' Meeting of May 28, 2008 for a period of two years (2008 and 2009) • <u>End of term of office</u>: 2010 (at the end of the Shareholders' Meeting held to adopt the financial statements for the year ended December 31, 2009) 	<p>Constantin Associés Member of the Deloitte Touche Tohmatsu network since 2007 (*)</p> <p>Represented by: Thierry Benoit</p> <p>26 rue de Marignan 75008 Paris</p> <ul style="list-style-type: none"> • <u>First term of office start date</u>: April 21, 2004 Appointed by the Combined Shareholders' Meeting of April 21, 2004 for a period of six years (2004 to 2009) • <u>End of term of office</u>: 2010 (at the end of the Shareholders' Meeting held to adopt the financial statements for the year ended December 31, 2009)
---	--

Alternate statutory auditors

<p>Thierry Colin</p> <p>61 rue Henri Régnauld 92400 Courbevoie</p> <ul style="list-style-type: none"> • <u>First term of office start date</u>: May 28, 2008 Appointed by the Combined Shareholders' Meeting of May 28, 2008 for a period of two years (2008 and 2009) • <u>End of term of office</u>: 2010 (at the end of the Shareholders' Meeting held to adopt the financial statements for the year ended December 31, 2009) 	<p>Jean-François Serval (*)</p> <p>26 rue de Marignan 75008 Paris</p> <ul style="list-style-type: none"> • <u>First term of office start date</u>: April 21, 2004 Appointed by the Combined Shareholders' Meeting of April 21, 2004 for a period of six years (2004 to 2009) • <u>End of term of office</u>: 2010 (at the end of the Shareholders' Meeting held to adopt the financial statements for the year ended December 31, 2009)
--	--

(*) Mr. Jean-François Serval resigned from his duties as from 2009 for personal reasons.

In replacement thereof, the Combined Shareholders' Meeting of May 28, 2009 will be asked to appoint Beas, 7-9 villa Houssay, 92200 Neuilly-sur-Seine, represented by Alain Pons and member of the Deloitte Touche Tohmatsu network for the remaining period of term of office, that is up to the end of the Shareholders' Meeting held in 2010 to adopt the financial statements for the year ended December 31, 2009.

7.3 DOCUMENTS AVAILABLE TO THE PUBLIC

All Company legal documents to 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 communication of regular, transparent and accessible information on the Group, its activities and its results: the Group website (www.safran-group.com) contains information for the public such as analytical presentations, financial news releases, or reference documents (three-year history).

- **2007 consolidated revenue**
January 15, 2008 press release
- **Transfer of Sagem Communications**
January 17, 2008 press release
- **2007 annual results**
February 14, 2008 press release
February 18, 2008 press release
Presentation to analysts
- **2008 first quarter consolidated revenue**
April 11, 2008 press release
- **Combined shareholders' meeting of May 28, 2008**
Notice of meeting – Article R225-81 of the French Commercial Code
Documents covered by Article R225-83 of the French Commercial Code
Presentation
May 28, 2008 press release
- **Acquisition of Sdu-Identification**
June 24, 2008 press release
- **Divestment of mobile phone business**
July 31, 2008 press release
- **2008 first half results**
July 31, 2008 press release
Presentation to analysts
- **Acquisition of Motorola's biometrics business**
October 15, 2008 press release
- **2008 third quarter consolidated revenue**
October 17, 2008 press release
- **2008 annual results**
February 14, 2009 press release
Presentation to analysts
- **Finalization of the acquisition of Motorola's biometrics business**
April 7, 2009 press release
- **2009 first quarter revenue**
April 16, 2009 press release
- **Combined shareholders' meeting of May 28, 2009**
Notice of convocation – Article R225-81 of the French Commercial Code
Documents covered by Article R225-83 of the French Commercial Code
Presentation
- **Internal regulations of the Supervisory Board**
- **BALO publications**
(www.journal-officiel.gouv.fr)

7.4 CROSS-REFERENCE TABLE

7.4.1 EXECUTIVE BOARD MANAGEMENT REPORT CROSS-REFERENCE TABLE

This Reference Document includes the information contained in the Executive Board Management Report provided by Articles L225-100 and L225-100-2 of the French Commercial Code.

