



consolidated
balance sheet and income
statement

December 31, 2010

The Supervisory Board meeting of February 23, 2011 authorized the publication of Safran's consolidated financial statements and adjusted income statement for the year ended December 31, 2010, as approved by the Executive Board on February 21, 2011.

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Foreword

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement alongside its consolidated financial statements.

Readers are reminded that the Safran Group:

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

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

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

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

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

	Consolidated financial statements at Dec. 31, 2010	Currency hedging		Business combinations		Adjusted financial statements at Dec. 31, 2010
		Remeasurement of revenue (1)	Deferred hedging gains (losses) (2)	Amortization of intangible assets from Sagem-Snecma merger (3)	PPA impacts – other business combinations (4)	
<i>(in € millions)</i>						
Revenue	11,028	(268)				10,760
Other recurring operating income and expenses	(10,077)	8	(15)	159	43	(9,882)
Recurring operating income	951	(260)	(15)	159	43	878
Other non-recurring operating income and expenses	(13)	-	-	-	-	(13)
Profit from operations	938	(260)	(15)	159	43	865
Cost of net debt	(36)					(36)
Foreign exchange gains (losses)	(531)	260	275			4
Other financial income and expense	(136)					(136)
Financial income (loss)	(703)	260	275	-	-	(168)
Share in profit from associates	9					9
Income tax benefit (expense)	(14)	-	(90)	(54)	(15)	(173)
Profit from continuing operations	230	-	170	105	28	533
Loss from discontinued operations	(5)	-	-	-	-	(5)
Attributable to non-controlling interests	(18)	4		(3)	(3)	(20)
Profit for the period attributable to owners of the parent	207	4	170	102	25	508

- (1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options), through the reclassification of changes in the fair value of instruments hedging cash flows for the period.
- (2) Changes in the fair value of instruments hedging future cash flows deferred until the instruments are unwound for €275 million excluding tax, and the negative impact of including hedges in the measurement of provisions for losses on completion for €15 million.
- (3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger.
- (4) Cancellation of amortization of intangible assets identified at the time of recent Security branch acquisitions (Sagem Identification, MorphoTrak, MorphoDetection).

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

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

The consolidated financial statements have been audited and will be subject to a report by the statutory auditors further to the Supervisory Board meeting of March 4, 2011, following their verification of the management report and the review of subsequent events at February 24, 2011.

**Comparative adjusted
consolidated income statement
and segment information**

Adjusted income statement

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

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

Segment information

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

At December 31, 2010

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedging	Amortization of intangible assets	Total consolidated data
Revenue	5,604	2,834	1,240	1,041	10,719	41	10,760	268		11,028
Recurring operating income (1)	663	127	55	128	973	(95)	878	275	(202)	951
Other non-recurring operating income and expenses		(2)		(4)	(6)	(7)	(13)			(13)
Profit (loss) from operations	663	125	55	124	967	(102)	865	275	(202)	938
Free cash flow	620	163	(53)	51	781	153	934			934
Gross working capital requirement	(903)	785	389	172	443	650	1,093			1,093
Segment assets	8,010	3,908	1,645	1,504	15,067	592	15,659			15,659
(1) of which depreciation, amortization and increase in provisions net of use	(154)	(147)	(25)	(47)	(373)	(14)	(387)	14	(202)	(575)
of which impairment	8	4	5	(2)	15	(9)	6	1		7

At December 31, 2009

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedging	Amortization of intangible assets	Total consolidated data
Revenue	5,673	2,767	1,061	904	10,405	43	10,448	111		10,559
Recurring operating income (1)	628	73	9	86 *	796	(67)	729	89	(189)	629
Other non-recurring operating income and expenses	29	(71)			(42)	7	(35)			(35)
Profit (loss) from operations	657	2	9	86	754	(60)	694	89	(189)	594
Free cash flow	779	(113)	8	29	703	115	818			818
Gross working capital requirement	(119)	952	362	182	1,377	(135)	1,242			1,242
Segment assets	7,940	3,840	1,455	1,447	14,682	541	15,223			15,223
(1) of which depreciation, amortization and increase in provisions net of use	(172)	(169)	(38)	(25)	(404)	(6)	(410)	(12)	(184)	(606)
of which impairment	(11)	(30)	16	(6)	(31)	1	(30)	(5)	1	(34)

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

Revenue (adjusted data)

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

Information by geographic area

At December 31, 2010

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

At December 31, 2009

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

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

Safran Group
consolidated financial statements

Consolidated income statement

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

Consolidated statement of comprehensive income

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

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

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

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

Consolidated balance sheet

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

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

Consolidated statement of changes in shareholders' equity

	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments	Consolidated retained earnings	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total equity
<i>(in € millions)</i>											
At December 31, 2008	83	3,360	(252)	(15)	(69)	831	(205)	-	3,733	141	3,874
Comprehensive income for the period				25	5		641		671	13	684
Acquisitions/disposals of treasury shares			5						5		5
Dividends						(68)			(68)	(5)	(73)
Other movements						(205)	205	12	12	(1)	11
At December 31, 2009	83	3,360	(247)	10	(64)	558	641	12	4,353	148	4,501
Comprehensive income for the period				16	111		207	(24)	310	21	331
Acquisitions/disposals of treasury shares											
Dividends						(152)			(152)	(9)	(161)
Other movements						641	(641)	19	19	15	34
At December 31, 2010	83	3,360	(247)	26	47	1,047	207	7	4,530	175	4,705

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

Consolidated statement of cash flows

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

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

Notes to Safran Group
consolidated financial statements

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

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

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

The Supervisory Board meeting of February 23, 2011 authorized the publication of Safran’s consolidated financial statements for 2010, as approved by the Executive Board on February 21, 2011. The consolidated financial statements will be final once they have been approved by the General Shareholders’ Meeting.

Note 1 – Accounting policies

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (available from http://ec.europa.eu/internal_market/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Executive Board. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

Standards, interpretations and revised standards applied at December 31, 2010

New standards applied at January 1, 2010

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

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

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

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

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

Other revised standards and interpretations published and applied by the Group

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

- IFRS 2 (revised), Share-based Payment – Group Cash-settled Share-based Payment Transactions;
- Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 7 (revised), Financial Instruments: Disclosures – Enhanced Fair Value Disclosure Amendments;
- IAS 39 (revised), Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- Interpretations IFRIC 12, Service Concession Arrangements; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 16, Hedges of a Net Investment in a Foreign Operation; IFRIC 17,

Distributions of Non-cash Assets to Owners; and IFRIC 18, Transfers of Assets from Customers, did not have a material impact on the Group's consolidated financial statements.

- Improvements to IFRS published in May 2008 and April 2009.

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

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

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

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

a) Basis of measurement used to prepare the consolidated financial statements

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

b) Consolidation

Basis of consolidation

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

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

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

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

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

Non-controlling interests represent the portion of profit and net assets not held by owners of the parent, and are presented separately from the owners' share in the income statement and in shareholders' equity.

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

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

Intragroup transactions

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

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

c) Business combinations

Business combinations carried out after January 1, 2010

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

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

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

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

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

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

At the acquisition date, goodwill determined during each business combination may be remeasured based on either the share in net assets acquired (including fair value adjustments), or on the overall value of the acquiree. When goodwill arises on the acquisition of fully or proportionately consolidated companies, it is carried under assets in the balance sheet under the heading "Goodwill", while negative goodwill is recorded immediately in profit or loss. However, goodwill arising on the acquisition of equity-accounted companies is recorded on the line "Investments in associates", in accordance with IAS 28.

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

Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired (see Note 1.1).

Business combinations carried out prior to January 1, 2010

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

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

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

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

Options used on the first-time adoption of IFRS

Business combinations prior to January 1, 2004 were not restated in accordance with IFRS 3, Business Combinations.

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

A non-current asset or group of non-current assets and associated liabilities are classified as held for sale if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable. Non-current assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented on separate lines of the consolidated balance sheet.

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

e) Translation methods

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

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

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

Options used on the first-time adoption of IFRS: All cumulative translation adjustments at January 1, 2004 were written off against equity. Accordingly, the gain or loss on any subsequent disposals of a foreign operation will be adjusted only by those cumulative translation differences arising after January 1, 2004.

f) Translation of foreign currency transactions and foreign currency derivatives

Transactions denominated in currencies other than the presentation currencies of Group entities are translated into euros at the exchange rate prevailing at the transaction date.

At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Foreign exchange gains and losses arising from this translation are recognized in income or expenses for the period, under “Financial income (loss)”.

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

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency purchases. The Group’s forex hedging policy uses forward currency contracts and options. These are described in Note 33, “Management of market risk and financial derivatives”.

Pursuant to IAS 39, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem-Snecma business combination, the Group decided that none of its foreign currency derivatives qualified for hedge accounting as of July 1, 2005. Accordingly, any changes in the fair value of these derivatives are recognized in “Financial income (loss)”.

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

g) Revenue

The main types of contracts identified in the Safran Group are standard product sales contracts, research and development contracts, and fleet maintenance and/or support contracts.

If a payment deferral has a material impact on the calculation of the fair value of the consideration to be received, it is taken into account by discounting future payments.

Standard sales contracts

Revenue is only recognized if the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and if it is probable that the economic benefits associated with the transaction will flow to the entity. If there is a risk that the transaction will be cancelled or that the receivable identified at the inception of the contract cannot be collected, no revenue is recognized. When this is no longer the case, revenue is recorded.

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

Under service contracts, revenue may only be recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred in respect of the contract and the costs to complete the contract can be measured reliably.

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

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

Income from Group service contracts is recorded under the percentage-of-completion method, based on the technical objectives formally set down in such contracts.

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

h) Current and deferred tax

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

Current tax expense is the amount of income tax payable for a period, calculated in accordance with the rules established by the relevant tax authorities on the basis of taxable profit for the period. Current tax expense also includes any penalties recognized in respect of tax adjustments recognized in the period. The tax expense is recognized in profit or loss unless it relates to items recognized directly in equity, in which case the tax expense is also recognized directly in equity.

Deferred tax assets and liabilities are calculated for each entity on temporary differences arising between the carrying amount of assets and liabilities and their corresponding tax base. The tax base depends on the tax regulations prevailing in the countries where the Group manages its activities. Tax losses and tax credits that can be carried forward are also taken into account.

Deferred tax assets are recognized in the balance sheet if it is more likely than not that they will be recovered in subsequent years. The value of deferred tax assets is reviewed at the end of each reporting period.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when tax is levied by the same tax authority and offsetting is permitted by the local tax authorities.

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

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

i) Earnings per share

Basic earnings per share is calculated by dividing profit by the weighted average number of ordinary shares issued and outstanding during the period, less the average number of ordinary shares purchased and held as treasury stock.

Diluted earnings per share is calculated by dividing profit by the weighted average number of shares issued or to be issued at the end of the reporting period, including the impact of all potentially dilutive ordinary shares and the dilutive impact of stock options but excluding treasury shares. The dilutive impact of stock options and bonus shares is calculated using the treasury stock method taking into account the average share price for the period concerned.

j) Intangible assets

Intangible assets acquired in a business combination

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

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

Indefinite-lived brands are not amortized but are tested for impairment as described in Note 1.1.

