

FIRST-HALF 2006 RESULTS

SAFRAN

an international
technology leader

Analysts review, September 13th, 2006



CONTENTS

- ▶ **SAFRAN GROUP**
- ▶ **FIRST-HALF 2006 BUSINESS DATA**
- ▶ **FINANCIAL RESULTS AT JUNE 30, 2006**
- ▶ **APPENDICES**

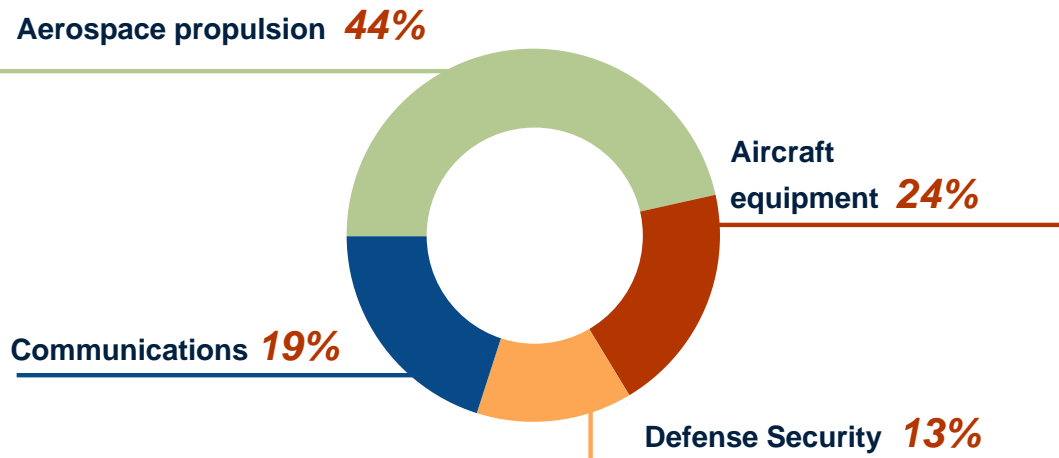


SAFRAN GROUP

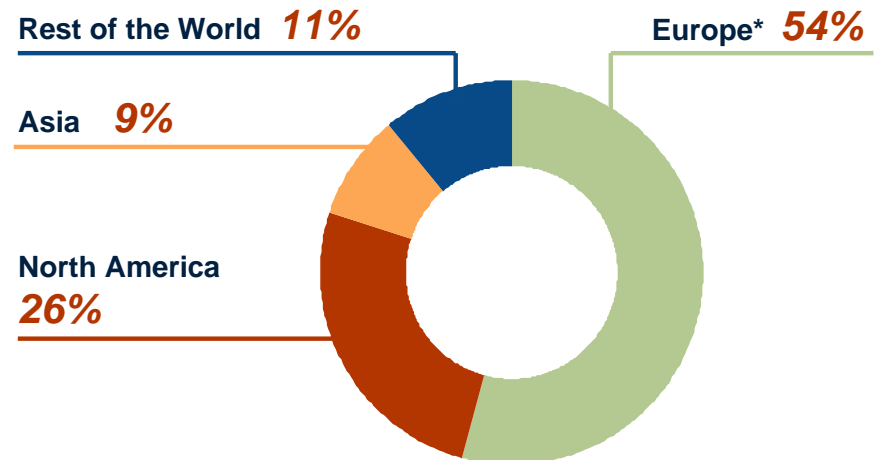
SALES*: 5.476 billion euros

At June 30, 2006

BY BRANCH



BY REGION



Civil: 80% Military: 20%

*Adjusted pro forma data

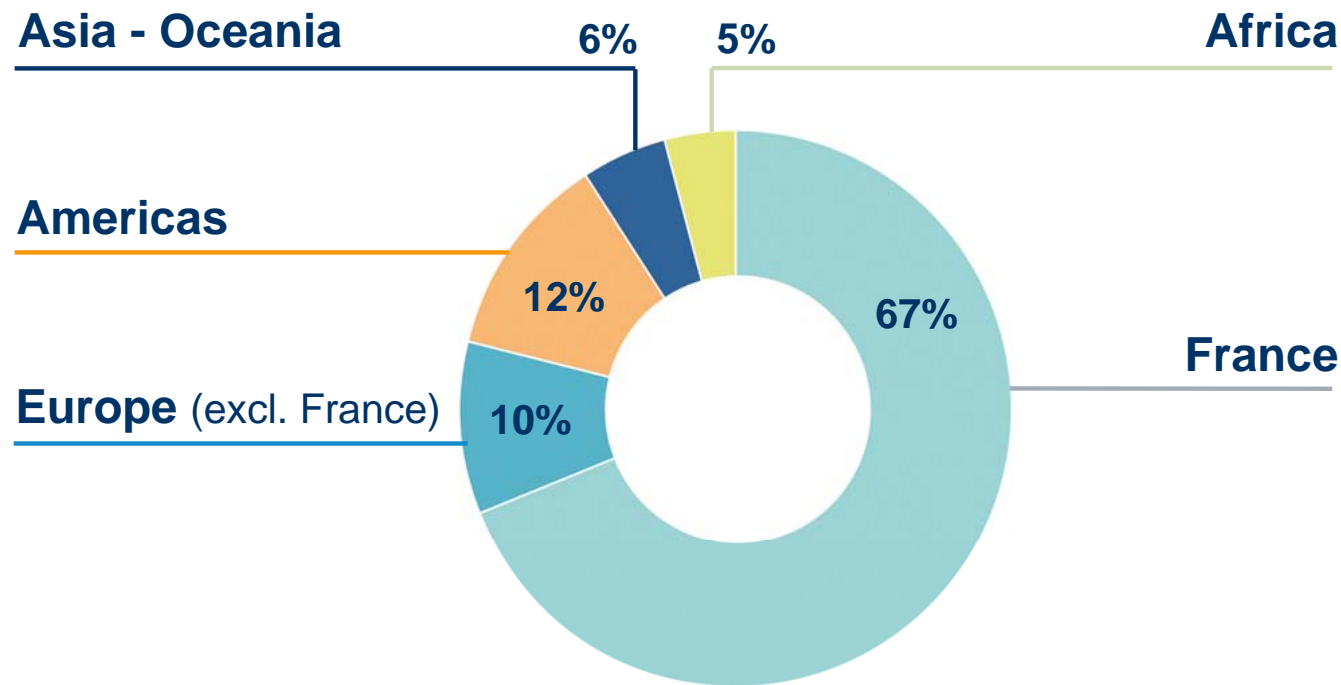
* Most reexported by prime contractor customers

