June 30, 2010

SAFRAN

AEROSPACE · DEFENCE · SECURITY

The Supervisory Board meeting of July 27, 2010 authorized the publication of Safran's condensed interim consolidated financial statements and adjusted income statement for the six-month period ended June 30, 2010, as approved by the Executive Board on July 26, 2010.

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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 condensed interim consolidated financial statements.

Readers are reminded that the Safran Group:

- is the result of the May 11, 2005 merger of the Sagem and Snecma groups, accounted for in accordance with IFRS 3, Business Combinations, in its consolidated financial statements;

- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting (see section 3.1, Note 1.f, "Accounting policies" to the 2009 Registration Document).

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

- purchase price allocations with respect to material business combinations. Since 2005, this restatement 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, justified by 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 is neutralized, including the "ineffective" portion with effect from the publication of the 2009 financial statements, given that the Group's hedging strategy includes optional hedging instruments and optimization measures combined with highly volatile market inputs used to mark to market.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

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

(in € millions)	Consolidated financial statements at June 30, 2010	Currency hedging		Business combinations		Adjusted financial statements at June 30, 2010
		Remeasurement of revenue (1)	Deferred hedging gains (losses) (2)	Amortization of intangible assets related to the Sagem-Snecma merger (3)	Impact of other business combinations (4)	
Revenue	**5,367**	**(170)**				**5,197**
Other recurring operating income and expenses	**(4,817)**	**2**	**(56)**	**79**	**23**	**(4,769)**
Recurring operating income	**550**	**(168)**	**(56)**	**79**	**23**	**428**
Other non-recurring operating income and expenses	-	-	-	-	-	-
Profit from operations	**550**	**(168)**	**(56)**	**79**	**23**	**428**
Cost of net debt	**(20)**	-	-	-	-	**(20)**
Foreign exchange gains (losses)	**(1,987)**	168	1,781	-	-	**(38)**
Other financial income and expense	**(78)**	-	-	-	-	**(78)**
Financial income (loss)	**(2,085)**	**168**	**1,781**	-	-	**(136)**
Share in profit from associates	**7**	-	-	-	-	**7**
Income tax benefit (expense)	**559**	-	(594)	(27)	(8)	**(70)**
Profit (loss) from continuing operations	**(969)**	-	**1,131**	**52**	**15**	**229**
Loss from discontinued operations	-	-	-	-	-	-
Attributable to non-controlling interests	**(4)**	3	(2)	(1)	(2)	**(6)**
Profit (loss) for the period attributable to owners of the parent	**(973)**	**3**	**1,129**	**51**	**13**	**223**

(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 €1,781 million excluding tax, and the negative impact of including hedges in the measurement of provisions for losses to completion for €56 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 the interim consolidated financial statements are reviewed by the Group's statutory auditors. The interim 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 the interim activity report.

Comparative adjusted interim consolidated income statement and segment information

Adjusted interim consolidated income statement

(in € millions)	Note	First-half 2009 (1) (2) Adjusted	First-half 2010 Adjusted
Revenue	5	**5,149**	**5,197**
Other income	6	85	88
Income from operations		**5,234**	**5,285**
Change in inventories of finished goods and work-in-progress		57	16
Capitalized production		105	112
Raw materials and consumables used		(3,028)	(3,001)
Personnel costs	6	(1,668)	(1,786)
Taxes		(118)	(106)
Depreciation, amortization and increase in provisions net of use		(172)	(109)
Asset impairment		(62)	3
Other recurring operating income and expenses	6	(1)	14
Recurring operating income		**347**	**428**
Other non-recurring operating income and expenses	6	(6)	-
Profit from operations		**341**	**428**
Cost of net debt	7	(16)	(20)
Foreign exchange gains (losses)		8	(38)
Other financial income and expense	7	(75)	(78)
Financial income (loss)		**(83)**	**(136)**
Share in profit from associates	16	7	7
Profit before tax		**265**	**299**
Income tax (expense) benefit		(59)	(70)
Profit from continuing operations		**206**	**229**
Profit from discontinued operations	9	6	-
Profit for the period		**212**	**229**
Attributable to:			
owners of the parent		207	223
non-controlling interests		5	6
Earnings per share attributable to owners of the parent (in €)			
Basic earnings per share		0.52	0.56
Diluted earnings per share		0.52	0.55
Earnings per share of continuing operations attributable to owners of the parent (in €)			
Basic earnings per share		0.50	0.56
Diluted earnings per share		0.50	0.55
Earnings per share of discontinued operations attributable to owners of the parent (in €)			
Basic earnings per share		0.02	0.00
Diluted earnings per share		0.02	0.00

(1) The adjusted consolidated income statement for the six months ended June 30, 2009 has been restated to take account of the changes in presentation adopted for the consolidated financial statements at December 31, 2009.

Provisions for the interest component of pension expense (€10 million at June 30, 2009), presented within profit from operations in the published adjusted data at June 30, 2009 has been reclassified to financial income (loss) with effect from December 31, 2009 inclusive. Accordingly, adjusted data for the six months ended June 30, 2009 presented above have been restated (see Note 3).

With effect from December 31, 2009 inclusive, other operating income and expenses deemed to be non-recurring are presented seperately within "Other non-recurring operating income and expenses" (see Note 3 and Note 6).

As described in the Foreword, with effect from December 31, 2009 inclusive, the ineffective portion of non-settled foreign currency hedging instruments is recorded within financial items in the consolidated financial statements but is neutralized in the adjusted income statement. Accordingly, the adusted data for the six months ended June 30, 2009 presented above have been restated to neutralize €121 million in positive changes in fair value of foreign currency hedges in financial income (loss) and the related tax charge (€42 million). This change had no impact on revenue or profit (loss) from operations for first-half 2009.

(2) 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) has been neutralized. Accordingly, the adusted data for the six months ended June 30, 2009 presented above have been restated to neutralize €7 million in amortization charges on intangible assets in profit (loss) from operations and the related tax benefit (€2 million).

Segment information

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

First-half 2010

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedging	Amortization of intangible assets	**Total consolidated data**
Revenue	**2,763**	**1,374**	**558**	**479**	**5,174**	**23**	**5,197**	**170**		**5,367**
Recurring operating income	**311**	**68**	**28**	**61**	**468**	**(40)**	**428**	**224**	**(102)**	**550**
Other non-recurring operating income and expenses										
Profit from operations	**311**	**68**	**28**	**61**	**468**	**(40)**	**428**	**224**	**(102)**	**550**
Free cash flow	**168**	**38**	**(151)**	**5**	**60**	**128**	**188**			**188**

First-half 2009

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedging	Amortization of intangible assets (2)	**Total consolidated data**
Revenue	**2,769**	**1,413**	**511**	**434**	**5,127**	**22**	**5,149**	**146**		**5,295**
Recurring operating income (1)	**271**	**47**	**19**	**40** (2)	**377**	**(30)**	**347**	**143**	**(86)**	**404**
Other non-recurring operating income and expenses	(6)				**(6)**		**(6)**			**(6)**
Profit from operations (1)	**265**	**47**	**19**	**40**	**371**	**(30)**	**341**	**143**	**(86)**	**398**
Free cash flow	**184**	**(124)**	**19**	**(30)**	**49**	**115**	**164**			**164**

(1) 2009 profit from operations has been adjusted to take account of the changes in presentation described in Note 3.

(2) 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 adusted data for the six months ended June 30, 2009 presented above have been restated to neutralize €7 million in amortization charges on intangible assets in profit from operations.