Separately acquired intangible assets

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

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

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

Research and development costs

Research and development costs are recognized as expenses in the period in which they are incurred. However, internally financed development expenditures are capitalized if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset and the intention and ability (availability of technical, financial and other resources) to complete the intangible asset and use or sell it;
- the probability that future economic benefits will flow from the asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Where the payment of research and development contracts is contractually guaranteed by the customer (e.g., certain development contracts whose financing is included in the selling price of the deliverables), the expenditure incurred is recognized in "Inventories and work-in-progress".

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

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

Intangible assets are tested for impairment in accordance with the methods set out in Note 1.1.

k) Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical purchase cost or production cost less accumulated depreciation and impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are included in the cost of that item of property, plant and equipment.

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

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the amortization of the borrowing in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

The gross amount of property, plant and equipment is depreciated over the expected useful life of their main components, mainly using the straight-line method.

If the transfer of ownership at the end of a finance lease term is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the item of property, plant and equipment is depreciated over the shorter of its useful life and the term of the lease.

The main useful lives applied are as follows:

Buildings	15 to 40 years
Capitalized engines	
- Frames	20 years
- Major overhauls	based on flying hours
Technical facilities,	5 - 40 years
Equipment, tooling and other	5 - 15 years

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.1.

l) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units (CGUs)¹. Two types of CGU are defined within the Group:

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

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

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

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

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

Recoverable amount is defined as the higher of an asset’s or group of assets’ fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, determined using a benchmark rate that reflects the Group’s weighted average cost of capital. This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

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

- (i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group’s operating cycles (aircraft and defence), where assets tend to have a long useful life and slow product development;
- (ii) goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years 5 to 10, discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years 5 to 10, taking into account a perpetual growth rate.

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

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

m) Equity investments, loans and receivables

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

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

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

- for assets held for sale, an objective indication results from a significant drop in the estimated future cash flows associated with these assets, major difficulties of the issuer, a substantial drop in the expected return on these assets, or a significant or prolonged fall in the fair value of listed financial assets;
- for loans and receivables, an objective indication results from the Group’s awareness that the debtor is in financial difficulty (payment default, liquidation, etc.).

n) Inventories and work-in-progress

Inventories and work-in-progress are measured at the lower of cost determined using the weighted average cost formula, and net realizable value.

Cost is calculated based on normal production capacity and therefore excludes any idle capacity costs.

Net realizable value represents the estimated selling price less the costs required to complete the asset or make the sale.

o) Cash and cash equivalents

Cash and cash equivalents include available funds (cash in hand, bank accounts, etc.) and highly liquid short-term investments (less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

p) Treasury shares

All treasury shares held by the Group are deducted from consolidated shareholders' equity based on their acquisition price. Gains and losses on the disposal of treasury shares are recorded directly in equity and do not impact profit or loss for the period.

q) Share-based payment

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

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

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

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

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

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

Options used on the first-time adoption of IFRS: The Safran Group decided to apply the provisions of IFRS 2, Share-based Payment, solely to compensation settled in equity instruments granted after November 7, 2002 and that had not yet vested at January 1, 2004.

r) Provisions

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

Provisions for losses on completion and backlog losses

A provision for losses on completion or backlog losses is recognized when:

- it is highly probable that a contract will be onerous (the unavoidable costs of meeting the obligations under the contract exceed the associated economic benefits);
- the contract, signed before the end of the reporting period, gives rise to obligations for the Group in the form of the delivery of goods, the provision of services or the payment of some form of termination indemnities;
- a reliable estimate can be made of the Group's obligation.

Unavoidable costs for which a provision is recognized represent the lower of the net cost of executing the contract (i.e., the forecast loss on the contract) and the cost of failing to execute the contract (e.g., withdrawal costs in the event of early termination).

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

Probable losses on completion (or backlog losses) under onerous contracts subject to a firm commitment are recognized primarily as a deduction from work-in-progress for the completed portion of the contract, and in provisions for work to be completed. These losses are determined by regularly updating projected income at completion.

Provisions for financial guarantees on sales

As part of its civil engine sales campaigns, the Safran Group grants two types of guarantees to its customers:

- financial guarantees under which it provides a guarantee to the lending institutions that finance its customer;
- guarantees covering the value of assets, under which it grants the customer an option to return the aircraft at a given date for an agreed price.

These commitments are undertaken by Safran together with General Electric, and form part of financing packages proposed by aircraft manufacturers to airline companies. They correspond to the share represented by Group engines in the financing of the aircraft.

Financial commitments are generally granted on signature of the sales agreement, but do not actually take effect until the aircraft have been delivered and only if the customer so requests.

These guarantees generate risks. However, the total gross amount of the guarantees does not reflect the net risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, i.e., the aircraft pledged.

A provision is recognized in respect of these guarantees, reflecting events likely to generate a future outflow of resources for the Group.

Provisions for performance warranties

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

s) Post-employment benefits

In compliance with the laws and practices of each country in which it operates, the Group grants its employees post-employment benefits (pensions, termination payments, medical cover, etc.) as well as other long-term benefits including long-service awards, jubilee benefits and loyalty premiums.

For its basic schemes and other defined contribution plans, the contribution paid in the period is recognized in expenses. No provision is recorded since the Group has no obligation beyond the contributions paid into the scheme.

Provisions recognized for obligations under defined benefit plans are valued by independent actuaries using the projected unit credit method. This determines, for each employee, the present value of the benefits to which the employee's current and past services will grant entitlement on retirement. The actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial (discount rate, salary increase rate, etc.) assumptions, and are performed at least annually.

When plans are funded, the plan assets are placed with entities that are responsible for paying the benefits in the countries concerned. These assets are measured at fair value. Provisions are recorded to cover shortfalls in the fair value of plan assets compared with the present value of the Group's obligations, taking account of any cumulative actuarial gains and losses and any past service costs not yet recognized in profit or loss.

An asset surplus is only recognized in the balance sheet when it represents future economic benefits effectively available to the Group.

Where appropriate, the impact of changes in actuarial assumptions is recognized over the expected average remaining working lives of employees in accordance with the corridor method.

The service cost for the period, the amortization of actuarial gains and losses, and the impact of plan curtailments and settlements are recognized in "Profit from operations".

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

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

t) Borrowings subject to specific terms and conditions

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

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

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

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

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

u) Borrowings

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

v) Commitments to purchase non-controlling interests (minority puts)

In accordance with IAS 32, commitments undertaken by the Group to purchase minority (non-controlling) interests in its subsidiaries are recognized in financial liabilities for the present value of the purchase amount. The matching entry is a reduction in non-controlling interests. When the value of the commitment exceeds the amount of non-controlling interests, the Group recognizes the difference as goodwill, in the absence of any IFRS guidance. Similarly, any subsequent change in present value is recognized in financial liabilities and offset against goodwill, except for the impact of unwinding the discount, which is recognized in "Other financial income and expenses".

If the non-controlling interests have not been acquired by the time the commitment expires, the previously recognized entries are reversed. If the non-controlling interests have been purchased, the amount recognized in financial liabilities is closed out by the amount paid to purchase them.

w) Financial instruments

The Group uses derivative financial instruments primarily to hedge its exposure to the risk of fluctuations in exchange rates. Derivatives are also used to hedge changes in interest rates and to a lesser extent, changes in commodity prices, arising on its operating and financing activities. These derivatives can include forward currency contracts and currency options or swaps. The Group's risk management policy is described in Note 34, "Management of market risks and financial derivatives".

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

For a financial instrument to be eligible for hedge accounting, the hedging relationship must be formally designated and documented at inception and its effectiveness must be demonstrated throughout the life of the hedging instrument.

Once these criteria are met, certain financial instruments used to hedge changes in interest rates qualify as fair value hedges. Borrowings hedged by interest rate swaps are adjusted to reflect the change in fair value attributable to the hedged risk. Changes in fair value are taken to profit or loss for the period and offset by symmetrical changes in the fair value of the interest rate swaps (effective portion).

The Group uses financial instruments to hedge the risk of fluctuations in the price of certain listed commodities. This price risk affects its purchases of semi-finished products with a high raw material component. The Group's hedging strategy is described in Note 33, "Management of market risk and financial derivatives". Pursuant to IAS 39, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. Given the difficulty in documenting hedging relationships between these financial instruments and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

x) Sale of receivables

Some Group subsidiaries sell their trade receivables. In the case of sales with no recourse against the seller in the event the debtor defaults, substantially all of the risks and rewards associated with the asset are transferred, enabling the Group to remove the receivables from its balance sheet.

y) Structure of the consolidated balance sheet

The Group is engaged in a variety of activities, most of which have long operating cycles. Consequently, assets and liabilities realized within the scope of the operating cycle (inventories and work-in-progress, receivables, advances and downpayments received from customers, trade and other payables, and hedging instruments, etc.), are presented on an aggregate basis with no separation between current and non-current portions. However, other financial assets and liabilities as well as provisions are considered as current if they mature within 12 months of the end of the reporting period. All other financial assets, liabilities and provisions are considered non-current.

z) Recurring operating income

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

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

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

Note 2 – Main sources of estimates

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

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

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

a) Estimates relating to programs and contracts

The main estimates used by the Group to prepare its financial statements relate to forecasts of future cash flows under programs and contracts (business plans). Estimates relating to programs and contracts cover periods that are sometimes very long (up to several decades) and primarily draw on assumptions about the volumes and selling prices of products sold, associated production costs, exchange rates for foreign currency-denominated sales and purchases and, for discounted future cash flows, the discount rate adopted for each contract. Cash flow forecasts, which may or may not be discounted, are used to determine the following:

- **Impairment of non-current assets:** Goodwill and assets allocated to programs (aviation programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.1. The recoverable amount of goodwill, intangible assets and property, plant and equipment is generally determined using cash flow forecasts based on the key assumptions described above.

- **Capitalization of development costs:** The conditions for capitalizing development costs are set out in Note 1.j. The Group must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Group.

- **Income (loss) on completion of contracts accounted for under the percentage-of-completion method:** To estimate income (loss) on completion, the Group takes into account factors inherent to the contract by using historical and/or forecast data, as well as contractual indexes. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within losses on completion.

- **Backlog losses:** In the aviation industry, standard sales contracts may be onerous when they do not provide for spare part sales. The Group recognizes a provision for any such orders which is calculated using a number of estimates, notably as regards the term of the firm commitment and the estimated production costs.

- **Repayable advances:** The forecast repayment of advances received from the State is based on income from future sales of engines, equipment and spare parts, as appropriate. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions (as regards programs and fluctuations in exchange rates, particularly the US dollar) underlying these business plans are instrumental in determining the timing of these repayments.

Any changes in estimates and assumptions underlying cash flow forecasts for programs and contracts could have a material impact on the Group's future earnings and/or the amounts reported in its balance sheet. Consequently, the sensitivity of key estimates and assumptions to such changes is systematically tested and the results of these tests reviewed by management on a regular basis.

