



Consolidated  
balance sheet and income  
statement  
June 30, 2007

The Supervisory Board meeting of August 30, 2007 authorized the publication of adjusted financial data for the first half of 2007 (section 1 of this document) and the SAFRAN condensed statutory half-yearly consolidated financial statements for the period from January 1 to June 30, 2007, approved by the Executive Board on August 27, 2007 (section 2 of this document).

# Table of contents

<b>Foreword</b>	<b>3</b>
<b>1 SAFRAN Group adjusted data</b>	<b>4</b>
1.1 Adjusted condensed consolidated interim income statement .....	5
1.2 Adjusted condensed consolidated interim statement of cash flow.....	6
1.3 Segment information in adjusted date .....	7
1.4 Notes to the adjusted data .....	9
<b>2 SAFRAN Group condensed consolidated interim financial statements</b>	<b>11</b>
2.1 Condensed consolidated interim income statement .....	12
2.2 Condensed consolidated interim balance sheet.....	13
2.3 Statement of changes in condensed consolidated interim shareholders' equity .....	14
2.4 Condensed consolidated interim statement of cash flow .....	15
2.5 Segment information .....	16
2.6. Scope of consolidation.....	18
2.7. Accounting policies .....	19
2.8. Notes to the condensed consolidated interim financial statements .....	20
2.8.1 Revenue.....	20
2.8.2 Other income.....	20
2.8.3 Raw materials and consumables used .....	20
2.8.4 Workforce .....	21
2.8.5 Depreciations, amortizations, provisions and impairment .....	21
2.8.6 Other operating income and expenses.....	21
2.8.7 Net finance costs/income .....	22
2.8.8 Income tax expense.....	22
2.8.9 Earnings per share.....	23
2.8.10 Goodwill .....	24
2.8.11 Intangible assets .....	24
2.8.12 Property, plant and equipment .....	25
2.8.13 Financial assets and financial liabilities .....	26
2.8.14 Equity attributable to holders of the parent.....	29
2.8.15 Provisions.....	30
2.8.16 Borrowings subject to specific terms and conditions .....	31
2.8.17 Related parties.....	31
2.8.18 Off-balance sheet commitments and financial instruments.....	31
2.8.19 Consolidated statement of cash flow.....	33
2.8.20 Litigation.....	35
2.8.21 Subsequent events.....	36

## Foreword

To reflect the Group's actual economic performances and to enable their monitoring and comparison with respect to competitors, SAFRAN has prepared, in parallel with its condensed statutory half-yearly consolidated financial statements, an adjusted income statement and statement of cash flow.

As a reminder, 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;
- has recorded all changes in the fair value of foreign exchange derivatives in finance costs/income since July 1, 2005, in connection with the provisions of IAS 39.

Consequently, the financial information from the SAFRAN Group's statutory consolidated financial statements has been adjusted for:

- the accounting impact of amortization charges for intangible assets relating to aeronautics programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3;
- the accounting impacts of the application of hedge accounting to foreign exchange financial instruments.

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

Half-year ended June 30, 2007 <i>(in € millions)</i>	Statutory consolidated financial statements	Hedge Accounting		Amortization of intangible assets (3)	Adjusted data
		Revaluation of revenue (1)	Hedging gains or losses recorded (2)		
<b>Revenue</b>	<b>5,493</b>	<b>182</b>	<b>58</b>		<b>5,733</b>
Other operating income (expenses)	(5,501)	(3)		82	(5,422)
<b>Profit (loss) from operations</b>	<b>(8)</b>	<b>179</b>	<b>58</b>	<b>82</b>	<b>311</b>
<b>Net finance costs / income</b>	<b>21</b>	<b>(179)</b>	<b>168</b>		<b>10</b>
Income from associates	2				2
Income tax expense	5		(80)	(30)	(105)
<b>Profit (loss) for the period</b>	<b>20</b>		<b>146</b>	<b>52</b>	<b>218</b>
<b>Minority interests</b>	<b>1</b>	<b>(3)</b>		<b>(1)</b>	<b>(3)</b>
<b>Net profit (loss) for the period attributable to equity holders of the parent</b>	<b>21</b>	<b>(3)</b>	<b>146</b>	<b>51</b>	<b>215</b>

- (1) Revaluation of revenue in foreign currencies net of purchases (by currency) at the hedged rate, by reclassification of the changes in value of hedges allocated to cash flows for the period.
- (2) Changes in value of hedges related to future cash flows (-M€ 168 excluding taxes) reported in adjusted equity, and cancellation of the reversal of unrealized gains or losses at the time the hedge accounting was discontinued (+ M€58 excluding taxes), included in statutory consolidated equity.
- (3) Cancellation of amortization and impairment of intangible assets relating to the revaluation of aeronautics programs pursuant to the application of IFRS 3 as of April 1, 2005.

The reader is reminded that only the condensed statutory half-yearly consolidated financial statements are subject to a limited review by the Group's statutory auditors (audited data), and that the adjusted financial data is verified with respect to an overall review of the information provided in the half-yearly activity report.

# **1 SAFRAN Group adjusted data**

## 1.1 Adjusted condensed consolidated interim income statement

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 12 and 15 of the condensed statutory half-yearly consolidated financial statements are adjusted for:

- the impact of amortization charges for intangible assets relating to aeronautics programs, revalued at the time of the Sagem-Snecma merger in accordance with IFRS 3,
- the impacts of the application of hedge accounting to foreign exchange financial instruments. (page 5)

The adjusted information has not been audited.

<i>(in € millions)</i>		<b>Half-year ended June 30, 2007 Adjusted</b>	<b>Half-year ended June 30, 2006 Adjusted</b>
<b>Revenue</b>	<i>1.4.1</i>	<b>5,733</b>	<b>5,476</b>
Other income		31	26
<b>Income from operations</b>		<b>5,764</b>	<b>5,502</b>
Change in inventories of finished goods and work in progress		277	309
Capitalized production		124	193
Raw materials and consumables used	<i>1.4.2</i>	(3,685)	(3,562)
Personnel costs		(1,656)	(1,603)
Taxes		(114)	(115)
Depreciations, amortizations, provisions and impairment	<i>1.4.3</i>	(351)	(479)
Other operating income / expenses		(48)	(14)
<b>Profit (loss) from operations</b>		<b>311</b>	<b>231</b>
Borrowing costs		(9)	(13)
Other finance costs / income		19	(9)
<b>Net finance costs / income</b>	<i>1.4.4</i>	<b>10</b>	<b>(22)</b>
Income from associates		2	1
<b>Profit (loss) before tax</b>		<b>323</b>	<b>210</b>
Income tax expense	<i>1.4.5</i>	(105)	(69)
<b>Profit (loss) from continuing operations</b>		<b>218</b>	<b>141</b>
Profit from discontinued operations		-	-
<b>Profit (loss) after tax</b>		<b>218</b>	<b>141</b>
Minority interests		(3)	(8)
<b>Net profit (loss) for the period attributable to equity holders of the parent</b>		<b>215</b>	<b>133</b>
Basic earnings per share (in euro)		0.52	0.32

## 1.2 Adjusted condensed consolidated interim statement of cash flow

<i>(in € millions)</i>	Half-year ended June 30, 2007 Adjusted	Half-year ended June 30, 2006 Adjusted	
<b>I. Cash flow from/(used in) operating activities</b>			
Consolidated profit (loss) before tax	320	200	
Tax paid	(20)	(29)	
Income from associates (net of dividends received)	2	5	
Depreciation and amortization	169	218	
Asset impairment	96	57	
Provisions	80	175	
Fair value of financial instruments and derivatives	(16)	31	
Valuation of financial assets and liabilities			
Change in value			
Foreign exchange losses	(2)	14	
Capital gains on asset disposals		(60)	
Accrued interest		4	
Other	12	12	
Minority interests	3	9	
<b>Income and expenses not impacting cash flow</b>	<b>342</b>	<b>460</b>	
<b>Net cash from operations before changes in working capital</b>	<b>644</b>	<b>636</b>	
Net change in inventories and work-in-progress	(363)	(439)	
Net change in operating receivables and payables	289	71	
Net change in other receivables and payables	25	8	
<b>Changes in working capital</b>	<b>(49)</b>	<b>(360)</b>	
<b>TOTAL I</b>	<b>595</b>	<b>276</b>	
<b>II. Cash flow from/(used in) investing activities</b>			
Purchases of intangible assets net of proceeds from disposals	(115)	(203)	
Purchases of property, plant and equipment net of proceeds from disposals	(200)	(135)	
Net acquisitions of subsidiaries		(19)	
Disposals of subsidiaries		(1)	
Net purchases of shares in other companies	(55)		
Net proceeds from the sale of shares in other companies	6	2	
Net proceeds from long-term investments	(19)	7	
Other changes	(1)	10	
<b>TOTAL II</b>	<b>(384)</b>	<b>(339)</b>	
<b>III. Cash flow from/(used in) financing activities</b>			
Change in share capital	19	7	
Repayments of borrowings and long-term debt	(41)	(34)	
Repayment of repayable advances	(31)	(16)	
Issuance of new loans	10	18	
Repayable advances received	20	24	
Net change in short term borrowings	(175)	(44)	
Dividends paid to parent company shareholders	(90)	(147)	
Dividends paid to minority interests	(5)	(7)	
<b>TOTAL III</b>	<b>(293)</b>	<b>(199)</b>	
<b>IV. Effect of changes in exchange rates</b>	<b>TOTAL IV</b>	<b>(4)</b>	
<b>Increase/(decrease) in net financial position</b>	<b>I+II+III+IV</b>	<b>(83)</b>	<b>(266)</b>
Opening net financial position	743	936	
Closing net financial position	660	670	
<b>Increase/(decrease) in net financial position</b>	<b>(83)</b>	<b>(266)</b>	

