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Safran reports improved half-year results for 2010 with a recurring operating margin of 8.2% of revenue, leading to an upward revision of full-year outlook.

All figures in this press release represent Adjusted[1] data. Note that Adjusted income statement now excludes the PPA entries related to all major acquisitions, notably in Security (Euro 23 million in first-half 2010, compared to Euro 7 million in first-half 2009). Restated full-year 2009 and first-half 2009 income statements are provided in the Annex (see pages 11 to 13 of this press release). Please also refer to definitions and reconciliation between H1 2010 consolidated income statement and adjusted income statement provided in the Notes on pages 9 and 10 of this press release.

KEY NUMBERS FOR FIRST-HALF 2010

- **First-half 2010 adjusted revenue was Euro 5,197 million**, up 0.9% year-on-year, or -2.2% on an organic basis.
- **Adjusted recurring[2] operating income at Euro 428 million (8.2% of revenue)** at a hedge rate of USD1.45 to the Euro, up 23% year-on-year (based on the current definition of Adjusted income; i.e. excluding PPA). There were no one-off items, therefore profit from operations was Euro 428 million.
- **Adjusted net income - group share up 8%** from H1 2009 restated at Euro 223 million (Euro 0.56 per share).
- **Free cash flow generation of Euro 188 million** leading to net debt of Euro 573 million as of June 30, 2010, despite high negative effect of French MoD payment delays which rose by Euro 241 million since December 31, 2009.
- **Full-year 2010 guidance upgraded**: Safran expects revenue to be similar to 2009, recurring operating margin to trend towards the 8% range (at a targeted hedge rate of USD 1.44 to the Euro) and free cash flow to represent at least half of the recurring operating income (assuming that French MoD payment delays are significantly resorbed).

KEY BUSINESS HIGHLIGHTS FOR FIRST-HALF 2010

- **Safran inaugurated four new sites to increase its industrial efficiency**: in France, a new Turbomeca facility in Bordes to produce helicopter engines and a new R&D centre in Massy to offer world-class expertise in electronics and safety-critical software, as well as two new plants in Queretaro, Mexico to produce parts for CFM56 engines powering the B737, and main parts for landing gear on the A320, A330 and B787.
- The **Aerospace Propulsion service share of revenue remained globally stable at 49.0%**, softness of CFM56 aftermarket being offset by strengths in military, helicopter and high-thrust engines services. **The service share in Aircraft Equipment slightly increased from 31.3% to 32.6% of revenue.**
- CFM International announced new orders for more than 825 CFM56 engines, as well as associated long-term services contracts, at 2010 Farnborough Air Show with a total value of more than $7.3 billion - list price (LAN Airlines, Air Lease Corporation, Air China, GECAS, Air Arabia, China Eastern Airlines, …).
- **Continued commercial momentum in Defence**, notably in portable optronics equipment such as infrared binoculars and sight equipment.
- **New contract wins in Security**: Secure travel documents for Dutch government, a turnkey biometric solution for Malaysia's ID document system, a secure driver license system for the state of North Carolina (USA).

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Paris, July 28, 2010 - The Supervisory Board of Safran (NYSE Euronext Paris: SAF) chaired by Francis Mer met in Paris on July 27, 2010. The financial statements for the first-half 2010 approved by the Management Board were submitted to the Supervisory Board.

EXECUTIVE COMMENTARY

CEO Jean-Paul Herteman commented:

“ *Safran’s environment continued to improve in the first half of 2010. We saw encouraging economic signs, including increases in airline passenger traffic and freight loadings, decreases in number of parked aircraft and decisions from airframers to increase narrowbody airplanes production rates in outer quarters. In Security, public investments in people identification and in luggage checking reinforcements continued to increase.*

We are increasing the Group’s operating margins towards the 8% range and realizing benefits from over two years of Safran+ cost-savings. The improvement in the Aircraft Equipment branch was particularly encouraging as it reflects the turnaround in the nacelle activity. We are seeing particularly solid results from Aerospace Propulsion thanks to good cost control, strength in military, helicopter and high-thrust engines services despite continued softness in CFM56 aftermarket. We are also originating new business in Security at attractive margins.

