

2006 ANNUAL RESULTS

SAFRAN

an international technology
leader

Analysts review – February 15, 2007



CONTENTS

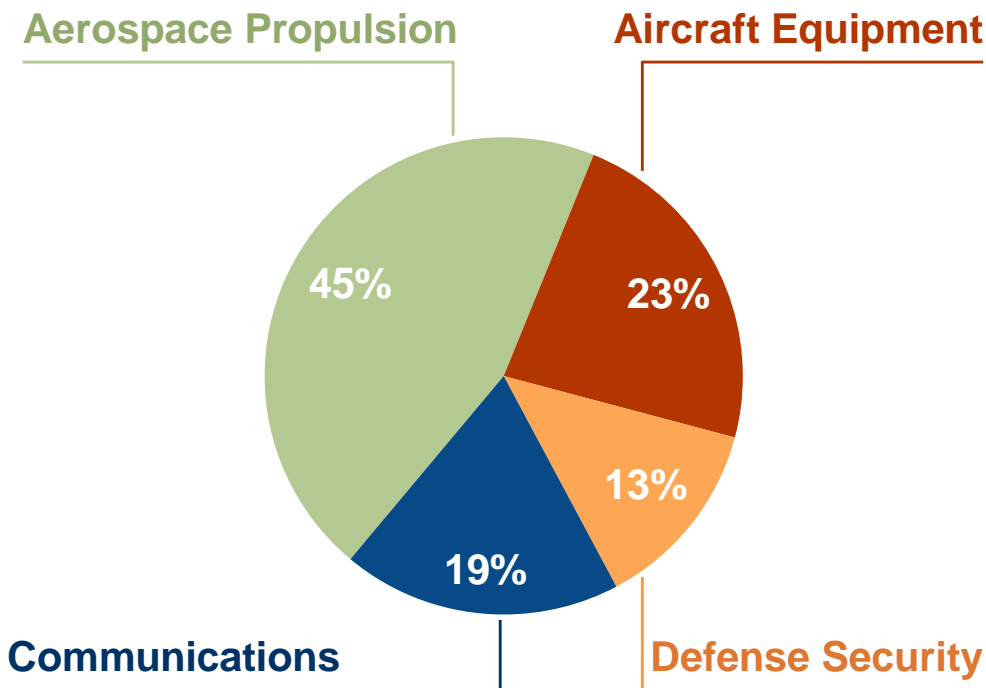
- ▶ **SAFRAN GROUP**
- ▶ **2006 BUSINESS DATA**
- ▶ **FINANCIAL RESULTS AT DECEMBER 31, 2006**
- ▶ **CONCLUSIONS**
- ▶ **APPENDICES**

SAFRAN GROUP

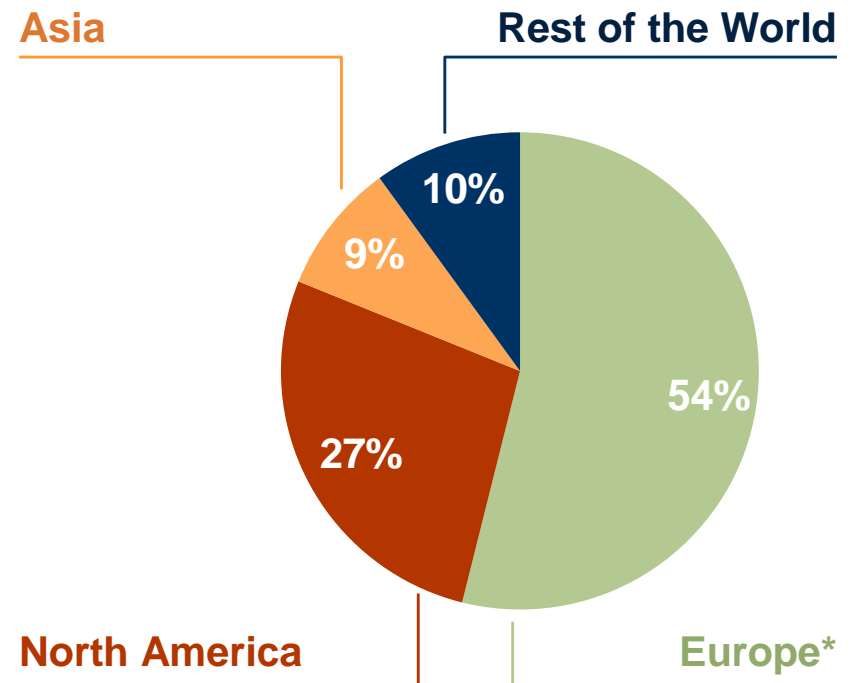
2006 SALES: 11,329 millions of euros

At December 31, 2006

BY BRANCH



BY REGION



* Most reexported by prime contractor consumers

Adjusted pro-forma data

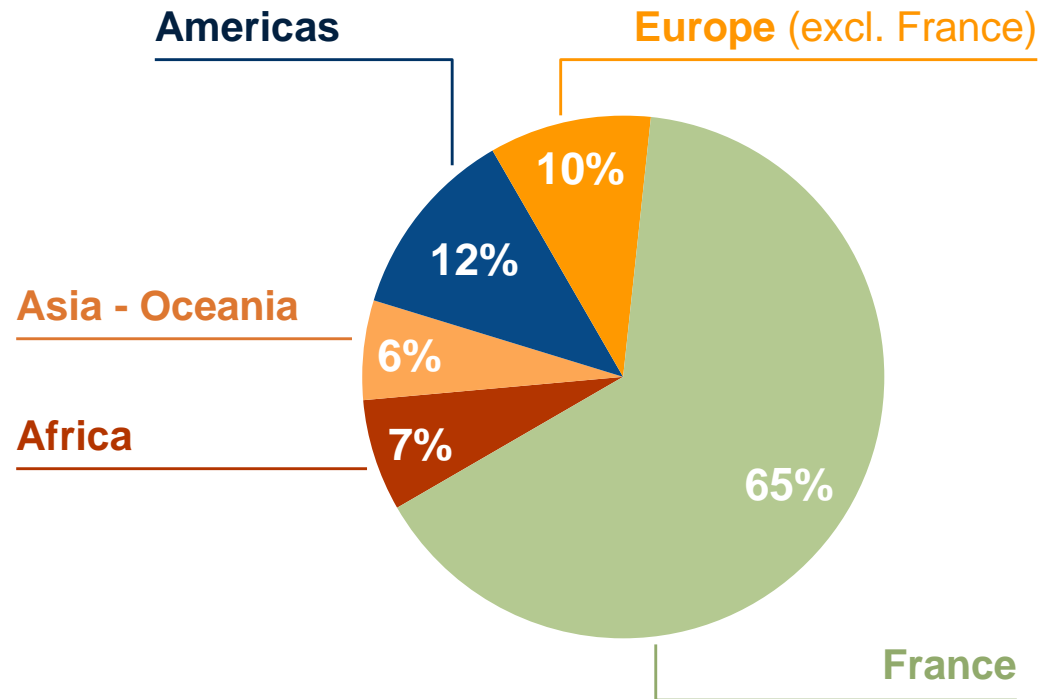
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HUMAN RESOURCES DATA