■ ■ ■ ■ HUMAN RESOURCES DATA

At June 30, 2006

▶ Workforce trends and distribution

- **60,000 employees** at June 30, 2006*, including 20,000 outside France



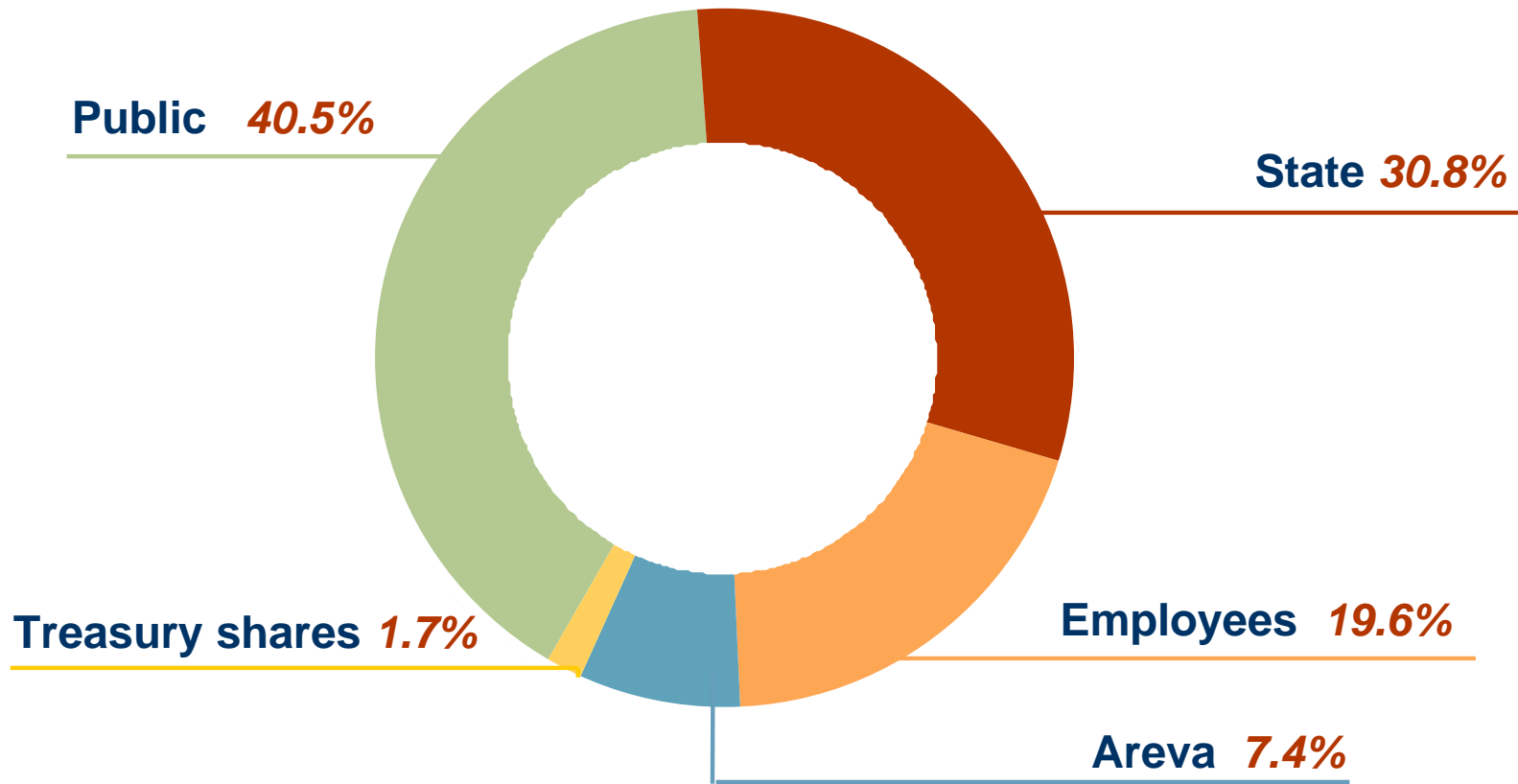
- **1,400 people hired** Group-wide, including about 700 management staff, primarily to offset departures
- International workforce on the rise

* Registered employees at June 30, 2006

Analysts review, September 13th, 2006

SAFRAN'S SHAREHOLDING STRUCTURE

At June 30, 2006



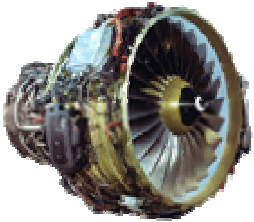
■ ■ ■ ■ ■ FIRST-HALF 2006 BUSINESS DATA

AEROSPACE PROPULSION

AEROSPACE PROPULSION

H1 2006 highlights

CFM56



▶ Commercial aircraft engines

- **529 CFM56 engines delivered: +35% over H1 2005**
- **130 large turbofans delivered: +12% over H1 2005**
- **1,270 CFM56 engines ordered: +27% over H1 2005**
- **First ground test of SaM 146 in early July.
Alenia takes share of Sukhoi Super Jet 100 (RRJ)**

SaM146



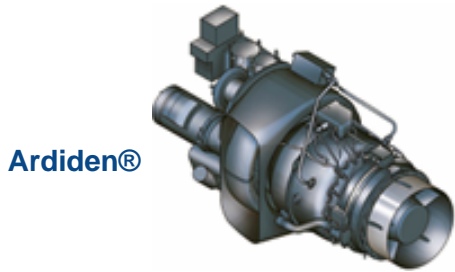
▶ Commercial engine spare parts and services

- **Growth in spare parts and service sales: +15% over H1 2005**
- **Creation of a CFM56 MRO joint venture in Mexico, and long-term contract with Mexicana**



AEROSPACE PROPULSION

H1 2006 highlights



▶ Helicopter engines

- 394 turbine engines produced: +14% over H1 2005
- U.S. Army orders 322 EC145 helicopters powered by twin Turbomeca Arriel 1 E2 turbine engines
- Strong growth in spare parts and services: +19% over H1 2005



▶ Military aircraft engines

- Order for upgrade to **ATAR engines** as part of program to modernize Morocco's 27 Mirage F1 fighters
- First ground test of **A400M propulsion system in February 2006, on schedule**