Our first-half performance leads us to review our full-year ambitions, the balance of opportunities versus the challenges is such that some upside is likely. We will continue to optimize our hedging portfolio on a 3-year rolling basis and maintain our cost reduction effort. We are confident we are on track for solid earnings growth in future years. ”

FIRST-HALF 2010 RESULTS

Safran delivered solid operational performance in first-half 2010 enabling to upgrade the full-year outlook.

Slightly growing revenue. For first-half 2010, Safran’s revenue was Euro 5,197 million, compared to a Euro 5,149 million in the same period a year ago, a 0.9% year-on-year increase. Group revenue declined by 2.2% organically.

First-half 2010 revenue increased by Euro 48 million on a reported basis, highlighting growth of nearly 10% in the Defence business (notably in optronics), and in Security (primarily in detection). It also resulted from a mild decline in aerospace original equipment revenue while services revenue remained resilient. On an organic basis, revenue declined by Euro 114 million as a result, essentially of the anticipated lower revenue of a particularly large Identification program in the Ivory Coast now tailing off.

Organic revenue was determined by deducting from 2010 figures the contribution of Security activities acquired in 2009 when compared to 2009 scope of consolidation and by applying constant exchange rates. Hence, the following calculations were applied:

Reported growth			**0.9%**
Impact of acquisitions	Euro 124 million	(2.4)%	
Currency impact	Euro 38 million	(0.7)%	
Organic growth			**(2.2)%**

The favourable currency impact in revenue of Euro 38 million for first-half 2010 reflected a global positive translation effect on the revenue exposed to foreign currencies, notably in USD, Australian dollar and Brazilian real. It was partly offset by a negative transaction impact with a mild deterioration in the Group's hedged rate (USD1.45 to the Euro vs. USD1.43 in the year ago period).

Recurring operating margin up by 1.5 point. For first-half 2010, Safran's recurring operating income was Euro 428 million (8.2% of revenue), up 23.3% compared to first-half 2009 restated figure of Euro 347 million, 6.7% of revenue. After taking into account the slight adverse currency impact (Euro 6 million) and positive impact from acquisitions (Euro 23 million), organic improvement was Euro 64 million or 18.4% year-over-year.

All four activities contributed to this solid improvement realizing the benefits of over two years of Safran+ savings, as well as SG&A, R&D and productivity improvements. Aerospace services and detection in security were the most buoyant businesses, while losses were significantly reduced in the nacelle activity.

There were no one-off items during the first-half 2010 period:

In Euro million	**H1 2009 restated**	**H1 2010**
Recurring operating income	**347**	**428**
% of revenue	6.7%	8.2%
Total one-off items	**(6)**	**-**
Capital gain (loss) on disposals	-	-
Impairment reversal (charge)	*(6)*	-
Other infrequent & material non operational items	-	-
Profit from operations	**341**	**428**
% of revenue	6.6%	8.2%

Adjusted net income - group share grew by 8% year-over-year. The adjusted net income attributable to equity holders of the parent was Euro 223 million or Euro 0.56 per share, compared to Euro 207 million (Euro 0.52 per share) in first half-2009 restated. In addition to the rise in recurring operating income, this improved performance reflects:

§ Net financial expense was Euro 136 million, including Euro 20 million of cost of net debt.
§ Tax expense came in at Euro 70 million.

The reconciliation between H1 2010 consolidated income statement and adjusted income statement is provided and commented on in the Notes on pages 10.