At December 31, 2006

▶ Workforce trends and distribution

- **61,400 employees** as of Dec. 31, 2006* including 21,700 outside France



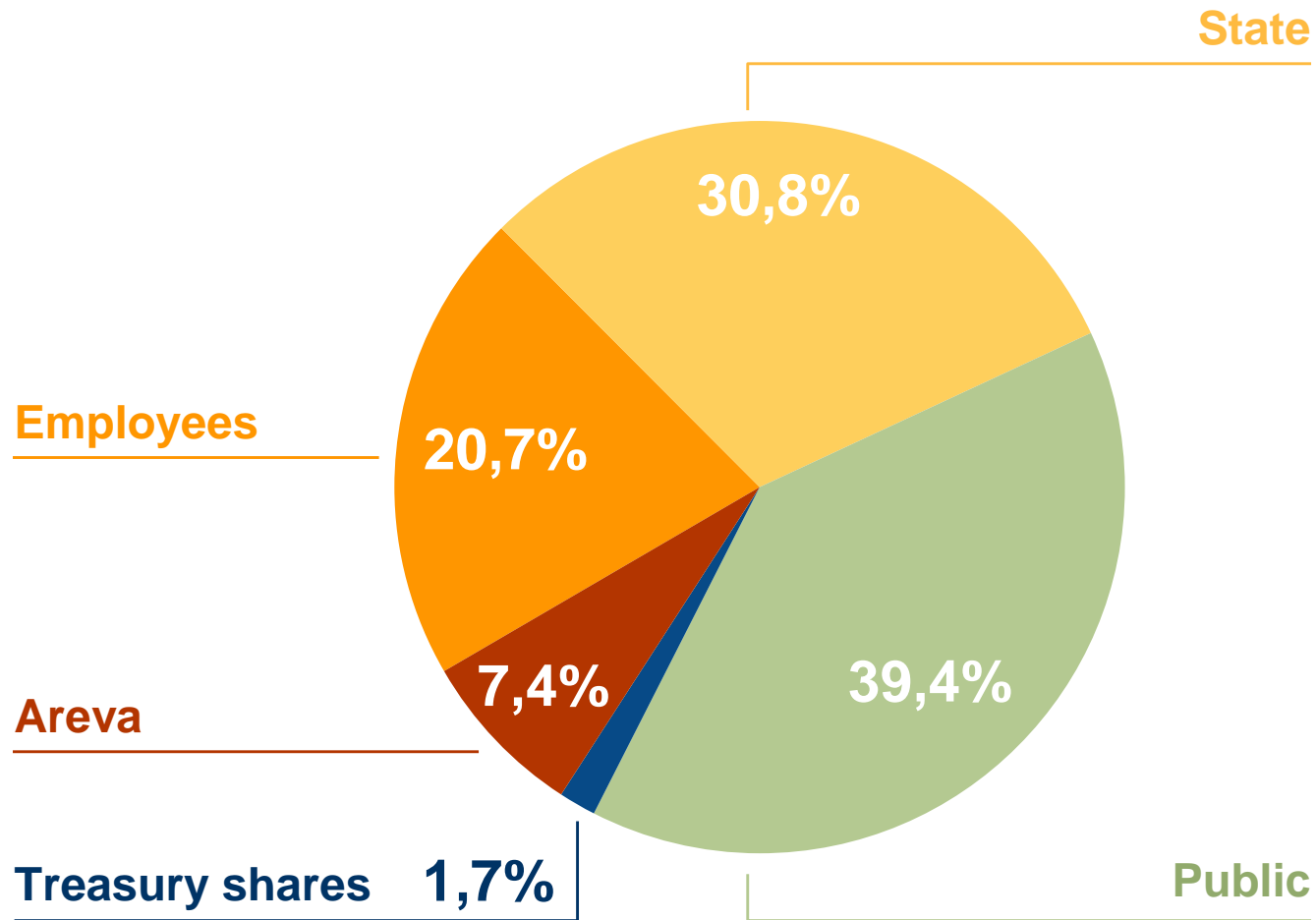
- **Nearly 2,600 new employees** hired in France, including more than 1,300 management staff
- International workforce on the rise: +20%

* Registered employees at Dec. 31, 2006

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SAFRAN'S SHAREHOLDING STRUCTURE

At December 31, 2006



■ ■ ■ ■ ■ 2006 BUSINESS DATA

AEROSPACE PROPULSION

AEROSPACE PROPULSION

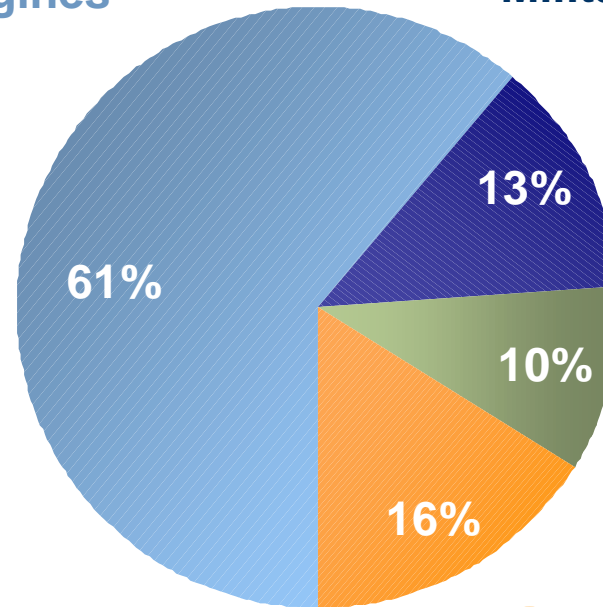
At December 31, 2006

2006 Sales
€5,073 million
Orders
€6,460 million
Order book
€14,224 million
Employees
21,396

Commercial engines



Military engines



Space & Ballistic



Helicopters turbines



Services

43%

57%

Original equipment & misc.

■ AEROSPACE PROPULSION

2006: a record-breaking year



CFM56



SaM146



Silvercrest

▶ Commercial aircraft engines

- **New record: 2,121 CFM56 engines ordered**, vs 1,640 in 2005
- Production up 33%: **1,061 CFM56 engines produced** (800 in 2005)
- CFM56-5 and -7 **Tech Insertion** versions certified; service entry in 2007
- Ground tests of SaM146 regional jet engine (Sukhoi SuperJet 100) in line with objectives - demonstration of maximum thrust for 95-seat version
- Launch of core demonstrator for **Silvercrest** business jet engine

▶ Commercial engine spare parts and services

- Snecma Services wins many new MRO contracts, with Air Berlin, Air One, Luxair, Mexicana, Siberia Airlines (S7), Travel Services, etc.
- Creation of a new engine MRO facility in Mexico: Snecma America Engine Services (SAMÉS)
- Snecma Morocco Engine Services expands capabilities (CFM56-7), as does Sichuan Snecma Aero-engine Maintenance Co. (CFM56-5 and -7)

■ AEROSPACE PROPULSION



Arriel® 1E2

▶ Helicopter engines

- Sustained orders: **1,034 helicopter turbines** in 2006
- Production up 25%, to 979 helicopter turbines
- Sustained support business: 2,295 engines and modules repaired (+18%)
- Turbomeca chosen as engine supplier on the U.S. Army's UH-72 Lakota (LUH/EC145) (644 Arriel 1E2 engines)
- Expanded production capacity in the United States



M51

▶ Space and ballistic propulsion

- 5 successful Ariane 5 ECA launches in 2006
- 12 commercial launch contracts signed by Arianespace (over half of the accessible market)
- Successful first ground test firing of the **P80 rocket motor** (Europropulsion) for the new Vega light launcher
- **Successful first test launch of the M51 missile**, with propulsion system by Snecma Propulsion Solide; delivery of the first production rocket motor shipset