## 1.3 Segment information in adjusted data

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.

### 1.3.1 **Business segments**

#### 1.3.1.1 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 MRO activities and the sale of spare parts.

#### 1.3.1.2 Aircraft Equipment branch

The Group also specializes in mechanical, hydromechanical and electromechanical equipment, including landing gear, wheels, brakes and associated systems, thrust reversers and nacelles, composite material parts, engine control systems and associated equipment, transmission systems, wiring, electrical connection systems, ventilation systems and hydraulic filters. The branch also includes MRO activities and the sale of spare parts.

#### 1.3.1.3 Defense Security branch

Within the Defense Security branch, the Group designs, develops, produces and markets Aeronautical and Navigation systems (avionics, navigational instruments, etc), Optronics and Air-Land systems and Security systems (secured payment terminals, bankcards, airport security).

#### 1.3.1.4 Communications branch

The activities in the Communications branch include mobile telephony and broadband communications (fax and multifunctional terminals, DECT, broadband terminals, decoders etc).

### 1.3.2 Segment information in adjusted data

<i>(in € millions)</i>	Aerospace propulsion	Aircraft equipment	Defense Security	Communications	Total branches	Holding/ Inter- branch eliminations	Total as of June 30, 2007
External revenue	2,775	1,373	747	838	5,733		5,733
Inter-branch revenue	10	217	49	37	313	(313)	-
<b>Total revenue</b>	<b>2,785</b>	<b>1,590</b>	<b>796</b>	<b>875</b>	<b>6,046</b>	<b>(313)</b>	<b>5,733</b>
Other branch income	214	154	60	2	430	2	432
Branch expenses	(2,520)	(1,591)	(773)	(876)	(5,760)	305	(5,455)
Depreciation and amortization, net	(67)	(56)	(24)	(19)	(166)	(6)	(172)
Impairment of assets	(79)	(13)	13	(15)	(94)	(1)	(95)
Increase in provisions, net	(24)	(10)	(34)	(12)	(80)	(4)	(84)
Other items	(11)		(13)	(27)	(51)	3	(48)
<b>Profit (loss) from operations</b>	<b>298</b>	<b>74</b>	<b>25</b>	<b>(72)</b>	<b>325</b>	<b>(14)</b>	<b>311</b>
Income from associates							2
Net finance costs / income							10
Income tax expense							(105)
Minority interests							(3)
<b>Net profit (loss)</b>							<b>215</b>

## 1.4 Notes to the adjusted data

The notes hereafter only concern the aggregates that have been adjusted compared to the condensed consolidated interim financial statements.

### 1.4.1 Revenue

<i>(in € millions)</i>	<b>Half-year ended June 30, 2007</b>	<b>Half-year ended June 30, 2006</b>
<b><i>Aerospace Propulsion branch</i></b>		
Original aircraft equipment	1,415	1,196
Aircraft spare parts	672	597
MRO	540	444
R & D contracts	63	69
Broadband	85	97
sub total	2,775	2,403
<b><i>Aircraft Equipment branch</i></b>		
Original aircraft equipment	745	720
Aircraft spare parts	252	200
MRO	99	91
R & D contracts	123	106
Engineering	83	88
Broadband	71	96
sub total	1,373	1,301
<b><i>Defense Security branch</i></b>		
Navigators and aeronautic systems	264	253
Optronic and infantry soldier systems	198	198
Security	284	243
Others	1	1
sub total	747	695
<b><i>Communications branch</i></b>		
Mobile telephones	251	477
Broadband	587	600
sub total	838	1,077
<b>Total</b>	<b>5,733</b>	<b>5,476</b>

### 1.4.2 Raw materials and consumables used

Raw materials and consumables for the year primarily involve raw materials, supplies, subcontracting purchases and all external services.

They break down as follows:

<i>(in € millions)</i>	<b>Half-year ended June 30, 2007</b>	<b>Half-year ended June 30, 2006</b>
Raw materials, supplies and other	(1,388)	(1,597)
Bought-in goods	(120)	(67)
Changes in inventories	87	130
Sub-contracting	(1,292)	(1,101)
Purchases not held in inventory	(164)	(152)
External services	(808)	(775)
<b>Total</b>	<b>(3,685)</b>	<b>(3,562)</b>

### 1.4.3 Depreciations, amortizations, provisions and impairment

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
<b>Depreciation and amortization expense</b>		
- intangible assets	(32)	(69)
- property, plant and equipment	(140)	(154)
<b>Total depreciation and amortization expense</b>	<b>(172)</b>	<b>(223)</b>
<b>Asset impairment</b>		
- intangible assets and PP&E	(53)	(18)
- financial assets	(32)	(10)
- inventories	(14)	(27)
- receivables	4	3
<b>Total asset impairment</b>	<b>(95)</b>	<b>(52)</b>
<b>Total increase in provisions</b>	<b>(84)</b>	<b>(204)</b>
<b>Total</b>	<b>(351)</b>	<b>(479)</b>

### 1.4.4 Net finance costs/income

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
<b>Cost of net borrowings and long-term debt</b>	<b>(9)</b>	<b>(13)</b>
Foreign exchange hedging ineffectiveness	-	(29)
Foreign exchange loss	(498)	(458)
Charges to provisions	(1)	(5)
NCA of non-consolidated investments sold	(8)	(4)
Discount impact	(13)	(19)
Other	(1)	-
<b>Total other finance costs</b>	<b>(521)</b>	<b>(515)</b>
Foreign exchange hedging ineffectiveness	12	-
Proceeds from disposal of assets	8	-
Foreign exchange gain	489	464
Reversals of provisions	-	3
Foreign exchange gains on provisions	10	31
Gain on financial instruments held for trading	-	1
Dividends	21	2
Other	-	5
<b>Total other finance income</b>	<b>540</b>	<b>506</b>
<b>Total other finance costs / income</b>	<b>19</b>	<b>(9)</b>
<b>Total financial costs / income</b>	<b>10</b>	<b>(22)</b>

### 1.4.5 Income tax expense

The income tax expense breaks down as follows:

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
Current tax charge	(142)	(113)
Deferred tax charge	37	44
<b>Total income tax expense</b>	<b>(105)</b>	<b>(69)</b>

## **2 SAFRAN Group condensed consolidated interim financial statements**

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

On August 30, 2007, the Supervisory Board authorized the publication of the condensed consolidated interim financial statements of SAFRAN for the period from January 1 to June 30, 2007, approved by the Management Board.

The condensed consolidated interim financial statements for the half-year ended June 30, 2007 must be read in conjunction with the consolidated financial statements for the year ended December 31, 2006, as presented in the Reference Document filed with the French Markets Authority (AMF) on April 27, 2007, under the number D.07-0401.

It should be noted that the comparative data for the half-year ended June 30, 2006 as published in September 2006, was not adjusted for any error corrections recorded as of December 31, 2006, as their impact on the first half-year condensed consolidated interim financial statements was immaterial.