▶ Space propulsion

- **Two successful launches** of the Ariane 5 ECA

AIRCRAFT EQUIPMENT

■ AIRCRAFT EQUIPMENT

H1 2006 highlights



A380

▶ Aircele

- **A380 nacelles** function well during flight tests (Trent engines)
- **191 A320/CFM thrust reversers** delivered (+40%)
- **Aircelle's Meudon** plant operations transferred to Le Havre, Plaisir and Toulouse
- **Casablanca plant** starts operation



CFM56 power transmission

▶ Hispano-Suiza

- Wins contract for Eurocopter **EC175 accessory gearboxes**
- **694 transmission units** delivered (+20%)

■ ■ ■ ■ AIRCRAFT EQUIPMENT

H1 2006 highlights



A320
landing
gear

▶ Messier-Dowty

- **Airbus A350 main landing gear** (A350XWB upgrade under way with Airbus)
- **Deliveries:**
 - A320 landing gear: 181 (+34%)
 - A330/A340 landing gear: 35 (+10%)



A320 brake

▶ Messier-Bugatti

- **Mainline jet fleet (+100 pax): 2,492 aircraft, nearly 39%** of the worldwide fleet with carbon brakes
- **Wheel and carbon brake contract** for the Boeing 737NG
- **Start of electric brake tests** for the Boeing 787

■ ■ ■ ■ AIRCRAFT EQUIPMENT

H1 2006 highlights



A400M

- ▶ **Labinal:**
 - Expansion of production capacity in **Mexico** and **Morocco**

- ▶ **Technofan:**
 - New contract for **ventilation of secondary electrical distribution system on the A380**

- ▶ **Seat actuators:**
 - **Business sold to Zodiac**

DEFENSE SECURITY

AASM



Moroccan Mirage F1



▶ Navigation and aircraft systems

- First French order for the **MICA missile with infrared seeker**
- Successful 48th and next to last integration firing test of the **AASM** (« Armement Air-Sol Modulaire »: modular air-to-ground weapon system)
- Qualification **after modification of avionics** of Egyptian and Pakistani Mirage fighters
- **Modernization contract for Moroccan F1 fighters** takes effect
- U.S. Army chooses Eurocopter UH145 helicopter, for which Sagem Avionics will supply a **new-generation avionics suite** (including autopilot, smart actuators and navigation system)

DEFENSE SECURITY

H1 2006 highlights



Felin



Tiger

Sperwer B
UAV



▶ Optronics and air-land systems

- Final development phase for the **FELIN program** and launch of production
- **Tiger helicopter sights** (France, Germany and Australia): strong rise in delivery rates
- **Sperwer UAV** (the only European tactical unmanned aerial vehicle): **highly effective in operation**
- **JIM new-generation compact multifunction camera** (day/night remote geo-positioning): **confirmation at Eurosatory defense show of export potential, in addition to national contracts**

DEFENSE SECURITY

H1 2006 highlights



Biometrics



Payment terminals



Smart cards

► Security

- **Biometrics:** strong growth in biometric terminals (physical and data access control): +50%. Major orders for civil and police systems
- **Electronic money transfer:** strong growth in payment terminals (+32%) and game terminals. New contracts in international markets (Quebec) and in France
- **Smart cards:** business development in emerging countries (India, Brazil). Convergence with terminal activities (contactless) and identity management (passports, ID cards, healthcare systems, etc.)

COMMUNICATIONS

COMMUNICATIONS

H1 2006 highlights



my401X



my700X



myW7

▶ Mobile phones

- More than 8.5 million mobile phones delivered
- Delivery of more than 100,000 EDGE-standard my700X phones
- Italian operator orders 150,000 myW7 3G phones (50,000 delivered as of June 30)
- Good position in Brazil thanks to partnership with **Gradiente** (which has over 10% market share)
- Delivery of DVB-H mobile phones for a number of trials (Turin Winter Olympics, World Cup in Germany, etc.)



myMobileTV

H1 2006 highlights



Residential gateways



Digital TV set-top boxes



Printing terminals

► Broadband

- **Broadband terminals**

- No.1 in Europe for residential gateways
- 2.8 million terminals delivered (+26%)

- **Digital TV set-top boxes**

- No.1 in Europe for DTTV, IP, MPEG4 and MPEG4 HD set-top boxes
- 450,000 MPEG4 set-top boxes delivered
- First HD range for all technologies: satellite, cable, DTTV, IP

- **Networks**

- World leader for GSM-R terminals
- World leader in the new GSM-T standard
- Significant deliveries of convergence products (Germany)

- **Printing terminals**

- No.1 in Europe for thermal transfer fax machines
- No.2 in China for phonefax (25% market share)
- 640,000 terminals delivered (+30%)
- Startup of Chinese joint venture Sagem/Photar (70/30)

- **Rationalization of business portfolio**

- Termination of digital television production
- Termination of mass production of printed circuits

■ ■ ■ ■ BUSINESS VOLUME

	H1 2005	H1 2006	Change
• CFM56 engines (deliveries)	391	529	+35%
• Helicopter engines (deliveries)	345	361	+5%
• Landing gear sets (deliveries)	449	518	+15%
• Power transmissions (deliveries)	619	741	+20%
• A340-500/-600 nacelles (deliveries)	45	38	(16%)
• Electronic payment terminals	170,000	225,000	+32%
• Mobile phones	7,475,000	8,767,000	+17%
• Broadband terminals (residential gateways, ADSL modems)	2,212,000	2,791,000	+26%
• Set-top boxes (cable, DTTV, etc.)	554,000	962,000	+74%
• Printing terminals	493,000	642,000	+30%

Analysts review, September 13th, 2006



FINANCIAL RESULTS AT JUNE 30, 2006

Analysts review, September 13th, 2006

STATEMENT OF INCOME*

<i>(millions of euros)</i>	H1 2005	H1 2006	Change
Sales ⁽¹⁾	4,943	5,476	+10.8%
Operating income	353	231	(35%)
<i>as % of sales</i>	7.1%	4.2%	
Financial income	(37)	(22)	
Taxes	(102)	(69)	
Minority interests and misc.	(5)	(7)	
Net income - Group share	209	133	(36%)
Net profit per share (€)	0.51	0.32	