Revenue (adjusted data)

(in € millions)		First-half 2009	First-half 2010
Aerospace Propulsion			
Original equipment		1,044	1,145
Products and services related to original equipment		184	129
Maintenance, repairs and overhauls		561	565
Spare parts		741	715
Lease and exchange fees		58	73
Sales of research and technology studies		17	22
Sales of sustaining engineering studies		78	80
Other		86	34
	Sub-total	2,769	2,763
Aircraft Equipment			
Original equipment		774	739
Products and services related to original equipment		129	94
Maintenance, repairs and overhauls		191	219
Spare parts		246	222
Lease and exchange fees		5	7
Sales of research and technology studies		1	2
Sales of sustaining engineering studies		25	36
Other		42	55
	Sub-total	1,413	1,374
Defence			
Sales of equipment		277	296
Products and services related to sales of equipment		1	3
Maintenance, repairs and overhauls		26	29
Spare parts		69	78
Lease and exchange fees		1	-
Sales of research and technology studies		-	1
Sales of sustaining engineering studies		122	129
Other		15	22
	Sub-total	511	558
Security			
Sales of equipment		341	328
Products and services related to sales of equipment		4	-
Maintenance, repairs and overhauls		69	138
Sales of research and technology studies		-	2
Sales of sustaining engineering studies		13	2
Other		7	9
	Sub-total	434	479
Holding company and other			
Sales of equipment		13	13
Other		9	10
	Sub-total	22	23
Total		**5,149**	**5,197**

Information by geographical area (adjusted data)

First-half 2010

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	**Total**
Revenue by location of customers	1,529	1,338	1,403	585	342	**5,197**
%	29%	26%	27%	11%	7%	

First-half 2009

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	**Total**
Revenue by location of customers	1,403	1,504	1,299	495	448	**5,149**
%	27%	29%	25%	10%	9%	

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

Safran Group

condensed interim

consolidated financial statements

Consolidated income statement

(in € millions)	Note	First-half 2009(1)	First-half 2010
Revenue	*5 and 6*	**5,295**	**5,367**
Other income	*6*	85	88
Income from operations		**5,380**	**5,455**
Change in inventories of finished goods and work-in-progress		57	15
Capitalized production		105	112
Raw materials and consumables used	*6*	(3,034)	(3,003)
Personnel costs	*6*	(1,668)	(1,786)
Taxes		(118)	(106)
Depreciation, amortization and increase in provisions net of use	*6*	(260)	(163)
Asset impairment	*6*	(57)	12
Other recurring operating income and expenses	*6*	(1)	14
Recurring operating income	***5 and 6***	**404**	**550**
Other non-recurring operating income and expenses	*6*	(6)	-
Profit from operations	***5 and 6***	**398**	**550**
Cost of net debt		(16)	(20)
Foreign exchange gains (losses)		299	(1,987)
Other financial income and expenses		(75)	(78)
Financial income (loss)	*7*	**208**	**(2,085)**
Share in profit from associates	*16*	7	7
Profit (loss) before tax		**613**	**(1,528)**
Income tax (expense) benefit	*8*	(179)	559
Profit (loss) from continuing operations		**434**	**(969)**
Profit from discontinued operations	*9*	6	-
Profit (loss) for the period		**440**	**(969)**
Attributable to:			
owners of the parent		434	(973)
non-controlling interests		6	4
Earnings per share attributable to owners of the parent (in €)	*10*		
Basic earnings (loss) per share		1.09	(2.44)
Diluted earnings (loss) per share		1.09	(2.44)
Earnings per share of continuing operations attributable to owners of the parent (in €)	*10*		
Basic earnings (loss) per share		1.07	(2.44)
Diluted earnings (loss) per share		1.07	(2.44)
Earnings per share of discontinued operations attributable to owners of the parent (in €)	*10*		
Basic earnings (loss) per share		0.02	0.00
Diluted earnings (loss) per share		0.02	0.00

(1) The consolidated income statement for the six months ended June 30, 2009 has been restated to take account of the changes in presentation adopted for the consolidated financial statements at December 31, 2009.
Provisions for the interest component of pension expense (€10 million at June 30, 2009), presented within profit from operations in the published consolidated income statement at June 30, 2009 have been reclassified to financial income (loss) with effect from December 31, 2009 inclusive. Accordingly, the consolidated income statement for the six months ended June 30, 2009 has been restated (see Note 3).
With effect from December 31, 2009 inclusive, other operating income and expenses deemed to be non-recurring are presented seperately within "Other non-recurring operating income and expenses" (see Note 3 and Note 6).

Consolidated statement of comprehensive income

	30.06.2009	30.06.2010
Profit (loss) for the period	**440**	**(969)**
Other comprehensive income		
Available-for-sale financial assets	18	4
Unrealized gains and losses recognized in other comprehensive income	*4*	*4*
Reclassified to profit (loss) for the period following impairment	*14*	-
Translation adjustments	14	177
Unrealized foreign exchange gains and losses recognized in other comprehensive income	*14*	*177*
Income tax related to components of other comprehensive income		
Other comprehensive income for the period	**32**	**181**
Of which transferred to profit (loss) for the period	14	-
Total comprehensive income for the period	**472**	**(788)**
Attributable to:		
- owners of the parent	465	(797)
- non-controlling interests	7	9

At June 30, 2010, translation adjustments include an amount of €80 million in foreign exchange differences relating to long-term monetary assets held by a Group entity on a foreign subsidiary.
These assets are considered as a net investment in a foreign operation and are treated in accordance with IAS 21.

Consolidated balance sheet

ASSETS *(in € millions)*	*Note*	Dec. 31, 2009	June 30, 2010
Goodwill	*12*	2,126	2,243
Intangible assets	*13*	3,217	3,205
Property, plant and equipment	*14*	2,201	2,296
Non-current financial assets	*15*	220	204
Investments in associates	*16*	238	237
Deferred tax assets		263	421
Other non-current assets		1	1
Non-current assets		**8,266**	**8,607**
Current financial assets	*15*	75	98
Fair value of financial instruments and derivatives		63	21
Inventories and work-in-progress		3,382	3,546
Trade and other receivables		4,158	4,506
Tax assets		145	45
Other current assets		-	1
Cash and cash equivalents	*17*	2,080	1,416
Current assets		**9,903**	**9,633**
Assets held for sale		-	-
Total assets		**18,169**	**18,240**

EQUITY AND LIABILITIES *(in € millions)*	*Note*	Dec. 31, 2009	June 30, 2010
Share capital		83	83
Consolidated retained earnings	*19.c*	3,619	4,293
Net unrealized gains on available-for-sale financial assets		10	14
Profit (loss) for the period		641	(973)
Equity attributable to owners of the parent		**4,353**	**3,417**
Non-controlling interests		**148**	**151**
Total equity		**4,501**	**3,568**
Provisions	*20*	1,315	1,244
Borrowings subject to specific conditions	*21*	696	708
Interest-bearing non-current liabilities	*22*	1,208	1,226
Deferred tax liabilities		833	394
Other non-current liabilities		208	198
Non-current liabilities		**4,260**	**3,770**
Provisions	*20*	1,039	1,100
Interest bearing current liabilities	*22*	1,367	784
Trade and other payables		6,936	7,130
Tax liabilities		53	72
Fair value of financial instruments and derivatives		13	1,816
Other current liabilities		-	-
Current liabilities		**9,408**	**10,902**
Liabilities held for sale		-	-
Total equity and liabilities		**18,169**	**18,240**

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments	Consolidated retained earnings	Profit (loss) for the period	Other	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
At January 1, 2010	**83**	**3,360**	**(247)**	**10**	**(64)**	**558**	**641**	**12**	**4,353**	**148**	**4,501**
Comprehensive income for the period				4	172		(973)		**(797)**	9	**(788)**
Acquisition of treasury shares, net			(1)						**(1)**		**(1)**
Dividends						(152)			**(152)**	(6)	**(158)**
Other movements						641	(641)	14	**14**		**14**
At June 30, 2010	**83**	**3,360**	**(248)**	**14**	**108**	**1,047**	**(973)**	**26**	**3,417**	**151**	**3,568**

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments	Consolidated retained earnings	Profit (loss) for the period	Other	**Equity attributable to owners of the parent**	Non-controlling interests	**Total**
At January 1, 2009	**83**	**3,360**	**(252)**	**(15)**	**(69)**	**831**	**(205)**	**-**	**3,733**	**141**	**3,874**
Comprehensive income for the period				18	13		434		465	7	472
Acquisition of treasury shares, net			1						**1**		**1**
Dividends						(68)			**(68)**	(5)	**(73)**
Other movements						(205)	205	5	**5**		**5**
At June 30, 2009	**83**	**3,360**	**(251)**	**3**	**(56)**	**558**	**434**	**5**	**4,136**	**143**	**4,279**