## 2.1 Condensed consolidated interim income statement

<i>(in € millions)</i>	<i>Notes</i>	<b>Half-year ended June 30, 2007</b>	<b>Half-year ended June 30, 2006</b>
<b>Revenue</b>	2.8.1	<b>5,493</b>	<b>5,271</b>
Other income	2.8.2	31	93
<b>Income from operations</b>		<b>5,524</b>	<b>5,364</b>
Change in inventories of finished goods and work in progress		277	309
Capitalized production		124	193
Raw materials and consumables used	2.8.3	(3,682)	(3,585)
Personnel costs		(1,656)	(1,588)
Taxes		(114)	(115)
Depreciations, amortizations, provisions and impairment	2.8.5	(433)	(571)
Other operating income / expenses	2.8.6	(48)	(70)
<b>Profit (loss) from operations</b>		<b>(8)</b>	<b>(63)</b>
Borrowing costs		(9)	(13)
Other finance costs / income		30	259
<b>Net finance costs / income</b>	2.8.7	<b>21</b>	<b>246</b>
Income from associates		2	1
<b>Profit (loss) before tax</b>		<b>15</b>	<b>184</b>
Income tax expense	2.8.8	5	(59)
<b>Profit (loss) from continuing operations</b>		<b>20</b>	<b>125</b>
Profit from discontinued operations			-
<b>Profit (loss) after tax</b>		<b>20</b>	<b>125</b>
Minority interests		1	(7)
<b>Net profit (loss) for the period attributable to equity holders of the parent</b>		<b>21</b>	<b>118</b>
Basic earnings per share (in euro)	2.8.9	0.05	0.29
Diluted earnings per share (in euro)	2.8.9	0.05	0.29

## 2.2 Condensed consolidated interim balance sheet

ASSETS (in € millions)	Notes	June 30, 2007	Dec. 31, 2006
Goodwill	2.8.10	1,589	1,589
Intangible assets	2.8.11	3,007	3,056
Property, plant and equipment	2.8.12	1,860	1,826
Non-current financial investments	2.8.13.1	452	364
Investments in associates		31	32
Deferred tax assets	2.8.8.1	175	120
Other non-current assets		11	16
<b>Non-current assets</b>		<b>7,125</b>	<b>7,003</b>
Current financial investments	2.8.13.1	79	108
Assets held for sale			-
Fair value of financial instruments and derivatives	2.8.13.2	228	397
Inventories and work-in-progress		3,574	3,240
Trade and other receivables		4,207	4,218
Tax assets		64	68
Other current assets		165	151
Cash and cash equivalents	2.8.13.3	660	743
<b>Current assets</b>		<b>8,977</b>	<b>8,925</b>
<b>Total assets</b>		<b>16,102</b>	<b>15,928</b>
EQUITY AND LIABILITIES (in € millions)	Notes	June 30, 2007	Dec. 31, 2006
Share capital	2.8.14.1.1	83	83
Consolidated retained earnings	2.8.14.1.2	4,220	4,296
Net unrealized gains on available-for-sale financial assets		30	27
Net unrealized losses on currency futures		(38)	(76)
Net profit (loss) for the period		21	9
<b>Equity attributable to holders of the parent</b>		<b>4,316</b>	<b>4,339</b>
<b>Minority interests</b>		<b>166</b>	<b>173</b>
<b>Total equity</b>		<b>4,482</b>	<b>4,512</b>
Provisions	2.8.15	1,034	976
Borrowings subject to specific terms and conditions	2.8.16	581	573
Interest-bearing non-current liabilities	2.8.13.4	451	463
Deferred tax liabilities	2.8.8.1	851	929
Other non-current liabilities		76	112
<b>Non-current liabilities</b>		<b>2,993</b>	<b>3,053</b>
Provisions	2.8.15	1,119	1,101
Interest-bearing current liabilities	2.8.13.4	494	699
Trade and other payables		6,708	6,390
Tax liabilities		140	21
Fair value of financial instruments and derivatives	2.8.13.2	8	2
Other current liabilities		158	150
<b>Current liabilities</b>		<b>8,627</b>	<b>8,363</b>
<b>Total equity and liabilities</b>		<b>16,102</b>	<b>15,928</b>

## 2.3 Statement of changes in condensed consolidated interim shareholders' equity

	Share capital issued	Share premium	Treasury shares	Hedging reserves	Translation adjustments	Consolidated reserves	Net profit (loss) for the year	Other	Equity attributable to holders of the parent	Minority interests	Total equity
<i>(in € millions)</i>											
<b>As of January 1, 2007</b>	<b>83</b>	<b>3,360</b>	<b>(107)</b>	<b>(76)</b>	<b>(8)</b>	<b>1,051</b>	<b>9</b>	<b>27</b>	<b>4,339</b>	<b>173</b>	<b>4,512</b>
Translation adjustments					(8)				(8)		(8)
Fair value adjustment to cash-flow hedging derivatives, net of tax				38					38		38
Fair value adjustment to available-for-sale securities, net of tax								3	3		3
<b>Profit (loss) booked in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>(8)</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>33</b>	<b>0</b>	<b>33</b>
Net profit for the year							21		21	(1)	20
<b>Net (loss) profit booked for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>(8)</b>	<b>0</b>	<b>21</b>	<b>3</b>	<b>54</b>	<b>(1)</b>	<b>53</b>
Capital increase			18						18		18
Dividends						(90)			(90)	(6)	(96)
Other movements			(6)			10	(9)		(5)		(5)
<b>As of June 30, 2007</b>	<b>83</b>	<b>3,360</b>	<b>(95)</b>	<b>(38)</b>	<b>(16)</b>	<b>971</b>	<b>21</b>	<b>30</b>	<b>4,316</b>	<b>166</b>	<b>4,482</b>

	Share capital issued	Share premium	Treasury shares	Hedging reserves	Translation adjustments	Consolidated reserves	Net profit (loss) for the year	Other	Equity attributable to holders of the parent	Minority interests	Total equity
<i>(in € millions)</i>											
<b>As of January 1, 2006 (*)</b>	<b>83</b>	<b>3,360</b>	<b>(117)</b>	<b>(127)</b>	<b>34</b>	<b>1,503</b>	<b>(302)</b>	<b>10</b>	<b>4,444</b>	<b>164</b>	<b>4,608</b>
Translation adjustments					(30)				(30)	(1)	(31)
Fair value adjustment to cash-flow hedging derivatives, net of tax				25					25		25
Fair value adjustment to available-for-sale securities, net of tax								12	12		12
<b>Profit (loss) booked in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>(30)</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>7</b>	<b>(1)</b>	<b>6</b>
Net profit for the year							118		118	7	125
<b>Net (loss) profit booked for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>(30)</b>	<b>0</b>	<b>118</b>	<b>12</b>	<b>125</b>	<b>6</b>	<b>131</b>
Capital increase			5			5			10	2	12
Dividends						(148)			(148)	(7)	(155)
Other movements					3	(304)	302		1	5	6
<b>As of June 30, 2006</b>	<b>83</b>	<b>3,360</b>	<b>(112)</b>	<b>(102)</b>	<b>7</b>	<b>1,056</b>	<b>118</b>	<b>22</b>	<b>4,432</b>	<b>170</b>	<b>4,602</b>

(\*) After corrections as of January 1, 2006 (see notes on page 114 in 2006 Reference Document)

## 2.4 Condensed consolidated interim statement of cash flow

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
<b>I. Cash flow from/(used in) operating activities</b>		
Consolidated profit (loss) before tax	16	177
Tax paid	(20)	(29)
Income from associates (net of dividends received)	2	5
Depreciation and amortization	251	310
Asset impairment	96	57
Provisions	80	175
Fair value of financial instruments and derivatives	268	(21)
Valuation of financial assets and liabilities		
Change in value		
Foreign exchange losses	(3)	(1)
Capital gains on asset disposals		(60)
Accrued interest		4
Other	12	12
Minority interests	(1)	7
<b>Income and expenses not impacting cash flow</b>	<b>703</b>	<b>483</b>
<b>Net cash from operations before changes in working capital</b>	<b>701</b>	<b>636</b>
Net change in inventories and work-in-progress	(363)	(439)
Net change in operating receivables and payables	289	71
Net change in other receivables and payables	(32)	8
<b>Changes in working capital</b>	<b>(106)</b>	<b>(360)</b>
<b>TOTAL I</b>	<b>595</b>	<b>276</b>
<b>II. Flux de trésorerie provenant des activités d'investissement</b>		
Purchases of intangible assets net of proceeds from disposals	(115)	(203)
Purchases of property, plant and equipment net of proceeds from disposals	(200)	(135)
Net purchases of shares in other companies	(55)	(19)
Net proceeds from the sale of shares in other companies	6	1
Net proceeds from long-term investments	(19)	7
Other changes	(1)	10
<b>TOTAL II</b>	<b>(384)</b>	<b>(339)</b>
<b>III. Cash flow from/(used in) financing activities</b>		
Change in share capital	19	7
Repayments of borrowings and long-term debt	(41)	(34)
Repayment of repayable advances	(31)	(16)
Issuance of new loans	10	18
Repayable advances received	20	24
Net change in short term borrowings	(175)	(44)
Dividends paid to parent company shareholders	(90)	(147)
Dividends paid to minority interests	(5)	(7)
<b>TOTAL III</b>	<b>(293)</b>	<b>(199)</b>
<b>IV. Effect of changes in exchange rates</b>	<b>TOTAL IV</b>	<b>(4)</b>
<b>Increase/(decrease) in net financial position</b>	<b>I+II+III+IV</b>	<b>(83)</b>
Opening net financial position	743	936
Closing net financial position	660	670
<b>Increase/(decrease) in net financial position</b>	<b>(83)</b>	<b>(266)</b>