Vulcain® 2

AIRCRAFT EQUIPMENT

AIRCRAFT EQUIPMENT

At December 31, 2006

2006 Sales
€2,644 million
Orders
€2,809 million
Order book
€3,976 million
Employees
19,773

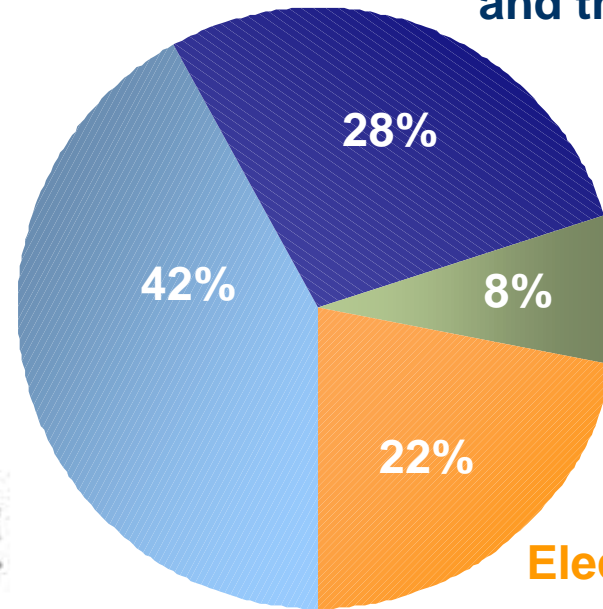
Landing gear



Engine equipment, nacelles and thrust reversers



Other equipment



Electrical systems

Services

22%

78%

Original equipment & misc.

■ AIRCRAFT EQUIPMENT



Airbus A380

▶ Aircraft engine nacelles

- **Nacelles and electrical thrust reverser actuation** system for the A380 demonstrate good performance in test flights, for both engines available on this aircraft
- Significant increase in production of Airbus A320 thrust reversers (40%)
- Le Havre plant is rationalized, with installation of two nacelle assembly lines for regional and business aircraft



Dassault Falcon F7X

▶ Engine equipment

- Strong increase in production of power transmissions and electronic engine controls (23%)
- Hispano-Suiza gearbox chosen for new Eurocopter EC175 helicopter

▶ Wiring

- Creation of a **wiring production and engineering unit** at Dassault Falcon Jet in Little Rock (AR) for the Falcon 900, 2000 and 7X
- Launch of **wiring production for the Airbus A400M and Boeing 787**



Boeing 787

■ AIRCRAFT EQUIPMENT



Airbus A400M



Boeing 787
landing gear



Boeing 737 Next-Generation

▶ Landing gear

- Delivery of first Boeing 787 landing gear sets; tests demonstrate performance of the new composite parts
- Production startup for Airbus A400M landing gear
- Delivery of the 3,000th landing gear for the Airbus A320 family
- Messier Services opens a support facility in Queretaro, Mexico
- Several major maintenance contracts, with Emirates, JetBlue, Asiana Airlines, etc.

▶ Wheels and carbon brakes

- Messier-Bugatti wheels and carbon brakes selected by Boeing for the 737 Next-Generation family
- First contracts for the Boeing 787 Dreamliner electric brake
- Airbus A320 family: another record year, winning 80% of contracts open to competition
- Continued sustained deliveries to the U.S. Air Force: over 100 KC-135 and C-17 planes fitted during the year

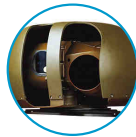
DEFENSE SECURITY

DEFENSE SECURITY

At December 31, 2006

2006 Sales
€1,445 million
Orders
€1,551 million
Order book
€1,666 million
Employees
9,412

Optronics and air-land systems



Army/Air Force sights (STRYX)



Large space optics
Megajoule laser



Secure terminals

Security



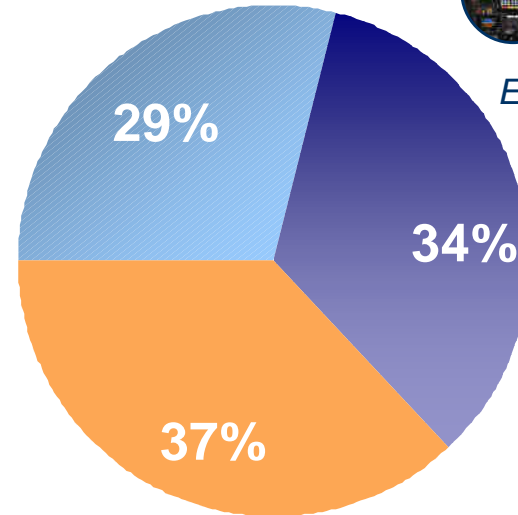
Smart cards



Government solutions



Félin



Navigation and aircraft systems



Equipment and Avionics Systems



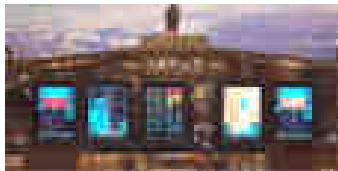
Navigation and sensors



Weapon guidance



Pakistani Mirage 5



Gulfstream flight deck



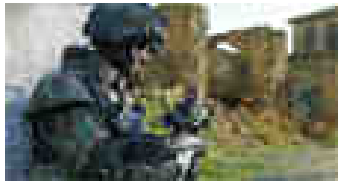
Rafale - AASM
integration test firing

► Navigation and aircraft systems

- 14 Pakistani Mirage 5 fighters modernized by Sagem Défense Sécurité enter service
- Sagem Avionics chosen to provide electronic equipment for the flight control system on 322 UH-72 Lakota (EC145) helicopters for the U.S. Army
- Sagem Avionics chosen as exclusive partner to General Dynamics Aviation Services for modernization of avionics on the Gulfstream GII and GIII
- **AASM modular air-to-ground weapon system:** successful integration test firing on a Rafale, and first qualification firing of the version offering 10-meter accuracy



Thermal binoculars



Felin-equipped soldier



Sperwer UAV



Naval decoy launching system

▶ Optronics and air-land systems

- Export contracts for **new-generation multifunction night vision systems** (integrated rangefinder, compass and GPS)
- Delivery of prototypes of the **Felin** integrated infantry soldier suite to French defense procurement agency DGA; French Army showcases Felin at NATO summit
- Greece orders **two more Sperwer tactical UAV** (unmanned aerial vehicle) systems; three armies from NATO countries are deploying Sperwer in international operations
- Acquisition of **EADS Defence and Security's Naval & Ground business**, to bolster Sagem Défense Sécurité's leadership in shipborne optronics



Biometrics



Payment terminal



Game terminal

▶ Security

- **Mexico** chooses Sagem Défense Sécurité to build the world's largest **multibiometrics system** (fingerprints and facial recognition), used to control voter lists
- European Commission selects Sagem Défense Sécurité to supply the biometric identity management engine for the European Union (initially for European visa requests), and France chooses Sagem Défense Sécurité to supply the biometric visa processing system (VisaBio)
- **Strong increase in electronic money transfer business in 2006**; success of the new Sagem Monotel payment terminal range
- French offtrack betting organization PMU chooses Sagem Défense Sécurité to make new **betting terminals**