(1) +12.5% at constant size and exchange rate

* Adjusted pro forma data

Analysts review, September 13th, 2006

RESULTS BY BRANCH*

<i>(millions of euros)</i>	H1 2005	H1 2006	Change
Propulsion:			
• Sales	2,070	2,403	+16%
• Operating income	195	227	+16%
<i>as % of sales</i>	9.4%	9.4%	
Aircraft Equipment:			
• Sales	1,187	1,301	+10%
• Operating income	113	117	+4%
<i>as % of sales</i>	9.5%	9.0%	
Defense Security:			
• Sales	575	695	+21%
• Operating income	40	(44)	—
<i>as % of sales</i>	7.0%	(6.3%)	
Communications:			
• Sales	1,111	1,077	(3%)
• Operating income	(11)	(67)	—
<i>as % of sales</i>	(1.0%)	(6.2%)	

* Adjusted pro forma data

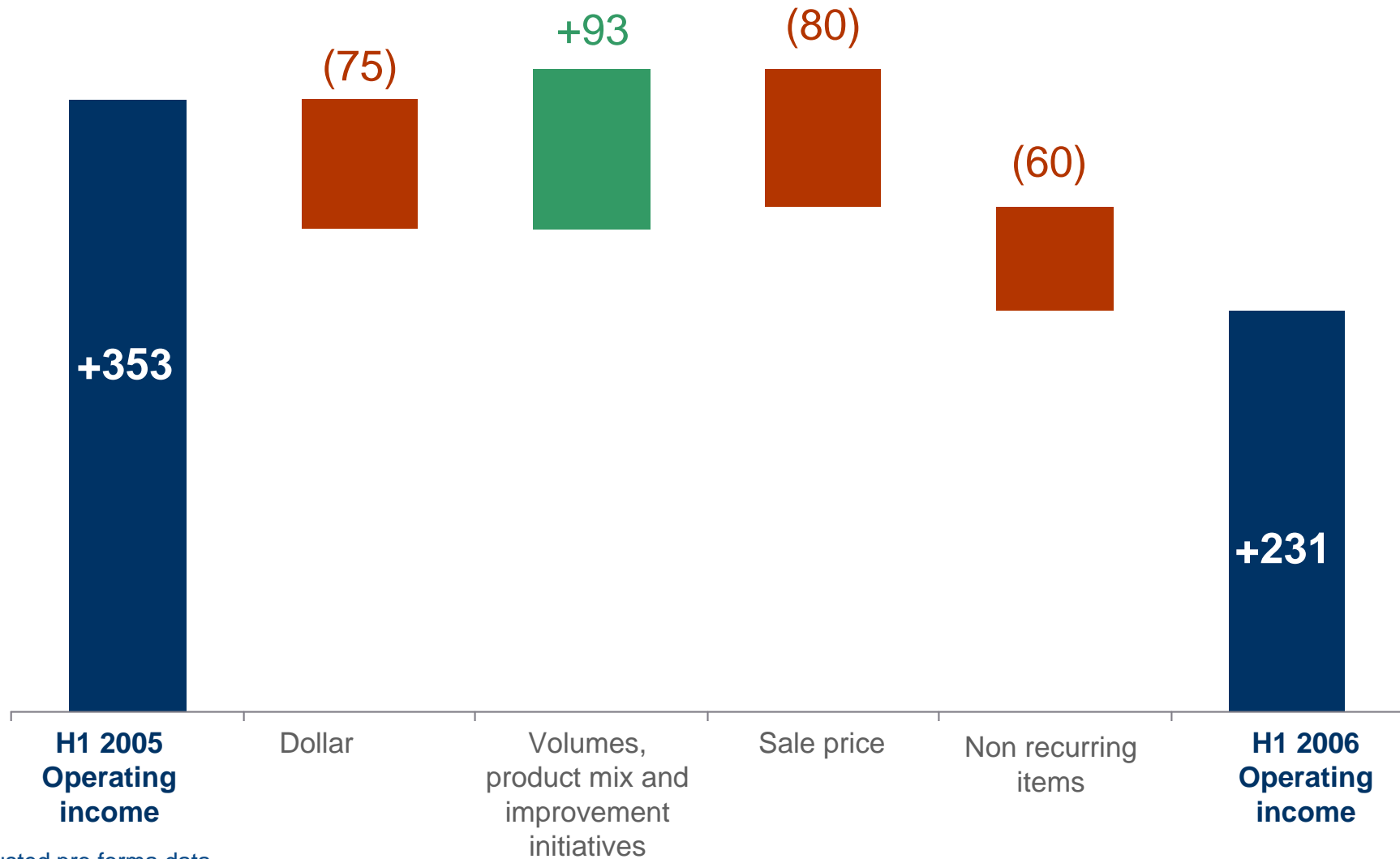
Analysts review, September 13th, 2006



COMPARISON OF OPERATING INCOME*

JUNE 2005 - JUNE 2006

(millions of euros)



* Adjusted pro forma data

Analysts review, September 13th, 2006

RESEARCH & DEVELOPMENT*

<i>(millions of euros)</i>	H1 2005	H1 2006
Self-financed R&D	436	401
<i>as % of sales</i>	8.8%	7.3%
operating expenses capitalized (net)	283 148	297 92

* Adjusted pro forma data

Analysts review, September 13th, 2006

■ ■ ■ ■ ■ USD HEDGING PORTFOLIO

▶ Hedging portfolio at June 30, 2006:

- US\$5,000 million
- at an average rate for the part EUR/USD of 1 EUR = 1.12 USD

▶ Hedging rates for net USD flows:

- 2005 1 EUR = 1.05 USD
- 2006 (est.) 1 EUR = 1.10 USD
- 2007 (est.) 1 EUR = 1.15/1.20 USD