## 2.5 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.

### 2.5.1 **Business segments**

#### 2.5.1.1 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 MRO activities and the sale of spare parts.

#### 2.5.1.2 Aircraft Equipment branch

The Group also specializes in mechanical, hydromechanical and electromechanical equipment, including landing gear, wheels, brakes and associated systems, thrust reversers and nacelles, composite material parts, engine control systems and associated equipment, transmission systems, wiring, electrical connection systems, ventilation systems and hydraulic filters. The branch also includes MRO activities and the sale of spare parts.

#### 2.5.1.3 Defense Security branch

Within the Defense Security branch, the Group designs, develops, produces and markets Aeronautical and Navigation systems (avionics, navigational instruments, etc), Optronics and Air-Land systems and Security systems (secured payment terminals, bankcards, airport security).

#### 2.5.1.4 Communications branch

The activities in the Communications branch include mobile telephony and broadband communications (fax and multifunctional terminals, DECT, broadband terminals, decoders etc).

## 2.5.2 Segment information by branch

### Half-year ended June 30, 2007

<i>(in € millions)</i>	Aerospace propulsion	Aircraft equipment	Defense security	Communications	Total branches	Holding/ Inter-branch eliminations	Total as of June 30, 2007
External revenue	2,609	1,299	747	838	5,493		5,493
Inter-branch revenue	10	217	49	37	313	(313)	-
<b>Total revenue</b>	<b>2,619</b>	<b>1,516</b>	<b>796</b>	<b>875</b>	<b>5,806</b>	<b>(313)</b>	<b>5,493</b>
Other branch income	214	154	60	2	430	2	432
Branch expenses	(2,519)	(1,591)	(773)	(875)	(5,758)	306	(5,452)
Depreciation and amortization, net	(141)	(64)	(24)	(19)	(248)	(6)	(254)
Impairment of assets	(79)	(13)	13	(15)	(94)	(1)	(95)
Increase in provisions, net	(24)	(10)	(34)	(12)	(80)	(4)	(84)
Other items	(7)	(3)	(14)	(27)	(51)	3	(48)
<b>Profit (loss) from operations</b>	<b>63</b>	<b>(11)</b>	<b>24</b>	<b>(71)</b>	<b>5</b>	<b>(13)</b>	<b>(8)</b>
Income from associates							2
Net finance costs / income							21
Income tax expense							5
Minority interests							1
<b>Net profit (loss)</b>							<b>21</b>

### Half-year ended June 30, 2006

<i>(in € millions)</i>	Aerospace propulsion	Aircraft equipment	Defense security	Communications	Total branches	Holding/ Inter-branch eliminations	Total as of June 30, 2006
External revenue	2,270	1,229	694	1,077	5,270	1	5,271
Inter-branch revenue	10	187	57	26	280	(280)	-
<b>Total revenue</b>	<b>2,280</b>	<b>1,416</b>	<b>751</b>	<b>1,103</b>	<b>5,550</b>	<b>(279)</b>	<b>5,271</b>
Other branch income	271	198	54	46	569	26	595
Branch expenses	(2,181)	(1,508)	(756)	(1,116)	(5,561)	273	(5,288)
Depreciation and amortization, net	(144)	(96)	(26)	(43)	(309)	(6)	(315)
Impairment of assets	(8)	(10)	(15)	(4)	(37)	(15)	(52)
Increase in provisions, net	(156)	4	(43)	(11)	(206)	2	(204)
Other items	(36)	22	(10)	(39)	(63)	(7)	(70)
<b>Profit (loss) from operations</b>	<b>26</b>	<b>26</b>	<b>(45)</b>	<b>(64)</b>	<b>(57)</b>	<b>(6)</b>	<b>(63)</b>
Income from associates							1
Net finance costs / income							246
Income tax expense							(59)
Minority interests							(7)
<b>Net profit (loss)</b>							<b>118</b>

### 2.5.3 Revenue by customer location

The Group customers are mainly established in four geographical areas.

<i>(in € millions)</i>	June 30, 2007		June 30, 2006	
	Amount	%	Amount	%
France	1,681	31%	1,688	32%
Europe (excluding France)	1,131	21%	1,135	22%
North America	1,600	29%	1,387	26%
Asia	529	9%	454	9%
Rest of the world	552	10%	607	11%
<b>Total</b>	<b>5,493</b>	<b>100%</b>	<b>5,271</b>	<b>100%</b>

## 2.6 **Scope of consolidation**

### 2.6.1 Spin-off of Sagem Défense Sécurité

On June 29, 2007, the shareholders of Sagem Défense Sécurité approved the partial transfer of assets from the Security Division to a new subsidiary, Sagem Sécurité, with retroactive effect to January 1, 2007.

As this is an internal transaction, there is no impact on consolidation.

### 2.6.2 Final acquisition price of Orga Group

The Orga Group's acquisition price was finally amounts to €81 million, following an arbitration decision in May 2007. The impact of the price adjustment on the consolidated financial statements is immaterial.

### 2.6.3 Other changes in the scope of consolidation

No other material changes at Group level were recorded during the first half of 2007.

## 2.7 Accounting policies

The consolidated financial statements of SAFRAN and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS). In particular, the condensed consolidated interim financial statements for the half-year ended June 30, 2007 have been prepared in accordance with IAS 34 *Interim financial reporting* together with all the standards and interpretations adopted by the European Union and subject to mandatory adoption as of June 30, 2007.

As such, the SAFRAN Group has applied the same accounting rules and methods as those used for the preparation of its consolidated financial statements for the year ended December 31, 2006 and has adopted the following standards and interpretations since January 1, 2007:

### 2.7.1 **IFRS subject to mandatory adoption as of January 1, 2007:**

As of January 1, 2007, IFRS 7 *Financial Instruments: Disclosures* amends and replaces IAS 30 and IAS 32 and amends IAS 1 with regard to disclosures on financial receivables and payables and the Group's market transactions in the notes to the financial statements. This new standard had no impact on the consolidated interim financial statements for the half-year ended June 30, 2007.

The notes to the consolidated financial statements for the year ending December 31, 2007 will include the additional information required by this standard.

### 2.7.2 **IFRIC interpretations subject to mandatory adoption as of January 1, 2007:**

IFRIC interpretations 7 to 10 (applying the restatement approach under IAS 29, scope of IFRS 2, reassessment of embedded derivatives, interim financial reporting and impairment), adopted as of January 1, 2007, had no impact on the Group's 2006 and 2007 financial statements, as the relevant transactions were treated in accordance with the positions set forth in these interpretations.

### 2.7.3 **IFRS subject to early adoption in 2007:**

The SAFRAN Group decided against the early adoption of revised IAS 23 *Borrowing Costs* and IFRS 8 *Operating Segments*. These standards, which respectively require entities to capitalize borrowing costs that are allocated to the gross carrying amount of the corresponding assets and disclose segment information based on that used internally by Group management, are only subject to mandatory adoption as of January 1, 2009. With respect to current accounting methods and the information provided by the Group, the adoption of these standards is not expected to have a material impact.

These standards published by the IASB have not yet been adopted by the European Union, but have been subject to recommendations for adoption by EFRAG and should be adopted in the fourth quarter of 2007.