The table below lists the references to excerpts of the Reference Document corresponding to the various sections of the Management Report as approved by the Executive Board.

Executive Board Management Report Headings	2008 Reference Document
1- Group activities in 2008 Summary of key figures by branch 1.1 Aerospace Propulsion Branch 1.2 Aircraft Equipment Branch 1.3 Defense Security Branch 1.4 Communications Branch	p. 36 p. 36 p. 37 p. 40 p. 42 p. 45
2- Human resources 2.1 Employee 2.2 Human resources policy 2.3 Employee relations 2.4 Profit-sharing 2.5 Group employee savings plan and international Group employee savings plan	p. 52 p. 52 p. 53 p. 54 p. 55 p. 55
3- Research and development 3.1 Major technology areas 3.2 Technical and scientific partnerships 3.3 Innovation and intellectual property	p. 24 p. 24 p. 25 p. 26
4- Financial results 4.1 Consolidated results 4.2 Consolidated balance sheet as of December 31, 2008 4.3 Research and development costs 4.4 Company results 4.5 Proposed appropriation of net income	p. 46 p. 46 p. 49 p. 51 p. 128 p. 143
5- Risk factors 5.1 Identified risk factors 5.2 Comprehensive risk management 5.3 Insurance 5.4 Health, safety and environment	p. 150 p. 150 p. 155 p. 157 p. 158
6- Investments	p. 216
7- Share capital and share ownership 7.1 Breakdown of share capital and voting rights 7.2 Shareholder agreements 7.3 Agreement with the French State 7.4 Undertaking to hold securities 7.5 Share subscription and purchase options 7.6 Bonus share allotments 7.7 Share buyback program 7.8 SAFRAN share market	p. 223 p. 223 p. 225 p. 217 p. 225 p. 226 p. 227 p. 220 p. 229
8- Corporate officers 8.1 Terms of office and duties 8.2 Remunerations and benefits 8.3 Related-party transactions	p. 168 p. 168 p. 180 p. 185
9- 2009 outlook	p. 57
APPENDICES	
Appendix 1 Five-year summary	p. 141
Appendix 2 List of subsidiaries and affiliates	p. 142
Appendix 3 Authorizations and powers granted with respect to share capital increases	p. 219

7.4.2 EC REGULATION No. 809/2004 CROSS-REFERENCE TABLE

This Reference Document includes the information pertaining to the minimum Reference Document disclosure requirements defined 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	2008 Reference Document
1- Persons responsible	p. 232
2- Statutory auditors	p. 233
3- Selected financial information 3.1 Historical financial information 3.2 Financial informations for interim periods	p. 6 and 48 n.a.
4- Risk factors	p. 149 à 164
5- Information about the issuer 5.1 History and development of the Company 5.2 Investments	p. 9 and 208 p. 49
6- Business overview Extent of dependence on patents, licenses, industrial, commercial or financial contracts	p. 12 to 23 and 36 to 45 p. 26 and 217
7- Organizational structure	p. 11
8- Property, plants and equipment 8.1 Existing or planned material tangible fixed assets 8.2 Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	p. 213 p. 219
9- Operating and financial review	p. 36 to 50
10- Capital resources 10.1 Issue's capital resources 10.2 Sources and amounts of cash flows 10.3 Borrowings requirements and funding structure 10.4 Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the issuer's operations 10.5 Anticipated sources of funds	p. 101 and 109 p. 114 p. 109 p. 117 p. 117
11- Research and development, patents and licenses	p. 23 and 51
12- Trend information	p. 57
13- Profit forecasts or estimates	n.a.
14- Administrative, management, and supervisory bodies and senior management 14.1 Administrative and management bodies 14.2 Administrative bodies conflicts of interest	p. 168 à 179 p. 185
15- Remuneration and benefits 15.1 Amount of remuneration paid and benefits in kind 15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits	p. 180 à 184 p. 183