COMMUNICATIONS

COMMUNICATIONS

At December 31, 2006

2006 Sales

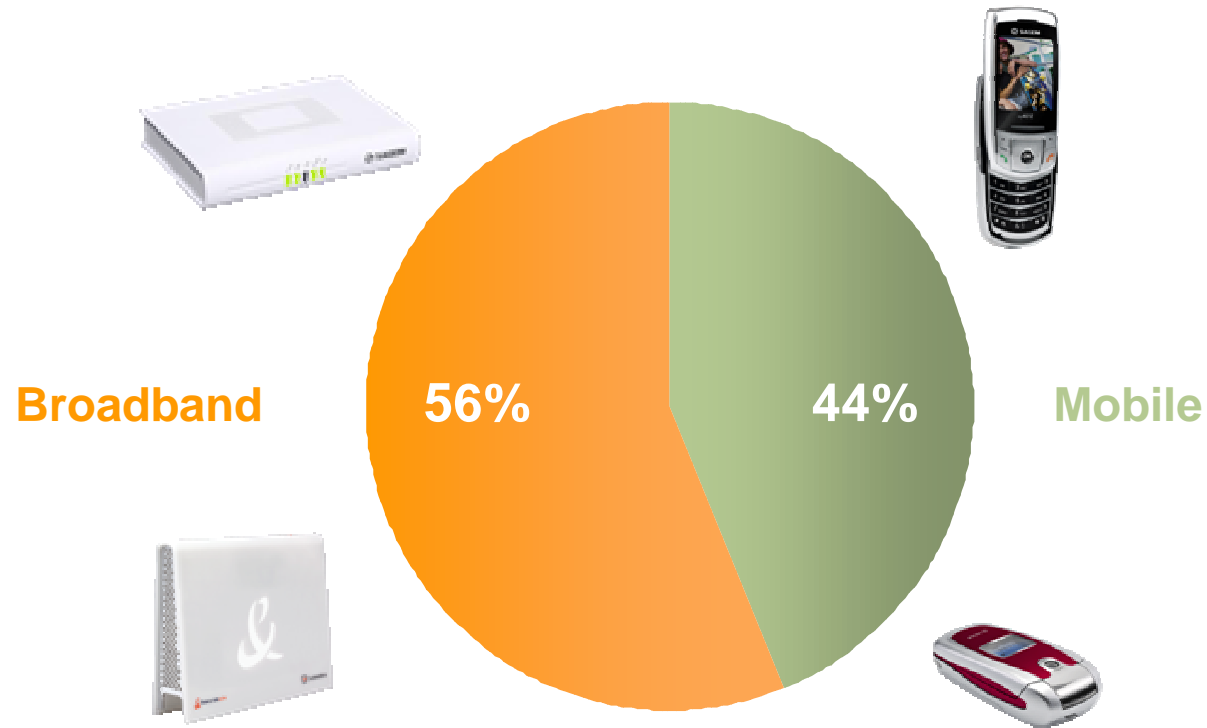
€2,167 million

Orders

€2,693 million

Employees

10,228





myMobileTV 2 DVB-H



my700X EDGE NFC / RFID



my800X 3G

► Mobile phones

- Nearly **17.2 million mobile phones delivered** in 2006
- Launch of mobile phones featuring **broadband technologies EDGE** (my700X) and **3G** (my800X and my600X)
- Sagem ranked No.1 in product quality by major European operators
- Successful trials of mobile TV during the Winter Olympics and Soccer World Cup; start of commercial service in export markets
- Promising trials of mobile phones supporting **contactless payment and access to transport systems** (NFC / RFID)



Digital TV set-top boxes

► Broadband



Printing terminals



Residential gateways

- Strong growth in volumes delivered: digital TV set-top boxes, broadband terminals and printing terminals (35% to 42%)
- Volume of residential gateway deliveries doubled; Sagem Communication becomes No.1 in Europe
- Launch of the first family of MPEG4 HD set-top boxes for the four existing broadcast technologies (satellite, cable, DTTV, IP)
- Sagem Communication No.1 in Europe for digital set-top boxes for DTTV, IP, MPEG4 and MPEG4 HD
- Creation of Sagem Photar to sell fax machines in China; Sagem Communication is No.2 phonefax company in China

■ ■ ■ ■ ■ GROWTH IN BUSINESS VOLUME

AEROSPACE	2005	2006	<i>Change</i>
CFM56 engines (production)	800	1,061	+33%
Helicopters turbines (production)	786	979	+25%
Landing gear sets (deliveries)	949	1,083	+14%
Wheel and carbone brake sets (deliveries) (mainline commercial jets, over 100 seats)	243	377	+55%
Power transmissions (deliveries)	1,304	1,604	+23%
Thrust reversers for Airbus A320 family (deliveries)	286	399	+40%

■ ■ ■ ■ ■ GROWTH IN BUSINESS VOLUME

DEFENSE SECURITY	2005	2006	<i>Change</i>
Night vision equipment and multifunction binoculars	4,011	4,820	+20%
Inertial guidance units	3,300	4,330	+31%
Biometric terminals *	35,000	82,000	+134%
Electronic payment terminals	400,000	580,000	+45%

* Biometric physical and logical access control terminals, excluding payment terminals and police systems

■■■■ GROWTH IN BUSINESS VOLUME

COMMUNICATIONS	2005	2006	<i>Change</i>
Mobile phones (excluding modules)	17,447,000	17,178,000	(1%)
Set-tops boxes (satellite, cable, DTTV, IP)	1,524,000	2,162,000	+42%
Broadband terminals (residential gateways, ADSL modems)	4,050,000	5,445,000	+34%
Printing terminals	1,000,000	1,363,000	+36%



FINANCIAL RESULTS AT DECEMBER 31, 2006

STATEMENT OF INCOME

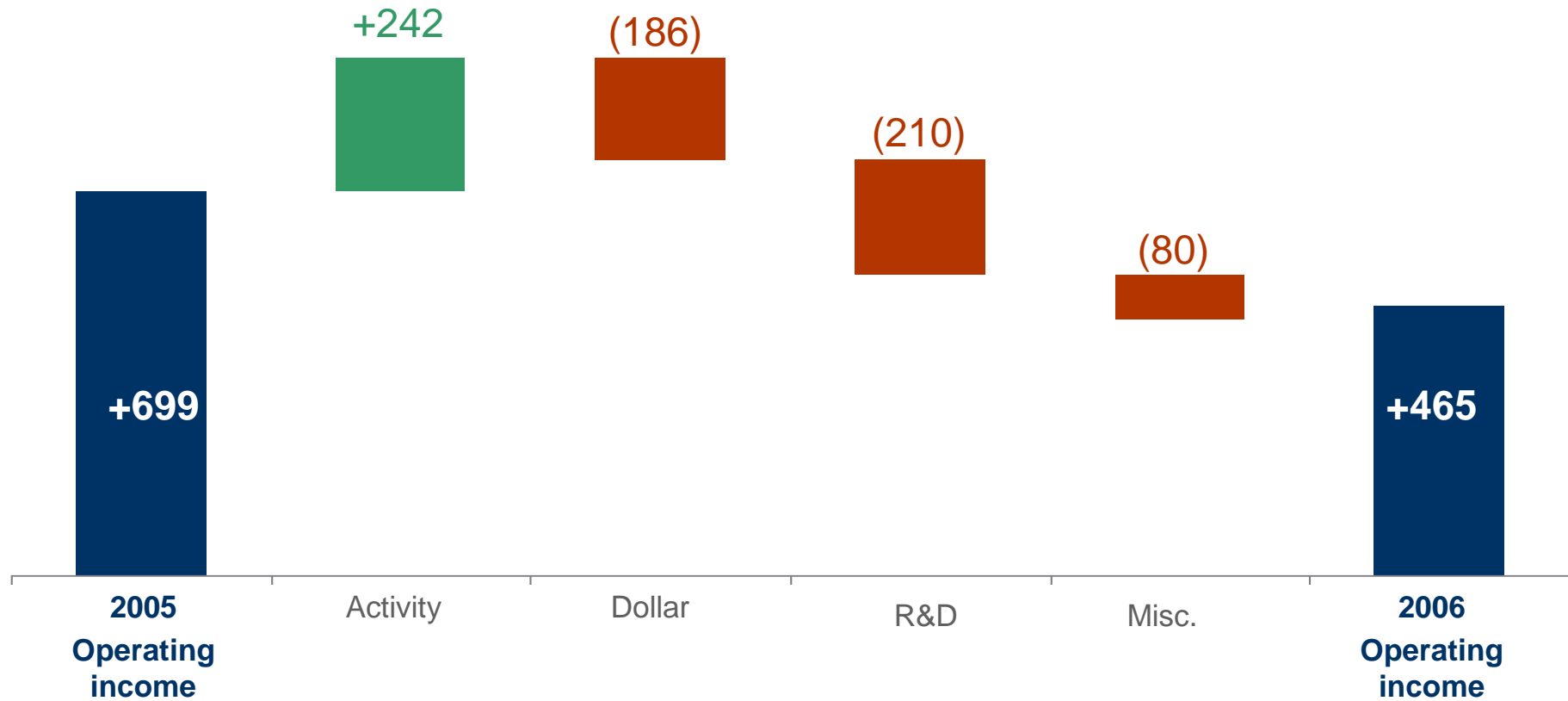
<i>(millions of euros)</i>	2005		2006	Change 2006 vs 2005 adjusted
	Reported	Adjusted		
Sales	10,577	10,576	11,329	+7.1% ⁽¹⁾
Operating income	762	699	465	(33.5%)
<i>% of sales</i>	7.2%	6.6%	4.1%	
Financial income	(87)	(87)	(78)	
Taxes	(170)	(164)	(199)	
Minority interests	(4)	(4)	(11)	
Net income – Group share	501	444	177	(60.1%)
Net profit per share (€)	1.22	1.08	0.43	

