

SAFRAN, CREATING VALUE, DEVELOPING TALENTS



Human logo formed
by 3,000 engineers and managers
at Safran Discovery Day
on June 6, 2012 in Paris, France.

2012 BUSINESS

AND CORPORATE SOCIAL RESPONSIBILITY REPORT

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Discover the enriched version of the 2012 business and corporate social responsibility report by downloading the application at the App Store or on Google play.



You can also scan the following QR code.



SAFRAN IS A LEADING
INTERNATIONAL
HIGH-TECHNOLOGY
GROUP

and Tier-1 supplier of systems and equipment for **aerospace, defense and security**. Operating worldwide, Safran has **62,500 employees** and generated sales of **13.6 billion euros** in 2012. Through its **global presence** Safran not only enhances its competitiveness, but also builds industrial and commercial relations with **the world's leading prime contractors and operators**, while providing local services to customers around the world. Working alone or in partnership, Safran holds **world or European leadership** positions in its core markets.



2012 WAS AN EXCELLENT VINTAGE IN ALL OF OUR MARKETS

Interview with
Jean-Paul Herteman,
Chairman and CEO



What would you say were the highlights of 2012, which was a particularly rich year for Safran?

It was indeed an exceptional year, financially speaking, with sales of 13.6 billion euros, up 15.5%, and net income of 999 million euros. From the commercial viewpoint, 2012 was also a record year. The LEAP engine has logged over 4,300 orders and commitments, meaning that we are assured of extending the success story of CFM International, our joint company with GE, for several decades. Meanwhile, the CFM56 keeps going from success to success. Our production and delivery rates set new records in 2012, which will guarantee growth in our service business for many years to come, and this is a source of recurring revenues.

Were trends as positive in all of the Group's business sectors?

2012 was an excellent vintage in all of our markets. In particular, Safran's engine, wheels and brakes were selected for Eurocopter's new-generation X4 helicopter. Our new business jet engine, Silvercrest, was chosen by a second customer, Cessna, for their Citation Longitude. We recorded a number of business wins in the defense and security sectors as well, including a major order for JIM LR binoculars from the British Ministry of Defence, and a five-year general contract from the Transportation Security Administration for explosive detection system to be installed in American airports. Safran is now firmly established as a pivotal player in all of our business sectors.

Safran has come a long way indeed since the Group was created in 2005! How do you view Safran today?

It's true that Safran has changed quite a bit. Today, we are a more unified group, capable of pooling everybody's expertise to benefit all our companies. To give you an example, that's the aim of the new Safran Composites research center which we started building this year.

We are also a more competitive group, in terms of both production and structural costs, thanks to the consolidation of our support functions.

Lastly, we are a more solid group. From this standpoint, we passed major milestones in 2012, including the birth of Herakles, the acquisition of several technology start-ups and the creation of pivotal joint ventures in optronics and safety-critical onboard software and electronics. With the definitive agreement to acquire Goodrich Corporation's electrical systems business, we will also take a major step forward in our development strategy for electrical technologies. We made significant progress in this area once again in 2012, in particular by continuing the development of an electric taxiing system with our partner Honeywell.

All of these developments make the future look very bright!

We are confident, but we also know that nothing should ever be taken for granted. The keys to our future growth include the continued modernization of our facilities to cope with the ramp-up in production rates and new technologies, an ongoing focus on R&D to pave the way for tomorrow's successes, attracting new talents and training people so they can realize their full potential, and improving our competitiveness to gain market shares.

To make sure that our growth is sustainable, Safran works with our 62,500 employees to promote exemplary individual behavior in the professional environment. For Safran, industrial excellence also means ethical excellence!

OUR GOAL: EXEMPLARY PERFORMANCE

Safran’s commitment to social responsibility draws on our values and ethical guidelines applied by all employees. To better meet our stakeholders’ expectations, we have formalized our corporate social responsibility (CSR) strategy and set up a dedicated CSR governance structure.

New CSR governance

Safran set up a new structure in 2012 to oversee our corporate social responsibility (CSR) approach, directed by Dominique-Jean Chertier, Deputy Chief Executive Officer, Corporate Office. We also appointed a coordinator to deploy and lead CSR policy throughout our Group, in conjunction with the heads of the departments involved in implementing this initiative, operating through a steering committee.

Long-term commitments

Safran’s social responsibilities reflect the values underpinning our corporate culture: focus on customers, meeting our commitments, innovation, responsiveness, the power of teamwork, people development and recognition, and corporate citizenship. A series of unyielding commitments has always been an integral part of our strategy and development:

- products with outstanding environmental performance;
- business development in compliance with best business ethics;
- a dynamic human resources policy, based on smooth labor-management relations and fostering diversity;
- anticipation and management of health, safety and environmental risks;
- philanthropy and solidarity actions.

Strong, shared ethics

At Safran we make sure that our activities are conducted according to high standards of honesty and integrity. An ethics charter defines the Group’s principles and guidelines in this area,

in compliance with all applicable laws and regulations, thus providing each employee with the basic information needed to analyze any situation and do their jobs in consequence. Safran has also implemented a professional code of ethics, concerning any securities-related operation and the prevention of insider trading, and we conduct a program designed to detect and prevent any fraud within the Group. The Group has established requirements applicable to all companies concerning the fight against corruption and export controls. In December 2012, Safran was the first company in the French stock market index, CAC 40, to receive anti-corruption certification from the agency Adit (*Agence pour la diffusion de l’information technologique*), based on guidelines validated by the SCPC (*Service central de prévention de la corruption*), the French corruption prevention department. Safran also participates in a number of sector-specific initiatives at the European or international level. We have signed the Common Industry Standards developed by the Aerospace and Defence Industries Association of Europe (ASD), which seeks to strengthen integrity and fair business practices in international trade. Safran is a member of the steering committee of the International Forum on Business Ethical Conduct (IFBEC), and has signed the Global Principles on Business Ethics for the Aerospace and Defence Industry, which promotes common standards and best practices in trade compliance.