## 2.8 Notes to the condensed consolidated interim financial statements

### 2.8.1 Revenue

<i>(in € millions)</i>	<b>Half-year ended June 30, 2007</b>	<b>Half-year ended June 30, 2006</b>
<b><i>Aerospace Propulsion branch</i></b>		
Original aircraft equipment	1,331	1,130
Aircraft spare parts	632	564
MRO	508	420
R & D contracts	59	65
Others	80	92
sub total	2,610	2,271
<b><i>Aircraft Equipment branch</i></b>		
Original aircraft equipment	705	681
Aircraft spare parts	238	189
MRO	94	86
R & D contracts	116	100
Engineering	79	83
Others	67	89
sub total	1,299	1,228
<b><i>Defense Security branch</i></b>		
Navigators and aeronautic systems	263	253
Optronic and infantry soldier systems	198	198
Security	284	243
Others	1	1
sub total	746	695
<b><i>Communications branch</i></b>		
Mobile telephones	251	477
Broadband	587	600
sub total	838	1,077
<b>Total</b>	<b>5,493</b>	<b>5,271</b>

### 2.8.2 Other income

Other income mainly comprises operating subsidies and various other operating income as shown in the following table:

<i>(in € millions)</i>	<b>Half-year ended June 30, 2007</b>	<b>Half-year ended June 30, 2006</b>
Operating subsidies	27 *	20 *
Other operating income	4	73
<b>Total</b>	<b>31</b>	<b>93</b>

\* including a research tax credit of €22 millions in 2007 and €12 millions in 2006

### 2.8.3 Raw materials and consumables used

Raw materials and consumables for the year primarily involve raw materials, supplies, subcontracting purchases and all external services.

They break down as follows:

<i>(in € millions)</i>	<b>Half-year ended June 30, 2007</b>	<b>Half-year ended June 30, 2006</b>
Raw materials, supplies and other	(1,388)	(1,597)
Bought-in goods	(118)	(64)
Changes in inventories	87	130
Sub-contracting	(1,291)	(1,101)
Purchases not held in inventory	(164)	(152)
External services	(808)	(801)
<b>Total</b>	<b>(3,682)</b>	<b>(3,585)</b>

## 2.8.4 Workforce

The breakdown per business segment is as follows:

	Half-year ended June 30, 2007
Aerospace Propulsion	20,523
Aircraft Equipment	18,487
Defense Security	9,056
Communications	9,458
Other	561
<b>Total</b>	<b>58,085</b>

The average workforce, including non-consolidated companies, totals 62,716.

The breakdown of the workforce of French companies by socio-professional category is as follows:

	Half-year ended June 30, 2007
Executives	12,899
Supervisors	1,273
Technicians	12,521
Administrative employees	3,483
Workers	9,527
<b>Total</b>	<b>39,703</b>

## 2.8.5 Depreciations, amortizations, provisions and impairment

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
<b>Depreciation and amortization expense</b>		
- intangible assets	(114)	(161)
- property, plant and equipment	(140)	(154)
<b>Total depreciation and amortization expense</b>	<b>(254)</b>	<b>(315)</b>
<b>Asset impairment</b>		
- intangible assets and PP&E	(53)	(18)
- financial assets	(32)	(10)
- inventories	(14)	(27)
- receivables	4	3
<b>Total asset impairment</b>	<b>(95)</b>	<b>(52)</b>
<b>Total increase in provisions</b>	<b>(84)</b>	<b>(204)</b>
<b>Total</b>	<b>(433)</b>	<b>(571)</b>

## 2.8.6 Other operating income and expenses

Other operating income and expenses mainly include:

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
Capital gains / losses on asset disposals	-	32 (*)
Royalties, patents and licenses	(30)	(42)
Costs on financial guarantees	-	(13)
Debt waivers	-	(13)
Loss on irrecoverable receivables	(12)	(6)
Other operating expenses	(6)	(28)
<b>Total</b>	<b>(48)</b>	<b>(70)</b>

(\*) Including the sale of Meudon and St Ouen premises

## 2.8.7 Net finance costs/income

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
<b>Cost of net borrowings and long-term debt</b>	<b>(9)</b>	<b>(13)</b>
Foreign exchange hedging ineffectiveness	-	(29)
Foreign exchange loss	(669)	(458)
Charges to provisions	(1)	(5)
NCA of non-consolidated investments sold	(8)	(4)
Discount impact	(13)	(19)
Other	(1)	-
<b>Total other finance costs</b>	<b>(692)</b>	<b>(515)</b>
Foreign exchange hedging ineffectiveness	12	-
Proceeds from disposal of assets	8	-
Foreign exchange gain	671	732
Reversals of provisions	-	3
Foreign exchange gains on provisions	10	31
Gain on financial instruments held for trading	-	1
Dividends	21	2
Other	-	5
<b>Total other finance income</b>	<b>722</b>	<b>774</b>
<b>Total other finance costs / income</b>	<b>30</b>	<b>259</b>
<b>Total financial costs / income</b>	<b>21</b>	<b>246</b>

## 2.8.8 Income tax expense

The income tax expense breaks down as follows:

<i>(in € millions)</i>	Half-year ended June 30, 2007	Half-year ended June 30, 2006
Current tax charge	(142)	(101)
Deferred tax charge	147	42
<b>Total income tax expense</b>	<b>5</b>	<b>(59)</b>

The current tax charge 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).

### 2.8.8.1 Deferred tax assets and liabilities

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Deferred tax - Asset	175	120
Deferred tax - Liability	(851)	(929)
<b>Net position</b>	<b>(676)</b>	<b>(809)</b>

## 2.8.8.2 Movements in deferred tax liabilities

(in € millions)

<b>Net deferred tax assets (liabilities) as of December 31, 2006</b>	<b>(809)</b>
Deferred tax income (expenses) in the profit and loss statement	147
Deferred taxes booked in equity	(13)
Reclassification	(1)
<b>Net deferred tax assets (liabilities) as of June 30, 2007</b>	<b>(676)</b>

## 2.8.9 Earnings per share

The Group's potentially dilutive shares include stock options and the bonus shares allotted to Sagem SA employees prior to the merger.

As of June 30, 2007, all bonus shares had been allotted.

Earnings per share are as follows:

	Index	Half-year ended June 30, 2007	Half-year ended June 30, 2006
<b>Numerator (in € millions)</b>			
Net profit for the period	(a)	21	118
<b>Denominator (in shares)</b>			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	5,870,815	7,238,377
Number of shares excluding treasury shares	(d)=(b-c)	411,158,770	409,791,208
Weighted average number of shares (excluding treasury shares)	(d')	410,320,892	409,550,340
Potentially dilutive ordinary shares :			
Dilutive impact of purchase options and bonus shares granted to Sagem SA employees prior to the merger	(e)	309,753	1,178,286
Weighted average number of shares after dilution	(f)=(d'+e)	410,630,645	410,728,626
<b>Ratio: earnings per share (in euro)</b>			
Basic earnings per share: (profit/(loss))	(g)=(a*1million)/(d')	0.05	0.29
Diluted earnings per share: (profit/(loss))	(h)=(a*1million)/(f)	0.05	0.29

There were no other transactions involving shares or potential shares between the closing date and the completion of these financial statements.

## 2.8.10 Goodwill

Goodwill breaks down as follows:

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
	Net	Net
Snecma	253	253
Turbomeca SA	225	225
Aircelle	213	213
Labinal	208	208
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	42
Vectronix	22	23
Sagem Communication	21	21
Microturbo SA	12	12
Globe Motors Inc	10	10
Cinch Connectors Inc	6	6
Sagem-Interstar	6	6
Wuhan Tianyu Information Industry	5	5
Sofrance	4	4
Autres	2	1
<b>Total</b>	<b>1,589</b>	<b>1,589</b>

## 2.8.11 Intangible assets

Intangible assets break down as follows:

<i>(in € millions)</i>	June 30, 2007			Dec. 31, 2006		
	Gross	Amort. / impairment	Net	Gross	Amort. / impairment	Net
Brand names	147	(3)	144	147	(2)	145
Programs	2,704	(436)	2,268	2,704	(355)	2,349
Development costs	716	(268)	448	625	(200)	425
Concessions, patents, licenses	56	(47)	9	52	(41)	11
Software	215	(150)	65	186	(132)	54
Other	105	(32)	73	101	(29)	72
<b>Total</b>	<b>3,943</b>	<b>(936)</b>	<b>3,007</b>	<b>3,815</b>	<b>(759)</b>	<b>3,056</b>

Brands with an indefinite life amount to €19 million.

The weighted average remaining amortization period of the programs is approximately 12 years.