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

b) Provisions

Provisions are determined using information and assumptions that reflect management's best estimates based on past experience. Notably (but not solely), provisions relating to performance warranties and financial guarantees given in connection with sales take into account factors such as the estimated cost of repairs (risk based on a statistical analysis), the estimated value of the assets underlying financial guarantees, the probability that the client companies concerned will default, and, where appropriate, the discount rate applied to cash flows.

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

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

c) Post-employment benefits

The calculation of post-employment benefits and other obligations for which a provision is recognized at December 31, 2010 is based on actuarial calculations. These calculations are performed by an independent actuary using demographic (staff turnover rate, retirement date, mortality tables, etc.) and financial (salary increase rate, discount rate, expected return on plan assets, etc.) assumptions. The Group considers that the assumptions used to measure these commitments are appropriate and justified. However, any change in these assumptions could have a material impact on the amounts reported in the balance sheet and, to a lesser extent, on the Group's future earnings due to the application of the corridor method.

d) Allocation of the cost of business combinations

Business combinations are recorded using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at fair value at the date control is acquired. One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied. The fair value of certain items acquired in a business

combination can be measured reliably, for example property, plant and equipment using market price. However, the fair value of other items such as intangible assets may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

e) Disputes and litigation

Certain Group subsidiaries may be party to governmental, legal or arbitration proceedings that could have a material impact on the Group's financial position (see Note 35, "Disputes and litigation"). The Group's management regularly reviews the progress of these proceedings and decides whether to book a provision or adjust the amount of an existing provision if any events arise during the proceedings that require a reassessment of the risk involved. The Group consults legal experts both within and outside the Group in determining the costs that may be incurred.

The decision to book a provision in respect of a given risk and the amount of any such provision are based on an assessment of the risk associated with each individual case, management's estimate of the likelihood that an unfavorable decision will be issued in the proceedings in question, and the Group's ability to estimate the amount of the provision reliably.

Note 3 – Change in accounting policies

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

Note 4 – Scope of consolidation

CHANGES IN THE SCOPE OF CONSOLIDATION IN 2010

Incorporation of CFM Materials LP

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

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

Acquisition of Harvard Custom Manufacturing

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

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

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

It was fully consolidated with effect from its acquisition by the Group, although its contribution to the Group's 2010 performance was not material, given that it covered only one month of operations. The purchase price will be allocated to identifiable assets in first-half 2011.

AGREEMENTS RELATING TO FUTURE ACQUISITIONS

Agreement with L1

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

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

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

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

These businesses generated revenue of USD 0.45 billion in 2009 (2010 data was not yet available at the publication date).

Agreement with SNPE

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

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

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

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

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2009

Acquisition of MorphoTrak

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

Following the allocation of the cost of the combination to the assets acquired and liabilities assumed (including USD 30 million in technology and USD 26 million in customer relationships), goodwill totaled USD 154 million (€107 million) at December 31, 2009. In 2010, there were no changes to the purchase price allocation, which is now final.

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

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

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

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

Profit from operations includes an expense of €4.1 million (€4.7 million in 2009) relating to (i) the amortization of intangible assets identified as part of the allocation of the cost of the business combination; and (ii) the impact of recognizing the fair value of inventories purchased and sold during the period.

Acquisition of MorphoDetection

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

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

As part of the acquisition, GE will retain an interest of 19% in MorphoDetection as well as a seat on the company's Board of Directors. The Group has granted a put option on these non-controlling interests, valued at €31 million in 2010 and €125 million in 2009 (see Notes 28 and 29). The put option was recognized in accordance with the rules and methods set out in Note 1.v.

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

<i>(in USD millions)</i>	Definitive allocation	Preliminary allocation
Purchase price of 81% interest	579	579
Earnout and acquisition costs	12	8
Acquisition cost of shares	591	587
Fair value of net assets based on a 100% interest:		
Net assets at acquisition date	177	132
Fair value of technology	110	110
Fair value of commercial relationships	153	153
Fair value of other identified intangible assets	14	14
Remeasurement of inventories	9	8
Deferred tax liabilities	(114)	(111)
Sub-total	349	306
Share (81%) of fair value of assets acquired and liabilities assumed	283	248
Goodwill before impact of minority put granted to non-controlling interests	308	339
Difference between minority put granted and non-controlling interests	111	108
Goodwill after impact of minority put granted to non-controlling interests	419	447

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

After taking into account the USD 4 million negative adjustment to the purchase price allocation as well as the difference between the value of the minority put granted and the non-controlling interest in the fair value of the assets and liabilities at the acquisition date (USD 11 million), residual goodwill stands at USD 447 million, or €335 million (compared to USD 419 million or €291 million).

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

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

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

- €17 million to revenue;
- €2 million to profit from operations.

Profit from operations includes an expense of €25.7 million (€12.5 million in 2009) relating to (i) the amortization of intangible assets identified as part of the allocation of the cost of the business combination; and (ii) the impact of recognizing the fair value of inventories purchased and sold during the period.

Sale of Cinch's Connectors business

At the end of 2009, Safran sold its Connectors business to Bel Fuse for USD 39 million. The sale generated a net capital gain of €7 million.

Note 5 – Segment information

Segments presented

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

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

Aerospace Propulsion

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

Aircraft Equipment

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

Defence

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

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and unmanned aerial vehicles (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, air surveillance systems), and defence equipment and systems.

Security

The Security businesses include a suite of solutions developed by the Group to increase the safety and security of travel, critical infrastructure, electronic transactions and individuals. Its solutions meet emerging needs for the safety and security of people, companies, critical facilities and countries. The Security business offers biometric technologies for fingerprint, iris and face recognition, identity management solutions, access management and transaction security (smart cards), as well as tomographic systems for the detection of dangerous or illicit substances in baggage.

Holding company and other

In "Holding company and other", the Group includes Safran SA's businesses and certain residual activities not included in previous items.

Business segment performance indicators

The information presented by business segment in the tables on pages 7 to 9 is identical to that presented to the Executive Board, which has been identified as the "Chief Operating Decision Maker" for the assessment of the performance of business segments and the allocation of resources between the different businesses.

The assessment of each business segment's performance by the Executive Board is based on adjusted contribution figures as explained in the foreword (see page 3).

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

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

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

Working capital represents the gross balance of trade receivables, inventories and trade payables.

Segment assets represent the sum of goodwill, intangible assets, property, plant and equipment, and all current assets except cash and cash equivalents and tax assets.

Segment information for 2009 and 2010 is presented on pages 7 to 9 of the consolidated financial statements.

Note 6 – Breakdown of the main components of profit from operations

REVENUE

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

OTHER INCOME

Other income mainly comprises research tax credits and operating subsidies.

<i>(in € millions)</i>	2009	2010
Research tax credit	98	124 *
Other operating subsidies	42	67
Other operating income	16	9
Total	156	200

* Of which €1 million in connection with additional research tax credits in respect of 2009.

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

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

PERSONNEL COSTS

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

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

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

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

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

These figures do not include employees of equity-accounted associates.

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

Managerial personnel and executives	12,420
Supervisors	935
Technicians	10,973
White-collar employees	2,449
Blue-collar employees	8,141
Total	34,918

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS NET OF USE

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

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

ASSET IMPAIRMENT

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

OTHER RECURRING OPERATING INCOME AND EXPENSES

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

* Offset by a reversal of provisions for contingencies and losses.

** Of which income relating to the review of the probability of reimbursement of borrowings subject to specific conditions in the amount of €1 million in 2010 (€1 million in 2009).

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	2009	2010
Impairment net of reversals on intangible assets	(70)	-
Capital gains on disposal	7	-
Other non-recurring items	28	(13)
Total	(35)	(13)

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

Capital gains on disposal for the year ended December 31, 2009 reflected the capital gains on the disposal of Cinch (see Note 4).

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

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

Note 7 – Financial income (loss)

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

Note 8 – Income tax

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

<i>(in € millions)</i>	2009	2010
Current income tax expense	(64)	(133)
Deferred tax income (expense)	(171)	119
Total tax benefit (expense)	(235)	(14)

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

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

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

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets in the balance sheet

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

Deferred tax base

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(3,237)	(3,109)
Inventories	141	105
Current assets/liabilities	(32)	65
Financial assets/liabilities	238	466
Provisions	1,005	1,195
Tax adjustments	(248)	(380)
Losses carried forward and tax credits	239	275
Total deferred tax asset bases	(1,894)	(1,383)
Total gross deferred tax balance (a)	(482)	(448)
Total deferred tax not recognized (b)	88	43
Total net deferred taxes recognized (a) - (b)	(570)	(491)

Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

<i>(in € millions)</i>	Assets	Liabilities	Net
Net tax assets at December 31, 2009	145	53	92
Movements during the period	(5)	13	(18) *
Changes in scope of consolidation	1	1	-
Reclassifications	4	3	1
Translation adjustments	1	2	(1)
Net tax assets at December 31, 2010	146	72	74

* Of which a negative €33 million impact in the income statement.

Note 9 – Earnings per share

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

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

Earnings per share break down as follows:

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

Note 10 – Dividend distribution

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

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

Note 11 – Goodwill

Goodwill breaks down as follows:

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

Movements in the period

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

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

Annual impairment tests

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

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

- Operating forecasts take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macro-economic assumptions. Expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years 5 to 10. The average USD exchange rate adopted is 1.36 for years 2011 to 2014 and 1.35 thereafter (2009: 1.43 for years 2010 to 2013 and 1.35 thereafter).
- Terminal values are based on a growth rate of 1.5%, with the exception of the main Aerospace Propulsion CGUs, for which a growth rate of 2% was adopted (unchanged from 2009).
- The benchmark post-tax discount rate used is 8% (unchanged from 2009) and is applied to post-tax cash flows. However, a post-tax discount rate of 9.5% is used for the CGUs in the Security branch (unchanged from 2009).

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

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

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

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

Note 12 – Intangible assets

Intangible assets break down as follows:

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

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

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

Movements in intangible assets break down as follows:

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

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

Development expenditures capitalized in 2010 totaled €179 million (€182 million in 2009). Amortization charged against development expenditures in the same period totaled €48 million (€49 million in 2009).

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

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

2010 impairment tests

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

- The average USD exchange rate adopted is 1.36 for years 2011 to 2014 and 1.35 thereafter (2009: 1.43 for years 2010 to 2013 and 1.35 thereafter).
- The benchmark discount rate used is 8% (unchanged from 2009). Depending on the intangible asset concerned, the discount rate may be increased by a specific risk premium to take account of any technological or product/market risks. Discount rates therefore range from 8% to 11%, as in 2009.

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

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

2009 impairment tests

As a result of the impairment tests carried out in 2009, the Group recognized impairment losses for €78 million against development expenditures relating to the B787 program in the Aircraft Equipment branch, including €71 million in non-recurring operating expense.

In the second half of 2009, following the reopening of talks with Boeing regarding the sale price of equipment, Boeing's position became clearer. Since the talks were anticipated to be less favorable than was previously expected, the Group tested the program's intangible assets for impairment. The impairment test led the Group to write down the intangible assets related to the development of landing gear in full. The talks with Boeing in the first half of 2010 confirmed the Group's assumptions at the end of 2009.

The Group also took an additional write-down of €41 million on development expenditures for the Aerospace Propulsion TP 400 program. Only €12 million of this amount was treated as a non-recurring operating expense.