We carry out all business activities with full respect for the protection of personal

information. We were one of the pioneers in adopting Binding Corporate Rules (BCR), which govern the processing and transfer of personal data outside the European Union. These rules are already applied at all French companies in the Group and are being deployed in our international companies.



SAFRAN’S STRATEGIC OBJECTIVES

Underpinning our CSR policy, Safran has defined six strategic objectives based on the general areas defined in the ISO 26000 standard, concerning corporate social responsibility.

- **Develop innovative products and processes with minimal environmental impact.**
- **Always aim for excellence in ensuring the security and protection of people and goods.**
- **Develop people’s potential.**
- **Foster the involvement of suppliers and partners in this initiative.**
- **Sustain a culture of integrity.**
- **Guarantee optimum communications with all stakeholders.**

Safran’s CSR approach covers all stakeholders, including business partners (aircraft manufacturers, airlines, shareholders, etc.), internal stakeholders (employees, unions), civil society (neighbors, associations, NGOs, media), observers (financial analysts, ratings agencies, auditors), public partners (federal and local governments, schools, laboratories).

RESPONSIBLE PERFORMANCE

Safran is part of ASPI Eurozone®, an index that includes the 120 top-rated listed companies in the euro zone, based on sustainable performance rankings by Vigeo. The index evaluates six areas of corporate responsibility: environment, human rights, human resources, social engagement, behavior in markets, corporate governance.



INTERVIEW

DOMINIQUE-JEAN CHERTIER
DEPUTY CHIEF EXECUTIVE OFFICER, CORPORATE OFFICE

ENSURING SUSTAINABLE, RESPONSIBLE GROWTH

Is Safran’s commitment to CSR a recent phenomenon?

Not at all! Safran has long made CSR requirements part of our strategic objectives. Designing products with outstanding environmental performance, recruiting a wide variety of profiles to diversify our talent base, practicing zero tolerance for corruption – all of that and more is an indispensable part of our sustainable growth. However, we wanted to express this commitment more formally in 2012 to meet the expectations of our stakeholders. Companies today are no longer judged solely on their economic performance or the quality of their products, but also on how ambitiously they set the objectives of their CSR policy.

How did you do this?

We decided to use a collective approach, bringing together all the departments concerned, including human resources, international affairs, communications, sustainable development, purchasing, foundations and philanthropy, legal affairs, governance, audit and internal control, etc. Following an in-depth analysis

that took us several months, we defined six strategic objectives. Each of these will be associated with an action plan, monitored by quarterly meetings of a steering committee, with members representing all of these departments.

What are the keys to success?

The first is that our CSR approach should be fully supported by corporate management. Secondly, that it should be shared with all stakeholders, both internal – our 62,500 employees – and external, whether partners, customers or shareholders. In fact, that’s our aim with this business and corporate social responsibility report, which spotlights Safran’s commitments and contributions to this area.



FROM SUCCESS TO SUCCESS

Safran's business is built on solid fundamentals: leadership positions in growth markets, a robust business model that includes the sale of equipment and services, providing a recurring income stream, long-term visibility backed by an order book equal to about four years of production.

Our contract wins in 2012 clearly illustrate Safran's solid foundations and balance. Whether in aerospace, defense or security, Safran bolstered its competitive positions through new business wins, established on the basis of long-term mutual trust with our customers and partners.

No. 1

worldwide
in jet engines*
for mainline
commercial jets
(over 100 seats)

No. 1

worldwide
in landing gear

No. 1

in Europe
for optronic
systems

No. 1

worldwide
in biometric ID
documents

* In partnership with GE.

MORE THAN 4,300 ORDERS FOR LEAP

At year-end 2012, Snecma (Safran) and GE had recorded more than 4,300 orders and commitments for the new LEAP engine, including 1,096 during the year. Designed for the next generation of single-aisle commercial jets, this engine is being developed in three different versions: LEAP-1A for the Airbus A320neo; LEAP-1B, the exclusive powerplant for the Boeing 737 MAX; and the LEAP-1C, the sole Western powerplant for the C919 being built by Chinese company Comac. The LEAP engine family is being developed by CFM International, a 50/50 joint company of Snecma and GE.





FRENCH GOVERNMENT RENEWS HELICOPTER **ENGINE LIFE-CYCLE** SUPPORT CONTRACT FOR **10 YEARS**


The French government and Turbomeca (Safran) have renewed for a period of ten years their contract providing for life-cycle support of the 1,408 turbine engines powering helicopters for French armed forces, civil security units and the defense procurement agency DGA. The contract covers a wide range of support services, including repair and overhaul of engines, on-site technical support, spare parts and maintenance training for users. To ensure maximum dispatch reliability of these helicopters, Turbomeca pledges to re-install any engine removed for servicing within ten days – and it has scored 100% on this point in recent years.

EASYJET & TUIFLY

PARTICIPATING IN THE DEVELOPMENT OF THE **ELECTRIC GREEN TAXIING SYSTEM**

The electric green taxiing system (egts) developed by Safran and Honeywell is based on the use of electric motors in the main landing gear wheels, enabling the aircraft to move on the ground without using its jet engines. Following initial tests at the end of 2011, using an Airbus A320 flying testbed acquired by Safran, the program reached new milestones in 2012. EasyJet announced that it was participating in the development of the system, and a series of tests was performed on a Boeing 737 Next-Generation twinjet operated by German carrier TUIfly. The aim of these tests is to quantify the expected gains (operating costs, environmental benefits) and to size the system so that it optimizes operating conditions for airlines. Safran worked with several airlines to calculate the estimated gains, which show an average of 2% to 4% net reduction in aircraft fuel consumption.