AEROSPACE PROPULSION

At June 30, 2006

Sales*

- €2,403 million

Orders

- €3,150 million

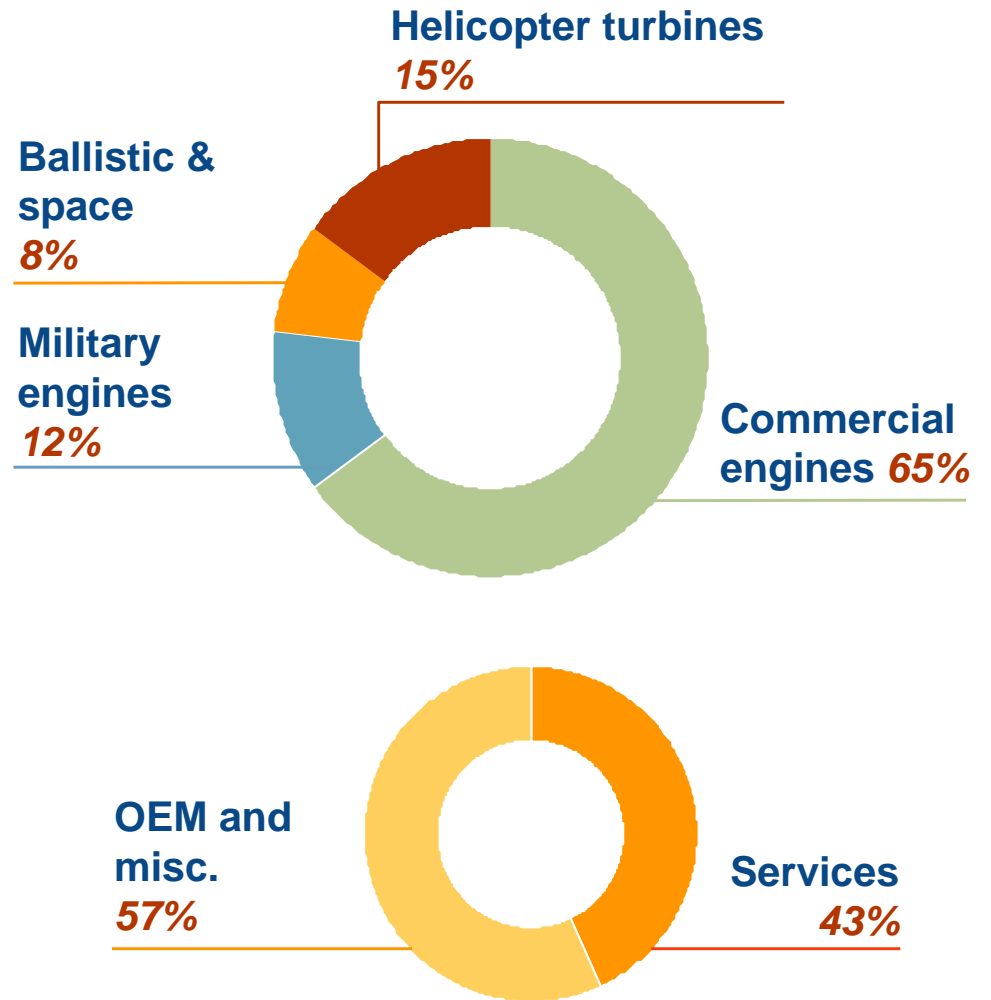
Order book

- €13,400 million

Employees

- 21,400

SALES



* Adjusted pro forma data

Analysts review, September 13th, 2006

|||| AEROSPACE PROPULSION*

<i>(millions of euros)</i>	H1 2005	H1 2006	Change
Sales	2,070	2,403	+16%
Operating income	195	227	+16%
<i>as % of sales</i>	9.4 %	9.4%	
Self-financed R&D	180	151	(16%)
<i>of which capitalized (net)</i>	51	44	
Capex	67	93	+39%

* Adjusted pro forma data

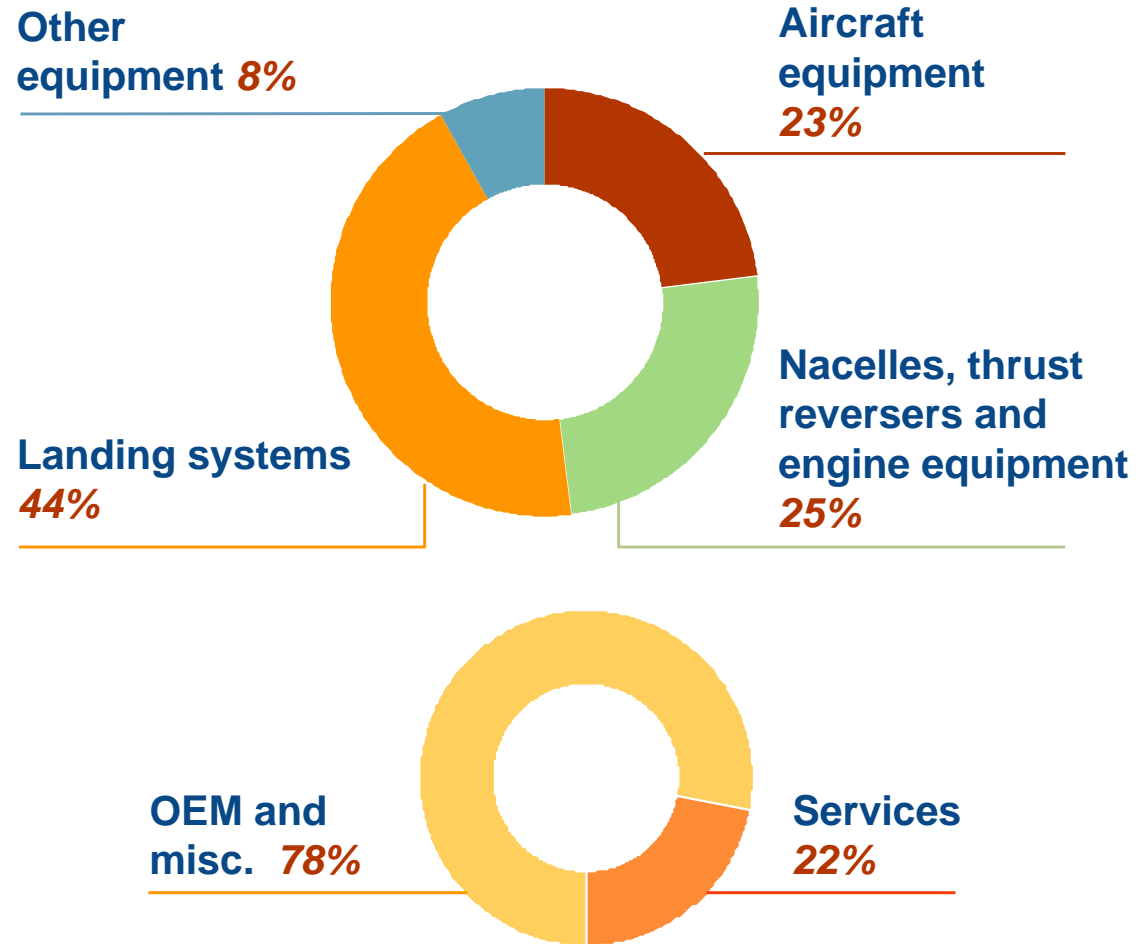
Analysts review, September 13th, 2006

■ AIRCRAFT EQUIPMENT

At June 30, 2006

- ▶ **Sales***
 - €1,301 million
- ▶ **Orders**
 - €1,600 million
- ▶ **Order book**
 - €4,000 million
- ▶ **Employees**
 - 19,200