BALANCE SHEET AND CASH FLOW

Slight increase in net debt. The net debt position was Euro 573 million as of June 30, 2010 compared to Euro 498 million as of December 31, 2009, a slight increase of Euro 75 million. Free cash flow generation of Euro 188 million was driven by the high level of operating profitability (cash from operations of Euro 573 million) offset by an increase in working capital needs of Euro 131 million. The negative change in working capital resulted from the payment delays from the French Ministry of Defence of Euro 269 million at June 30, 2010 (vs. Euro 28 million at December 31, 2009) due to a new IT system implementation. A dividend of Euro 152 million was paid in June (€0.38 per share).

With cash and marketable securities of Euro 1.4 billion and the availability of secured and undrawn facilities amounting to Euro 1.1 billion as of June 30, 2010, Safran is adequately funded.

RESEARCH & DEVELOPMENT

The self-funded R&D effort before research tax credit was Euro 291 million or 5.6% of revenue in first-half 2010, stable compared to first-half 2009. It reflects the tailing off of R&D development programs on the SaM146 and TP400 engines offset by new developments taking place on LEAP-X and Silvercrest engines. The impact on operating income after tax credit was down Euro 36 million compared to last year, as a result of higher tax credit, lower depreciation and amortization and higher capitalized expenses.

OUTLOOK

Bearing in mind the uncertainty of the timing of a recovery for CFM aftermarket and a slightly less favourable USD currency hedge (targeted hedge rate of USD 1.44 to the Euro vs. USD 1.42 in 2009), first-half solid performance leads to an upward revision of the full-year 2010 outlook (based on the current definition of Adjusted income; i.e. excluding PPA):

- Revenue is expected to be similar to 2009.
- Recurring operating margin is expected to improve towards the 8% range (at a targeted hedge rate of USD 1.44 to the Euro).
- Free cash flow is expected to represent at least half of the recurring operating income (assuming that French MoD payment delays are significantly resorbed).

The full-year 2010 outlook is based on the following underlying assumptions:

- A 5%+ increase in global air traffic.
- A stabilization in original equipment commercial aviation business.
- A moderate growth in sales in aerospace services, back ended (H2 2010).
- Strong and profitable growth for the Security business.
- On-going Safran+ plan to enhance profitability and reduce overheads.

CURRENCY HEDGES

The Group has put in place currency hedges for the next 3 years. At July 26, 2010, the firm hedging portfolio amounted to USD 13.7 billion. Taking advantage of recent Euro weakness, the portfolio has been optimized to reduce operational headwinds in 2010 (new target of USD 1.44 to the Euro compared to USD 1.46 previously) and increase the favourable impact in 2012 and 2013. The mid-term target was lowered to USD 1.30 to the Euro versus a previous objective of USD 1.35 providing long term opportunity for stronger performance.

BUSINESS COMMENTARY

- **Aerospace Propulsion**

First-half 2010 revenue was flat at Euro 2,763 million, or a small decline of 0.7% on an organic basis, compared to the year-ago period revenue at Euro 2,769 million. Revenue evolution resulted from a higher pace of CFM56 and space & missile engine deliveries, as well as a fast-growing aftermarket activity in military, helicopter and recent high-thrust civil engines. It was offset by lower helicopter and military engine deliveries and continued softness in CFM56 spare parts revenue.

OEM CFM56 engine deliveries at 636 units were up by 39 units compared to the same period a year ago. After a successful Farnborough air show, total 2010 CFM56 orders now stand at 1,135 engines (July 21). Revenue from OEM helicopter engines was slightly down, as a result of negative volume and mix conditions although this was partly offset by better pricing terms. Space & missile propulsion revenue was particularly high in the first half of the year. SaM146 regional jet engine received EASA certification on June 23, paving the way for Sukhoi Superjet 100 entry into service and the certification of the TP400 engine for the A400M is progressing well.

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On a first-half 2010 basis, service revenue share was flat at 49.0% of Aerospace Propulsion revenue, benefiting from a robust contribution from aftermarket: military and helicopter engines, as well as from recent high-thrust civil engines. The aftermarket revenue growth was offset by worldwide CFM International spare parts revenue down 25% in USD terms, highlighting soft and volatile airlines spending in maintenance. The estimated* total number of shop visits for CFM-equipped civil aircraft decreased to 1,011 as compared to 1,174 in first-half 2009. It is generally expected that a reversal of this trend should occur in late 2010 or early 2011.
[*(*) shop visit numbers are estimates; these can be revised marginally in the future as airlines finalise reports*].