MORE THAN 10,000 FELIN SYSTEMS DELIVERED

In November 2012, French defense procurement agency DGA took delivery of the 10,170th FELIN system, an integrated equipment suite for soldier modernization programs, to outfit a tenth Infantry Regiment in the French army. Developed by Sagem (Safran) as prime contractor, the FELIN system represents a major advance in terms of protecting warfighters and increasing their operational efficiency, including observation, communications, mobility and support. According to the initial contract, covering more than 20,000 systems, ten other regiments will be equipped with FELIN systems by 2015, at a delivery rate of four regiments per year.



MORE THAN **200** MILLION INDIANS ALREADY HAVE **A UNIQUE ID NUMBER**

Morpho (Safran) is one of the suppliers chosen by the Indian government to carry out the first phase of the Aadhaar program, which involves the assignment of a unique identification number to some 300 million Indian citizens. Safran's products and technologies are widely used in this large-scale program, in particular biometric terminals to scan fingerprints and irises, along with enrollment services and processing software. The 230 millionth ID number was issued in November 2012. The government also announced the start of the Direct Cash Transfer Initiative, so that Indian citizens can use their ID number to carry out banking transactions, receive social benefits, etc.

MORE 2012 HIGHLIGHTS...

CFM56, THE BEST SELLING AIRCRAFT ENGINE IN HISTORY

With more than 24,000 delivered, the CFM56 is the best-selling engine in the history of aviation. It continued to chalk up exceptional sales in 2012, with 898 firm orders for all versions. In particular, the CFM56-7B will power the Boeing Next-Generation 737 twinjets ordered by United Airlines (50), China Eastern (45), and Lion Air of Indonesia (29). The CFM56-5B was chosen by 11 airlines in 2012, and will power 65 Airbus A319s and A320s ordered by American Airlines and 20 Airbus A321s for the Russian airline UTair.



HERAKLES IS BORN

The merger of SME and Snecma Propulsion Solide was officialized on May 1, 2012, creating the company Herakles, a year after SME was acquired by Safran. Through this new entity, Safran becomes a world leader in solid rocket propulsion for missiles and launch vehicles.



CREATION OF AEROSPACE EMBEDDED SOLUTIONS

Sagem (Safran) and MTU Aero Engines have created the joint venture Aerospace Embedded Solutions GmbH (AES), to develop their business in safety-critical software and hardware for military and civil aviation applications.

MORPHO TO PRODUCE ID DOCUMENTS IN CHILE

Morpho (Safran) has signed a ten-year contract with the Chilean public registry service to produce electronic passports and ID cards as part of a new system to manage and issue the country's ID and travel documents.

SAFRAN SYSTEMS CHOSEN FOR EUROCOPTER X4

Eurocopter has selected the new Arrano turboshaft engine by Turbomeca (Safran) and the electric brake by Messier-Bugatti-Dowty (Safran) for its new-generation X4 helicopter. Sagem (Safran) will provide the flight controls and some information systems for this helicopter in the 5 to 6-ton class.



GEPS, A STRATEGIC ACQUISITION

In October 2012, Safran signed the definitive agreement for the acquisition of Goodrich Electrical Power Systems (GEPS). This will add new capabilities to Safran's existing range, in particular the company's expertise and critical experience in electrical generation and distribution systems.

CESSNA OPTS FOR SAFRAN POWER ON NEW FOUR-SEAT AIRCRAFT

Cessna Aircraft Company announced in July 2012 its selection of the SMA SR305-230E diesel engine for its new Turbo Skylane NXT, a four-seat utility airplane. SMA is a wholly-owned subsidiary of Snecma (Safran).

SAFRAN SELECTED AGAIN FOR BRAZILIAN KC-390 MILITARY TRANSPORT

Brazilian plane-maker Embraer has chosen Sagem (Safran) to supply the horizontal stabilizer trim system for its new military transport, the KC-390. In 2011, Safran had already been chosen as supplier of the primary and secondary electrical distribution systems, the backup generation system and the complete integration of the KC-390 electrical system, along with its wheels and brakes.



CONTINUED SUCCESS FOR WHEELS AND CARBON BRAKES

Messier-Bugatti-Dowty (Safran) bolstered its position as the world's leading supplier of aircraft wheels and carbon brakes, by signing 90 new contracts in 2012, especially for the Airbus A320, Boeing Next-Generation 737 and Boeing 787. It booked orders for wheels and brakes on more than 850 aircraft, up 23% on 2011.



SAFRAN ON THE SUKHOI SUPERJET 100

Russian aircraft manufacturer Sukhoi had booked 179 orders for its Superjet 100 regional jet at the end of the year. In October, it rolled out the first Superjet 100 for a Western client, the Mexican airline Interjet. Safran provides a number of systems and equipment on the Superjet 100, in particular the SaM146 engine, designed and produced by Snecma (Safran) and NPO Saturn through their joint enterprise PowerJet.

MORPHOTRUST USA IS FOUNDED

US government agencies and companies now have a dedicated supplier of ID management solutions: MorphoTrust USA. This new company offers state-of-the-art technologies for biometrics (iris, fingerprint and facial recognition) and ID management (access control, secure ID documents and enrollment services).