(1) +10.4% at constant dollar and size

Adjusted pro-forma data

COMPARISON OF OPERATING INCOME 2005 - 2006

(millions of euros)



Adjusted pro-forma data

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RESEARCH & DEVELOPMENT

<i>(millions of euros)</i>	2005 Adjusted	2006
Self-financed R&D	798	865
▶ operating expenses	460	581
▶ capitalized	338	284
Total R&D expenses	536	746
▶ expenses for the year	460	581
▶ amortization of capitalized R&D	76	165
Capitalized R&D	262	119
▶ capitalization for the year	338	284
▶ amortization	(76)	(165)

Adjusted pro-forma data

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■ ■ ■ ■ ■ USD HEDGING PORTOFOLIO

▶ 2006 net exposure

- **US\$3,600 million**

▶ Hedging portofolio at December 31, 2006:

- **US\$3,062 million**

At an average rate for the part EUR/USD of 1 EUR = 1.13 USD

▶ Hedging rates for net USD flows:

- 2006: 1 EUR = 1.11 USD
- 2007: 1 EUR = 1.20 USD

FREE CASH FLOW FROM OPERATIONS

<i>(millions of euros)</i>	2005		2006
	Reported	Adjusted	
Cash flow	+1,097	+1,074	+1,003
Change in working capital requirements	+229	+252	(149)
Intangible investments	(391)	(391)	(343)
CAPEX	(308)	(308)	(346)
Free cash flow from operations	+627	+627	+165

Adjusted pro-forma data

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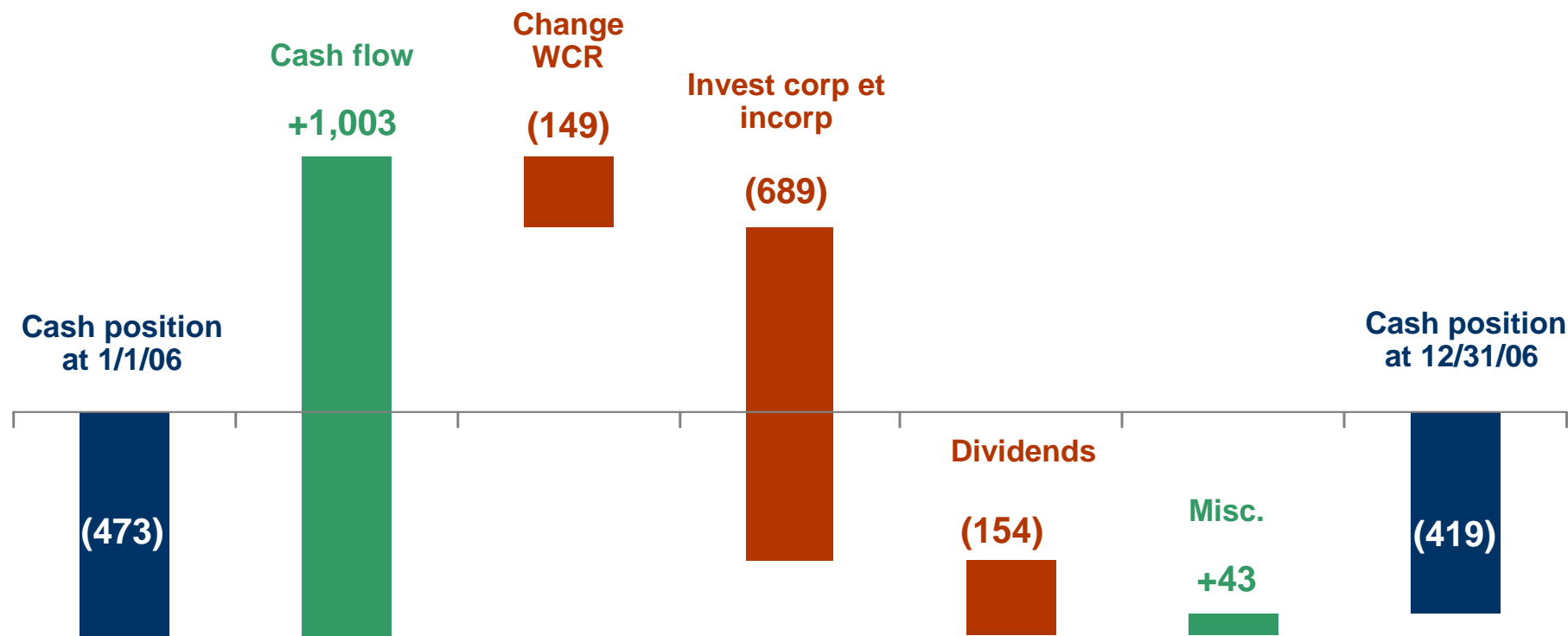
CHANGE IN WORKING CAPITAL REQUIREMENTS

<i>(millions of euros)</i>	2005		2006
	Reported	Adjusted	
Changes in:			
▶ inventories	+375	+341	+461
▶ receivables	+158	+169	+163
▶ suppliers and misc.	(762)	(762)	(475)
Change in working capital requirements	(229)	(252)	+149

Adjusted pro-forma data

CHANGE IN CASH POSITION

(millions of euros)