First-half 2010 recurring operating income was Euro 311 million (11.3% of revenue), up 15% on a restated basis compared to Euro 271 million in the year-ago period (9.8% of revenue). This significant improvement despite a soft CFM aftermarket environment resulted from a strong military and high-thrust engines activity in spares and the ramp-up of recent Support-By-The-Hour maintenance contracts, primarily in helicopter engines. Profits were also driven by R&D efficiency, Safran+ cost reduction efforts and the benefits of a more efficient production tool on higher OE CFM56 volumes. The currency impact had a slight adverse impact on profitability.

§ **Aircraft Equipment**

The Aircraft Equipment segment reported first-half 2010 revenue of Euro 1,374 million, down 2.8%, or (4.4)% on an organic basis, compared to the year-ago period.

The decline in revenue was primarily attributable to a continuing decline of the business and regional jet segments which impacted the nacelle, landing system and harnessing businesses. The nacelle activity recorded a significant drop in small nacelles deliveries (down 27%), as well as lower deliveries of A380 nacelles (28 units in the first-half 2010 compared to 41 nacelles in the year-ago period) due to aircraft delivery slippages at the end of 2009. Other large nacelle business benefited from higher deliveries, notably driven by the A330 and A320. The first-half 2010 saw a solid performance in services (landing gear, brakes, wheels) in both military and civil activities.

On a first-half 2010 basis, service revenue share slightly increased from 31.3% to 32.6% of Aerospace Equipment revenue, benefiting mainly from landing and braking systems.

First-half 2010 recurring operating income was Euro 68 million (4.9% of revenue), up 45% on a restated basis compared to Euro 47 million in the year-ago period (3.3% of revenue). The improvement resulted from tangible turnaround in the nacelle activity, notably lower production costs on A380 and a favourable product mix (A330). It was also driven by a robust contribution from Messier Services on landing systems, and better volume and conditions on B787 harnessing activity.

§ **Defence**

First-half 2010 revenue was up 9.2% at Euro 558 million, or up 8.7% on an organic basis, compared to the previous year. The performance was mainly driven by 2-digit revenue growth in the Optronics activity on the basis of a robust order backlog (Felin soldier integrated equipment suites for French Army, long-range infra-red goggles on export markets). This trend was partly mitigated by a flattish Avionics revenue with less volume in navigation programs due to continuing production difficulties.

First-half 2010 recurring operating income at Euro 28 million (5.0% of revenue) was up compared to a restated Euro 19 million (3.7% of revenue) in first-half 2009 thanks to higher profits in Optronics while Avionics continued to experience industrialization issues.

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§ **Security**

The Security activity reported first-half 2010 revenue of Euro 479 million, up 10.4% compared to the year-ago period. On an organic basis, it is down 17.7% compared to first-half 2009, but up 13.3% compared to first-half 2008 reflecting the lumpiness of this business. The newly-acquired detection business had a robust performance in explosive detection solutions in the aviation market and made progress in new markets such as military and critical infrastructure. Revenue growth also benefited from a favourable translation currency impact from Brazilian real and Australian dollar. Organic decline was mainly due, as anticipated, to the very low revenue booked for the identification contract in Ivory Coast which compares unfavourably to a significant level in first-half 2009. The smart cards activity record double-digit growth in volume, partly mitigated by pricing pressure.

First-half 2010 recurring operating income was Euro 61 million (12.7% of revenue), up 53% compared to Euro 40 million (9.2% of revenue) in the year-ago period. The incremental contribution of identification solutions and smart cards activity was fully offset by the impact on profits of lower revenue of the identification government contract in Ivory Coast. The improvement was therefore exclusively due to the contribution of newly-acquired activities.