The balance was recognized as a recurring operating expense, thereby cancelling out the costs capitalized over the period.

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

Note 13 – Property, plant and equipment

Property, plant and equipment break down as follows:

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

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

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

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

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

Note 14 – Current and non-current financial assets

Financial assets include:

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

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

NON-CONSOLIDATED INVESTMENTS

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

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

* Valuations of listed securities are based on market values.

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

The Group reviewed the value of each of its available-for-sale investments in order to determine whether any impairment loss needed to be recognized based on available information and the current market climate.

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

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

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

Loans and advances to non-consolidated companies correspond to revolving credit account agreements.

Sales-financing loans correspond to loans granted on an exceptional basis to Safran's customers or Group companies as an alternative to financial guarantees (see Note 34). They are recorded in the balance sheet as loans.

The table below shows movements in other financial assets:

<i>(in € millions)</i>	
At December 31, 2009	126
Increase	73
Decrease	(25)
Impairment	(16)
Reclassifications	(3)
Translation adjustments	3
Changes in scope of consolidation	3
At December 31, 2010	161

Note 15 – Investments in associates

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

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010			
	Net	% interest	Shareholders' equity	Share in profit from associates	Net
Ingenico (1)	206	22.58%	218	9	227
Hydrep (2)	7	-	-	-	-
A-Pro Inc. (2)	8	-	-	-	-
Other (3)	17	100.00%	9	-	9
Total	238		227	9	236

(1) Due to the lack of published data for Ingenico at the date of publication of this report, the share of profit or loss for second-half 2010 was determined based on consensus forecasts provided by analysts. The stock market value was €315 million at December 31, 2010 (11,630,206 shares with a par value of €27.095). The value of the securities includes goodwill in an amount of €73 million.

(2) Proportionally consolidated as from 2010.

(3) Deconsolidated companies whose retained earnings have been frozen, and first-time consolidation of Sagem Navigation GmbH in 2010.

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

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

<i>(in € millions)</i>	
At December 31, 2009	238
Share in profit from associates	9
Change in consolidation method	(15)
Other movements*	4
At December 31, 2010	236

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

Note 16 – Inventories and work-in-progress

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

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

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

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

Note 17 – Trade and other receivables

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

Note 18 – Discontinued operations

The following table presents a breakdown of discontinued operations:

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

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

Note 19 – Other current and non-current assets

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

Note 20 – Cash and cash equivalents

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

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

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

The table below presents changes in cash and cash equivalents:

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

Note 21 – Summary of financial assets

FAIR VALUE OF FINANCIAL ASSETS

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

	Carrying amount				Total =a+b+c+d
	At amortized cost		At fair value		
	Loans and receivables (a)	Assets held to maturity (b)	Financial assets at fair value (through profit or loss) (c)	Financial assets available for sale (through equity) (d)	
<i>At December 31, 2009</i>					
<i>(in € millions)</i>					
Non-current financial assets					
Non-consolidated investments				169	169
Other non-current financial assets	51				51
Sub-total non-current financial assets	51	-	-	169	220
Current financial assets	75				75
Derivative financial instruments - assets			63		63
Trade receivables	3,571				3,571
Current operating accounts and other receivables	88				88
Cash and cash equivalents			2,080		2,080
Sub-total current financial assets	3,734	-	2,143	-	5,877
Total financial assets	3,785	-	2,143	169	6,097

	Carrying amount				Total =a+b+c+d
	At amortized cost		At fair value		
	Loans and receivables (a)	Assets held to maturity (b)	Financial assets at fair value (through profit or loss) (c)	Financial assets available for sale (through equity) (d)	
<i>At December 31, 2010</i>					
<i>(in € millions)</i>					
Non-current financial assets					
Non-consolidated investments				164	164
Other non-current financial assets	51				51
Sub-total non-current financial assets	51	-	-	164	215
Current financial assets	110				110
Derivative financial instruments - assets			128		128
Trade receivables	3,659				3,659
Current operating accounts and other receivables	60				60
Cash and cash equivalents			2,062		2,062
Sub-total current financial assets	3,829	-	2,190	-	6,019
Total financial assets	3,880	-	2,190	164	6,234

Safran uses the following hierarchy of inputs to determine the fair value of its financial assets:

- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets at the measurement date;
- Level 3: unobservable inputs.

The Group's financial assets at December 31, 2009 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Non-consolidated investments	41		128	169
Derivative financial instruments - assets		63		63
Marketable securities: money-market funds and equivalent	2,080			2,080
Total	2,121	63	128	2,312

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

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

In 2009 and 2010, no items were transferred between level 1 and level 2, and none were transferred from or to level 3.

MATURITY OF FINANCIAL ASSETS

The table below provides a breakdown of financial assets by maturity:

<i>(in € millions)</i>	Carrying amount at December 31	Neither past due nor impaired	Past due but not impaired (in days)					Total past due but not impaired	Past due and impaired
			< 30	31 - 90	90 - 180	181 - 360	> 360		
At December 31, 2009									
Current financial assets	75	73					2	2	-
Non-current financial assets (1)	51	51						-	-
Trade receivables	3,571	3,176	146	84	42	91	28	391	4
Current operating accounts and other receivables	88	87					1	1	-
At December 31, 2010									
Current financial assets	110	110						-	-
Non-current financial assets (1)	51	51						-	-
Trade receivables	3,659	3,285	116	113	44	36	60	369	5
Current operating accounts and other receivables	60	52	1	5	-	1	1	8	-

(1) Excluding non-consolidated investments.

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

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

(1) Excluding non-consolidated investments.

Note 22 – Consolidated shareholders' equity

22a - SHARE CAPITAL

At December 31, 2010, the share capital of Safran was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20.

Safran's equity does not include any equity instruments issued other than its shares.

22b - BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights.

The 17,455,168 treasury shares have no voting rights.

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

December 31, 2009

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights
Private investors	159,071,928	38.14%	172,289,765	32.07%
French State	125,940,227	30.20%	150,752,222	28.06%
Employee shareholders	83,788,017	20.09%	154,825,295	28.82%
Areva	30,772,945	7.38%	59,363,695	11.05%
Treasury shares	17,456,468	4.19%	-	-
Total	417,029,585	100.00%	537,230,977	100.00%

December 31, 2010

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

22c - CONSOLIDATED RETAINED EARNINGS

Movements in consolidated retained earnings are as follows:

(in €millions)

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

22d - SHARE-BASED PAYMENT

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

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

Share grants

Pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008, the Executive Board decided to implement a share grant plan on April 3, 2009. The plan was intended for employees of Group companies based in the European Union and part of the workforce on April 3, 2009. A total of 42,345 beneficiaries based in ten different countries each received 100 shares under the plan.

Terms and conditions of the share plan

Shares granted to employees of Group companies headquartered in France vest fully after a period of two years. The shares are also subject to a two-year minimum lock-up period, which begins on the date the shares fully vest. Shares granted to employees of Group companies headquartered outside France vest fully after a period of four years, but are not subject to a lock-up period.

These shares are not subject to any specific performance condition other than the employee's effective presence in the company throughout the vesting period.

All shares granted by Safran under such plans are equity-settled.

Measurement of rights to share grants

Rights to shares were measured at their fair value at the grant date. The value of the shares at the grant date was reduced by (i) the estimated present value of future dividends that are not paid to employees during the vesting period, and (ii) the cost to the Group's French employees of the minimum lock-up period.

	France	Outside France
Grant date	4/3/2009	4/3/2009
Vesting date	4/3/2011	4/3/2013
Post vesting lock-up period	2 years	none
Number of employee beneficiaries at the grant date	36,785	5,560
Number of shares granted per employee		100
Total number of shares granted	3,678,500	556,000
Expected dividend rate		3.17%
Risk-free rate at the grant date		2.675%
Market value of shares at the grant date		€7.54
Fair value per share	€6.75	€6.64

The expense recognized in respect of these shares at December 31, 2010 totaled €11.6 million.

Note 23 – Provisions

Provisions break down as follows:

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

No significant provisions were recognized during the period to cover environmental risks.

The Group makes a number of reclassifications when provisions initially recognized in liabilities – namely provisions for losses on completion and on the backlog (see Note 2.a) – are subsequently recognized in assets, for example in provisions for the impairment of inventories and work-in-progress.

Note 24 – Post-employment benefits

The Group has various commitments in respect of defined benefit pension plans, retirement termination payments and other commitments within and outside France. The accounting treatment applied to these commitments is detailed in Note 1.s.

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

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

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

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

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

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

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

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

Main assumptions used to calculate commitments:

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

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

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

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

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

The impact of a 1% increase or decrease in the discount rates on consolidated profit for 2010 and on the provision at end-December 2010 would not have been material. The change in the value of the gross benefit obligation would have mainly affected unrecognized actuarial gains and losses.

The allocation of plan assets and the expected return on these assets are shown below:

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2010	Expected return on plan assets in 2011	% allocation at Dec. 31, 2010	Expected return on plan assets in 2011
Shares	51.96%	8.22%	16.70%	6.65%
Bonds and borrowings	33.85%	4.65%	50.74%	4.16%
Property	5.62%	8.37%	2.93%	4.50%
Cash and cash equivalents	2.70%	1.14%	7.74%	1.89%
Other	5.87%	7.00%	21.89%	4.52%

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2009	Expected return on plan assets in 2010	% allocation at Dec. 31, 2009	Expected return on plan assets in 2010
Shares	64.07%	7.97%	16.61%	6.02%
Bonds and borrowings	28.25%	4.73%	51.33%	3.99%
Property	4.80%	8.59%	3.05%	4.50%
Cash and cash equivalents	0.15%	0.25%	7.58%	1.73%
Other	2.73%	3.31%	21.43%	4.27%

The expected long-term rates of return on plan assets are determined based on past performance and on the current and long-term outlook for these assets.

A 1% increase or decrease in the expected rate of return on plan assets (assuming all other inputs remained unchanged) would have the following impacts on consolidated profit for 2010:

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

DEFINED BENEFIT PENSION PLANS

a) Description of benefits

- France

A supplemental defined benefit retirement plan was implemented by Snecma in 1985 and closed on June 30, 1995 using a step mechanism that allowed eligible employees present in the company at that date to maintain all or part of their benefits.

Eligible employees who were at least 60 years of age on July 1, 1995 had their previous time with the company bought at a rate of 2% for each year in which contributions were paid, in the form of capital. Eligible employees who were between 45 and 55 years of age on July 1, 1995 had their potential benefits frozen at July 1, 1995 and calculated at a rate of 1.86%, provided that they stayed with the company until the close-out of their retirement. Eligible employees who were between 55 and 60 years of age on July 1, 1995 benefited from the incremental benefit based on their actual and total years of service, at a rate of 1.86%.

With the exception of employees aged 55 to 60, executive staff (*cadres*) were then moved to a new supplemental defined contribution retirement plan. Group companies affected by this change were Safran (for Snecma employees), Snecma, Snecma Propulsion Solide, Hispano-Suiza, Messier-Bugatti, Messier-Dowty, Messier Services, Aircelle and Turbomeca.