Consolidated statement of cash flows

(in € millions)		First-half 2009	First-half 2010
I. Cash flow from (used in) operating activities			
Profit (loss) attributable to owners of the parent		**434**	**(973)**
Current taxes		29	23
Deferred taxes		141	(582)
Consolidated profit (loss) before tax		**604**	**(1,532)**
Tax paid		60	46
Share in profit from associates (net of dividends received)		(3)	(7)
Income and expenses with no cash impact			
Depreciation and amortization		272	302
Asset impairment		99	(2)
Provisions		8	(43)
Fair value of financial instruments and derivatives		(408)	1,781
Expense related to share grants		3	6
Foreign exchange gains (losses)		(3)	10
Capital gains (losses) on disposals of non-current assets		9	(10)
Investment subsidies recognised in profit or loss		(1)	(2)
Accrued interest		(1)	2
Other items		(21)	18
Profit (loss) before tax from discontinued operations		4	-
Profit attributable to non-controlling interests		6	4
Other income and expenses with no cash impact		**(33)**	**2,066**
Cash flow from (used in) operations, before changes in working capital		**628**	**573**
Change in inventories and work-in-progress		(62)	(14)
Change in operating receivables and payables		(194)	(122)
Change in other receivables and payables		10	5
Intercompany change in working capital from discontinued operations		25	-
Change in working capital		**(221)**	**(131)**
	TOTAL I	**407**	**442**
II. Cash flow from (used in) investing activities			
Payments for the purchase of intangible assets, net of proceeds		(111)	(132)
Payments for the purchase of property, plant and equipment, net of proceeds		(132)	(122)
Proceeds (payments) arising from the sale (acquisition) of investments		(136)	8
Proceeds (payments) arising from the sale (acquisition) of financial assets		(38)	(31)
Cash flow from (used in) intercompany investing activities related to discontinued operations		1	
	TOTAL II	**(416)**	**(277)**
III. Cash flow from (used in) financing activities			
Change in share capital		-	-
Acquisitions and disposals of treasury shares		-	(1)
Repayment of borrowings and long-term debt		(51)	(91)
Repayment of repayable advances		(25)	(16)
Issuance of new loans		80	1
Repayable advances received		68	2
Change in short-term borrowings		(1)	(583)
Cash flow from (used in) intercompany financing activities related to discontinued operations		(47)	13
Dividends paid to owners of the parent		(68)	(152)
Dividends paid to non-controlling interests		(5)	(6)
	TOTAL III	**(49)**	**(833)**
Cash flow from (used in) operating activites related to discontinued operations	**TOTAL IV**	**14**	**(12)**
Cash flow from (used in) investing activities related to discontinued operations	**TOTAL V**	**(1)**	**-**
Cash flow from (used in) financing activities related to discontinued operations	**TOTAL VI**	**-**	**-**
Effect of changes in foreign exchange rates	**TOTAL VII**	**4**	**16**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV+ V+VI+VII**	**(41)**	**(664)**
Cash and cash equivalents at beginning of period		919	2,080
Cash and cash equivalents at end of period		887	1,416
Change in cash and cash equivalents (A)		(32)	(664)
Cash and cash equivalents of discontinued operations and assets held for sale, at end of period (B)		2	
Cash and cash equivalents of discontinued operations and assets held for sale, at start of period (C)		11	-
Net increase (decrease) in cash and cash equivalents (D) = (A) + (B) - (C)		**(41)**	**(664)**
of which change in cash and cash equivalents from continuing operations		(32)	(663)
of which change in cash and cash equivalents from discontinued operations		(9)	(1)
of which change in cash and cash equivalents from assets held for sale		-	-

Notes to the Safran Group

condensed interim 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 in Compartment A of the Euronext Paris Eurolist market.

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

The Supervisory Board meeting of July 27, 2010 authorized the publication of Safran's condensed interim consolidated financial statements for 2010, as approved by the Executive Board on July 26, 2010.

Note 1 - Accounting policies

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (available from **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 International Accounting Standards Board (IASB), namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

The condensed interim consolidated financial statements at June 30, 2010 have been prepared in accordance with IAS 34, Interim Financial Reporting, together with all the standards and interpretations adopted by the European Union and applicable to accounting periods beginning on or after January 1, 2010.
In preparing these condensed interim consolidated financial statements at June 30, 2010, Safran applied the same accounting rules and methods as those applied in the preparation of its consolidated financial statements for the year ended December 31, 2009 (see Note 1 in section 3.1.2 of the 2009 Registration Document), with the exception of the changes described below.

New and revised 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 Safran Group.

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 were accounted for in accordance with the principles described in Note 1c, "Business combinations" to the 2009 consolidated financial statements (section 3.1.2 of the 2009 Registration Document).

Following the revisions to 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 equity 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.
The other major revisions to IFRS 3 that could have a material impact on the Group are described below:

- the wider scope of the revised IFRS 3 means that a greater number of transactions are likely to fall within its remit;
- costs directly attributable to the acquisition (transaction fees) are to be expensed in the period;
- identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date, while changes in fair value are taken to income in subsequent periods following the allocation period;

- 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 one year after the acquisition date are to be recognized in income if the adjustment represents a financial liability;
- at the acquisition date, goodwill determined during each business combination may be remeasured either based on the share in net assets acquired, or on the basis of the overall value of the acquiree.

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.

Since no business combination was carried out in the first six months of 2010, the revisions to IFRS 3 and IAS 27 did not have a material impact on the Group's condensed interim consolidated financial statements at June 30, 2010.

- **Other revised standards and interpretations published and endorsed**

The new standards and interpretations effective January 1, 2010 and the annual improvements to IFRS issued in April 2009, as set out below, did not have a material impact on the Group's condensed interim consolidated financial statements at June 30, 2010:

- Amendments to IFRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions;
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- Improvements to IFRS published in May 2008 concerning IFRS 5, Non-current Assets Held for Sale and Discontinued Operations;
- 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;
- IFRIC 18, Transfers of Assets from Customers.

Note 2 – Main sources of estimates

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

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

In a global economic climate which was characterized by high volatility and a lack of visibility at June 30, 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 costs and property, plant and equipment used in production) are tested for impairment as described in Note 1.l., section 3.1.2 of the 2009 Registration Document. 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., section 3.1.2 of the 2009 Registration Document. The Group must assess the technical and commercial feasibility of projects and estimate the useful lives of the resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Group.

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

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

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

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

Management is also required to use estimates and assumptions in the following areas:

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 expense recognized in the period in respect of post-employment benefits is based on the estimated expense for the year as a whole, pro rated over the period covered by the interim financial statements, and may be adjusted for any non-recurring events that occurred during the period (amendments, curtailments or settlements of benefits granted), less any benefits paid during the period. The calculation is performed by an independent actuary using demographical (staff turnover rate, retirement date, mortality tables, etc.) and financial (salary increase rate, discount rate, expected return on plan assets, etc.) assumptions. The Group considers that the assumptions used to measure these commitments are appropriate and justified. However, any change in these assumptions could have a material impact on the amounts reported in the balance sheet and, to a lesser extent, on the Group's future earnings due to the application of the corridor method.
On February 12, 2010, the Group signed a triennial agreement related to the employment of seniors, aimed notably at implementing measures to assist with the latter part of careers and at ensuring a smooth transition between working and retired life. This agreement provides, *inter alia*, for an increase in contractual termination payments subject to certain conditions, as well as assisted part-time working measures. In the consolidated financial statements, these measures are treated as long-term or post-employment benefits as appropriate, and a provision is set aside for their estimated cost based on the residual service period. The estimated costs of these measures and the related provisions are very sensitive to changes in modeling inputs for the potentially eligible population. The assumptions used at June 30, 2010 will be fine tuned during the second half of 2010.

d) Allocation of the cost of business combinations

Business combinations are recorded using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at fair value at the date control is obtained.
One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied.
The fair value of certain items acquired in a business combination can be measured reliably, for example property, plant and equipment using market price. However, the fair value of other items such as intangible assets may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the acquisition date.

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 27, "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. Safran consults legal experts both within and outside the Group in determining the costs that may be incurred.
The decision to book a provision in respect of a given risk and the amount of any such provision are based on an assessment of the risk associated with each individual case, management's estimate of the likelihood that an unfavorable decision will be issued in the proceedings in question, and the Group's ability to estimate the amount of the provision reliably.