UPCOMING EVENTS

Q3 2010 revenue	October 22, 2010
FY 2010 results	February 24, 2011

* * * * *

Safran will host today a conference call open to analysts and journalists at 9:00 am which can be accessed at +33 1 72 00 13 68 from France and +44 203 367 9459 from the UK. A replay will be available until August 11, 2010 at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 270406#).

The press release, presentation and consolidated financial statements are available on the website at www.safran-group.com.

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KEY FIGURES

Adjusted income Statement (In Euro million)	H1 2009 reported	H1 2009 restated	H1 2010	% change restated
Revenue	**5,149**	**5,149**	**5,197**	0.9%
Recurring operating income	**na**	**347**	**428**	23.3%
% of revenue	na	6.7%	8.2%	+1.5pt
Profit from operations	**324**	**341**	**428**	26.1%
% of revenue	6.3%	6.6%	8.2%	+1.6pt
Net financial income (expense)	48	(83)	(136)	
Income tax expense	(99)	(59)	(70)	
Profit (loss) from discontinued op.	6	6	-	
Minority interests	(5)	(5)	(6)	
Income from associates	7	7	7	
Net income - group share	**281**	**207**	**223**	7.7%
EPS (in €)	0.70	0.52	0.56	+4 cents

(*) based on a weighted average number of shares of 399,562,502 as of June 30, 2010

Balance sheet - Assets (In Euro million)	Dec 31, 2009	June 30, 2010
Goodwill	2,126	2,243
Intangible assets and PPE	5,418	5,501
Other non-current assets	722	863
Financial instruments at fair value	63	21
Inventories and WIP	3,382	3,546
Trade and other receivables	4,378	4,650
Cash and cash equivalents	2,080	1,416
Assets held for sales	-	-
Total Assets	**18,169**	**18,240**

Balance sheet - Liabilities (In Euro million)	Dec 31, 2009	June 30, 2010
Equity	4,501	3,568
Provisions	2,354	2,344
Borrowings subject to sp. conditions	696	708
Interest bearing liabilities	2,575	2,010
Other non-current liabilities	1,043	592
Trade and other payables	7,000	9,018
Liabilities held for sale	-	-
Total Equity & Liabilities	**18,169**	**18,240**

Cash Flow Highlights (In Euro million)	H1 2009	FY 2009	H1 2010
Adjusted attributable net profit	**281**	**376**	**223**
Depreciation, amortization and provisions	304	601	212
Other	67	66	138
Elimination of discontinued operations	4	(1)	-
Cash flow from operations	**656**	**1,042**	**573**
Changes in working capital	(249)	361	(131)
Capex (tangible assets)	(132)	(293)	(122)
Capex (intangible assets)	(111)	(292)	(132)
Free cash flow	**164**	**818**	**188**
Dividends paid	(68)	(73)	(152)
Divestments/acquisitions and others	(151)	(608)	(111)
Net change in cash and cash equivalents	**(55)**	**137**	**(75)**
Net debt at beginning of period	(635)	(635)	(498)
Net debt at end of period	**(690)**	**(498)**	**(573)**

(*) Includes premium from disposal of unexpired options

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Segment breakdown of revenue (In Euro million)	H1 2009	H1 2010	% change reported	% change organic
Aerospace Propulsion	2,769	2,763	(0.2)%	(0.7)%
Aircraft Equipment	1,413	1,374	(2.8)%	(4.4)%
Defence	511	558	9.2%	8.7%
Security	434	479	10.4%	(17.7)%
Others	22	23	na	na
Total Group	**5,149**	**5,197**	**0.9%**	**(2.2)%**