Movements in intangible assets (net) break down as follows:

<i>(in € millions)</i>	Gross	Amortization / impairment	Net
<b>As of December 31, 2006</b>	<b>3,815</b>	<b>(759)</b>	<b>3,056</b>
Assets produced internally	97		97
Separate additions	21		21
Disposals and assets removed	(1)		(1)
Amortization		(114)	(114)
Impairment losses recognized in profit or loss		(58)	(58)
Reclassifications	11	(5)	6
Changes in scope of consolidation			0
Translation adjustments			0
<b>As of June 30, 2007</b>	<b>3,943</b>	<b>(936)</b>	<b>3,007</b>

Research expenditure of €95 million was incurred in the first half of 2007.

Capitalized development expenditure as of June 30, 2007 amounts to €1 million (€150 million as of June 30, 2006).

In the first half of 2007, development expenditure amortization was recognized in expenses in the amount of €20 million (€47 million as of June 30, 2006).

In addition, assets revalued at the time of the creation of the SAFRAN Group were amortized in the amount of €82 million during the first half of 2007.

## 2.8.12 Property, plant and equipment

Property, plant and equipment breaks down as follows:

<i>(in € millions)</i>	June 30, 2007			December 31, 2006		
	Gross	Deprec. / impairment	Net	Gross	Deprec. / impairment	Net
Land	216		216	215	-	215
Aircraft				-	-	-
Buildings	808	(434)	374	786	(411)	375
Technical facilities, equipment and tooling	3,308	(2,356)	952	3,216	(2,320)	896
PP&E in course of construction, advances	227	(18)	209	241	(16)	225
Site development and preparation costs	23	(12)	11	22	(11)	11
Buildings on land owned by third parties	28	(14)	14	30	(17)	13
Computer hardware and other equipment	365	(281)	84	361	(270)	91
<b>Total</b>	<b>4,975</b>	<b>(3,115)</b>	<b>1,860</b>	<b>4,871</b>	<b>(3,045)</b>	<b>1,826</b>

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

<i>(In € millions)</i>	Gross	Amortization / impairment	Net
<b>As of December 31, 2006</b>	<b>4,871</b>	<b>(3,045)</b>	<b>1,826</b>
Assets produced internally	27		27
Additions	190		190
Disposals and assets removed	(79)	57	(22)
Depreciation		(140)	(140)
Impairment losses recognized in profit or loss		5	5
Reclassifications	(18)	6	(12)
Changes in scope of consolidation	(12)	3	(9)
Translation adjustments	(4)	(1)	(5)
<b>As of June 30, 2007</b>	<b>4,975</b>	<b>(3,115)</b>	<b>1,860</b>

Investment commitments as of June 30, 2007 totaled €18 million.

## 2.8.13 Financial assets and financial liabilities

<i>(in € millions)</i>	June 30, 2007			Dec. 31, 2006		
	Current	Non current	Total	Current	Non current	Total
Financial investments	79	452	531	108	364	472
Fair value of financial instruments and derivatives	228		228	397		397
Cash and cash equivalents	660		660	743		743
Interest-bearing liabilities	494	451	945	699	463	1,162
Fair value liabilities of financial instruments and derivatives	8		8	2		2

### 2.8.13.1 Financial investments

<i>(In € millions)</i>	June 30, 2007			Dec. 31, 2006		
	Current	Non-current	Total	Current	Non-current	Total
Non-consolidated investments	-	328	328	-	254	254
Sales-financing loans	-	36	36	4	42	46
Advances and loans to non-consolidated affiliates	74	45	119	100	24	124
Loans to employees	4	22	26	4	24	28
Deposits and guarantees	1	7	8	-	6	6
Other	-	14	14	-	14	14
<b>Total</b>	<b>79</b>	<b>452</b>	<b>531</b>	<b>108</b>	<b>364</b>	<b>472</b>

Movements in financial assets:

<i>(in € millions)</i>	Dec. 31, 2006	Increase	Decrease	Change in fair value	Net charge/reversal	Other	June 30, 2007
Non-consolidated investments	254	112	(7)	(2)	(33)	4	328
Sales-financing loans	46	2	(12)				36
Advances and loans to non-consolidated affiliates	124	33	(45)			7	119
Loans to employees	28		(2)				26
Deposits and guarantees	6	2	(1)			1	8
Other	14		1			(1)	14
<b>Total</b>	<b>472</b>	<b>149</b>	<b>(66)</b>	<b>(2)</b>	<b>(33)</b>	<b>11</b>	<b>531</b>

### Non-consolidated investments

Non-consolidated investments break down as follows:

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Unlisted shares	216	190
Listed shares*	112	64
<b>Total</b>	<b>328</b>	<b>254</b>

\* the increase is mainly attributable to the compensation received by the Group in the form of shares in Northwest, following its exit from Chapter 11 of the US Bankruptcy Code, in respect of receivables prior to these proceedings.

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

	As of	Percentage of control	Shareholders' equity including profit/loss for the period	Net profit and loss	Net carrying amount
<i>(In € millions)</i>					
Sichuan Snecma Aero-Engine Maintenance	12/31/06	51.76	4.3	0.1	4.9
Snecma Morocco Engine Services SAS	12/31/06	51.00	3.4	0.3	1.5
Turbomeca do Brasil	12/31/06	100.00	7.3	(1.2)	8.6
Arianespace Participation	12/31/06	10.44	51.3	6.3	-
Embraer	12/31/06	1.12	1,423.2	310.7	74.0
Snecma Ltd	12/31/06	100.00	44.1	15.7	25.9
RRTM	12/31/06	50.00	3.5	0.2	-
GEAM (1)	12/31/06	19.90	154.0	38.1	40.7
Northwest Airlines Corporation (2)	12/31/06	0.7	(6,067.6)	(2,257.8)	38.1

(1) owned by SSP Inc., a non-consolidated company owned by Snecma Services Participation

(2) Northwest : Figures of 2006, period under judicial control (chapter 11)

### 2.8.13.2 Fair value of financial instruments and derivatives

The fair value of the SAFRAN Group's derivative instruments stood at €220 million as of June 30, 2007 (see Note 2.8.18).

### 2.8.13.3 Cash and cash equivalents

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Maturity less than 3 months from trade date with no interest rate risk		
Negotiable debt securities		43
Treasury shares		-
UCITS	222	215
Money market accounts	182	168
Sight and time deposits	256	317
<b>Total</b>	<b>660</b>	<b>743</b>

Movements in cash and cash equivalents:

<i>(in € millions)</i>	
<b>Cash and cash equivalents as of December 31, 2006</b>	<b>743</b>
Movement during the period	(80)
Changes in scope of consolidation	(2)
Translation adjustments	(1)
<b>Cash and cash equivalents as of June 30, 2007</b>	<b>660</b>

## 2.8.13.4 Interest-bearing liabilities

<i>(in € millions)</i>	June 30, 2007			Dec. 31, 2006		
	Current	Non current	Total	Current	Non current	Total
Finance lease borrowings	17	49	66	12	68	80
Other long-term loans	163	402	565	165	395	560
Accrued interest not yet due	4		4	5		5
Commercial paper	236		236	376		376
Short-term bank facilities and equivalent	74		74	141		141
<b>Total</b>	<b>494</b>	<b>451</b>	<b>945</b>	<b>699</b>	<b>463</b>	<b>1 162</b>

### Movements in interest-bearing liabilities:

<i>(in € millions)</i>	
<b>As of December 31, 2006</b>	<b>1,162</b>
Increase in borrowings	13
Decrease in borrowings	(48)
Movement in cash credits	(176)
Changes in scope of consolidation	
Translation adjustments	2
Other	(8)
<b>As of June 30, 2007</b>	<b>945</b>

## 2.8.13.5 Interest rate risk management

The Group manages its interest rate risk exposure by applying a balance of fixed and floating rates to its financing. Where necessary, it may trade hedging instruments on the market.