INTERPOL TRAVEL DOCUMENTS

Interpol has chosen Morpho (Safran) to supply the secure ID management and travel document production system for its agents. This system includes registration of multibiometric data, verification of identity and personalization of documents.

FIRST PRODUCTION LANDING GEAR DELIVERED FOR AIRBUS A400M

Messier-Bugatti-Dowty (Safran) delivered the first production-standard landing gear for the Airbus A400M at the end of January 2012. The company provides the complete landing system for this military transport, including wheels and carbon brakes.



CESSNA CHOOSES SILVERCREST

Snecma's new-generation Silvercrest turbofan engine has won a second contract, this time from Cessna for the Citation Longitude, its new long-range business jet, slated to enter service in 2017.



BRITISH AND DANISH ARMED FORCES ORDER JIM LR BINOCULARS

Sagem (Safran) has won the Long Range Thermal Imager program contract from the British army, and another contract from the Danish Ministry of Defense, giving it a total of over 5,000 JIM LR binoculars now in service or under order.



INAUGURATION OF LABINAL'S NEW PLANT IN FRANCE

Labinal's (Safran) new plant in Villemur-sur-Tarn was inaugurated in February 2012. Safran invested some 12 million euros in this new facility, which makes electrical wiring and cabinets for Airbus and Eurocopter aircraft, houses aftersales services for Airbus, and coordinates Labinal's worldwide production.

FIRST VEGA LAUNCH A SUCCESS

Europe's new Vega launcher, designed for small satellites, successfully carried out its first qualification flight on February 13, 2012. Herakles (Safran) and its subsidiaries provide a number of systems and equipment for this light launcher, including the ignition and separation systems, and nozzle subassemblies for the second and third stages. Europropulsion, our joint subsidiary with Avio, makes the solid rocket motor for the first stage.



SAGEM AND THALES CONSOLIDATE FRENCH OPTRONICS INDUSTRY

Sagem (Safran) and Thales have begun to group their infrared detector development and production activities within their joint subsidiary Sofradir, now a 50/50 company following their purchase of Areva's 20% stake in January 2012. By boosting its expertise, Sofradir becomes part of the very select club of detector manufacturers that apply all infrared technologies. In July 2012, the two companies also created Optrolead, an equally-owned joint venture dedicated to new optronic programs for defense applications.



WIRING INSTALLED ON FIRST A350 XWB

In September, Labinal (Safran) teams installed the 50 meter long wiring harness on the first Airbus A350 XWB, to be used for flight testing. Labinal provides the wiring for all production aircraft.



A JOINT VENTURE DEDICATED TO SILICON CARBIDE

Nippon Carbon Company, GE and Safran have created a joint venture for the production and sale of silicon carbide fibers, an essential part of ceramic matrix composites (CMC). The use of CMC should be increasingly widespread in tomorrow's aircraft engines.

25-YEAR MAINTENANCE CONTRACT FOR BRITISH AIRWAYS A380 NACELLES

Rolls-Royce and Aircelle (Safran) have signed a 25-year contract to provide maintenance on the nacelles for the Trent 900 engines powering British Airways' 12 Airbus A380s.

MORPHO DETECTION, FROM SUCCESS TO SUCCESS

In December 2012, Safran acquired GE's remaining 19% stake in Morpho Detection, Inc. (MDI). This Morpho (Safran) subsidiary won major contracts in 2012, especially the Israeli Airports Authority's selection of its CTX/XRD checked luggage inspection system, and a non-exclusive contract from the Transportation Security Administration (TSA) of the United States, worth up to 528 million dollars, for the supply of CTX 9800 explosive detection systems, along with an initial order for 37 systems to be installed at seven American airports.



INDIA IN EXCLUSIVE NEGOTIATIONS FOR RAFALE

The GIE Rafale consortium has entered exclusive negotiations with the Indian government for the sale of 126 Rafale fighters. A number of Safran companies contribute to Rafale, from the Snecma M88 engine and Messier-Bugatti-Dowty landing gear, to the Sagem inertial navigation system.



MESSIER-BUGATTI-DOWTY WINS OVERHAUL CONTRACTS FOR AIRBUS AND BOEING LANDING GEAR

Messier-Bugatti-Dowty (Safran) has won a number of contracts for the general overhaul of landing gear on commercial aircraft deployed by different airlines, amounting to more than 240 landing gear shipsets in all.