Breakdown of segment recurring operating income *(In Euro million)*	H1 2009 reported	H1 2009 restated	H1 2010	% change restated
Aerospace Propulsion	**259**	**271**	**311**	15%
% of revenue	9.4%	9.8%	11.2%	
Aircraft Equipment	**44**	**47**	**68**	45%
% of revenue	3.1%	3.3%	4.9%	
Defence	**18**	**19**	**28**	47%
% of revenue	3.6%	3.7%	5.0%	
Security	**33**	**40**	**61**	53%
% of revenue	7.7%	9.2%	12.7%	
Others	(30)	(30)	(40)	na
Total Group	**324**	**347**	**428**	**23%**
% of revenue	6.3%	6.7%	8.2%	

2009 revenue by quarter (In Euro million)	First quarter 2009	Second quarter 2009	Third quarter 2009	Fourth quarter 2009	Full year 2009
Aerospace Propulsion	1,334	1,435	1,344	1,560	5,673
Aircraft Equipment	700	713	608	746	2,767
Defence	238	273	216	334	1,061
Security	204	230	206	264	904
Others	11	11	10	11	43
Total revenue	**2,487**	**2,662**	**2,384**	**2,915**	**10,448**

2010 revenue by quarter (In Euro million)	First quarter 2010	Second quarter 2010	First half 2010
Aerospace Propulsion	1,311	1,452	2,763
Aircraft Equipment	633	741	1,374
Defence	245	313	558
Security	223	256	479
Others	14	9	23
Total revenue	**2,426**	**2,771**	**5,197**

NOTES

[1] Adjusted data
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.

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 first-half 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.

H1 2010 reconciliation between consolidated income statement and adjusted consolidated income statement:

H1 2010 consolidated net result was a net loss of Euro 973 million, highly impacted by the large adverse change in the mark-to-market of derivative hedging instruments (Euro 1.8 billion). This change in mainly due to the high volatility observed on the Euro/USD exchange rate. The hedging instruments portfolio was marked-to-market using 1.23 at June 30, 2010 closing exchange rate, against 1.44 as of December 31, 2009.

H1 2010		Hedge accounting		Business combinations		
(In Euro million)	**Consolidated income statement**	Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	**Adjusted consolidated income statement**
Revenue	**5,367**	**(170)**				**5,197**
Other operating income (expense)	(4,817)	2	(56)	79	23	(4,769)
Recurring operating income	**550**	**(168)**	**(56)**	**79**	**23**	**428**
Other non current operating income (expense)						
Profit (loss) from operations	**550**	**(168)**	**(56)**	**79**	**23**	**428**
Cost of debt	(20)					(20)
Foreign exchange financial income (loss)	(1,987)	168	1,781			(38)
Other finance costs / income	(78)					(78)
Net finance costs / income	**(2,085)**	**168**	**1,781**	**-**	**-**	**(136)**
Income from associates	7					7
Income tax expense	559		(594)	(27)	(8)	(70)
Profit (loss) from continuing operations	**(969)**		**1,131**	**52**	**15**	**229**
Profit (loss) from discontinued operations	-					-
Attributable to non-controlling interests	**(4)**	3	(2)	(1)	(2)	**6**
Attributable to equity holders of the parent	**(973)**	**3**	**1,129**	**51**	**13**	**223**

Readers are reminded that only 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.

[2] Recurring operating income
In order to better reflect the current economic performance, this subtotal named “recurring operating income” excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature such as: impairment losses/reversals, capital gains/losses on disposals of operations and other unusual and/or material non operational items.

* * * * *

Safran *is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the Safran group has 55,000 employees and generated sales exceeding 10.4 billion euros in 2009. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. The Group invests heavily in Research & Development to meet the requirements of changing markets, including expenditures of 1.1 billion euros in 2009. Safran is listed on NYSE Euronext Paris and its share is part of the SBF 120 and Euronext 100 indexes. For more information, www.safran-group.com*

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ANNEX

As a consequence of the changes in definition and in presentation of Adjusted data as of December 31, 2009 and June 30, 2010, the full-year and first-half 2009 adjusted income statements have been restated in order to provide comparable data for future results. These restatements aim to meet investors expectations and provide better transparency.