SALES



* Adjusted pro forma data

Analysts review, September 13th, 2006

■ ■ ■ ■ AIRCRAFT EQUIPMENT

<i>(millions of euros)</i>	H1 2005	H1 2006	Change
Sales	1,187	1,301	+10%
Operating income	113	117	+4%
<i>as % of sales</i>	9.5%	9.0%	
Self-financed R&D	126	97	(23%)
<i>of which capitalized (net)</i>	65	27	
Capex	41	50	+22%

* Adjusted pro forma data

Analysts review, September 13th, 2006

DEFENSE SECURITY

At June 30, 2006

▶ Sales*

- €695 million

▶ Orders

- €880 million

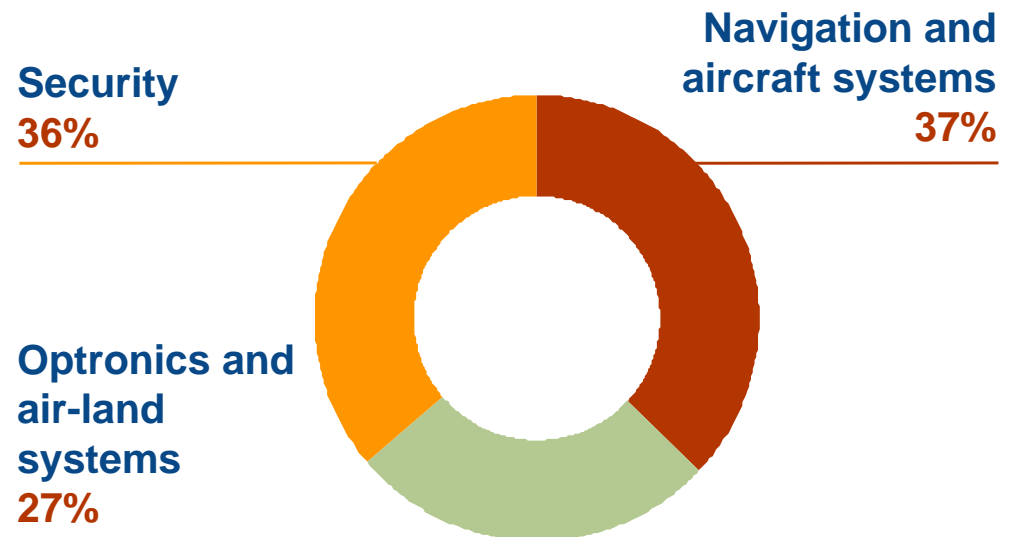
▶ Order book

- €1,600 million

▶ Employees

- 9,500

SALES



* Adjusted pro forma data

Analysts review, September 13th, 2006

DEFENSE SECURITY*

<i>(millions of euros)</i>	H1 2005	H1 2006	Change
Sales	575	695	+21%
Operating income	40	(44)	
<i>as % of sales</i>	7.0%	(6.3%)	
Self-financed R&D	39	47	+20%
<i>of which capitalized (net)</i>	10	(6)	
Capex	26	28	+8%

* Adjusted pro forma data

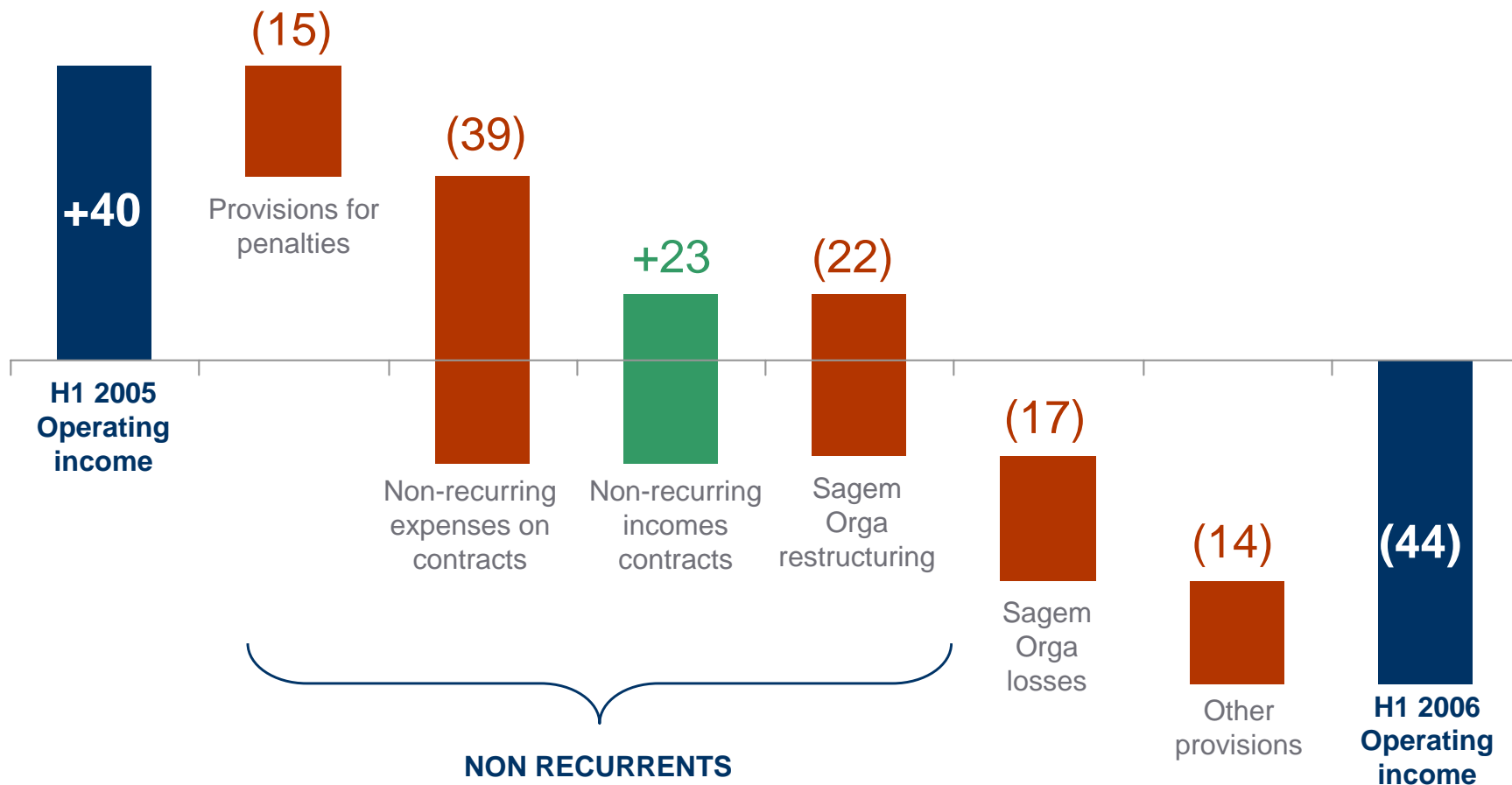
Analysts review, September 13th, 2006



DEFENSE SECURITY:

COMPARISON OF OPERATING INCOME* JUNE 2005 – JUNE 2006

(millions of euros)



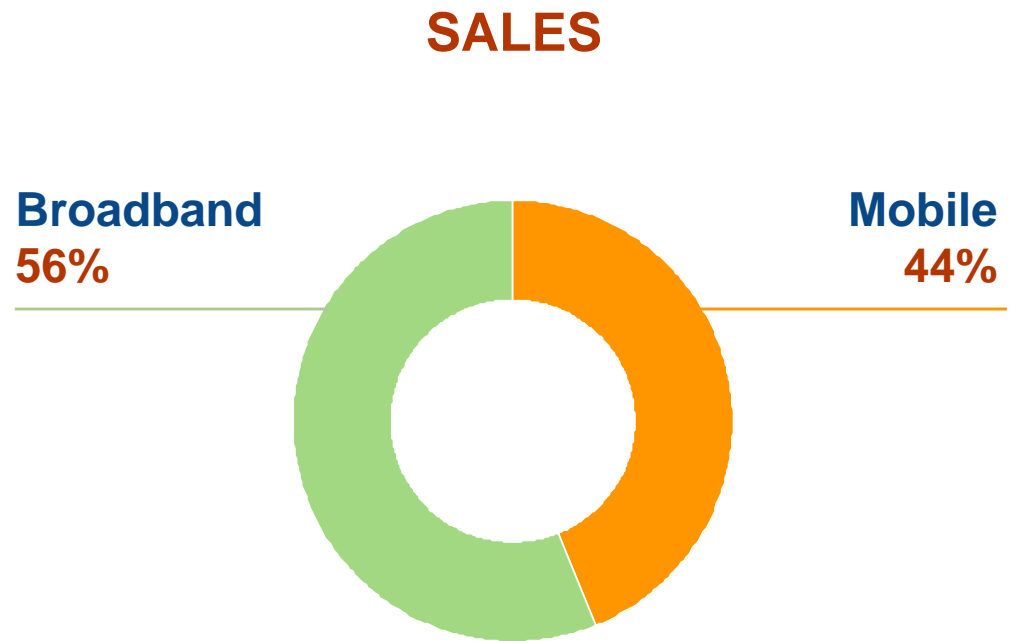
* Adjusted pro forma data

Analysts review, September 13th, 2006

COMMUNICATIONS

At June 30, 2006

- ▶ **Sales***
 - €1,077 million
- ▶ **Orders**
 - €1,400 million
- ▶ **Employees**
 - 9,300



* Adjusted pro forma data

COMMUNICATIONS*

<i>(millions of euros)</i>	H1 2005	H1 2006	Change
Sales	1,111	1,077	(3%)
Mobiles	485	477	(2%)
Broadband	626	600	(4%)
Operating income	(11)	(67)	—
Mobiles	(24)	(52)	—
<i>% Sales</i>	(5%)	(11%)	
Broadband	+13	(15)	—
<i>% Sales</i>	2%	(3%)	
Self-financed R&D	91	106	
Mobiles	48	63	+16%
<i>of which capitalized (net)</i>	16	21	+31%
Broadband	43	43	—
<i>of which capitalized (net)</i>	6	6	

* Adjusted pro forma data

Analysts review, September 13th, 2006

FREE CASH FLOW FROM OPERATIONS

(millions of euros)

H1 2005

H1 2006

Cash flow	+374	+636
Change in working capital requirements	(18)	(360)
Intangible investments	(179)	(203)
Capex	(137)	(135)
Free cash flow from operations	+40	(62)

CHANGE IN WORKING CAPITAL REQUIREMENTS

(millions of euros)

H1 2005

H1 2006

Changes in:

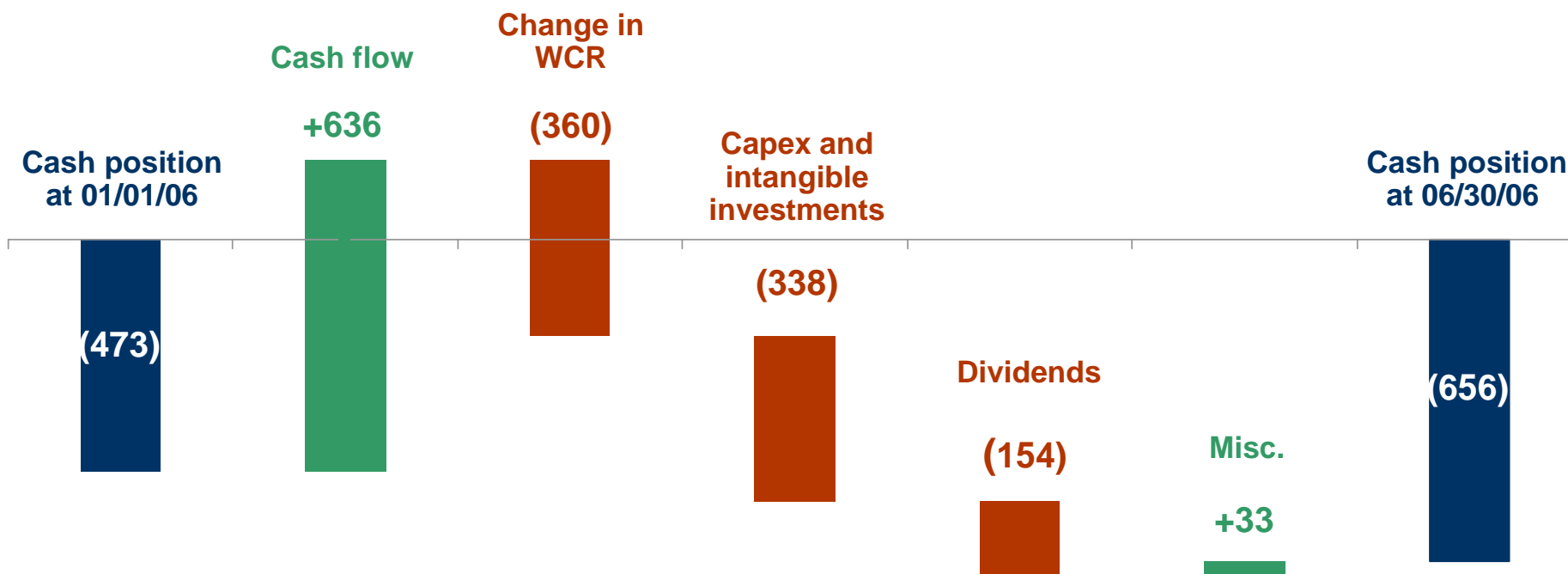
- inventories	(282)	(439)
- receivables	101	45
- suppliers and misc.	163	34