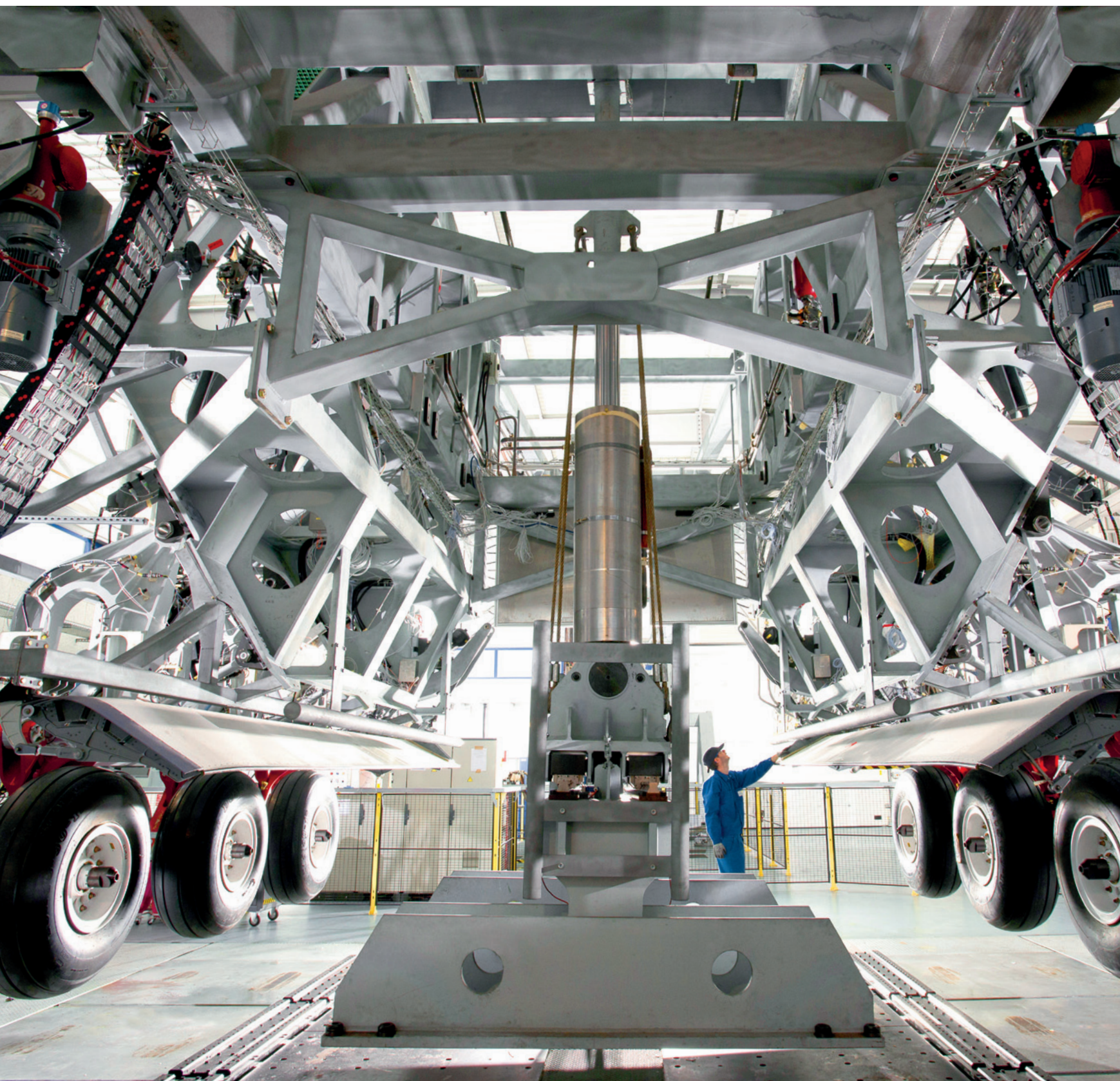
ELECTRIC BRAKES ENTER SERVICE ON DREAMLINER

The first Boeing 787 Dreamliner with electric brakes by Messier-Bugatti-Dowty (Safran) entered service with Ethiopian Airlines in August 2012. Other airlines have also chosen these electric brakes for their 787s, including Norwegian Air Shuttle, British Airways and LAN Airlines.

PARAFE E-GATES FOR CHARLES-DE-GAULLE AND MARSEILLE AIRPORTS

Morpho (Safran) has delivered six PARAFE e-gates to the Paris airports authority (ADP), which now has a total of 33 of these automated border control gates. In July, Marseille-Provence airport became the first French airport outside of Paris to deploy these e-gates.





INNOVATIVE PRODUCTS AND TECHNOLOGIES

The world demands **a constant stream of increasingly innovative solutions** to meet today's economic, societal and environmental challenges. These challenges include the growing mobility of people and goods, the demand for increasingly efficient services, the advent of new threats, climate change, the scarcity of natural resources, and many more. **Working with our suppliers and partners**, Safran leverages an ongoing focus on innovation and competitiveness to **deliver integrated solutions that address these multiple challenges**.

€1.6
billion
R&D
expenditures

21%
of employees
are involved
in R&D

15%
increase
in patents
filed in 3 years

750+
patent
applications
filed in 2012

CONTRIBUTING TO EFFICIENT, ENVIRONMENTALLY-FRIENDLY AIR TRANSPORT

As a major player in the global aviation industry, Safran takes a lead role in developing sustainable solutions that combine cost-effectiveness with environmental respect.

Innovate today to meet tomorrow's challenges
Today's aviation industry faces a two-pronged challenge, namely the increasing scarcity of fossil fuels and climate change. At Safran, our Research & Development efforts therefore focus on solutions that offer maximum energy efficiency and environmental protection, by providing propulsion systems that reduce fuel consumption, making aircraft systems that run on electricity, and spreading the use of innovative materials.

Our constant focus on innovation is an integral part of Safran's corporate identity. Our success in the market has always been the result of technological developments that kicked off decades earlier, as shown by the history of the two aircraft engines, CFM56 and LEAP. After Snecma (Safran) and GE created their equally-owned joint venture CFM International in 1974, they had to wait five years to win the first customer for the new CFM56 engine, designed to power single-aisle commercial jets. The CFM56 is now the world leader in its thrust class, with six different models for both civil and military aircraft, and the best-selling aircraft engine of all time with more than 24,000 delivered to date.

In 2008, as the world experienced skyrocketing oil prices, Safran and GE announced the development of a brand-new engine that would enter service in 2016 and significantly reduce fuel consumption. Designated LEAP, this new engine is available in three different versions and had already recorded more than 4,300 orders and commitments at the end of 2012.