Adjusted pro-forma data

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RESULTS BY BRANCH

<i>(millions of euros)</i>	2005		2006	Change <i>2006 vs 2005 adjusted</i>
	Reported	Adjusted		
AEROSPACE PROPULSION				
▶ Sales	4,493	4,493	5,073	+12.9%
▶ Operating income	454	456	561	+23.0%
<i>% of sales</i>	10.1%	10.1%	11.1%	
AIRCRAFT EQUIPMENT				
▶ Sales	2,510	2,510	2,644	+5.3%
▶ Operating income	209	212	197	(7.1%)
<i>% of sales</i>	8.3%	8.4%	7.5%	
DEFENSE SECURITY				
▶ Sales	1,232	1,231	1,445	+17.4%
▶ Operating income	109	35	(101)	ns
<i>% of sales</i>	8.8%	2.8%	(7.0%)	
COMMUNICATIONS				
▶ Sales	2,342	2,342	2,167	(7.5%)
▶ Operating income	0	6	(176)	ns
<i>% of sales</i>	0%	0.3%	(8.1%)	
HOLDING COMPANY	(10)	(10)	(16)	

Adjusted pro-forma data

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AEROSPACE PROPULSION

<i>(millions of euros)</i>	2005		2006	<i>Change 2006 vs 2005 adjusted</i>
	Reported	Adjusted		
Sales	4,493	4,493	5,073	+12.9%
Operating income <i>% of sales</i>	454 10.1%	456 10.1%	561 11.1%	+23.0%
Self-financed R&D <i>of which capitalized (net)</i>	326 76	319 76	334 74	
CAPEX	146	146	181	
Free cash flow	723	723	419	

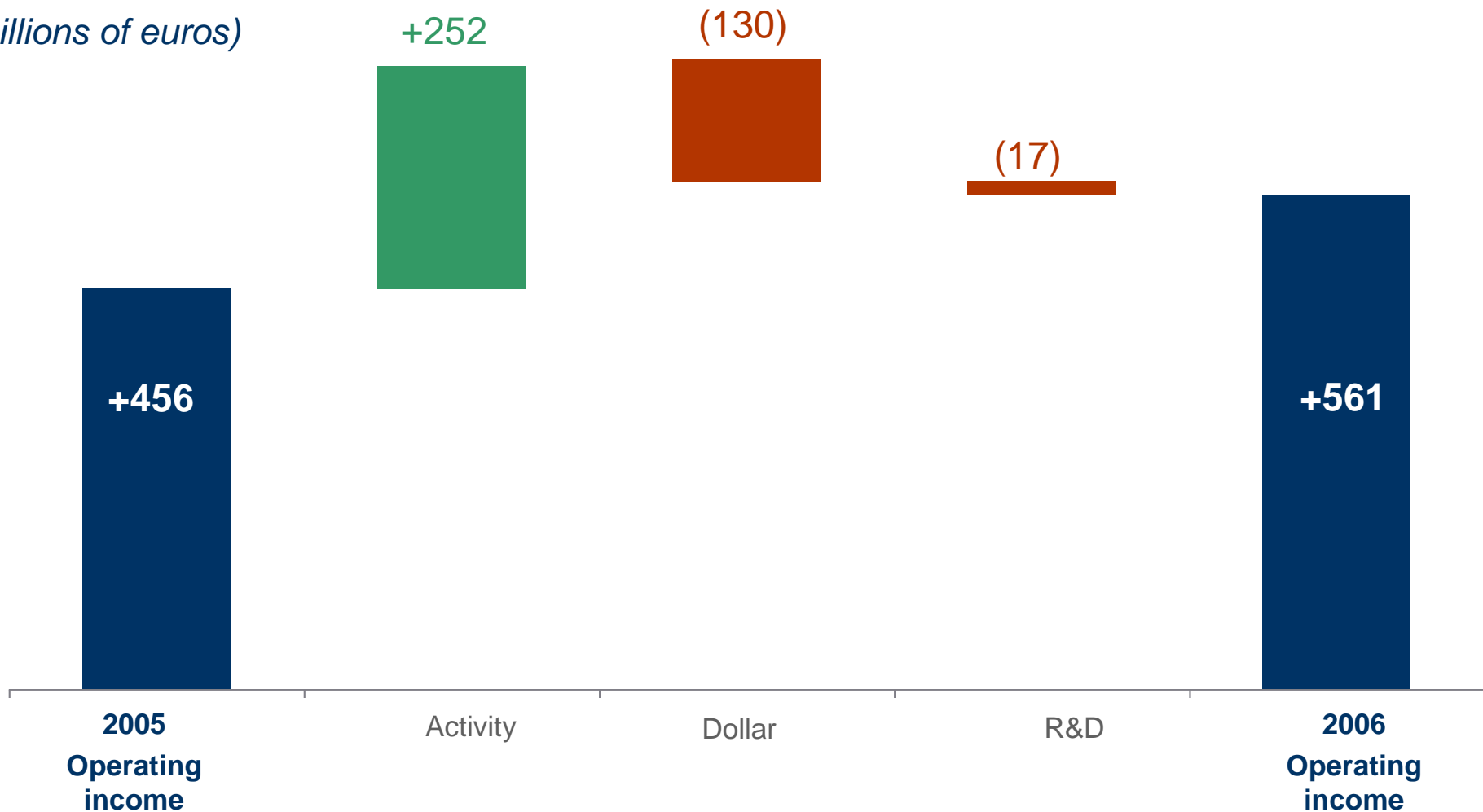
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AEROSPACE PROPULSION

COMPARISON OF OPERATING INCOME 2005 - 2006

(millions of euros)



Adjusted pro-forma data

Analysts Review – February 15, 2007

AEROSPACE PROPULSION

RESEARCH & DEVELOPMENT

<i>(millions of euros)</i>	2005 Adjusted	2006
Self-financed R&D	319	334
▶ operating expenses	207	240
▶ capitalized	112	94
Total R&D expenses	243	260
▶ expenses for the year	207	240
▶ amortization of capitalized R&D	36	20
Capitalized R&D	76	74
▶ capitalization for the year	112	94
▶ amortization	(36)	(20)