The plan is funded by contributions paid into the insurance company which then manages payment of the pensions. On January 1, 2005, the insurance company was changed.

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

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

- Other countries
 - o United Kingdom

There are three pension funds involving Messier-Dowty/Messier Services Ltd, Aircelle Ltd and Safran UK (consolidated with effect from January 1, 2010). These pension funds have been contracted out, which means they replace the mandatory supplemental retirement plan. The plans are managed by trusts. Employees participate in the funding through salary-based contributions. With the exception of the Safran UK pension fund, the average breakdown of contributions between the employer and the employee is 90% and 10%, respectively. The Safran UK pension fund only covers pensions for retired employees of Cinch UK, which was sold in 2009.

- o Other European countries

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

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

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

- o Americas

The main commitments concern Canada.

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

Five-year summary of obligations

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

b) Financial position

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

All pension plans are partially or fully funded.

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

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

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

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

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

RETIREMENT TERMINATION PAYMENTS

a) Description of benefits

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

b) Financial position

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

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

OTHER EMPLOYEE BENEFITS

(a) Description of benefits

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

(b) Financial position

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

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

CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

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

INDIVIDUAL TRAINING ENTITLEMENT

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

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

Note 25 – Borrowings subject to specific conditions

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

Movements in this caption break down as follows:

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

Note 26 – Interest-bearing liabilities

Interest-bearing liabilities break down as follows:

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

Movements in this caption break down as follows:

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

Main long-term borrowings at inception:

- Safran five-year bonds: €750 million issued to French and international investors on November 26, 2009. The bonds mature on November 26, 2014 and pay fixed-rate interest of 4%. The bonds' initial 4.0% fixed-rate interest came out at 2.41% at December 31, 2010, after taking account of interest rate hedges (3-month Euribor floating-rate swaps). At December 31, 2010, bond debt totaled €749 million, less the cost and impact of the abovementioned interest rate hedges.
- European Investment Bank (EIB) borrowings: €367 million (€133 million at December 31, 2009). On December 17, 2010, the previously undrawn €300 million EIB loan signed on June 17, 2009 was drawn down. The loan is at a floating rate indexed to 3-month Euribor plus 0.73% (i.e., 1.76% at the date the loan was set up, including a margin), and is due to be repaid in half-yearly equal installments between December 17, 2013 and December 17, 2020. The outstanding principal of €67 million under the EIB loan consists of four drawdowns with average fixed-rate interest of 2.99%, repayable in half-yearly equal installments of the principal, with the final payment due in July 2012. The amount falling due within one year is €50 million. For certain drawdowns, the EIB may request that a reserve account pledged in its favor be credited in an amount equal to the annual debt service charge if, upon publication of the interim and annual financial statements, the financial covenants are not complied with.
- Employee savings financing under the Group Employee Savings Plan: €364 million (€300 million at December 31, 2009). The maximum maturity is five years and the amount falling due within one year is €175 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 3.37% for 2010, 3.82% for 2009 and 4.85% for 2008 (the interest rate adopted for 2011 is 2.91%).
- Messier-Bugatti USA Inc. real estate lease financing contract: USD 45 million (€34 million) [USD 45 million (€31 million) at December 31, 2009], bearing fixed-rate interest of 5.2%. This lease is guaranteed by the parent company, Messier-Bugatti SA.
- Turbomeca real estate lease financing contract: €59 million bearing fixed-rate interest of 4.7%, including €4 million due in less than one year. The lease expires in November 2021.
- Sagem Défense real estate lease financing contract: €56 million bearing floating-rate interest indexed to 3-month Euribor. The lease expires in January 2022.

The Group's other long- and medium-term borrowings are not material.

Main short-term borrowings:

- Commercial paper: €200 million (€454 million at December 31, 2009). This amount comprises several drawdowns made under market terms and conditions, with maturities of less than three months.
- Financial current accounts with non-consolidated subsidiaries: €33 million (€38 million at December 31, 2009). Interest is indexed to Euribor.

Other short-term borrowings are not material.

Analysis by maturity

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Maturing in		
1 year	1 367	568
2 to 5 years	1 087	1 182
Beyond 5 years	121	301
Total	2 575	2 051

Analysis by currency

	Dec. 31, 2009		Dec. 31, 2010	
	Currency	EUR	Currency	EUR
<i>(in millions of currency units)</i>				
EUR	2,301	2,301	1,922	1,922
USD	139	96	132	99
CAD	127	84	1	1
GBP	50	56	1	1
Other	NA	38	NA	28
Total		2,575		2,051

Analysis by type of interest rate (fixed/floating), before hedging:

	Non-current				Current			
	Dec. 31, 2009		Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2010	
	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
<i>(in € millions)</i>								
Fixed rate	947	4.05%	907	4.09%	94	3.79%	93	3.47%
Floating rate	261	3.03%	576	2.19%	1,273	1.30%	475	1.82%
Total	1,208	3.83%	1,483	3.35%	1,367	1.47%	568	2.09%

Analysis by type of interest rate (fixed/floating), after hedging:

	Non-current				Current			
	Dec. 31, 2009		Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2010	
	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
<i>(in € millions)</i>								
Fixed rate	203	4.21%	145	4.54%	94	3.79%	93	3.47%
Floating rate	1,005	2.65%	1,338	2.32%	1,273	1.30%	475	1.82%
Total	1,208	2.91%	1,483	2.53%	1,367	1.47%	568	2.09%

The Group's net debt position is as follows:

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Cash and cash equivalents (A)	2,080	2,062
Interest-bearing current and non-current liabilities (B)	2,575	2,051
Fair value of interest rate derivatives hedging borrowings (C)	(3)	13
Total (A) - (B) + (C)	(498)	24

Net debt at end-2010 does not include the following three assigned trade receivables without recourse:

- CFM Inc.:
 - confirmed 24-month facility for USD 200 million granted in October 2009 by General Electric Capital Corp., on which USD 92.1 million (USD 46 million at 50%) has been drawn down at the reporting date, versus USD 79.4 million (USD 40 million at 50%) at December 31, 2009;
 - confirmed 364-day facility for USD 870 million granted by a syndicate of five banks led by BNP Paribas and renewed in December 2010, on which USD 822.2 million (USD 411 million at 50%) has been drawn down at the reporting date, versus USD 827.4 million (USD 414 million at 50%) at December 31, 2009.

- CFM SA:
 - confirmed 24-month facility for USD 110 million granted in July 2010 by Medio Factoring (Intesa San Paolo group), on which USD 48 million (USD 24 million at 50%) has been drawn down to date.

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Net debt	(498)	24
Total equity	4,501	4,705
Gearing	11%	NA

Note 27 – Trade and other payables

<i>(in € millions)</i>	Dec. 31, 2009	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2010
Operating payables	6,258	188	67	45	28	6,586
Credit balances on trade receivables	795	33				828
Advance payments from customers	3,017	167	21	9	1	3,215
Trade and other operating payables	1,713	(59)	43	31	16	1,744
Current operating account	5	(1)		1		5
Employee-related liabilities	728	48	3	4	11	794
Other liabilities	678	(11)	5	9	(31)	650
Other liabilities	203	(64)		4	(33)	110
State aid, accrued payables	20	(2)				18
State, other taxes and duties	109	12	1	1		123
Deferred income	346	43	4	4	2	399
Total	6,936	177	72	54	(3)	7,236

Trade payables carry no interest and fall due in less than one year.

Deferred income primarily concerns revenue recognized under the percentage-of-completion method or revenue deferred.

Trade and other payables fall due as shown below:

<i>(in € millions)</i>	< 12 months	> 12 months
Operating payables	6,146	440
Other payables	550	100
Total	6,696	540

Note 28 – Other current and non-current liabilities

<i>(in € millions)</i>	Dec. 31, 2009	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2010
Payables on purchases of property, plant and equipment and intangible assets	71	(32)				39
Payables on purchases of investments	137		(9)	9	10	147
Total	208	(32)	(9)	9	10	186
Non-current	208					186
Current	-					-

Note 29 – Summary of financial liabilities

The fair value of financial liabilities is calculated based on the future cash flows associated with each borrowing, discounted at the market interest rate.

At December 31, 2009	Carrying amount		
	Financial liabilities at amortized cost	Financial liabilities at fair value	Total
<i>(in € millions)</i>			
Borrowings subject to specific conditions	696		696
Interest-bearing non-current liabilities	1,208		1,208
Interest-bearing current liabilities	1,367		1,367
Trade and other operating payables	1,713		1,713
Minority put granted to non-controlling interests (1)		125	125
Current operating accounts	5		5
Derivative liabilities		13	13
Total financial liabilities	4,989	138	5,127

(1) Included in payables on purchases of investments.

At December 31, 2010	Carrying amount		
	Financial liabilities at amortized cost	Financial liabilities at fair value	Total
<i>(in € millions)</i>			
Borrowings subject to specific conditions	701		701
Interest-bearing non-current liabilities	1,483		1,483
Interest-bearing current liabilities	568		568
Trade and other operating payables	1,744		1,744
Minority put granted to non-controlling interests (1)		131	131
Current operating accounts	5		5
Derivative instruments - liabilities		451	451
Total financial liabilities	4,501	582	5,083

(1) Included in payables on purchases of investments.

The Group uses the input hierarchy described in Note 21 to measure the fair value of its financial liabilities.

The Group's financial liabilities carried at fair value as of December 31, 2009 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivative instruments - liabilities		13		13
Commitments to buy out non-controlling interests			125	125
Total	-	13	125	138

The Group's financial liabilities carried at fair value as of December 31, 2010 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivative instruments - liabilities		451		451
Commitments to buy out non-controlling interests			131	131
Total	-	451	131	582

In 2010, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

Note 30 – Interests in joint ventures

The Group has interests in a number of joint ventures which are proportionately consolidated (their contribution is recognized line-by-line in the financial statements). The joint ventures are:

- CFM International Inc. and CFM International SA: coordination of the CFM56 engine program with General Electric and program marketing;
 - Shannon Engine Support Ltd: leasing of CFM56 engines, modules, equipment and tooling to airline companies;
 - Famat: manufacture of large casings subcontracted by Snecma and General Electric;
 - Europropulsion: research, development, testing and manufacture of solid propellant propulsion systems;
 - Ulis: manufacture of uncooled infrared detectors;
 - Sofradir: manufacture of cooled infrared detectors;
 - SEMMB: manufacture of ejectable seating;
 - Matis: manufacture of aircraft wiring;
 - CFan: production of composite fan blades for turbo engines.
- New companies entering the scope of consolidation in 2010:
- Hydrep: repair of landing gear for regional and business jets;
 - A-Pro: repair of landing gear for regional and business jets;
 - CFM Materials LP: sale of used CFM56 parts.

The table below shows the Group's share in the various financial indicators of these subsidiaries, included in the consolidated financial statements:

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Current assets	269	378
Non-current assets	386	368
Current liabilities	362	395
Non-current liabilities	40	47
Operating income	279	342
Operating expenses	(234)	(287)
Financial income (loss)	(9)	(3)
Income tax expense	(4)	(14)
Profit for the period	32	38
Cash flows from operating activities (1)	237	102
Cash flows used in investing activities	(3)	(2)
Cash flows used in financing activities (1)	(198)	(30)

(1) See Note 26 on the sale of trade receivables by CFM Inc.