Note 3 - Change in presentation

♦ **Recurring operating income**

To make the Group's operating performance more transparent, Safran has included an intermediate operating indicator known as "Recurring operating income" in its reporting since the accounting period ended December 31, 2009.

This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature. These items are included in the "Other non-recurring operating income and expenses" line, and cover:

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

For comparability purposes, the 2009 condensed interim consolidated financial statements included in this report have been restated to reflect this change. The amount of "Other non-recurring operating income and expenses" for the six months ended June 30, 2009 which was excluded from recurring operating income totals €6 million (see Note 6, "Breakdown of the main components of profit from operations").

♦ **Interest component of pension expense**

In its 2009 condensed interim consolidated financial statements, the Group presented the full cost of post-employment benefits and other obligations within operating items, while the cost of unwinding the discount was presented in financial items.

To bring this accounting treatment into line with the treatment applied to other liabilities, and in the absence of IAS 19 guidance concerning the classification of the various components of the total defined pension plan expense recognized in the income statement, the Group decided to present the financial component (interest cost and income from the expected return on plan assets) of the expense within financial items as from the 2009 reporting period.

For comparability purposes, the 2009 condensed interim consolidated financial statements included in this report have been restated to reflect this change.

The impact of this change in presentation on the income statement for the half-year ended June 30, 2009 is as follows:

(in € millions)	**First-half 2009**
Increase in provisions for contingencies and losses	10
Recurring operating income	**10**
Increase in provisions for financial contingencies and losses	(10)
Financial income (loss)	(10)
Profit (loss) for the period	**-**

First-half 2009 profit (loss) from operations for each operating segment, as set out on page 7, has been restated to reflect this change.

Note 4 – Scope of consolidation

CHANGES IN THE SCOPE OF CONSOLIDATION IN FIRST-HALF 2010

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 is proportionately consolidated in the financial statements for the six months ended June 30, 2010.
The creation of this joint venture led to the recognition of goodwill in the amount of USD 29 million (€22 million).

CHANGES IN THE SCOPE OF CONSOLIDATION IN 2009

1 First-half 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, or €130 million.

Following the allocation of the cost of 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. No modifications were made to the initial allocation of the purchase price during the first quarter of 2010, and the allocation is now definitive.

This activity, subsequently renamed MorphoTrak, was fully consolidated with effect from the date of its acquisition by the Group.
Profit (loss) from operations for first-half 2010 includes an expense of €2 million relating to (i) the amortization of intangible assets identified as part of the purchase price allocation; and (ii) the impact of recognizing the fair value of inventories purchased and sold during the period.

MorphoTrak's contribution to the Group's first-half 2010 performance was:

- €17 million to revenue;
- €4 million to profit from operations (before PPA);
- €2 million to profit from operations (after PPA).

Second-half 2009

- Acquisition of MorphoDetection

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

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

As part of the acquisition, GE will retain an interest of 19% in MorphoDetection as well as a seat on the company's Board of Directors. The Group has granted a put option on these non-controlling interests valued at USD 177 million and recognized in accordance with the rules and methods set out in Note 1.v. of the 2009 Registration Document.

The allocation of the purchase price at June 30, 2010 can be summarized below:

(in millions of USD)	
Purchase price of 81% interest	579
Earnout and acquisition costs	8
Acquisition cost of shares	587
Fair value of net assets based on a 100% interest:	
Net assets at acquisition date	139
Fair value of technology	110
Fair value of customer relationships	153
Fair value of other identified intangible assets	14
Remeasurement of inventories	9
Deferred tax liabilities	(114)
Sub-total	311
Share (81%) of fair value of assets acquired and liabilities assumed	252
Goodwill before impact of minority put granted to non-controlling interests	335
Difference between minority put granted and non-controlling interests	104
Goodwill after impact of minority put granted to non-controlling interests	439

The "Net assets at the acquisition date" line item was adjusted in the amount of USD 38 million at June 30, 2010, following a correction to the opening balance sheet. The related goodwill has been adjusted accordingly.

After taking into account the difference between the value of the minority put granted and the minority (non-controlling) interest in the fair value of the assets acquired and liabilities assumed at the acquisition date, residual goodwill at June 30, 2010 rose by USD 104 million to stand at USD 439 million (€357 million).

All entities in the Homeland Protection business, subsequently renamed MorphoDetection, have been fully consolidated since the acquisition date.
Profit from operations for first-half 2010 includes an expense of €13 million relating to (i) the amortization of intangible assets identified as part of the purchase price allocation; and (ii) the impact of recognizing the fair value of inventories purchased and sold during the period.

MorphoDetection's contribution to the Group's first-half 2010 performance was:

- €101 million to revenue;
- €19 million to profit from operations (before PPA);
- €6 million to profit from operations (after PPA).

▪ Sale of Cinch's Connectors business

At the end of 2009, Safran Group sold its Connectors business to Bel Fuse for USD 39 million. The sale generated a net capital gain of €7 million at December 31, 2009.

▪ Sale of Sagem Communications

In 2009, Safran sold the last 10% that it still held in Sagem Communications.

Note 5 – Segment information

Segments presented

In accordance with IFRS 8, Operating Segments, segment reporting reflects the internal organization of Safran Group activities.

The Group's operations are presented according to the nature of the goods and services rendered. Each segment represents a separate area of business with specific products and markets.

Aerospace Propulsion segment

The Group designs, develops, produces and markets propulsion systems for a large range of applications, including 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 segment

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

Defence segment

The Defence segment includes all businesses serving naval, land and aviation defence industries. In this segment, 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 segment

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

Holding company and other

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

Segment performance indicators

The information presented by business segment in the tables on page 7 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 operating segment's performance by the Executive Board is based on adjusted contribution figures as explained in the Foreword (see page 3).

Data for each operating segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, section 3.1 of the 2009 Registration Document), except for the 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.

Segment information for first-half 2009 and 2010 is presented on page 7 of the consolidated financial statements.

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

REVENUE

(in € millions)	First-half 2009	First-half 2010
Original equipment	1,894	1,973
Sales of equipment	620	626
Products and services related to original equipment	329	235
Maintenance, repairs and overhauls	872	983
Spare parts	1,090	1,053
Lease and exchange fees	66	83
Sales of research and technology studies	18	28
Sales of sustaining engineering studies	242	252
Other	164	134
Total	**5,295**	**5,367**

OTHER INCOME

Other income mainly comprises research tax credits and operating subsidies.

(in € millions)	First-half 2009	First-half 2010
Research tax credit	49	61
Other operating subsidies	19	19
Other operating income	17	8
Total	**85**	**88**

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

(in € millions)	First-half 2009	First-half 2010
Raw materials, supplies and other	(946)	(906)
Bought-in goods	(44)	(64)
Changes in inventories	5	(2)
Sub-contracting	(1,203)	(1,161)
Purchases not held in inventory	(131)	(123)
External service expenses	(715)	(747)
Total	**(3,034)**	**(3,003)**

PERSONNEL COSTS AND WORKFORCE

Personnel costs

(in € millions)	**First-half 2009**	**First-half 2010**
Wages and salaries	(1,113)	(1,159)
Social security contributions	(468)	(487)
Statutory employee profit-sharing	(16)	(24)
Optional employee-profit sharing	(33)	(50)
Additional contributions	(9)	(9)
Other employee costs	(29)	(57)
Total	**(1,668)**	**(1,786)**

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

	France	Other countries	**Total**
Aerospace Propulsion	17,171	3,520	**20,691**
Aircraft Equipment	9,123	9,856	**18,979**
Defence	6,154	520	**6,674**
Security	1,214	4,319	**5,533**
Holding company and other	1,351	100	**1,451**
Total	**35,013**	**18,315**	**53,328**

The Group's total workforce at June 30, 2010, including employees of non-consolidated companies, is 54,610. These figures do not include employees of equity-accounted associates.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS NET OF USE

(in € millions)	**First-half 2009**	**First-half 2010**
Net depreciation and amortization expense		
- intangible assets	(141)	(156)
- property, plant and equipment	(134)	(146)
Total net depreciation and amortization expense (*)	**(275)**	**(302)**
Net reversals of provisions for contingencies and losses	**15**	**139**
Depreciation, amortization and increase in provisions net of use	**(260)**	**(163)**

(*) Of which depreciation and amortization of assets measured at fair value on the acquisition of the Snecma group, in the amounts of €79 million at June 30, 2010 and June 30, 2009; and on the acquisition of Security branch companies in the amounts of €22 million at June 30, 2010 and €7 million at June 30, 2009.