A major player in aeronautical research
Safran plays a lead role in the European research program Clean Sky, a Joint Technology Initiative (JTI) launched in 2008 to meet the objectives set by the Advisory Council for Aeronautics Research in Europe (ACARE). In 2012, Safran and 13 other companies signed a letter of intent to continue this program as Clean Sky 2, running from 2014 to 2020. We also carry out our own research programs on specific subjects, in collaboration with outside partners. In September 2012 we launched a program called HAIDA to accelerate R&D on aerodynamics and aerothermodynamics, two disciplines that heavily impact the performance of propulsion systems.

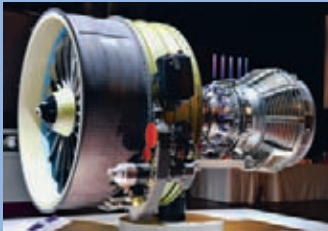
ACARE'S OBJECTIVES FOR AIR TRANSPORT IN 2020 (VS. 2000):

50%
DECREASE IN
CARBON DIOXIDE (CO₂)
EMISSIONS

80%
DECREASE IN
NITROGEN OXIDE (NO_x)
EMISSIONS

50%
DECREASE IN
PERCEIVED NOISE

LEAP Tomorrow's aero-engine



The CFM International LEAP has already been chosen to power the **Airbus** A320neo (LEAP-1A), **Boeing** 737 MAX (LEAP-1B) and **Comac** C919 (LEAP-1C). This engine offers a significant improvement in economic and environmental performance compared to current engines, including a 15% decrease in specific fuel consumption and CO₂ emissions, a considerable decrease in the ground noise footprint, and NO_x emissions 50% under CAEP/6 standards.

SILVERCREST The new- generation business jet engine

The Silvercrest engine built by Snecma (Safran) has been chosen for a second application, **Cessna's** upcoming Citation Longitude business jet. Designed for super-midsize business jets in the large cabin, long-range class, Silvercrest will reduce fuel consumption and CO₂ emissions by 15%, NO_x emissions by 50% and significantly reduce noise, all performance features demanded by the highly competitive business aviation market.



ARRANO Power for the X4 helicopter



The new Arrano turboshaft engine by Turbomeca (Safran) will power **Eurocopter's** new-generation X4 helicopter, scheduled to enter service in 2017. In addition to significantly reducing fuel consumption compared with today's engines, it will also increase the helicopter's range and payload capacity, while reducing its environmental footprint. Furthermore, thanks to optimized maintainability, it will reduce operators' total cost of ownership.

SMA SR305 Minimum fuel burn for the Cessna Turbo Skylane NXT

The SR305 engine produced by SMA, a subsidiary of Snecma (Safran), will power **Cessna's** new Turbo Skylane NXT airplane. This advanced compression ignition engine meets the requirements of the general aviation market, since it will reduce fuel consumption by 30% to 40% compared to piston-powered aircraft using aviation gasoline (AVGAS).



Electricity gains ground

One of today's top priorities for aircraft manufacturers is the trend toward "more electric" aircraft. This means replacing the hydraulic and pneumatic systems that have traditionally been used to power the aircraft's systems by electrically-driven systems. However, this changeover demands a significant increase in the power offered by electrical generation and distribution systems. Electrical power has a number of advantages, including greater flight safety and weight savings that reduce fuel consumption and greenhouse gas emissions. Above all, the advent of electrical systems will help reduce the cost of assembling and maintaining aircraft, while increasing their dispatch reliability. The trend to more electric aircraft is one of Safran's pivotal strategic objectives, supported by sustained Research & Technology investments for a number of years, leading to contracts on major aircraft programs. For example, the Electrical Thrust Reverser Actuation System (ETRAS®), designed by Hispano-Suiza (Safran) and equipping the Aircelle (Safran) nacelles on the GP7200 and Trent 900 engines powering the Airbus A380, is the world's first system of this type. In 2011, Hispano-Suiza was chosen by Embraer of Brazil to supply all primary and secondary electrical distribution systems on its new KC-390 military transport, along with a backup electrical generation system. The electric brake by Messier-Bugatti-Dowty (Safran), a breakthrough that had already been chosen for the Boeing 787 Dreamliner, in a world first, was selected by Eurocopter in 2012 for its new-generation X4 helicopter.

Acquisition of GEPS, a strategic move

On October 16, 2012 Safran signed the definitive agreement to acquire Goodrich Electrical Power Systems, or GEPS, giving birth to a world leader in aircraft electrical systems. With the acquisition of GEPS, Safran adds critical skills and experience in electrical power generation systems, which are at the heart of airborne electrical systems. Safran is now a world-class supplier of these electrical systems, adding the capabilities of GEPS to its own broad expertise, spanning data and power transmission (Labinal), power

electronics (Safran Power/Hispano-Suiza), and innovative electrical equipment (Messier-Bugatti-Dowty electric brakes, Aircelle thrust reversers).

The growing use of innovative materials, combining lightness and strength

Another focus on today's aircraft is the increasingly widespread use of innovative materials. Safran is one of today's aerospace industry leaders in the application of composite materials, which are lighter and stronger than their metallic counterparts, and will be used more and more to meet the economic and environmental challenges facing the air transport industry. For instance, we have developed the 3D woven RTM (Resin Transfer

**SAFRAN COMPOSITES
A RESEARCH CENTER DEDICATED
TO COMPOSITE MATERIALS**

In September 2012, Jean-Paul Herteman, Chairman and CEO of Safran, and Arnaud Montebourg, French Minister for Industrial Renewal, laid the cornerstone for Safran's new research center dedicated to organic matrix composite materials, at the Le Bouchet site in Itteville, in the greater Paris area. Outfitted with state-of-the-art machinery and equipment and staffed by up to 150 researchers, this center is tasked with validating innovative composite technologies already in the pipeline, exploring new areas of research through a network of partners (universities, laboratories, specialized small businesses), and "seeding" these technologies throughout the Group. Safran has invested some 50 million euros in the new 10,000 square meter research center, which will be up and running by the end of 2013.