As of June 30, 2007, the breakdown of financial assets and financial liabilities is as follows:

<i>(in € millions)</i>	- 1 year		1 to 5 years		over 5 years		Total	
	Base	interest Rate	Base	interest Rate	Base	interest Rate	Base	interest Rate
<b>Financial Assets</b>								
<i>Financial investments (except non-consolidated investments)</i>								
<i>Fixed rate</i>	13	3.61%	40	1.01%	10	4.50%	63	2.11%
<i>Floating rate</i>	66	5.15%	69	5.33%	4	4.97%	139	5.23%
<b>TOTAL</b>	<b>79</b>	<b>4.91%</b>	<b>109</b>	<b>3.74%</b>	<b>14</b>	<b>4.63%</b>	<b>202</b>	<b>4.26%</b>
<i>Marketable securities</i>								
<i>Fixed rate</i>								
<i>Floating rate</i>	405	EONIA/FED					405	EONIA/FED
<i>Money market accounts</i>								
<i>Fixed rate</i>								
<i>Floating rate</i>	255	EONIA/FED					255	EONIA/FED
<i>Cash and cash equivalents</i>	<b>660</b>						<b>660</b>	
<b>Financial liabilities</b>								
<i>Fixed rate</i>	110	3.60%	271	3.29%	39	4.49%	420	3.49%
<i>Floating rate</i>	384	4.89%	136	4.77%	5	3.81%	525	4.85%
<b>TOTAL</b>	<b>494</b>	<b>4.60%</b>	<b>407</b>	<b>3.79%</b>	<b>44</b>	<b>4.41%</b>	<b>945</b>	<b>4.24%</b>

No interest rate management instruments were identified as of June 30, 2007.

## 2.8.14 Equity attributable to holders of the parent

### 2.8.14.1 Share capital

As of June 30, 2007, the share capital of SAFRAN comprised 417,029,585 shares each with a par value of €0.20.

#### 2.8.14.1.1 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.

This was the case for the French Government for most of the shares it held as of March 1, 2007.

The treasury shares have been stripped of voting rights.

December 31, 2006

Shareholder	Number of shares	% share capital	Number of voting rights	% voting rights
Private investors	164 260 647	39,39%	174 796 392	34,48%
French state	128 641 895	30,84%	128 641 895	25,37%
Current and former employees	86 236 546	20,68%	144 198 413	28,44%
Areva	30 772 945	7,38%	59 363 695	11,71%
Treasury shares	7 117 552	1,71%	-	-
<b>Total</b>	<b>417 029 585</b>	<b>100%</b>	<b>507 000 395</b>	<b>100%</b>

June 30, 2007

Shareholder	Number of shares	% share capital	Number of voting rights	% voting rights
Private investors	169 609 184	40,70%	182 221 245	28,50%
French state	128 641 895	30,80%	244 099 631	38,10%
Current and former employees	82 134 746	19,70%	154 177 975	24,10%
Areva	30 772 945	7,40%	59 363 695	9,30%
Treasury shares	5 870 815	1,40%	-	-
<b>Total</b>	<b>417 029 585</b>	<b>100%</b>	<b>639 862 546</b>	<b>100%</b>

#### 2.8.14.1.2 Consolidated retained earnings

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Legal reserves	-	-
Free reserves	-	-
Translation adjustments	(16)	(8)
Revaluation reserves	-	-
Consolidated reserves	4,236	4,304
<b>Total</b>	<b>4,220</b>	<b>4,296</b>

Movements in consolidated retained earnings are as follows:

	€millions
- January 1, 2007	4,296
- Appropriation of 2006 net profit	9
- Distribution of reserves in 2007 (*)	(90)
- Change in exchange differences	(8)
- Sale of treasury shares	12
- Others	1
	4,220
<b>As of June 30, 2007</b>	<b>4,220</b>

(\*) The net dividend per share in 2007, based on 2006 earnings, is €0.22, giving a total dividend distribution of €90 million.

The SAFRAN Group deducted €5 million in treasury shares from its consolidated equity as of June 30, 2007.

#### 2.8.14.1.3 Deferred taxes in equity

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Hedging relationships	19	40
Available-for-sale assets	4	-
Treasury shares	-	(4)
<b>Total</b>	<b>23</b>	<b>36</b>

#### 2.8.15 Provisions

Provisions for contingencies and losses break down as follows:

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Reserves for performance warranties	390	392
Financial guarantees	100	131
Employee-related commitments	92	89
Services to be rendered	446	427
Post employment benefits	389	386
Sales agreements and long-term receivables	126	133
Losses to completion	435	351
Disputes and litigation	38	27
Other	137	141
<b>Total</b>	<b>2,153</b>	<b>2,077</b>
<b>Non-current</b>	<b>1,034</b>	<b>976</b>
<b>Current</b>	<b>1,119</b>	<b>1,101</b>

Movements in these provisions break down as follows:

<i>(in € millions)</i>	
<b>As of December 31, 2006</b>	<b>2,077</b>
Increase in provisions	402
Account transfers	(84)
Utilization	(173)
Reversals	(65)
Other movements	(4)
<b>As of June 30, 2007</b>	<b>2,153</b>

## 2.8.16 Borrowings subject to specific terms and conditions

Movements in this item break down as follows:

<i>(in € millions)</i>	
<b>As of December 31, 2006</b>	<b>573</b>
New advances received	20
Advances repaid	(31)
Discounting reversal	13
Interest cost	1
Translation adjustments	4
Correction	1
<b>As of June 30, 2007</b>	<b>581</b>

## 2.8.17 Related parties

Related party transactions break down as follows:

<i>(in € millions)</i>	<b>June 30, 2007</b>	<b>June 30, 2006</b>
Sales to related parties	760	740
Purchases from related parties	(37)	(34)
<hr/>		
<i>(in € millions)</i>	<b>June 30, 2007</b>	<b>Dec. 31, 2006</b>
Operating receivables from related parties	607	767
Operating payables to related parties	937	785
Financial receivables from related parties	-	-
Financial payables to related parties	-	-

Related parties primarily concern the French State and its controlled entities.

## 2.8.18 Off-balance sheet commitments and financial instruments

### 2.8.18.1 Exposure to foreign currency risk

Most sales in the Aerospace Propulsion and Aircraft Equipment branches are transacted in US dollars, which is virtually the sole currency used in the civil aviation industry. Accordingly, the net excess of revenues over operating expenses for these activities totaled US\$2.3 billion for the first six months of 2007 (compared to US\$3.9 billion for 2006). The hedging policy described below is aimed at safeguarding the Group's profitability and ensuring a steady flow of income.

In addition, the Communications branch purchases a portion of its components in US dollars. As the resulting exposure is short term, it is managed on a specific basis. Consequently, the net exposure totaled US\$371 million for the first six months of 2007 (compared to US\$912 million for 2006).

## Financial instruments

The main financial instruments in portfolio as of June 30, 2007 were:

- Forward sales in the amount of US\$1,985 million, including US\$1,783 million against the euro,
- Forward purchases in the amount of US\$255 million, including US\$192 million against the euro,
- Purchases of US\$/€put options in the amount of US\$700 million against the euro,
- Sales of US\$/€call options in the amount of US\$560 million against the euro.

The fair value of these instruments (before any deferred tax impact), determined using market parameters prevailing as of June 30, 2007, was €220 million.

These hedges are intended to be settled over an approximate period of 1 year.

Due to the accounting restrictions resulting from the adoption of IFRS 3, the Group decided to no longer apply hedge accounting as from July 1, 2005 and to record the change in fair value of its financial instruments in net finance costs/income. Hence, all changes in fair value of financial instruments over the period were recorded in profit or loss for a negative amount of €168 million.

Amounts recorded in shareholders' equity as of June 30, 2005, representing changes in the effective values of foreign currency derivatives documented in future cash flow hedges until June 30, 2005, are released to operating income following the utilization of the hedges existing at such date and amount to \$58 million for the first six months of 2007. All hedges should be utilized as of December 31, 2007.

In addition, in connection with its management of short-term cash flows, the Group has set up forex swaps maturing in a few months.

Amounts outstanding as of June 30, 2007 are as follows:

- US\$105 million against the euro,
- CA\$92 million against the euro,
- £53 million against the euro.

### 2.8.18.2 Counterparty risk management

As of June 30, 2007, no material counterparty risk had been identified by the Group that was not provided for in the financial statements.

### 2.8.18.3 Financial guarantees granted as part of the sale of Group products

These guarantees generated risks in the gross amount of US\$434 million as of June 30, 2007 ; this amount does not, however, reflect the actual risk to which SAFRAN is exposed. Indeed, 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 for in full in the financial statements.

#### 2.8.18.4 Endorsements, guarantees and other commitments

The various commitments given by the SAFRAN Group are as follows:

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Employee-related commitments	20	20
Commitments given to customers (completion warranties, performance bonds)	360	324
Commitments given to third parties by SAFRAN on behalf of its subsidiaries	544	443
Commitments given to customs authorities by SAFRAN on behalf of its subsidiaries	62	41
Commitments arising from role as EIG member	10	5
Financial commitments (pledge of financial instruments)	0	0
Liability guarantees given	25	25
Actuarial differences	24	24
Other commitments	66	65
<b>Total</b>	<b>1,111</b>	<b>947</b>

The various commitments received by the SAFRAN Group are as follows

<i>(in € millions)</i>	June 30, 2007	Dec. 31, 2006
Commitments received from banks on behalf of suppliers	14	11
Completion warranties	8	8
Endorsements, guarantees received	21	17
Other commitments received	18	12
<b>Total</b>	<b>61</b>	<b>48</b>

#### 2.8.18.5 Vendor warranties

Vendor warranties are given or received in the context of the acquisition or sale of companies. As of June 30, 2007, no such warranties had been called and none required the recording of a provision in the Group's consolidated financial statements.