Change in working capital requirements

(18) (360)

CHANGE IN CASH POSITION

(millions of euros)



■■■■ BALANCE SHEET AT JUNE 30, 2006 (millions of euros)

ASSETS

Goodwill	1,576
Assets	4,910
Other non-current assets	548
Fair value of financial instruments	568
Inventories	3,354
Customers and misc.	4,289
Cash & cash equivalents	670

Total Assets

15,915

LIABILITIES

Shareholders' equity	4,730
Provisions	1,952
Debts subject to specific conditions	553
Interest-bearing liabilities	1,326
Other liabilities	1,411
Suppliers and misc.	5,943

Total Liabilities

15,915

GEARING

- ▶ **Net financial debt** **€656 million**
- ▶ **Shareholders' equity** **€4,730 million**
- ▶ **Gearing** **14%**

OUTLOOK

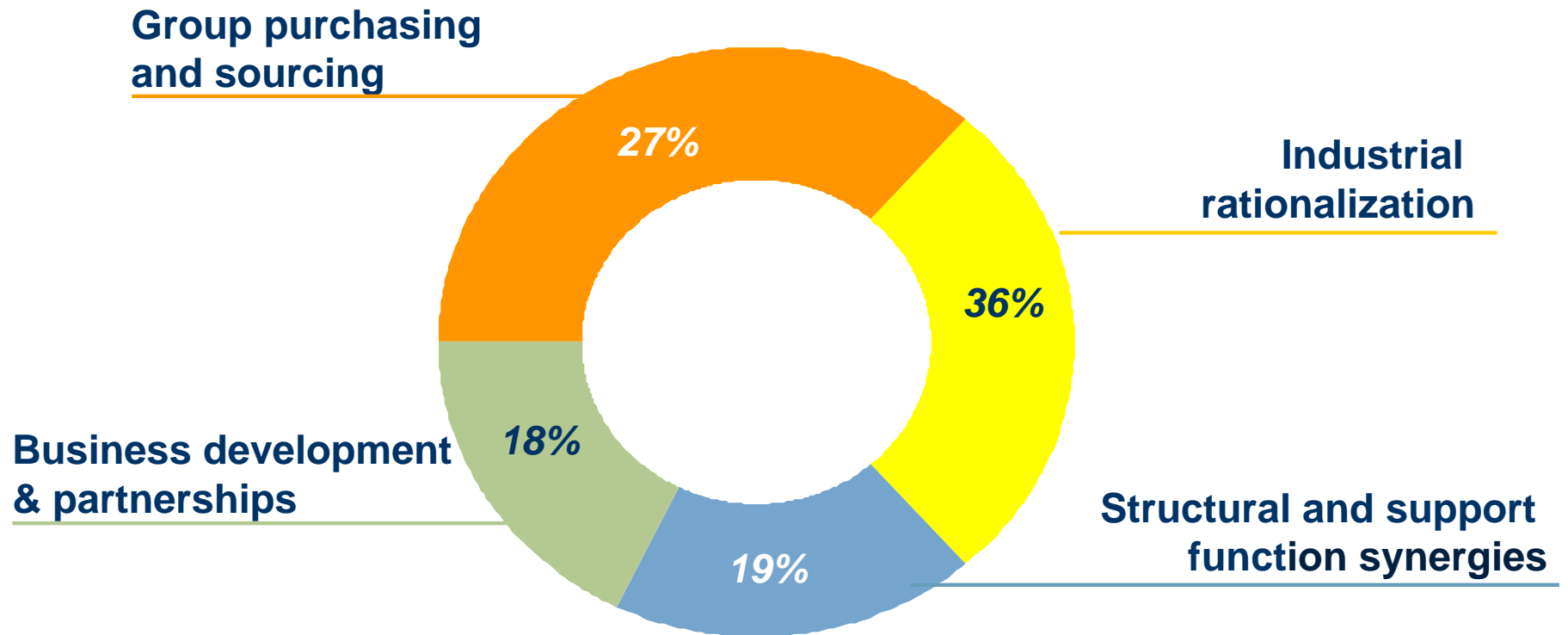
■ ■ ■ ■ ■ OUTLOOK FOR 2006

- ▶ **2006 sales growth target: over 7%**
- ▶ **Forecast operating income: 5.5 to 6% of sales**

APPENDICES

SAFRAN'S SAVINGS PLAN

- ▶ **Goal: €700 million by 2008**
- ▶ **Identified savings: €769 million**
Number of projects under way: 150
- ▶ **Breakdown identified savings:**



FINANCIAL GUARANTEES

<i>(millions of US\$)</i>	Dec. 31, 2005	June 30, 2006	Change
Total commitments	610	513	(97)
Estimated value of guarantees	330	281	(49)
Net risk on these commitments	280	232	(48)
Provisions	241	188	(53)

Analysts review, September 13th, 2006



TRANSITION FROM REPORTED TO ADJUSTED PRO FORMA FINANCIAL STATEMENTS

	REPORTED	Pro forma restated			PRO FORMA	Intangible Depreciation (PPA)	ADJUSTED PRO FORMA
		Hedged.					
		Exchange	Derivatives	Depreciation Reserves			
<i>30 June, 2006</i>							
SALES	5,271	+166		+39	5,476	5,476	
OPERATING INCOME	(63)	+163		+39	139	231	
FINANCIAL INCOME	246	(163)	(105)		(22)	(22)	
NET INCOME	118		(69)	+25	74	133	

Analysts review, September 13th, 2006