Average figures include the workforce of the following proportionately consolidated companies (based on the percentage of consolidation):

Shannon Engines Support	14
Europropulsion	44
Sofradir	148
Ulis	49
Famat	217
SEMMB	23
Matis Aerospace	183
Cfan	190
Hydrep	48
A-Pro	40
Total	956

Note 31 – Related parties

In accordance with IAS 24, the Group's related parties are considered to be its shareholders (including the French State), companies controlled by these shareholders and management executives.

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Sales to related parties	2,455	2,609
Purchases from related parties	(138)	(204)

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Receivables from related parties	1,171	1,338
Payables to related parties	1,710	1,790

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Guarantees granted to related parties (off-balance sheet)	457	729

Transactions with related parties primarily concern the delivery of aviation products to the Directorate General of the French Armed Forces.

MANAGEMENT COMPENSATION

<i>(in € millions)</i>	2009	2010
Short-term benefits	8.8	10.6
Post-employment benefits	0.5	0.9
Other long-term benefits	-	-
Termination payments	0.6	0.6
Share-based payment	-	-

Management comprises the members of Safran's Supervisory Board, Executive Board and Executive Management team. Compensation data with respect to short-term benefits are provided on a gross basis and include fixed compensation costs for the current year as well as costs relating to the variable portion payable in the following year.

RELATIONS BETWEEN SAFRAN AND ITS SUBSIDIARIES

The main financial transactions between Safran and its subsidiaries are described below.

- Cash is pooled at the level of the Safran Group. Cash pooling agreements therefore exist between Safran and each of the Group companies. These govern the terms and conditions of advances and investments.
- A foreign currency risk management policy is also implemented centrally by the head company for the entire Safran Group. This policy seeks to protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly USD) and optimize the quality of the hedges implemented via a portfolio of hedging instruments.
- A commodity risk management policy is defined centrally in the same manner as the policy for managing foreign currency risk. This policy is designed to reduce uncertainty factors regarding the volatility of commodity prices (mainly nickel and platinum) affecting the economic performance of operating subsidiaries.
- In France, Safran is liable for the entire income tax charge, additional income tax contributions and the annual minimum tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, pursuant to the provisions of article 223-A of the French Tax Code (*Code général des impôts*).

In accordance with the tax consolidation agreement in France, tax-consolidated subsidiaries bear their own tax charge as if they were not members of the tax group, and pay the corresponding amounts to Safran as their contribution to the Group tax payment.

- Services rendered by the holding company to its subsidiaries are generally billed to beneficiaries based on assistance agreements.

Note 32 – Consolidated statement of cash flows

The statement of cash flows is prepared using the indirect method, which shows the adjustments made to profit in order to obtain cash flow from operating activities. The effect of changes in foreign exchange rates shows the impact of exchange rate fluctuations between the beginning and the end of the year and the impact of these fluctuations on cash and cash equivalents at January 1.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise term and sight deposits. They have a term of less than three months and are convertible into a known amount of cash.

These amounts are analyzed in Note 20.

PAYMENTS FOR THE PURCHASE OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

These items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Acquisitions of intangible assets	(269)	(232)
Acquisitions of property, plant and equipment	(354)	(286)
Change in payables on purchases of intangible assets	(24)	(23)
Change in payables on purchases of property, plant and equipment	(14)	(9)
Change in receivables on disposals of property, plant and equipment	-	-
Proceeds from disposals of intangible assets	1	1
Proceeds from disposals of property, plant and equipment	75	24
Total	(585)	(525)

MATERIAL NON-CASH TRANSACTIONS

Certain transactions carried out by the Group did not have any impact on cash and cash equivalents.

These mainly concern:

- depreciation, amortization, impairment and provision expenses	€649 million
- impact of changes in the fair value of financial instruments ⁽¹⁾	€310 million
- capital gains on asset disposals	€30 million
- elimination of profit before tax paid relating to discontinued operations	€5 million
- other	€39 million
	€1,033 million

⁽¹⁾ This impact is primarily the result of the Group's decision to apply so-called speculative accounting as of July 1, 2005 and therefore to recognize the change in fair value of its financial instruments from that date in "Financial income (loss)".

DIVIDENDS AND INTEREST

The Group classifies dividends received and interest paid or received in net debt, under operating activities.

Note 33 – Management of market risks and financial derivatives

The main risks arising on the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

<i>(in € millions)</i>	Dec. 31, 2009		Dec. 31, 2010	
	Assets	Liabilities	Assets	Liabilities
<i>Interest rate risk management</i>	-	(4)	13	
Floating-for-fixed interest rate swaps	-	(1)	13	
Fixed-for-floating interest rate swaps	-	(3)		
<i>Foreign currency risk</i>	63	(9)	107	(451)
Currency swaps	-	(4)		
Buy and sell forward currency contracts	50	(2)	24	(240)
Currency options	13	(3)	83	(211)
<i>Management of commodity risk</i>	-	-	8	
Forward purchases of commodities	-	(1)	8	
Total	63	(13)	128	(451)

EXPOSURE TO FOREIGN CURRENCY RISK

Most revenue in the Aerospace Propulsion and Aircraft Equipment branches is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 4.01 billion for 2010 (USD 4.23 billion in 2009).

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting profitability and allowing it to adapt its cost structure to an unfavorable monetary environment.

HEDGING POLICY

Two basic principles underscore the foreign currency risk management policy defined by Safran SA for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance (first principle).

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a three-year timeframe.

MANAGEMENT POLICY

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and options (EUR call/USD put).

Optimization measures are also used with a view to improving the minimum exchange rate parity. However, these measures seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators and sales of options (USD call/EUR put).

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

<i>(in millions of currency units)</i>	Dec. 31, 2009				Dec. 31, 2010			
	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years
Forward exchange contracts	48				(216)			
Short USD position	52	11,274	5,692	5,582	(229)	10,737	6,467	4,270
<i>Of which against EUR</i>	88	10,282	5,076	5,206	(198)	9,938	5,748	4,190
Long USD position	(1)	(12)	(12)	-	5	(1,103)	(903)	(200)
<i>Of which against EUR</i>	-	-	-	-	10	(800)	(600)	(200)
Short GBP position against EUR	-	-	-	-	0.2	21	21	-
Long GBP position against EUR	(5)	(20)	(20)	-	(0.1)	(3)	(3)	-
Long PLN position against EUR	2	33	11	22	3	(225)	(85)	(140)
Short EUR position against CHF	-	(23)	(11)	(12)	(11)	(83)	(56)	(27)
Long MXN position against USD	-	-	-	-	16	(3,149)	(999)	(2,150)
Currency swaps	(4)							
<i>Of which against USD</i>	(1)	22	22	-	-	-	-	-
Currency option contracts	10	-	-	-	(128)			
<i>Puts purchased</i>	20	2,024	2,024	-	69	1,500	1,500	-
<i>Puts sold</i>	(20)	(2,024)	(2,024)	-	(1)	(100)	(100)	-
<i>Calls sold</i>	(3)	1,024	1,024	-	(155)	7,222	4,174	3,048
<i>Accumulators – sell USD (2)</i>	(1)	7,089	3,619	3,470	(55)	9,872	6,309	3,563
<i>Accumulators – buy USD (2)</i>	14	(1,745)	(1,745)	-	11	(1,702)	(1,702)	-
<i>Accumulators – sell GBP (2)</i>		61	61		3	302	302	-
Total	54				(344)			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.

(2) Notional amounts for accumulators represent the maximum cumulative amount.

The €398 million decrease in the fair value of foreign currency derivatives between December 31, 2009 and December 31, 2010 includes decreases in the fair value of currency hedging instruments not yet settled at December 31, 2010 (€275 million), premiums received (€95 million), and premiums matured (€28 million).

In view of the constraints resulting from the application of IAS 39, the Group decided not to apply hedge accounting and to recognize all changes in the fair value of its financial instruments in "Financial income (loss)". Accordingly, all changes in the fair value of hedging instruments not yet settled at the end of the reporting period (€275 million) and premiums matured (€28 million) have been recognized in "Financial income (loss)".

In order to reflect the economic effects of its currency hedging policy, the Group also prepares adjusted financial statements in which gains or losses on the hedging instruments are presented for the same periods as the gains or losses on the items hedged (see Foreword).

BALANCE SHEET EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

The exposure of the Group's balance sheet to foreign currency risk can be summarized as follows:

<i>(in millions of currency units)</i>	Dec. 31, 2009						Dec. 31, 2010					
	USD/EUR	USD/GBP	USD/CAD	TOTAL USD	GBP/EUR	CAD/EUR	USD/EUR	USD/GBP	USD/CAD	Total USD	GBP/EUR	CAD/EUR
Total assets excluding financial derivatives	1,273	70	80	1,423	28	21	1,232	4	21	1,257	54	86
Total liabilities excluding financial derivatives	1,719	67	21	1,807	50	127	1,581	7	17	1,605	26	1
Financial derivatives	130	(50)	4	84	(5)	-	(441)	(47)	12	(476)	1	-
Net balance sheet exposure after financial instruments	(315)	(47)	63	(299)	(27)	(106)	(790)	(50)	16	(824)	29	85

The above table is presented in foreign currencies.

The table below shows the sensitivity of the balance sheet to an increase or decrease of 5% in the EUR/USD exchange rate:

<i>Impact on balance sheet positions (in € millions)</i>	Dec. 31, 2009		Dec. 31, 2010	
	USD		USD	
Closing rate	1.44		1.34	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.37	1.51	1.27	1.40
Net impact of exposure after financial derivatives	(401)	394	(776)	544

INTEREST RATE RISK MANAGEMENT

The Group's exposure to fluctuations in interest rates covers two types of risk:

- price risk in respect of fixed-rate financial assets and liabilities: interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk in respect of floating-rate financial assets and liabilities: interest rate fluctuations have a direct impact on the Group's profit or loss.

Within the framework of its interest rate risk management policy, the Group arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

At December 31, 2010, the Group had contracted "pay floating/received fixed" interest rate swaps for terms of three to five years for a total of €750 million. These swaps are intended as hedges of the fixed coupon payable on bonds and are eligible for fair value hedge accounting.

<i>(in € millions)</i>	Dec. 31, 2009				Dec. 31, 2010			
	Fair value	Notional amount	Less than 1 year	1 to 5 years	Fair value	Notional amount	Less than 1 year	1 to 5 years
Interest rate swaps								
Fixed-for-floating – fair value hedge	(3)	750	-	750	13	750	-	750
Floating-for-fixed – not eligible for hedge accounting	(1)	650	-	650	-	-	-	-
Total	(4)	1,400	-	1,400	13	750	-	750

Debt in respect of employee savings is at floating rates, but resets only yearly. The Group's remaining long-debt is mostly at floating rates and includes a €750 million swap hedging the fixed coupon payable on the November 2009 bonds, as well as the €300 million EIB loan initially signed on June 17, 2009 and fully drawn down at December 17, 2010 (see Note 26).

A 1% rise in interest rates would therefore increase the cost of debt by €8 million, compared to €6 million in 2009.

MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five years. To hedge commodity prices, the Group uses forward sales of commodities on the London Metal Exchange (LME).

These forward sales are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2010 represents 2,817 tons of nickel, including 604 tons maturing in less than one year and 2,213 in one to five years. The fair value of these instruments was €8.3 million at end-December 2010.

EQUITY RISK MANAGEMENT

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, the only listed shares it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity, compared to a negative impact of €2 million at end-2009.

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

- short-term investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or traded over-the-counter with investment-grade counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

At December 31, 2010, no material counterparty risk had been identified by the Group that had not been covered by a provision in the financial statements.

The financial asset maturity schedule is set out in Note 21.

LIQUIDITY RISK MANAGEMENT

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with, and financing requirements of subsidiaries met by, the parent company on an arm's length basis. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Since some of the Group's liquidity lines have not been used, Safran is relatively insensitive to liquidity risk.

A number of financial covenants apply to the EIB borrowings set up in 2003, 2005 and 2010 (see Note 26).

The following two ratios apply:

- Net debt/EBITDA < 2.5
- Net debt/total equity (gearing) < 1

The terms “net debt”, “EBITDA” and “total equity” are English translations of the French terms, defined as follows:

- Net debt: borrowings (excluding repayable advances) less marketable securities and cash and cash equivalents;
- EBITDA: the sum of profit (loss) from operations and the net charge to depreciation, amortization and provisions for impairment of assets (calculated based on adjusted data);
- Total equity: equity attributable to owners of the parent and non-controlling interests.

Undrawn confirmed liquidity facilities at December 31, 2010 totaled €2,400 million and comprised two syndicated credit lines for €800 million and €1,600 million, maturing in January 2012 and December 2015, respectively. The latter is subject to a financial covenant (net debt/EBITDA of less than 2.5).

Note 34 – Off-balance sheet commitments and contractual obligations

ENDORSEMENTS, GUARANTEES AND OTHER COMMITMENTS

COMMITMENTS IN RESPECT OF ORDINARY ACTIVITIES

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

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Employee-related commitments	17	86
Commitments given to customers (completion warranties, performance bonds)	257	275
Commitments given to third parties	651	1,096
Commitments given to customs authorities	79	78
Vendor warranties given	117	110
Actuarial adjustments	55	131
Other commitments	169	164
Total	1,345	1,940

The various commitments received by the Safran Group are as follows:

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010
Commitments received from banks on behalf of suppliers	15	15
Completion warranties	17	19
Endorsements and guarantees received	1	53
Vendor warranties received	223	203
Other commitments received	9	3
Total	265	293

No commitments were given or received in respect of discontinued operations.

OTHER CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Group also recognizes obligations or commitments to make future payments:

<i>(in € millions)</i>	Dec. 31, 2009	Dec. 31, 2010	Period to maturity		
	Total	Total	Less than 1 year	From 1 to 5 years	Beyond 5 years
Long-term borrowings at inception	504	803	258	355	190
Finance lease commitments	190	191	16	64	111
Operating lease commitments	190	218	56	122	40
Non-cancelable purchase commitments	-	-	-	-	-
Bond issue	744	762	-	762	-
Total	1,628	1,974	330	1,303	341

Lease payments recognized in profit or loss for the year amounted to €103 million.

VENDOR WARRANTIES

Vendor warranties are given or received on the acquisition or sale of companies. At December 31, 2010, no such warranties had been called and none required the recognition of a provision in the Group's consolidated financial statements.

CAPITAL EXPENDITURE COMMITMENTS

At December 31, 2010, capital expenditure commitments totaled €108 million (excluding discontinued operations), versus €104 million at end-2009.

FINANCIAL GUARANTEES GRANTED ON THE SALE OF GROUP PRODUCTS

These guarantees generate risks which represented a total gross amount of USD 127.5 million at December 31, 2010. This amount does not, however, reflect the actual risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, consisting of the aircraft pledged. Accordingly, the full amount of the net risk as calculated using the valuation model is covered by a provision in the financial statements.

Note 35 – Disputes and litigation

Except for the matters described below, neither Safran nor any of its subsidiaries are, or have been, notably during the last 12 months, parties to any governmental, legal or arbitration proceedings that are likely to have, or have had, in the recent past, a significant effect on the financial position or profitability of Safran and/or the Safran Group. To the best of the Company's knowledge, no such proceedings are contemplated by governmental authorities or third parties. A provision is only booked to cover the expenses that may result from such proceedings when the expenses are probable and their amount can be either quantified or reasonably estimated. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although the occurrence of events during the proceedings can nonetheless lead to a reassessment of the risk. Safran believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

- A number of criminal and/or civil lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any damages payable by Safran or its subsidiaries under these proceedings.

- At the end of 2002, a request for arbitration against a group of French manufacturers, including the future Snecma group, was filed by a common customer seeking the payment of no less than USD 260 million and for which the group of manufacturers may be jointly and severally liable with regard to the claimant. This request relates to the performance of past contracts entered into by these manufacturers and in which Snecma's participation was approximately 10%. All the manufacturers concerned contested this claim. An agreement was signed, whereby the manufacturers concerned by the request for arbitration waived their right to invoke the legal statute of limitations, and the claimant withdrew its request for arbitration in June 2003. However, it reserved the right to submit a new claim for a greater amount. Safran has not yet recognized a provision in this respect.
- EPI Europrop International, the joint company in which Snecma is shareholder and guarantor along with its fellow shareholders, develops engines for the A400M aircraft. Airbus Military, a client of EPI, has brought a number of claims against the company. No adequate substantiation has been provided in respect of these claims – formally contested by EPI – enabling the Group to assess the relevance of the claims or any impact they may have on EPI. In any case, in view of the provisions already booked, these claims are not expected to result in any significant losses for the Group.
- At the end of 2008, proceedings were brought against three employees of a Group subsidiary in connection with the alleged payment by Sagem SA of commissions to local intermediaries between 2000 and 2003. These payments were allegedly made in an attempt to corrupt employees of the Nigerian government with the aim of being awarded the State's electronic ID card contract. Safran was also placed under judicial investigation in connection with this case in February 2009. In September 2009, a tax collection notice was issued for €11.7 million, further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment has been challenged.
- In 2009 and 2010, Safran received several requests for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA and that are no longer part of the Safran Group. At this point in time, Safran has no information as regards the next stage in these proceedings, but does not rule out the possibility of being served a statement of objections.

Tax litigation and contingencies

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expense between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007. No provision has yet been set aside in respect of this risk.
- Two of the Group's subsidiaries in Brazil were served tax deficiency notices for €56.2 million and €19.3 million, respectively, chiefly in connection with unpaid import levies and duties. In light of existing legislation and case law with regard to the customs clearance for aviation products, along with information supplied by the subsidiaries, these tax adjustments have been challenged.

Note 36 – Subsequent events

None.

Note 37 – List of consolidated companies

Corporate name, Legal form, Registered office	Siren registration No. or country	2009			2010		
		Consolidation method	% interest	% control	Consolidation method	% interest	% control
Safran SA	Parent company						
Direct Safran SA subsidiaries							
Sagem Télécommunications - 75015 Paris	480 108 158	FC	100.0	100.0	FC	100.0	100.0
Sagem Défense Sécurité - 75015 Paris	480 107 911	FC	100.0	100.0	FC	100.0	100.0
Safran Informatique - 75015 Paris	480 107 143	FC	100.0	100.0	FC	100.0	100.0
Snecma - 75015 Paris	414 815 217	FC	100.0	100.0	FC	100.0	100.0
Hispano-Suiza SA - 92707 Colombes	692 015 217	FC	100.0	100.0	FC	100.0	100.0
Aircelle - Gonfreville l'Orcher - 76700 Harfleur	352 050 512	FC	100.0	100.0	FC	100.0	100.0
Techspace Aero - B4041 Milmort	Belgium	FC	55.78	100.0	FC	55.78	100.0
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	United States	FC	100.0	100.0	FC	100.0	100.0
Turbomeca SA - 64510 Bordes	338 481 955	FC	100.0	100.0	FC	100.0	100.0
Technofan SA - 31700 Blagnac	710 802 547	FC	93.32	100.0	FC	93.91	100.0
Morpho USA Inc. (1)	United States	-	-	-	FC	100.00	100.0
Messier-Bugatti SA - 78141 Velizy	712 019 538	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty SA - 78142 Velizy	552 118 846	FC	100.0	100.0	FC	100.0	100.0
Europropulsion SA - 92150 Suresnes	388 250 797	PC	50.0	50.0	PC	50.0	50.0
SEM MB SA - 95815 Argenteuil	592 027 312	PC	50.0	50.0	PC	50.0	50.0
Safran Engineering Services (formerly Teuchos SA) - 78990 Elancourt (3)	352 876 197	FC	100.0	100.0	-	-	-
Safran UK (formerly Snecma Ltd)	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Sagem Télécommunications							
Sagem Mobiles – 75015 Paris (2)	440 349 181	FC	100.0	100.0	FC	100.0	100.0
Sagem Industries – 75015 Paris	440 293 637	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Sagem Mobiles (2)							
Sagem Communication Poland Sp Zo.o	Poland	NC*	-	-	NC*	-	-
Sagem Industria e Comercio de Comunicacoes LDA	Portugal	NC*	-	-	NC*	-	-
Sagem Communication Suisse	Switzerland	NC*	-	-	NC*	-	-
Sagem Comunicações Ltda	Brazil	NC*	-	-	NC*	-	-
Subsidiaries of Sagem Défense Sécurité							
Morpho (formerly Sagem Sécurité) – 75015 Paris	440 305 282	FC	100.0	100.0	FC	100.0	100.0
Sagem Avionics Inc. (4)	United States	FC	100.0	100.0	-	-	-
Sofradir	334 835 709	PC	40.0	40.0	PC	40.0	40.0
Vectronix AG	Switzerland	FC	100.0	100.0	FC	100.0	100.0
Safran Electronics Canada (formerly Hispano-Suiza Canada)	Canada	FC	100.0	100.0	FC	100.0	100.0
Sagem Navigation GmbH	Germany	NC*	-	-	FC	100.0	100.0
Safran Electronics Asia Pte Ltd	Singapore	-	-	-	FC	51.0	100.0
Subsidiaries of Morpho (formerly Sagem Sécurité)							
Sagem Orga GmbH	Germany	FC	100.0	100.0	FC	100.0	100.0
Ingenico	317 218 758	EQ	22.38	19.35	EQ	22.58	31.73
Sagem Identification BV	Netherlands	FC	100.0	100.0	FC	100.0	100.0
Morpho Australasia Pty Ltd	Australia	FC	100.0	100.0	FC	100.0	100.0
Sagem Sécurité Maroc	Morocco	FC	100.0	100.0	FC	100.0	100.0
Aleat	Albania	FC	75.0	75.0	FC	75.0	75.0
Confidence	404 401 887	NC*	-	-	NC*	-	-
Sagem Xelios (5)	437 782 535	NC*	-	-	-	-	-
Sagem Security International Trading Co, Ltd	China	NC*	-	-	NC*	-	-
Morpho UK Ltd	United Kingdom	-	-	-	FC	100.0	100.0
Morpho South Africa (Pty) Ltd	South Africa	-	-	-	FC	100.0	100.0
Subsidiary of Confidence							
Positive	339 650 335	NC*	-	-	NC*	-	-
Subsidiaries of Sagem Orga GmbH							
Orga Carte et Système	400 337 432	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga Pte Ltd	Singapore	FC	100.0	100.0	FC	100.0	100.0
Orga Zelenograd Smart Cards and Systems	Russia	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga do Brasil	Brazil	FC	100.0	100.0	FC	100.0	100.0
Orga Smart Chip Ltd	India	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga USA, Inc.	United States	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga UK Ltd	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Orga Card Portugal	Portugal	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga SA Pty Ltd	South Africa	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga FZ LLC	United Arab Emirates	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga SRL	Romania	FC	100.0	100.0	FC	100.0	100.0
Sagem Orga Mexico	Mexico	-	-	-	FC	100.0	100.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method. NC: Not consolidated. * Frozen retained earnings.