### 2.8.19 Consolidated statement of cash flow

#### 2.8.19.1 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.

#### 2.8.19.2 Non-cash income and expenses

The Group performed certain transactions that do not impact cash and cash equivalents.

These mainly concern:

	€millions
- depreciation, amortization, impairment and provisions	427
- impact of changes in value of financial instruments <sup>(1)</sup>	268
- other	8
	703

<sup>(1)</sup> This impact is primarily the result of the Group's decision to apply so-called speculative accounting as of July 1, 2005 and therefore to recognize in net finance costs/income the change in fair value of these financial instruments from this date.

### 2.8.19.3 Purchases of intangible assets and property, plant and equipment

This item breaks down as follows:

<i>(in € millions)</i>	<b>June 30, 2007</b>	<b>June 30, 2006</b>
Intangible assets	(118)	(212)
Property, Plant and Equipment	(216)	(199)
Movement in amounts payable to suppliers of intangible assets	1	5
Movement in amounts payable to suppliers of tangible assets	(3)	7
Movement in amounts receivable on disposals of tangible assets		
Disposals of intangible assets	2	4
Disposals of tangible assets	19	57
<b>Total</b>	<b>(315)</b>	<b>(338)</b>

## 2.8.20 Litigation

Excluding the elements described below, neither SAFRAN, nor any of its subsidiaries, are or have been party to legal or arbitration proceedings likely to have or have had, in the recent past, a material impact on the Group's financial position, activity, results or assets. SAFRAN is not aware of any such proceedings being contemplated against it by government authorities or third parties. The costs that might arise from these proceedings are only provided for when they are likely and their amount can be quantified, or estimated. The provision amount adopted is based on an assessment of the level of risk on a case-by-case basis and does not firstly depend on the progress of proceedings, it being specified that events occurring during proceedings may give rise to a risk reassessment. SAFRAN believes that it has adequately provided for any current or potential litigation risk, whether general or specific.

- The liability of Turbomeca is cited in connection with criminal proceedings initiated by the Turin public prosecutor following an April 2003 helicopter accident in the Italian Alps, the causes of which remain unknown. The damages claim for all the civil parties amounts to M€4.6.
- The liability of Turbomeca could be incurred for a March 2005 accident in India that resulted in the death of three people and the serious injury of two others. A claim amount has yet to be filed.
- The liability of Turbomeca could be incurred for a July 2005 accident in Sacramento, California that resulted in the death of two people and the serious injury of a third person. A claim amount has yet to be filed, but a summons was filed by the victims or their beneficiaries before the Sacramento federal court on July 13, 2006.
- In early 2006, Snecma was summoned by a client seeking compensation for the material consequences of an April 2005 aircraft accident. The claim amounts to M€36.

No provision has been made for these claims, as the potential liability of the companies concerned is adequately covered by the Group insurance policy.

- SAGEM Defense Security was served notice of late payment penalties amounting to M€40 by a client. In addition, SAGEM Defense Security has been summoned by a supplier, in regard to an alleged unfair and unlawful termination of business relations, for M€30. The estimated amount of any financial consequences arising from these two suits, which is much lower than the claims, is covered by the total contingency and loss provisions raised by SAGEM Defense Security as of June 30, 2007.
- SAFRAN and its subsidiaries, SAGEM Communication and SAGEM Defense Security, as well as the latter's subsidiary, SAGEM Security, were summoned by three suppliers in July 2007 for abuse of economic dependence and purchasing power and unfair termination or threatened termination of business relations. No provision has been made as of June 30, 2007 for the current M€14.6 claim, which is without serious merit.
- Messier-Bugatti was summoned by a supplier in 2002 with respect to compensation for the allegedly unfair termination of a development cooperation agreement that supposedly resulted in misappropriation of know-how benefiting a competitor. The initial claim for M€1 was increased to M€33 in April 2007. The potential financial consequences that might arise from this litigation, which are not commensurate with the claim, are covered by the contingency and loss provision raised by Messier-Bugatti as of June 30, 2007.

- At the end of 2002, an arbitration claim was filed against a group of French manufacturers, among which the former Snecma group, by a common client. The group could be jointly and severally liable for the claim which, according to the plaintiff, shall not amount to less than M\$ 260. The claim related to the manufacturers' performance of past agreements in which the former Snecma group had an interest of approximately 10%. The claim is being contested by all the manufacturers. An agreement was concluded calling for the manufacturers in question to waive the terms of limitation that might be binding on the plaintiff, and the latter withdrew the arbitration claim in June 2003, reserving the right to file a new claim for a potentially higher amount. SAFRAN has not raised a provision at this stage.
- On June 22, 2006, SAFRAN, SAFRAN USA, Inc., Cinch Connectors, Inc. and Cinch Connectors Limited were jointly summoned with three Group employees for allegedly improper conduct in the disposal process of Cinch Connectors, Inc. and Cinch Connectors Limited, supposedly depriving the candidate purchaser of the bank support that would have financed the transaction. No provision has been raised by SAFRAN, as no serious merit that would even partially justify the M\$ 95 compensation claim has been identified to date.
- During the first half of 2007, the tax audits on the Group's French companies, under way at the previous year-end, and discussions with the French National and International Audit Department continued. To date, these procedures have not challenged the accounting consequences observed at the end of December 2006 (see note 20.1.8.1.10 of the 2006 Reference Document).
- On February 19, 2007, the French General Directorate for Fair Trading, Consumer Affairs and Fraud Control (DGCCRF) served notice to five groups, including SAFRAN, for trading practices deemed unfair.  
On July 26, 2007, the DGCCRF set the individual fines.  
As of June 30, 2007, SAFRAN had fully provided for its K€3,735 penalty.

## **2.8.21 Subsequent events**

### 2.8.21.1 Negotiations between Ingenico and Sagem Security

On July 26, 2007 Ingenico and Sagem Security announced that they had entered into exclusive negotiations, with a view to uniting their activities in terms of electronic payment solutions to become a global leader in the field.

The contemplated transaction would involve all the payment terminal activities of Sagem Security, mainly Sagem Monetel and Sagem Denmark A/S, as well as their respective subsidiaries.

It would be paid for by a capital increase benefiting Sagem Security, following which the latter would become a significant shareholder in the company, with 25% of the outstanding shares post-transaction.

The parties have signed a non-binding memorandum of intent and entered into an exclusive negotiations phase in late July.

The companies within the SAFRAN Group scope of consolidation that might be concerned by this transaction represent the following contributions in the Group consolidated financial statements:

<i>In € millions</i>	<b>June 2007</b>	<b>December 2006</b>
Non-current assets	13	10
Current assets	47	41
Net financial position <sup>(1)</sup>	8	16
Provisions for contingencies and losses	3	3
Current liabilities	21	24

(1) Assets - Liabilities

<i>In € millions</i>	<b>June 2007</b>	<b>December 2006</b>
Revenue	62	48
Profit (loss) from operations	12	4
Net finance costs/income	1	-
Income tax expense	(4)	(1)
Net profit (loss)	8	3

For segment reporting, these companies are included in the Defense Security branch.

The comparison of the net carrying amount of each of these assets and liabilities and their fair value (less any selling costs) does not give rise to any reduction in value to be recorded.

#### 2.8.21.2 Change in Executive Board Chairman

The term of office of Jean-Paul Béchat as Chairman of the Group's Executive Board will end on September 2, 2007.

The Supervisory Board meeting of July 19, 2007 ratified this decision and appointed Jean-Paul Herteman as Executive Board Chairman in replacement.

Beginning September 3, 2007 and for a term of four years, the Executive Board will comprise Jean-Paul Herteman, Chairman, Dominique-Jean Chertier, CEO Senior Vice-President responsible for Social and Institutional Affairs, and Xavier Lagarde, CEO Senior Vice-President responsible for the Communications branch.

At the time of the Executive Board's approval of the financial statements for the period ended June 30, 2007, the Supervisory Board had made no decision regarding the compensation to be paid to Jean-Paul Béchat.



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