ASSET IMPAIRMENT

(in € millions)	Impairment expense		Reversals (utilizations)	
	First-half 2009	**First-half 2010**	**First-half 2009**	**First-half 2010**
Asset impairment				
- property, plant and equipment and intangible assets	(6)	(16)	4	6
- financial assets	(45)	(1)	-	1
- inventories	(170)	(125)	154	146
- receivables	(19)	(15)	25	16
Total	**(240)**	**(157)**	**183**	**169**

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	**First-half 2009**	**First-half 2010**
Capital gains/losses on asset disposals	(5)	(4)
Royalties, patents and licenses	(6)	(6)
Cancellation of debts	(2)	-
Losses on irrecoverable receivables	(2)	(3)
Other operating income and expenses	14	27
Total	**(1)**	**14**

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	**First-half 2009**	**First-half 2010**
Impairment net of reversals on intangible assets	(6)	-
Total	(6)	-

In first-half 2009, impairment net of reversals on intangible assets included:

- A write-back of €13 million recognized against development expenditures relating to a helicopter turbine engine program, following changes to the program's economic production model.
- An additional write-down of €33 million on development expenditures for the Aerospace Propulsion TP400 program. Only €19 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.

No items of operating income or expense were treated as non-recurring for the first half of 2010.

Note 7 – Financial income (loss)

(in € millions)	**First-half 2009**	**First-half 2010**
Financial expense on interest-bearing liabilities	(27)	(30)
Financial income on cash and cash equivalents	11	10
Cost of net debt	**(16)**	**(20)**
Gain or loss on foreign currency hedging instruments	431	(1,781)
Foreign exchange gains (losses)	(139)	(125)
Net foreign exchange gains (losses) on provisions	7	(81)
Financial income (expense) arising on foreign currency translation	**299**	**(1,987)**
Gain or loss on interest rate and commodity hedging instruments	-	(28)
Net income (expense) on disposal of financial assets	(3)	2
Impairment of available-for-sale financial assets	(13)	-
Write-downs of loans and other financial receivables	-	-
Dividends received	1	-
Impairment expense (*)	(24)	(19)
Reversals of provisions	15	1
Impact of discounting	(50)	(33)
Other	(1)	(1)
Other financial income and expense	**(75)**	**(78)**
Financial income (loss) (*)	**208**	**(2,085)**
of which financial expense	**(257)**	**(2,098)**
of which financial income	**465**	**13**

* Financial income (loss) for the six months ended June 30, 2009 has been restated to take account of the changes in presentation described in Note 3.

Note 8 – Income tax

The Group tax charge is calculated by using the rates applicable in each of the Group's tax jurisdictions, adjusted for the main permanent differences identified.

The effective tax rate for continuing operations comes out at 36.58%. The difference between the effective tax rate and the standard tax rate is primarily attributable to the impact of the research tax credit.

The income tax benefit for the first half of 2010 amounts to €559 million and includes deferred tax income of €594 million arising on changes in fair value of foreign currency derivatives during the period.

Note 9 – Discontinued operations

The following table presents a breakdown of income and expenses relating to the Mobile Phone business (held for sale).

(in € millions)	First-half 2009	First-half 2010
Revenue	39	-
Raw materials and consumables used	(59)	(9)
Personnel costs	(12)	-
Depreciation, amortization, impairment and provisions	60	16
Other operating income and expenses	(36)	(8)
Loss from operations	**(8)**	**(1)**
Financial income (loss)	**4**	**1**
Income tax expense (benefit) on discontinued operations	**10**	**-**
Gain (loss) on disposal of the Broadband activity	**-**	**-**
Profit from discontinued operations	**6**	**-**

Profit from discontinued operations at June 30, 2009 represents additional price consideration for the Communication sector businesses sold in 2008, as well as gains or losses on the sale of the Chinese subsidiaries of the Mobile Phones business during the first half of 2009.

The average workforce employed by discontinued operations for the first half of 2010 stood at 7, compared with 674 for the same year-ago period.

Note 10 – Earnings per share

Diluted earnings per share only take into account share equivalents with a dilutive impact.
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 19d).

Earnings per share break down as follows:

	Index	First-half 2009	First-half 2010
Numerator (in €millions)			
Profit for the period attributable to owners of the parent	(a)	434	(973)
Profit from continuing operations attributable to owners of the parent	(i)	428	(973)
Profit from discontinued operations attributable to owners of the parent	(j)	6	-
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	17,850,897	17,481,368
Number of shares excluding treasury shares	(d)=(b-c)	399,178,688	399,548,217
Weighted average number of shares (excluding treasury shares)	(d')	399,174,569	399,562,502
Potentially dilutive ordinary shares:			
Dilutive impact of share grants	(e)	656,386	-
Weighted average number of shares after dilution	(f)=(d'+e)	399,830,955	399,562,502
Ratio: earnings per share (in €)			
Basic earnings (loss) per share	(g)=(a*1 million)/(d')	1.09	(2.44)
Diluted earnings (loss) per share	(h)=(a*1 million)/(f)	1.09	(2.44)
Ratio: earnings per share from continuing operations (in €)			
Basic earnings (loss) per share	(k)=(i*1 million)/(d')	1.07	(2.44)
Diluted earnings (loss) per share	(l)=(i*1 million)/(f)	1.07	(2.44)
Ratio: earnings per share from discontinued operations (in €)			
Basic earnings (loss) per share	(m)=(j*1 million)/(d')	0.02	0.00
Diluted earnings (loss) per share	(n)=(j*1 million)/(f)	0.02	0.00

At June 30, 2010, potentially dilutive ordinary shares corresponding to share grants amounted to 3,483,360 shares and were excluded from diluted earnings (loss) per share as they did not have a dilutive impact.

Note 11 – Dividends paid

In the first half of 2010, Safran SA paid €152 million in dividends to its shareholders.

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

(in € millions)	First-half 2009	First-half 2010
Dividends in respect of the previous year, paid during the year		
Dividends on ordinary shares	68	152
Net dividend per share (in €)	0.17	0.38

Note 12 - Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2009 Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments	June 30,2010 Net
Snecma	395						395
Turbomeca SA	225						225
Snecma Propulsion Solide	66						66
Techspace Aero	47						47
CFM Materials LP		22				3	25
Microturbo SA	12						12
Other	2						2
Total Propulsion	**747**	**22**	**-**	**-**	**-**	**3**	**772**
Aircelle	213						213
Labinal	208		(24)				184
Messier Dowty SAS	94						94
Messier Bugatti	73						73
Safran Engineering Services	52		26				78
Technofan	10						10
Globe Motors Inc.	9					2	11
Sofrance	4						4
Safran Engineering Services Maroc	2		(2)				-
Total Aircraft Equipment	**665**	**-**	**-**	**-**	**-**	**2**	**667**
Sagem Défense Sécurité	61						61
Vectronix	25					3	28
Total Defence	**86**	**-**	**-**	**-**	**-**	**3**	**89**
Identification	291					19	310
Cards	46				2		48
Detection	291				15	51	357
Total Security	**628**	**-**	**-**	**-**	**17**	**70**	**715**
Total	**2,126**	**22**	-	-	**17**	**78**	**2,243**

The main movements in this caption over the period concern:

- The adjustment to the purchase price allocation of General Electric's Homeland Protection business, which resulted in a €15 million increase in goodwill for the "Detection systems" CGU (see Note 4).
- The creation of CFM Materials LP (see Note 4).
- The creation of Safran Engineering Services which combined the former Teuchos business with the engineering businesses of Labinal, resulting in a reallocation of goodwill. This had no impact on the Group's consolidated financial statements.

Assessments of impairment indications on goodwill at June 30, 2010 did not result in the recognition of any additional impairment. The Group performed annual impairment tests at December 31, 2009 on the basis of the method and assumptions described in Notes 1.1 and 11, section 3.1.2 of the 2009 Registration Document. Based on these tests, no additional impairment of goodwill was recognized.