Adjusted pro-forma data

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■ AIRCRAFT EQUIPMENT

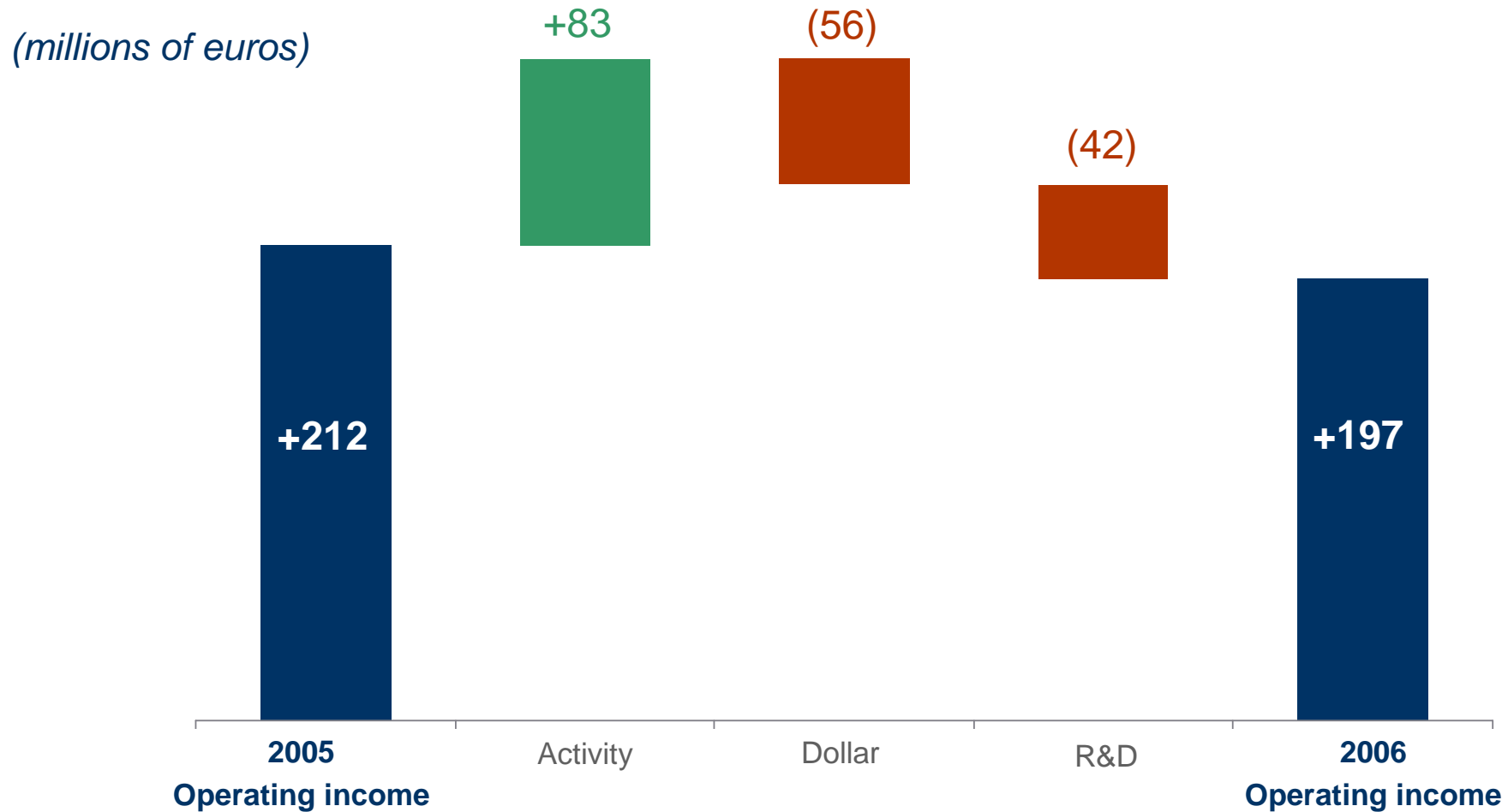
<i>(millions of euros)</i>	2005		2006	Change <i>2006 vs 2005 adjusted</i>
	Reported	Adjusted		
Sales	2,510	2,510	2,644	+5.3%
Operating income <i>% of sales</i>	209 8.3%	212 8.4%	197 7.5%	(7.1%)
Self-financed R&D <i>of which capitalized (net)</i>	222 124	218 124	234 98	
CAPEX	101	101	65	
Free cash flow	76	76	(51)	

Adjusted pro-forma data

Analysts Review – February 15, 2007

AIRCRAFT EQUIPMENT

COMPARISON OF OPERATING INCOME 2005 - 2006



Adjusted pro-forma data

Analysts Review – February 15, 2007

AIRCRAFT EQUIPMENT

RESEARCH & DEVELOPMENT

<i>(millions of euros)</i>	2005 Adjusted	2006
Self-financed R&D	218	234
▶ operating expenses	86	109
▶ capitalized	132	125
Total R&D expenses	94	136
▶ expenses for the year	86	109
▶ amortization of capitalized R&D	8	27
Capitalized R&D	124	98
▶ capitalization for the year	132	125
▶ amortization	-8	-27

Adjusted pro-forma data

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DEFENSE SECURITY

<i>(millions of euros)</i>	2005		2006	Change <i>2006 vs 2005 adjusted</i>
	Reported	Adjusted		
Sales	1,232	1,231	1,445	+17.4%
Operating income <i>% of sales</i>	109 8.8%	35 2.8%	(101) (7.0%)	<i>ns</i>
Self-financed R&D <i>of which capitalized (net)</i>	82 23	74 8	103 7	
CAPEX	38	38	63	
Free cash flow	(73)	(73)	53	

Adjusted pro-forma data

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DEFENSE SECURITY

ACCOUNT ADJUSTMENTS

	Shareholders' equity at Jan 1, 2005	Income (loss) for the year	Shareholders' equity at Jan 1, 2006	Total impact
<i>(millions of euros)</i>				
Unexplained entries	(14.6)	(25.8)	(92)	(132.4)
Error corrections	(6.4)	(55.2)		(61.6)
TOTAL before taxes	(21)	(81)	(92)	(194)

DEFENSE SECURITY

ADJUSTED 2005 OPERATING INCOME

(millions of euros)

▶ Reported operating income	+109
Adjustments for unexplained entries	(25.8)
Accounting adjustments (long-term contract)	(55.2)
Research tax credit restatement	+7
	<hr/>
▶ Adjusted operating income	+35