(1) Incorporated on July 28, 2010.

(2) Classified within assets held for sale.

(3) Sold by Safran to Labinal SA in 2010.

(4) Sold to Safran USA Inc. in 2010.

(5) Merged into Morpho SA in 2010.

Corporate name, Legal form, Registered office	Siren registration No. or country	2009			2010		
		Consolidation method	% interest	% control	Consolidation method	% interest	% control
Subsidiary of Sofradir							
ULIS	440 508 331	PC	34.01	40.0	PC	34.01	40.0
Subsidiaries of Vectronix AG							
Vectronix Inc.	United States	FC	100.00	100.0	FC	100.00	100.0
Optics1 Inc.	United States	-	-	-	FC	100.00	100.0
Subsidiaries of Snecma							
CFM International SA - 75105 Paris	302 527 700	PC	50.0	50.0	PC	50.0	50.0
CFM International Inc. - City of Dover, Co Kent - Delaware 19901	United States	PC	50.0	50.0	PC	50.0	50.0
Famat - 44614 Saint-Nazaire cedex	321 853 798	PC	50.0	50.0	PC	50.0	50.0
Snecma Participations	440 291 888	FC	100.0	100.0	FC	100.0	100.0
Snecma Services Participations SA - 75015 Paris (4)	414 815 399	FC	100.0	100.0	-	-	-
Fan Blade Associates	United States	FC	100.0	100.0	FC	100.0	100.0
Snecma Xinyi Airfoil Castings Co Ltd	China	-	-	-	FC	90.0	100.0
Subsidiaries of Snecma Participations							
Snecma Suzhou	China	FC	100.0	100.0	FC	100.0	100.0
Snecma Services Brussels - 1200 Woluwé Saint Lambert	Belgium	FC	100.0	100.0	FC	100.0	100.0
Snecma Morocco Engine Services	Morocco	FC	51.0	100.0	FC	51.0	100.0
Snecma Services Participation Inc. - Cincinnati, Ohio 45242	United States	FC	100.0	100.0	FC	100.0	100.0
Snecma America Engine Services	Mexico	-	-	-	FC	100.0	100.0
Subsidiary of Fan Blades Associates							
Cfan	United States	PC	50.0	50.0	PC	50.0	50.0
Subsidiary of Hispano-Suiza							
Hispano-Suiza Polska	Poland	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of CFM International Inc.							
Shannon Engine Support Ltd - Shannon, Co Clare	Ireland	PC	50.0	50.0	PC	50.0	50.0
Subsidiaries of Snecma Services Participation Inc.							
Propulsion Technologies International - Miami, Florida 33122	United States	FC	51.0	100.0	FC	51.0	100.0
CFM Materials LP	United States	-	-	-	PC	50.0	50.0
Subsidiaries of Aircelle							
Aircelle Ltd - Burnley, Lancashire	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
SLCA - 57192 Floranges	317 401 065	FC	100.0	100.0	FC	100.0	100.0
Aircelle Maroc	Morocco	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Techspace Aero							
Techspace Aero Inc. - Cincinnati, Ohio 45246	United States	FC	55.78	100.0	FC	55.78	100.0
Subsidiary of Techspace Aero Inc.							
Cenco Inc. - Minnesota 55112	United States	FC	55.78	100.0	FC	55.78	100.0
Subsidiaries of Etablissements Vallaroché							
Soreval - L2633 Senningerberg	Luxembourg	FC	100.0	100.0	FC	100.0	100.0
Lexvall 2 - 75015 Paris	428 705 438	FC	100.0	100.0	FC	100.0	100.0
Lexvall 13 - 75015 Paris	440 291 938	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Labinal							
Labinal GmbH - 21129 Hamburg	Germany	FC	100.0	100.0	FC	100.0	100.0
Labinal Maroc	Morocco	FC	74.92	100.0	FC	74.92	100.0
Matis Aerospace	Morocco	PC	33.33	33.3	PC	33.33	33.3
Safran Engineering Services (formerly Teuchos SA) - 78990 Elancourt (3)	352 876 197	-	-	-	FC	100.0	100.0
Subsidiaries of Safran USA Inc.							
Labinal Inc. - Wilmington/Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Safran Electronics Inc. (formerly Messier-Bugatti Systems Inc.) - Wilmington/Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Globe Motors Inc. - Wilmington/Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Labinal de Mexico SA de CV - Chihuahua	Mexico	FC	100.0	100.0	FC	100.0	100.0
Turbomeca USA Inc. - Wilmington/Delaware 19808	United States	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Manufacturing Inc. - Monroe/North Carolina	United States	FC	100.0	100.0	FC	100.0	100.0
Labinal Investments Inc. - Grand Prairie/Texas 75052	United States	FC	100.0	100.0	FC	100.0	100.0
Safran Employment Services Inc. - Grand Prairie/Texas 75052	United States	FC	100.0	100.0	FC	100.0	100.0
MorphoTrak Inc. (formerly Sagem Morpho Inc.) (1)	United States	FC	100.0	100.0	-	-	-
MorphoDetection Inc. (1)	United States	FC	81.00	81.00	-	-	-
Sagem Avionics Inc. (2)	United States	-	-	-	FC	100.0	100.0
Messier-Bugatti USA (2) Walton - Kentucky 41094	United States	-	-	-	FC	100.0	100.0
Subsidiaries of Morpho USA Inc.							
MorphoTrak Inc. (formerly Sagem Morpho Inc.) (1)	United States	-	-	-	FC	100.0	100.0
MorphoDetection Inc. (1)	United States	-	-	-	FC	81.00	81.00
Subsidiary of Labinal Inc.							
Labinal Salisbury Inc. Maryland	United States	-	-	-	FC	100.0	100.0
Subsidiaries of Globe Motors Inc.							
Globe Motors Portugal - Modivas Vila do Conde 4485-595	Portugal	FC	100.0	100.0	FC	100.0	100.0
Globe Motors de Mexico, SA de CV	Mexico	FC	100.0	100.0	FC	100.0	100.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method. NC: Not consolidated. * Frozen retained earnings.

(1) Contribution of MorphoTrak and MorphoDetection shares to Morpho USA on August 31, 2010.

(2) Sold to Safran USA Inc. in 2010.

(3) Sold by Safran to Labinal SA.

(4) Merged into Snecma Participations Inc.

Corporate name, Legal form, Registered office	Siren registration No. or country	2009			2010		
		Consolidation method	% interest	% control	Consolidation method	% interest	% control
Subsidiaries of Turbomeca SA							
Microturbo SA - 31200 Toulouse	630 800 084	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Africa Pty Ltd - Bonaero Park 1622	South Africa	FC	51.0	100.0	FC	51.0	100.0
Turbomeca Australasia	Australia	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Canada	Canada	FC	100.0	100.0	FC	100.0	100.0
Turbomeca do Brasil	Brazil	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Germany	Germany	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Asia Pacific	Singapore	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Sud Americana	Uruguay	FC	100.0	100.0	FC	100.0	100.0
Turbomeca America Latina	Uruguay	FC	100.0	100.0	FC	100.0	100.0
Turbomeca Beijing Helicopter Engines Trading Cie Ltd	China	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Safran UK (formerly Snecma Ltd)							
Turbomeca UK	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Messier-Bugatti							
Messier-Bugatti USA (2) Walton - Kentucky 41094	United States	FC	100.0	100.0	-	-	-
Sofrance SA - 87800 Nexon	757 502 240	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Messier-Dowty SA							
Messier-Dowty Ltd - Gloucester GL2 9QH	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Messier-Dowty Inc. - Ajax Ontario	Canada	FC	100.0	100.0	FC	100.0	100.0
Suzhou I (1)	China	FC	100.0	100.0	-	-	-
Suzhou II	China	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Safran Engineering Services (formerly Teuchos SA)							
Safran Engineering Services Maroc (formerly Teuchos Maroc)	Morocco	FC	100.0	100.0	FC	100.0	100.0
Safran Engineering Services India (formerly Safran Aerospace India Pvt Ltd)	India	FC	100.0	100.0	FC	100.0	100.0
Jointly-held subsidiary of Messier-Dowty Int. and Messier-Bugatti							
Messier Services International - 78140 Velizy	434 020 996	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of Messier Services International							
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	United States	FC	100.0	100.0	FC	100.0	100.0
Messier Services Pte Ltd - Singapore 508985	Singapore	FC	100.0	100.0	FC	100.0	100.0
Messier Services Ltd - Gloucester GL2 9QH	United Kingdom	FC	100.0	100.0	FC	100.0	100.0
Messier Services Americas	Mexico	FC	100.0	100.0	FC	100.0	100.0
Messier Services Mexico	Mexico	FC	100.0	100.0	FC	100.0	100.0
Subsidiary of Orga Smart Chip Ltd							
Orga Syscom Corporation Ltd	India	FC	100.0	100.0	FC	100.0	100.0
Interest in Messier Services International							
Hydrep - 35800 Saint-Lunaire	381 211 184	EQ	50.0	50.0	PC	50.0	50.0
Interest in Messier Services Inc.							
A-Pro Inc. Tallahassee Florida 32301	United States	EQ	50.0	50.0	PC	50.0	50.0
Subsidiary of Messier Services Pte Ltd							
Messier Services Asia Pte Ltd - Singapore 508985	Singapore	FC	60.0	100.0	FC	60.0	100.0
Subsidiary of Labinal Investments Inc.							
Labinal de Chihuahua, SA de CV	Mexico	FC	100.0	100.0	FC	100.0	100.0
Subsidiaries of MorphoDetection Inc.							
MorphoDetection International Inc.	United States	FC	81.0	81.0	FC	81.0	81.0
Quantum Magnetics Inc.	United States	FC	81.0	81.0	FC	81.0	81.0
MorphoDetection GmbH	Germany	FC	81.0	81.0	FC	81.0	81.0
MorphoDetection UK	United Kingdom	FC	81.0	81.0	FC	81.0	81.0
MorphoDetection Hong Kong	China	FC	81.0	81.0	FC	81.0	81.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method. NC: Not consolidated. * Frozen retained earnings.

(1) Merged into Suzhou II.

(2) Sold to Safran USA Inc. in 2010.



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