Note 13 - Intangible assets

Intangible assets break down as follows:

(in € millions)	Dec. 31, 2009			June 30, 2010		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Programs	2,683	(916)	1,767	2,684	(1,007)	1,677
Development expenditures	1,201	(422)	779	1,306	(457)	849
Commercial concessions	135	(63)	72	144	(73)	71
Software	279	(233)	46	295	(249)	46
Brands	147	(7)	140	149	(9)	140
Customer relationships	274	(32)	242	295	(55)	240
Technology	123	(8)	115	140	(11)	129
Other	80	(24)	56	82	(29)	53
Total	**4,922**	**(1,705)**	**3,217**	**5,095**	**(1,890)**	**3,205**

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 8.5 years.

Movements in intangible assets break down as follows:

(in € millions)	**Gross**	**Amortization/ impairment**	**Net**
At December 31, 2009	**4,922**	**(1,705)**	**3,217**
Internally produced assets	94	-	94
Separate acquisitions	9	-	9
Disposals and retirements	(2)	1	(1)
Amortization	-	(155)	(155)
Impairment losses recognized in profit or loss	-	(10)	(10)
Reclassifications	5	(4)	1
Changes in scope of consolidation	-	(1)	(1)
Translation adjustments	67	(16)	51
At June 30, 2010	**5,095**	**(1,890)**	**3,205**

Research costs recognized in expenses for the six-month period ended June 30, 2010 totaled €181 million, including amortization (€217 million at June 30, 2009 including amortization and discontinued operations).

Development expenditures capitalized in the six-month period ended June 30, 2010 totaled €84 million (€76 million at June 30, 2009).
Amortization charged against development expenditures in the same period totaled €23 million (€25 million for first-half 2009).

Amortization was also recognized in respect of revalued assets for €101 million (allocation of the cost of the Snecma group business combination and other recent acquisitions amounting to €79 million and €22 million, respectively).

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.

Certain programs were tested for impairment at June 30, 2010. No material impairment was recognized in relation to these tests.

Note 14 - Property, plant and equipment

Property, plant and equipment break down as follows:

	Dec. 31, 2009			June 30, 2010		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	220	-	220	224	-	224
Buildings	1,059	(517)	542	1,107	(550)	557
Technical facilities, equipment and tooling	3,486	(2,358)	1,128	3,698	(2,518)	1,180
Assets in progress, advances	185	(22)	163	201	(22)	179
Site development and preparation costs	31	(18)	13	31	(18)	13
Buildings on land owned by third parties	65	(21)	44	68	(23)	45
Computer hardware and other equipment	390	(299)	91	423	(325)	98
Total	**5,436**	**(3,235)**	**2,201**	**5,752**	**(3,456)**	**2,296**

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

(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**
At December 31, 2009	**5,436**	**(3,235)**	**2,201**
Internally produced assets	16	-	16
Additions	119	-	119
Disposals and retirements	(40)	26	(14)
Depreciation	-	(146)	(146)
Impairment expenses	-	(1)	(1)
Reclassifications	8	(8)	-
Changes in scope of consolidation	9	(5)	4
Translation adjustments	204	(87)	117
At June 30, 2010	**5,752**	**(3,456)**	**2,296**

During the first half of 2010, payments totaling €12 million were made in respect of real estate projects funded under finances leases.

Note 15 - Current and non-current financial assets

Financial assets include:

(in € millions)	Dec. 31, 2009			June 30,2010		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments*	328	(159)	169	315	(167)	148
Other financial assets	189	(63)	126	221	(67)	154
Total	**517**	**(222)**	**295**	**536**	**(234)**	**302**

* Of which listed securities for €46 million at June 30, 2010 (€41 million at December 31, 2009).

Non-consolidated investments decreased by €21 million, of which €25 million is related to the consolidation of CFM Materials.

NON-CONSOLIDATED INVESTMENTS

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

(in € millions)	Year end	Percentage control	Shareholders' equity including profit (loss) for the period	Profit (loss)	Net carrying amount at Dec. 31, 2009	Net carrying amount at June 30, 2010
Sichuan Snecma Aero-Engine Maintenance	12/31/2009	51.80	7.3	1.1	3.7	3.7
Messier Dowty Singapore Pte	12/31/2009	100.00	4.7	0.1	5.9	6.9
Arianespace Participation	12/31/2009	10.44	21.6	(60.7)	6.1	2.3
Embraer*	12/31/2009	1.12	1,999.3	141.8	31.4	35.4
SMA	12/31/2009	100.00	2.2	(10.6)	1.4	0.0
Snecma America Engine Services	12/31/2009	51.00	2.1	(4.8)	6.2	6.2
Myriad Group*	12/31/2009	6.46	119.3	(38.7)	9.3	10.2
Optics1	12/31/2009	100.00	0.8	(0.7)	11.3	11.7
Messier Dowty Mexico	12/31/2009	100.00	7.1	0.8	5.5	5.5

* Valuations of listed securities are based on market values.

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

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

No individual material losses were recognized at June 30, 2010.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Loans to non-consolidated companies	62	81
Loans to employees	24	23
Deposits and guarantees	12	14
Other	28	36
Total	**126**	**154**
o/w non-current	51	56
o/w current	75	98

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2009	**126**
Increase	43
Decrease	(12)
Impairment	(3)
At June 30, 2010	**154**

Note 16 - Investments in associates

A-Pro Inc. and Hydrep have been proportionately consolidated since January 2010.
The Group's share in the net equity and profit or loss of associates breaks down as follows:

	Dec. 31, 2009	**June 30, 2010**			
(in € millions)	Net	% interest	Shareholders' equity	Share in profit from associates	Net
Ingenico (1)	206	22.75%	213	7	220
Hydrep (2)	7	-	-	-	-
A-Pro Inc. (2)	8	-	-	-	-
Other (3)	17	100.00%	17	-	17
Total	**238**		**230**	**7**	**237**

(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 first-half 2010 was determined based on consensus forecasts provided by analysts. The stock market value totaled €195 million at June 30, 2010 (11,076,387 shares with a par value of €17.605) versus €185 million at December 31, 2009 (10,882,606 shares with a par value of €16.96).

(2) Proportionally consolidated as from 2010.

(3) Deconsolidated companies whose retained earnings have been frozen.

Ingenico has been accounted for under the equity method since March 31, 2008.
An assessment of impairment indications was performed on this investment at June 30, 2010 and did not result in the recognition of any impairment.

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

(in € millions)	
At December 31, 2009	**238**
Share in profit from associates	7
Change in consolidation method	(15)
Other movements	7
At June 30, 2010	**237**

Note 17 - Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments maturing 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 June 30, 2010:

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Negotiable debt securities	450	226
Money-market funds	24	19
Short-term investments	1191	790
Sight deposits	415	381
Total	**2,080**	**1,416**

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2009	**2,080**
Movements during the period	(693)
Changes in scope of consolidation	13
Translation adjustments	16
At June 30, 2010	**1,416**

Movements during the period mainly concern the repayment of a loan at Safran for €500 million.

Note 18 - Summary of financial assets

FINANCIAL ASSETS BY TYPE OF INTEREST RATE

The table below provides a breakdown of financial assets by type of interest rate (fixed or floating):

	Dec. 31, 2009		**June 30, 2010**	
(in € millions)	Base	Interest rate	Base	Interest rate
Non-current financial assets (1)	51	0.60%	56	0.82%
Current financial assets	75	1.49%	98	1.54%
Financial assets	**126**	**1.06%**	**154**	**1.28%**
Cash and cash equivalents	**2,080**	**Eonia/Fed/ Euribor**	**1,416**	**Eonia/Fed/ Euribor**
Total	**2,206**		**1,570**	

(1) Excluding non-consolidated investments.

Note 19 - Consolidated shareholders' equity

19a - Share capital

At June 30, 2010, Safran's share capital 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.