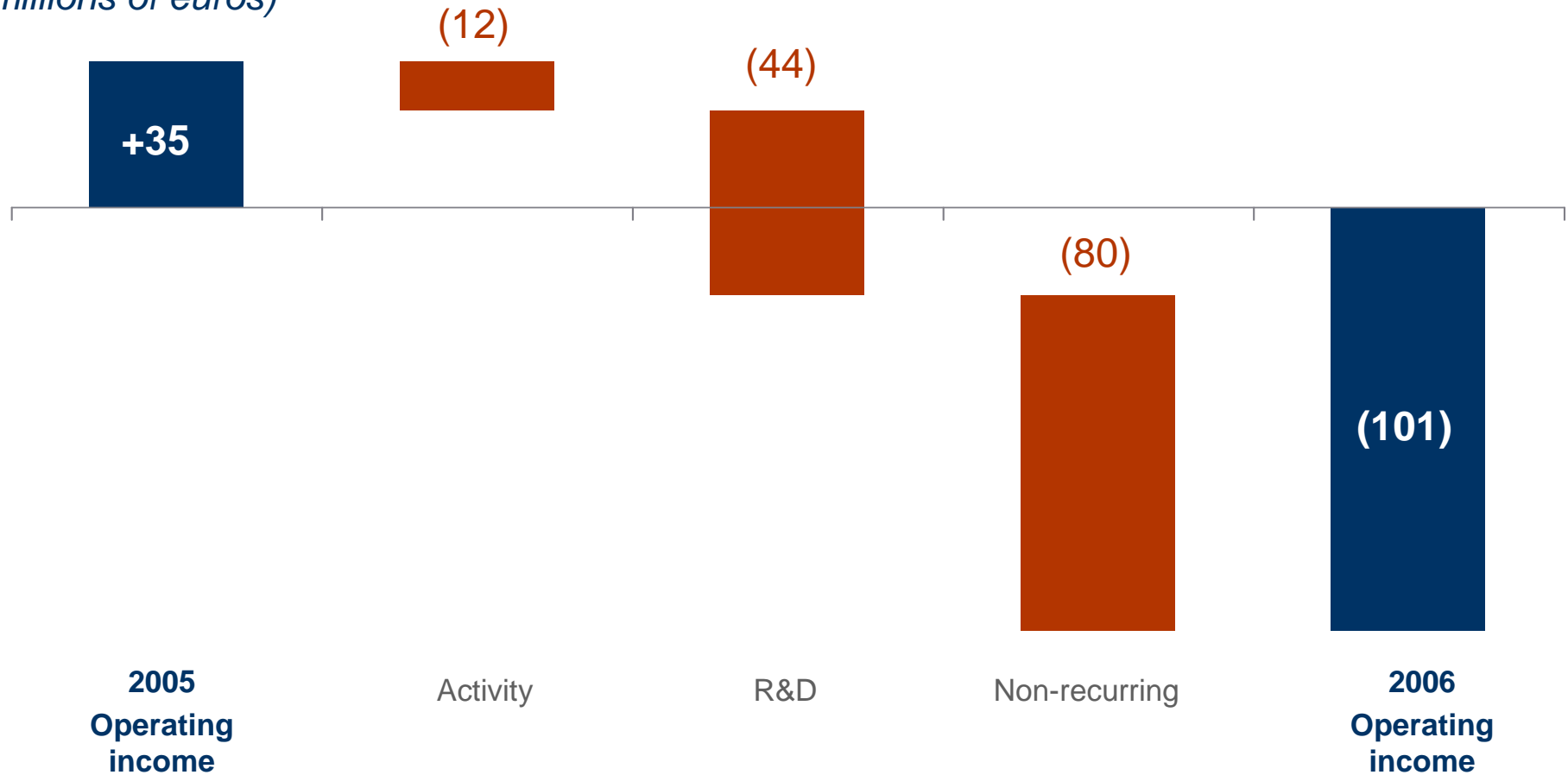
Adjusted pro-forma data

Analysts Review – February 15, 2007

DEFENSE SECURITY

COMPARISON OF OPERATING INCOME 2005 - 2006

(millions of euros)



Adjusted pro-forma data

Analysts Review – February 15, 2007

DEFENSE SECURITY

RESEARCH & DEVELOPMENT

<i>(millions of euros)</i>	2005		2006	
	Adjusted			
Self-financed R&D	74		103	
▶ operating expenses		51		94
▶ capitalized		23		9
Total R&D expenses	66		110	
▶ expenses for the year		51		94
▶ amortization of capitalized R&D		15		16
Capitalized R&D	8		(7)	
▶ capitalization for the year		23		9
▶ amortization		(15)		(16)

Adjusted pro-forma data

Analysts Review – February 15, 2007

COMMUNICATIONS

<i>(millions of euros)</i>	2005		2006	Change 2006 vs 2005 adjusted
	Reported	Adjusted		
Sales	2,342	2,342	2,167	(7.5%)
▶ Mobile	1,090	1,090	958	
▶ Broadband	1,252	1,252	1,209	
Operating income	0	6	(176)	<i>ns</i>
▶ Mobile	(21)	(18)	(181)	
% of sales	(2%)	(2%)	(19%)	
▶ Broadband	21	24	5	
% of sales	1.7%	1.9%	(0.4%)	
Self-financed R&D	193	187	189	
▶ Mobile	107	104	111	
<i>of which capitalized (net)</i>		44	(51)	
▶ Broadband	86	83	78	
<i>of which capitalized (net)</i>		10	5	
CAPEX	37	37	41	
Free cash flow	(126)	(126)	(295)	

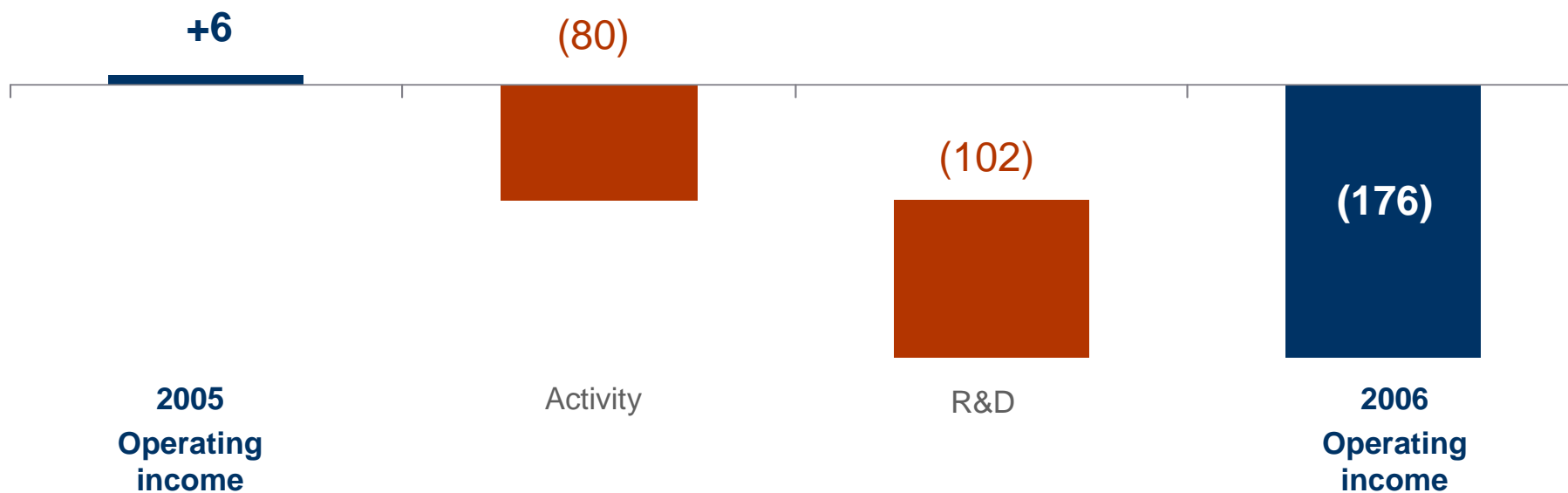
Adjusted pro-forma data

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COMMUNICATIONS

COMPARISON OF OPERATING INCOME 2005 - 2006

(millions euros)



Adjusted pro-forma data

Analysts Review – February 15, 2007

COMMUNICATIONS

RESEARCH & DEVELOPMENT

<i>(millions of euros)</i>	2005 Adjusted	2006
Self-financed R&D	187	189
▶ operating expenses	116	133
▶ capitalized	71	56
Total R&D expenses	133	235
▶ expenses for the year	116	133
▶ amortization of capitalized R&D	17	102
Capitalized R&D	54	(46)
▶ capitalization for the year	71	56
▶ amortization	(17)	(102)

Adjusted pro-forma data

Analysts Review – February 15, 2007

■■■■ BALANCE SHEET AT DEC. 31, 2006 (millions of euros)

ASSETS		LIABILITIES & SHAREHOLDERS' EQUITY	
Goodwill	1,589	Shareholders' equity	4,512
Fixed assets	4,882	Provisions	2,077
Other non-current assets	532	Debts subject to specific conditions	573
Fair value of financial instruments	397	Interest-bearing liabilities	1,162
Inventories	3,240	Other liabilities	1,214
Customers and others	4,545	Suppliers and others	6,390
Cash and cash equivalents	743		
TOTAL ASSETS	15,928	TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	15,928

Adjusted pro-forma data

Analysts Review – February 15, 2007

GEARING

- ▶ **Net financial debt** **€419 million**
- ▶ **Shareholders' equity** **€4,512 million**
- ▶ **Gearing** **9%**

Adjusted pro-forma data

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CONCLUSIONS

2006 DIVIDEND

	2004	2005		2006
		Reported	Adjusted	
Net income (€ millions)	407	501	444	177
Total dividend (€ millions)	90	154		90
Dividend per share (€)	0.22	0.36		0.22
Payout	22%	31%		50%

Acting on a proposal by the Executive Board, the Supervisory Board will submit to the Annual General Meeting of May 25, 2007, a proposed dividend payment of €0.22 per share.

Adjusted pro-forma data

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2007 OUTLOOK

- ▶ **Growth in sales: about 5%**

- ▶ **Operating margin: greater than 5% of sales**