In the first half 2010, the Group decided to adjust its consolidated income statement for the impacts of the purchase price allocation entries for all major business combinations (especially those related to the acquisitions in the Security business) and not only those related to the Sagem-Snecma merger. In accordance with IFRS 3 and IFRS 3R standards, the Group recognizes, among other impacts, material intangible assets with a long useful life, justified by the long economic cycles of the Group’s activities, what doesn’t enable to reflect the Group’s actual economic performance and be benchmarked against competitors.

In 2009, the Group decided to change the method for reporting the adjustment concerning the mark-to-market of hedging instruments that were unsettled at the reporting date. Previously, only the "effective" portion of the mark-to-market of such instruments was neutralized until settlement, with the "ineffective" portion recognized in adjusted financial income (loss). 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, this presentation does not appear to be appropriate to reflect the Group's economic performance. Consequently, all mark-to market changes relating to unsettled hedging instruments at the closing date are neutralized. The published adjusted 2009 half-yearly consolidated income statement didn’t take into account this change in the method.

As from the 2009 annual reporting period, the Group decided to present the financial component for pensions within financial items and no longer as an operational item. The published 2009 half-yearly consolidated and adjusted income statements didn’t reflect this change in presentation.

As from the 2009 annual reporting period, the Group decided to present an intermediary sub-total, “recurring operating income” within the operating income for a better view of the Group’s operating performance. This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature. This sub-total was not presented in the published 2009 half-yearly consolidated financial statements.

To summarize, first-half and annual 2009 adjusted results which shall serve as a basis of comparison have been restated for:

(i) Purchase price allocation entries impacts for major acquisitions (especially in the Security business).
(ii) The change in presentation related to the financial component of pension charges.
(iii) The “ineffective” portion of the mark-to-market of unsettled derivatives hedging instruments.
(iv) The presentation of a “recurring operating income” sub-total.

KEY ADJUSTED FIGURES: H1 2009 RESTATED

Income Statement *(In Euro million)*	**H1 2009 reported**	PPA (i)	Pension financial component (ii)	Hedging (iii)	One-off items (iv)	**H1 2009 restated**
Revenue	**5,149**					**5,149**
Recurring operating income	**324**	7	10	-	6	**347**
% of revenue	6.3%					6.7%
Other non-current charges/income					(6)	(6)
Profit from operations	**324**	7	10	-	-	**341**
% of revenue	6.3%					6.6%
Net financial income (expense)	48	-	(10)	(121)	-	(83)
Income tax expense	(99)	(2)	-	42	-	(59)
Profit (loss) from discontinued op.	6					6
Minority interests	(5)					(5)
Income from associates	7					7
Net income - group share	**281**	5	-	(79)	-	**207**
EPS (in €)	0.70					0.52

Segment breakdown of revenue *(In Euro million)*	**H1 2009 reported**	PPA (i)	Pension financial component (ii)	Hedging (iii)	One-off items (iv)	**H1 2009 restated**
Aerospace Propulsion	2,769					2,769
Aircraft Equipment	1,413					1,413
Defence	511					511
Security	434					434
Others	22					22
Total Group	**5,149**					**5,149**

Breakdown of segment recurring operating income *(In Euro million)*	**H1 2009 reported**	PPA (i)	Pension financial component (ii)	Hedging (iii)	One-off items (iv)	**H1 2009 restated**
Aerospace Propulsion	**259**		6		6	**271**
% of revenue	9.4%					9.8%
Aircraft Equipment	**44**		3			**47**
% of revenue	3.1%					3.3%
Defence	**18**		1			**19**
% of revenue	3.5%					3.7%
Security	**33**	7				**40**
% of revenue	7.6%					9.2%
Others	(30)					(30)
Total Group	**324**	7	10	-	6	**347**
% of revenue	6.3%					6.7%

H1 2009 reconciliation between consolidated income statement and adjusted consolidated income statement.