16- Board practices	
16.1 Date of expiration of the current term of office	p.168, 170à 180
16.2 Members of the administrative, management or supervisory bodies' service contracts	p. 185
16.3 Information about the audit committee and remuneration committee	p. 187 à 201
16.4 Corporate governance	p. 185
17- Employees	p. 27
17.1 Number of employees	p. 52
17.2 Shareholdings and stock options	p. 226 à 228
17.3 Arrangements for involving the employees in the capital of the issuer	p. 55
18- Major shareholders	
18.1 Shareholders with more than 5% of share capital and voting rights	p. 223 à 224
18.2 Existence of different voting rights	p. 225
18.3 Control over the issuer	p. 225
18.4 Arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	p. 225
19- Related party transactions	p. 217 à 218
20- Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1 Historical financial information	p. 63 to 119 and 126 to 142
20.2 Pro forma financial information	p. 120 to 125
20.3 Financial statements	p. 63 to 119 and 126 to 142
20.4 Auditing of historical annual financial information	p. 144 to 146 and 205
20.5 Age of latest financial information	n.a.
20.6 Interim and other financial information	n.a.
20.7 Dividend policy	p. 143
20.8 Legal and arbitration proceedings	p. 119
20.9 Significant change in the issuer's financial or trading position	p. 119
21- Additional information	
21.1 Share capital	p. 219 to 222
21.2 Memorandum and Articles of Association	p. 208 à 212
22- Material contracts	p. 217
23- Third party information and statement by experts and declarations of any interest	not applicable
24- Documents on display	p. 234
25- Information on holdings	p. 216

7.4.3 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

This Reference Document includes the information contained in the Annual Financial Report mentioned in Articles L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations.

The following table presents the cross-references between the two documents.

Annual Financial Report Headings	2008 Reference Document
Attestation of the person responsible	p. 232
Executive Board's Management Report	Refer to the cross-reference table p. 235
Report of the Chairman of the Supervisory Board	p. 187
Parent company financial statements	p. 126 to 142
Consolidated financial statements	p. 63 à 125
Legal and arbitration procedures	p. 119
Major change in the group's financial or commercial position	p. 119
Statutory auditors' reports	p. 145 to 149 and 202 to 205

7.4.4 SHAREHOLDERS' MEETING INFORMATION CROSS-REFERENCE TABLE

This Reference Document includes the information mentioned in Article R.225-83 of the French Commercial Code.

The following table presents the cross-references between the two documents.

Headings from Article R.225-83 of the French Commercial Code	2008 Reference Document
Executive management, supervisory and control bodies	p. 168
Shareholders' Meeting agenda	See notice of meeting
Executive Board's Management Report	Refer to the cross-reference table p. 235
Information concerning a Supervisory Board member whose appointment is subject to the approval of the Shareholders' Meeting	See notice of meeting
Observations of the Supervisory Board on the Executive Board management report	p. 186
Report of the Chairman of the Supervisory Board	p. 187
Parent company financial statements	p. 126 to 142
Consolidated financial statements	p. 63 à 125
Statutory auditors' reports	p. 145 to 149 and 202 to 205
Resolutions submitted to the Shareholders' Meeting	See notice of meeting

Contact

Investor Relations and Financial Communications Economic and Financial Affairs Department

Analysts and institutional investors

Investor relations:

- Telephone: 33 (0) 1 40 60 83 53
- Fax: 33 (0) 1 40 60 84 36

Individual shareholders

- Toll-free number: 0 800 17 17 17 from 9 a.m. to 6:30 p.m.
- Toll-free from a landline in mainland France

SAFRAN

Investor Relations and Financial Communications Department

2, Boulevard du Général Martial Valin
75724 Paris Cedex 15 – France

All SAFRAN financial information can be consulted at its Internet site: www.safraan-group.com.