19b - 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 17,481,368 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%**

(*) Exercisable voting rights

June 30, 2010

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights (*)
Private investors	170,750,252	40.94%	179,282,271	33.75%
French State	125,940,227	30.20%	150,752,222	28.38%
Employee shareholders	72,084,793	17.29%	139,664,274	26.29%
Areva	30,772,945	7.38%	61,545,890	11.58%
Treasury shares	17,481,368	4.19%	-	-
Total	**417,029,585**	**100.00%**	**531,244,657**	**100.00%**

(*) Exercisable voting rights

19c - 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)
- Treasury shares	(1)
- Translation adjustment	172
- Share grants	6
- Other	8
Consolidated retained earnings at June 30, 2010	**4,293**

19d - SHARE-BASED PAYMENT

On May 28, 2009, the Shareholders' Meeting authorized the Executive Board to buy and sell shares in the Company. Pursuant to this authorization, the Company purchased 1,036,775 shares on the stock market for €11 million, and sold 1,433,424 shares for €17 million. These transactions were carried out under the liquidity agreement in force (the disposal gain was not material).
On May 27, 2010, the Shareholders' Meeting renewed the authorization granted to the Executive Board to buy and sell shares in the Company.

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.

Terms and conditions of the share grant 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 share grants are not subject to any specific performance condition other than the employee's effective presence in the company throughout the vesting period.

All shares granted by Safran are equity-settled.

Measurement of rights to share grants

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

	France	Outside France
Grant date	04/03/2009	04/03/2009
Vesting date	04/03/2011	04/03/2013
Post vesting lock-up period	2 years	none
Number of employee beneficiaries at the grant date	36,785	5,560
Number of shares granted per employee	100	
Total number of shares granted	3,678,500	556,000
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 in first-half 2010 totaled €5.8 million.

Note 20 - *Provisions*

Provisions break down as follows:

			Reversals				
(in € millions)	**Dec. 31, 2009**	Impairment expense	Utilizations	Reclassifi-cations	Surplus provisions	Other	**June 30, 2010**
Performance warranties	451	151	(71)	-	(18)	28	541
Financial guarantees	77	10	(15)	-	(16)	-	56
Services to be rendered	428	122	(109)	-	(8)	4	437
Employee-related commitments	29	8	(10)	-	(1)	7	33
Post-employment benefits	358	29	(36)	-	(2)	1	350
Sales agreements and long-term receivables	198	22	(7)	(2)	(16)	(19)	176
Losses to completion and on backlog	622	88	(50)	(63)	(62)	17	552
Disputes and litigation	62	22	(6)	-	(5)	-	73
Negative equity of non-consolidated companies	6	5	-	-	-	-	11
Other	123	9	(20)	-	-	3	115
Total	**2,354**	466	(324)	(65)	(128)	41	**2,344**
Non-current	1,315						**1,244**
Current	1,039						**1,100**

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

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

Note 21 - Borrowings subject to specific conditions

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

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

(in € millions)	
At December 31, 2009	**696**
New advances received	2
Advances repaid	(16)
Cost of borrowings	20
Translation adjustments	9
Adjustments to the probability of repayment of advances	(3)
At June 30, 2010	**708**

Note 22 - Interest-bearing liabilities

Interest-bearing liabilities break down as follows:

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Bond issue	744	771
Finance lease liabilities	179	181
Other long-term borrowings	285	274
Total interest-bearing non-current liabilities (portion maturing >1 year at inception)	**1,208**	**1,226**
Finance lease commitments	11	18
Other long-term borrowings	215	251
Accrued interest not yet due	4	4
Current liabilities bearing long-term interest at inception	**230**	**273**
Treasury bills	454	371
Short-term bank facilities and equivalent	683	140
Current liabilities bearing short-term interest at inception	**1,137**	**511**
Total interest-bearing current liabilities (<1 year)	**1,367**	**784**
Total interest-bearing liabilities	**2,575**	**2,010**

Movements in this caption break down as follows:

(in € millions)	
Total at December 31, 2009	**2,575**
Increase in borrowings	19
Decrease in borrowings	(96)
Movements in short-term bank facilities	(569)
Changes in scope of consolidation	2
Foreign exchange differences	52
Reclassifications	27
Total at June 30, 2010	**2,010**

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

	Non-current				Current			
	Dec. 31, 2009		**June 30, 2010**		Dec. 31, 2009		**June 30, 2010**	
(in € millions)	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	947	4.05%	952	4.05%	94	3.79%	86	3.76%
Floating rate	261	3.03%	274	2.90%	1,273	1.30%	698	1.51%
Total	**1,208**	**3.83%**	**1,226**	**3.79%**	**1,367**	**1.47%**	**784**	**1.76%**

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

	Non-current				Current			
	Dec. 31, 2009		**June 30, 2010**		Dec. 31, 2009		**June 30, 2010**	
(in € millions)	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	203	4.21%	181	4.25%	94	3.79%	86	3.76%
Floating rate	1005	2.65%	1,045	2.44%	1,273	1.30%	698	1.51%
Total	**1,208**	**2.91%**	**1,226**	**2.71%**	**1,367**	**1.47%**	**784**	**1.76%**

The Group's net debt position is as follows:

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Cash and cash equivalents	2,080	1,416
Interest-bearing current and non-current liabilities	2,575	2,010
Fair value of interest rate derivatives hedging borrowings	(3)	21
Total	**(498)**	**(573)**

Two facilities resulting from the assignment of trade receivables without recourse were set up at the end of 2009:

- a confirmed 24-month facility for USD 200 million granted in October 2009 by General Electric Capital Corp, on which USD 48.1 million has been drawn down to date (i.e., USD 24 million at 50%);
- a confirmed 364-day facility for USD 870 million granted in December 2009 by a syndicate of seven banks led by BNP Paribas, on which USD 863.4 million has been drawn down to date (i.e., USD 432 million at 50%).

Note 23 - Related parties

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

(in € millions)	**June 30, 2009**	**June 30, 2010**
Sales to related parties	1,143	1,330
Purchases from related parties	(53)	(76)

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Receivables from related parties	1,050	1,552
Payables to related parties	1,550	1,676

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Guarantees granted to related parties (off-balance sheet)	457	520

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

Note 24 - Consolidated statement of cash flows

The statement of cash flows is prepared using the indirect method, whereby cash flow from operating activities is determined by adjusting profit or loss. Cash flows of subsidiaries with a different functional currency than that used by the Group are translated using the average exchange rate over the period concerned. The impact of exchange rate fluctuations on cash and cash equivalents is shown under "Effect of changes in foreign exchange rates". This heading also includes the impact of exchange rate fluctuations between the beginning and the end of the period on the opening cash and cash equivalents balance of such subsidiaries.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise term and sight deposits. Cash and cash equivalents have a term of less than three months and are convertible into a known amount of cash.
These amounts are analyzed in Note 17.

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

These items break down as follows:

(in € millions)	**June 30, 2009**	**June 30, 2010**
Acquisitions of intangible assets	(111)	(103)
Acquisitions of property, plant and equipment	(166)	(123)
Change in payables on purchases of intangible assets	(1)	(29)
Change in payables on purchases of property, plant and equipment	(16)	(10)
Change in receivables on disposals of property, plant and equipment	6	(1)
Proceeds from disposals of intangible assets	1	-
Proceeds from disposals of property, plant and equipment	44	12
Total	**(243)**	**(254)**

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	€257 million
- impact of changes in the fair value of financial instruments [1]	€1,781 million
- losses on asset disposals	€(10) million
- other	€38 million
	€2,066 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 25 - Management of market risks and financial derivatives

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. Accordingly, the net excess of revenues over operating expenses for these activities totaled USD 2.04 billion for the first half of 2010 (USD 2.16 billion for the first half of 2009).

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting operating 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. Contractual hedging arrangements (excluding sales of call options) 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 purchases and sales of options (USD call/EUR put).