Molding) composite material production method for fan blades, which lightens jet engines and enables higher bypass ratios, a factor in reducing fuel burn. Other initiatives are under way to introduce composite materials, for instance a Techspace Aero (Safran) program to use these materials on low-pressure compressors.

New production plants, dedicated to composite parts for LEAP

The new LEAP engine makes broad use of composite parts, which contribute significantly to its higher performance. To handle the ramp-up in demand for 3D woven RTM parts for this engine, Safran has reorganized its production organization, in particular building

ARCOCE

A world first in ceramic matrix composites

Herakles (Safran) has launched an advanced R&T program dubbed ARCOCE, the French initials for ceramic composite afterbody, aimed at the use of ceramic matrix composites (CMC) on the exhaust assemblies of aircraft engines. A CMC exhaust cone was used on an Airbus A320 flying testbed in February 2012, a world first.



production plants that will combine the resources and capabilities of Snecma (Safran) and Albany, an American company that is the Group's exclusive partner in the three-dimensional weaving of carbon-fiber preforms. Two identical plants will handle the production of composite fan blades and casings for the LEAP engine. The first, in Rochester, New Hampshire, in the United States, will be commissioned in 2014, while a second plant, in Commercy, in the Lorraine region of eastern France, will turn out its first parts in 2015.

GREEN TAXIING

Economical, ecological taxiing for commercial jets



The electric green taxiing system (egts), jointly developed by Safran and Honeywell, enables commercial jets to move around airports independently without using their own jet engines, thanks to electric motors fitted to the wheels on their main landing gear. The aim is to reduce operating costs and pollution while the aircraft is on the ground, which in turn improves airlines' financial and environmental performance. Safran and Honeywell plan to introduce the egts on new single-aisle jets starting in 2016, and subsequently retrofit this system on aircraft already in service.

SAFRAN POWER

Specialist in onboard electrical power

Safran's expertise in electrical energy is concentrated in the Safran Power center of excellence, part of Hispano-Suiza (Safran), dedicated to technologies for more electric aircraft. Operating at Group level, it coordinates projects concerning electrical systems and power electronics for aircraft. Safran also deploys a test rig dedicated to the integration of electrical systems, dubbed Copper Bird®, developed by Hispano-Suiza for the European Power Optimized Aircraft (POA) program, and also chosen by Clean Sky as a test platform for aircraft electrical systems.



Copper Bird® test rig

GUARANTEEING PASSENGER SECURITY

Through Morpho, Safran masters all technologies needed to address security requirements in airports: explosive detection, identification, secure travel documents, border control and access control for secure zones.

Combining security and faster passenger throughput in airports

The advent of new threats demands effective countermeasures. This is a critical challenge in air transport, where controls are necessary for security, but should impact travelers as little as possible. Solutions that combine security and smooth-flowing passenger traffic in airports are based on automated ID border checks, which require the preliminary availability of biometric passports, plus effective systems to inspect travelers and their luggage. Safran has made a series of targeted acquisitions since 2008 to bolster our leadership positions in the biometrics and identification markets, and also underpinned our breakthrough in the detection market. The Group's security specialist, Morpho, is now in a perfect position to capitalize on the growth in global security markets. Morpho is converging its biometric and detection technologies to develop a single checkpoint, seamlessly integrating all equipment needed to check identities, and inspect passengers and their luggage. The upshot is concrete benefits for all stakeholders, including passengers, airlines, airport authorities and police, customs and immigration services.

Safe flights, effective fleet management

Sagem (Safran) offers a wide range of avionics systems and equipment to handle flight control, guidance and onboard information, giving pilots flexible, high-precision systems to ensure maximum flight safety. Sagem is the world's leading supplier of helicopter flight controls. Working through FADEC International, an equal joint venture with BAE Systems, it provides these full authority digital engine control (FADEC) systems for a wide range of aircraft, including the Boeing 737 Next-Generation, Airbus A380 (with GP7200 engines), Sukhoi Superjet 100, Comac C919, etc. Safran also develops comprehensive solutions for airlines and business aircraft and helicopter operators, to facilitate their ground and flight operations and oversee flight safety. In 2011 Safran launched Cassiopée, an offering that comprises five families of innovative, modular services: Flight Safety & Risk Management, Maintenance Performance, Flight Operations, Airline Organization and Cost Savings.

700,000

PASSENGERS pass monthly through over 100 multibiometric e-gates installed by Morpho at 23 international airports.

1 MILLION

FLIGHTS have taken advantage of Cassiopée's Flight Data Management (FDM) services.

6

RESEARCH CONTRACTS signed by Morpho and the US government to develop new-generation airport security solutions.

CAT/BPSS

An ID scanning system test project in US airports

The **Transportation Security Administration** (TSA) of the United States has chosen MorphoTrust USA to test a new system in three international airports in the country. Dubbed CAT/BPSS, or Credential Authentication Technology/Boarding Pass Scanning System, it will automatically check driver's licenses, passports and other routine ID documents and ensure that the passenger matches his or her boarding pass. Now under test, this technology is designed to improve the current process, requiring manual checks.



R&D

The challenge of detecting explosive traces



Morpho (Safran) has signed a research contract with the **US Department of Homeland Security** to develop two prototypes for shoe scanners using different technologies, which combine sensitivity and selectivity: quadripolar resonance and mass spectrometry. The ultimate aim of these developments is for travelers to be able to pass through airport checks without having to take off their shoes.