H1 2009 *(In Euro million)*	**Consolidated income statement**	Hedge accounting		Business combinations		**Adjusted consolidated income statement**
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
Revenue	**5,295**	**(146)**				**5,149**
Other operating income (expense)	(4,891)	6	(3)	79	7	(4,802)
Recurring operating income	**404**	**(140)**	**(3)**	**79**	**7**	**347**
Other non current operating income (expense)	(6)					(6)
Profit (loss) from operations	**398**	**(140)**	**(3)**	**79**	**7**	**341**
Cost of debt	(16)					(16)
Foreign exchange financial income (loss)	299	140	(431)			8
Other finance costs / income	(75)					(75)
Net finance costs / income	**208**	**140**	**(431)**	**-**	**-**	**(83)**
Income from associates	7					7
Income tax expense	(179)	(1)	150	(27)	(2)	(59)
Profit (loss) from continuing operations	**434**	**(1)**	**(284)**	**52**	**5**	**206**
Profit (loss) from discontinued operations	6					6
Attributable to non-controlling interests	**(6)**	2	1	(2)		**(5)**
Attributable to equity holders of the parent	**434**	**1**	**(283)**	**50**	**5**	**207**

KEY ADJUSTED FIGURES: FY 2009 RESTATED

Income Statement (In Euro million)	2009 reported	PPA (i)	2009 restated
Revenue	**10,448**		**10,448**
Recurring operating income	**698**	31	**729**
% of revenue	6.7%		7.0%
Other non-current charges/income	(35)		(35)
Profit from operations	**663**	31	**694**
% of revenue	6.3%		6.6%
Net financial income (expense)	(174)		(174)
Income tax expense	(98)	(10)	(108)
Profit (loss) from discontinued op.	(4)		(4)
Minority interests	(14)	(2)	(16)
Income from associates	3		3
Net income - group share	**376**	19	**395**
EPS (in €)	0.94		0.99

Segment breakdown of revenue (In Euro million)	2009 reported	PPA (i)	2009 restated
Aerospace Propulsion	5,673		5,673
Aircraft Equipment	2,767		2,767
Defence	1,061		1,061
Security	904		904
Others	43		43
Total Group	**10,448**		**10,448**

Breakdown of segment recurring operating income *(In Euro million)*	2009 reported	PPA (i)	2009 restated
Aerospace Propulsion	**628**		**628**
% of revenue	11.1%		11.1%
Aircraft Equipment	**73**		**73**
% of revenue	2.6%		2.6%
Defence	**9**		**9**
% of revenue	0.8%		0.8%
Security	**55**	31	**86**
% of revenue	6.1%		9.5%
Others	(67)		(67)
Total Group	**698**	31	**729**
% of revenue	6.7%		7.0%

FY 2009 reconciliation between consolidated income statement and adjusted consolidated income statement.

FY 2009 *(In Euro million)*		Hedge accounting		Business combinations		
	Consolidated income statement	Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	**Adjusted consolidated income statement**
Revenue	**10,559**	**(111)**	**-**	**-**	**-**	**10,448**
Other operating income (expense)	(9,930)	6	16	158	31	(9,719)
Recurring operating income	**629**	**(105)**	**16**	**158**	**31**	**729**
Other non current operating income (expense)	(35)					(35)
Profit (loss) from operations	**594**	**(105)**	**16**	**158**	**31**	**694**
Cost of debt	(38)					(38)
Foreign exchange financial income (loss)	479	105	(575)	-		9
Other finance costs / income	(145)					(145)
Net finance costs / income	**296**	**105**	**(575)**	**-**	**-**	**(174)**
Income from associates	3					3
Income tax expense	(235)	-	191	(54)	(10)	(108)
Profit (loss) from continuing operations	**658**	**-**	**(368)**	**104**	**21**	**415**
Profit (loss) from discontinued operations	(4)					(4)
Attributable to non-controlling interests	**(13)**	2	-	(3)	(2)	**(16)**
Attributable to equity holders of the parent	**641**	**2**	**(368)**	**101**	**19**	**395**