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2009				June 30, 2010			
(in millions of currency units)	Fair value	Notional amount	< 1 year	1 to 5 years	Fair value	Notional amount	< 1 year	1 to 5 years
Forward exchange contracts	**48**				**(1,033)**			
Short USD position	52	11,274	5,692	5,582	(1,027)	10,288	5,835	4,453
Of which against EUR	88	10,282	5,076	5,206	(973)	9,406	5,176	4,230
Long USD position	(1)	(12)	(12)	-	-	-	-	-
Of which against EUR	-	-	-	-	-	-	-	-
Short GBP position against EUR	(5)	26	26	-	(1)	13	13	-
Long SGD position against EUR	-	-	-	-	-	-	-	-
Buy PLN position against EUR	2	33	11	22	1	47	13	34
Short CHF position against EUR	-	(23)	(11)	(12)	(7)	(84)	(44)	(40)
Currency swaps	**(4)**				**-**			
Of which against USD	*(1)*	22	22	-	-	-	-	-
Currency option contracts	**10**				**(783)**			
Puts purchased	*20*	2,024	2,024	-	31	3,002	2,502	500
Puts sold	*(20)*	(2,024)	(2,024)	-	(5)	(2,502)	(2,502)	-
Calls sold	*(3)*	1,024	1,024	-	(328)	5,902	2,116	3,786
Accumulators - sell USD	*(1)*	7,617	4,117	3,500	(544)	9,896	5,107	4,789
Accumulators - buy USD	*14*	(1,921)	(1,921)	-	70	(2,709)	(2,709)	-
Accumulators - sell GBP (buy EUR)	-	(71)	(71)	-	(7)	(111)	(61)	(50)
Total	**54**				**(1,816)**			

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

The €1,870 million decrease in the fair value of foreign currency derivatives between December 31, 2009 and June 30, 2010 includes a decrease in the fair value of hedging instruments not yet settled at June 30, 2010 (€1,781 million), premiums received (€78 million), and premiums matured (€11 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 (€1,781 million) and premiums matured (€11 million) have been recognized in profit or loss.

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

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 June 30, 2010 the Group had contracted interest rate swaps for terms of three to five years for a total of €750 million consisting of "receive fixed/pay floating" interest rate swaps taken out as hedges of the fixed coupon payable on bonds and eligible for fair value hedge accounting.

	Dec. 31, 2009				June 30, 2010			
(in € millions)	Fair value	Notional amount	< 1 year	1 to 5 years	Fair value	Notional amount	< 1 year	1 to 5 years
Interest rate swaps	**-**	-	-	-	**-**	-	-	-
Fixed-for-floating – fair value hedge	(3)	750	-	750	21	750	-	750
Floating-for-fixed – not eligible for hedge accounting	(1)	650	-	650	**-**	**-**	-	-
Total	**(4)**	**1,400**	**-**	**1,400**	**21**	**750**	**-**	**750**

Debt in respect of employee savings is at floating rates, but resets only yearly. The Group's remaining long-term debt is mostly at fixed rates. However, the Group's €750 million hedge of the fixed coupon payable on its bonds was mostly at floating rates at June 30, 2010. A 1% rise in interest rates would therefore increase the cost of debt by €8 million, compared to €6 million in 2009.

MANAGEMENT OF COMMODITY RISK

In 2009, the Group put in place a policy designed to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.
Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of 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 June 30, 2010 represents 2,492 tons of nickel, including 595 tons maturing in less than one year and 1,897 in one to five years. The fair value of these instruments was €1.1 million at June 30, 2010.

Note 26 - Off-balance sheet commitments

ENDORSEMENTS, GUARANTEES AND OTHER COMMITMENTS

COMMITMENTS IN RESPECT OF ORDINARY ACTIVITIES

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

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Employee-related commitments	17	86
Commitments given to customers (completion warranties, performance bonds)	257	263
Commitments given to third parties by Safran on behalf of its subsidiaries	651	745
Commitments given to customs authorities by Safran on behalf of its subsidiaries	79	86
Vendor warranties given	117	111
Actuarial differences and unrecognized past service cost	55	91
Other commitments	169	140
Total	**1,345**	**1,522**

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

(in € millions)	**Dec. 31, 2009**	**June 30, 2010**
Commitments received from banks on behalf of suppliers	15	17
Completion warranties	17	18
Endorsements and guarantees received	1	2
Vendor warranties received	223	214
Other commitments received	9	6
Total	**265**	**257**

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

OTHER CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

	Dec. 31, 2009	**June 30, 2010**	Period to maturity		
(in € millions)	Total	**Total**	Less than 1 year	From 1 to 5 years	Beyond 5 years
Long-term borrowings at inception	504	**529**	255	271	3
Finance lease commitments	190	**199**	18	59	122
Operating lease commitments	190	**211**	40	121	50
Non-cancelable purchase commitments	-	**-**	-	-	-
Bond issue	744	**771**	-	771	-
Other long-term commitments	-	**-**	-	-	-
Total	**1,628**	**1,710**	**313**	**1,222**	**175**

Lease payments recognized in profit or loss for the year amounted to €39 million.

VENDOR WARRANTIES

Vendor warranties are given or received on the acquisition or sale of companies. At June 30, 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 June 30, 2010, capital expenditure commitments totaled €105 million, versus €104 million at December 31, 2009.

FINANCIAL GUARANTEES GRANTED ON THE SALE OF GROUP PRODUCTS

These guarantees generate risks which represented a total amount of USD 169 million at June 30, 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 27 - Disputes and litigation

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

- Turbomeca's liability is involved within the scope of legal proceedings introduced by the public prosecutor of Turin concerning a helicopter accident which took place in April 2003 in the Italian Alps, the causes of which are still unknown. Compensation payable to the complainants and falling within the scope of Turbomeca's liability was covered by the Group's insurance policy.

- Turbomeca's liability is also involved within the scope of legal proceedings introduced by the public prosecutor of Nice in April 2009 following a helicopter accident that occurred on June 8, 2004 between Nice and Monaco. The causes of this accident are still unknown. The costs and financial consequences of this claim are covered by the Group's insurance policy.

- A supplier filed legal action against Sagem Défense Sécurité for the alleged abrupt and wrongful termination of commercial relations, claiming compensation of €30 million. In a ruling dated July 23, 2008, Sagem Défense Sécurité was ordered to pay a total of €1 million in damages. The supplier has appealed this decision. The estimated financial consequences of this dispute are significantly lower than the amounts claimed and are more than covered by the corresponding provisions set aside by Sagem Défense Sécurité at June 30, 2010.

- At the end of 2002, a group of French manufacturers including the former Snecma Group was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers and in which Snecma's participation was approximately 10%. All the manufacturers concerned contested this claim. An agreement was signed, whereby the manufacturers concerned by the arbitration request waived their right to invoke the legal statute of limitations, and the claimant withdrew its request for arbitration in June 2003. However, it reserved the right to submit a new claim for a greater amount. Safran has not yet recognized a provision in this respect.

- EPI Europrop International, the joint company in which Snecma is shareholder and guarantor along with its fellow shareholders, develops engines for the A400M aircraft. Airbus Military, a client of EPI, has bought a number of claims against the company. No adequate substantiation has been provided in respect of these claims – formally contested by EPI – enabling the Group to assess the relevance of the claims or any impact they may have on EPI. In any case, in view of the provisions already booked by Snecma, these claims are not expected to result in significant losses for the Group. Airbus Military is currently in talks with the governments that are customers of the program. To date, the outcome of these talks is uncertain. The Group is therefore unable to determine the conditions under which the program may be pursued, or the potential impact of these claims on EPI and on the Group companies that have developed other products for the A400M.

- At the end of 2008, proceedings were brought against three employees of a Group subsidiary in connection with the alleged payment by Sagem SA of commissions to local intermediaries between 2000 and 2003. These payments were allegedly made in an attempt to corrupt employees of the Nigerian government with the aim of being awarded the State's electronic ID card contract. Safran was also investigated in connection with this case in February 2009. In September 2009, a tax collection notice was issued for €11.7 million, further to an adjustment notified at the end of 2006. Since the amount of this adjustment has been challenged, no changes have been made to the provision set aside for part of the amount in question in 2006.

- At the end of an inquiry launched in March 2007, the AMF informed Safran on July 10, 2009 that in its press release dated February 14, 2007 on the 2006 financial statements, it had failed to explain the exact origin of the accounting impact (estimated at €134.5 million) caused by "unexplained entries", or the reasons for the increase in said amount compared with the amount of €100 million disclosed in the December 8, 2006 press release. Safran has since provided all requisite information to the AMF's Enforcement Committee to prove that the complaint is unfounded.

- Safran has recently received a request for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA and that are no longer part of the Safran Group. At this point in time, Safran has no information as regards the next stage in these proceedings.

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expense between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007. No provision has yet been set aside in respect of this risk.

Note 28 - Subsequent events

None.

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