E-GATES

Quick, secure border crossings

Morpho (Safran) modernizes border control procedures by automating the travel document authentication process and checking passenger ID using biometric data. In France, the **Paris airports authority** and **Marseille-Provence airport** opted for fingerprint-based authentication using automated PARAFE e-gates. Both Australia and New Zealand have equipped their airports with biometric SmartGates based on facial recognition technology. Morpho's automated e-gates are now deployed in a number of international airports, speeding up controls for over 20 million passages to date, while ensuring security.



CTX/XRD

State-of-the-art solution for checked luggage inspection in Israel

Morpho's CTX/XRD is a fully integrated detection system, combining computed tomography imaging of luggage with X-ray diffraction analysis. The **Israeli Airports Authority** (IAA) has ordered several systems of this type following a successful test at the Ben Gurion international airport in Tel Aviv.



ENHANCING PROTECTION FOR CITIZENS

The products and technologies developed by Safran help protect people and goods, and ensure the security of both transportation and transactions. Our solutions build people’s trust and maintain state security at the highest possible level.

Facilitating daily life and ensuring security

The innovative solutions developed by Morpho (Safran), whether ID documents or biometric identification technologies, are applied in many different areas of our daily life, including identity management, telecommunications, healthcare, banking and transportation, to name just a few. We confirmed our global leadership in identity solutions in 2012, in particular with the creation of MorphoTrust USA (formerly L-1 Identity Solutions), whose solutions are already used to issue driver’s licenses – the main ID document in the United States – in over 40 states. Morpho also won contracts this year, through various consortiums, to supply e-passports in Chile, Panama and Finland. In addition, it signed a four-year contract with the Finnish transport safety agency to supply driver’s licenses and digital tachograph disks, which record driving time by truck and bus drivers.

Solutions for police, military and civil security forces

Morpho confirmed its position this year as a favored partner to police forces, with the company’s solutions being chosen by Interpol, the New York police and the FBI. Morpho also provides control system to the French police for road safety applications. In the United Kingdom, the government used Morpho’s solutions to identify illicit funds implicated in drug trafficking, using a portable trace detection system. Sagem (Safran) designs a wide range of products for use by police forces, homeland security units and customs services, as well as for mountain and maritime rescue missions. Sagem offers a wide range of increasingly innovative solutions for avionics, navigation, optronics and safety-critical software, including inertial navigation systems, infrared binoculars, the FELIN integrated equipment suite for soldier modernization programs, and much more.

41
OF THE 50
AMERICAN STATES
now use MorphoTrust
USA solutions to issue
their driver’s licenses.

5,000+
JIM LR
MULTIFUNCTION
INFRARED
BINOCULARS
now in service
or under order
worldwide, including
2,000 for the French
army.

No. 1
IN AUTOMATED
FINGERPRINT
IDENTIFICATION,
according to the
US National Institute
of Standards
& Technology (NIST).

MORPHO
NFC/LTE
SIM CARDS
South Korea
pioneers
contactless
technology



In November 2012, Morpho (Safran) announced the delivery of over 500,000 NFC/LTE (Near Field Communication/Long Term Evolution) SIM cards to **Korea Telecom**, the second leading mobile operator in South Korea. This initial delivery resulted from a framework contract for several million units, signed in 2012. Through this technology, **Korea Telecom** allows customers to make purchases or buy public transport tickets by simply placing their mobile phones in front of one of the 200,000 contactless terminals installed in the country.

MORPHOTOP™
Fingerprint
scanner certified
by the FBI

MorphoTop™ 100R, a compact, high-speed fingerprint scanner, has been certified by the **FBI**. It’s a reliable, economical device that scans fingerprints on all ten fingers for applications including identity checks, civil registries or criminal arrests. The detector is based on a proven biometric technology, used worldwide for major government projects. It effectively reads fingerprints in less than two seconds.



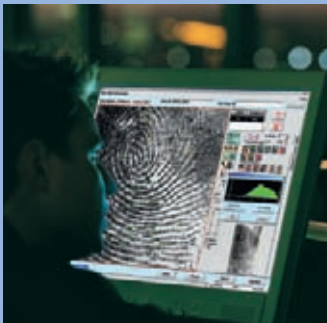
TURBOMECA
SBH®
Reliable support
for rescue
missions by
the Hong Kong
Government
Flying Service
(GFS)



Turbomeca (Safran) has provided reliable support to the Hong Kong Government Flying Service (**GFS**) for its Search & Rescue (SAR) missions for over ten years. The helicopters deployed by GFS, all powered by Turbomeca engines, are covered by a “support by the hour” (SBH) contract, enabling this government department to anticipate its maintenance costs and enjoy quick assistance.

MORPHOBIS
The New York
Police
Department’s
biometric
ID system

The system deployed by Morpho (Safran) for the **New York Police Department** automatically manages comparisons of fingerprint traces from crime scenes and the “ten-print” or palm-print records in their database – all with unrivaled speed and accuracy. **Sweden’s police force** is the first in Europe to deploy this new-generation automated fingerprint identification system (AFIS).



FACILITATING ACCESS TO SPACE

With the creation of Herakles, Safran becomes a world leader in solid rocket propulsion, a key technology for launch vehicles which also provides a complementary fit with Safran's long-standing expertise in cryogenic rocket propulsion.

HERAKLES, BIRTH OF A GLOBAL LEADER IN SOLID PROPULSION

On May 1, 2012, Safran finalized the merger of its subsidiaries Snecma Propulsion Solide and SME (SNPE Matériaux Énergétiques), acquired in 2011. Named Herakles, this new company has over 3,000 employees and five core businesses: strategic propulsion, tactical propulsion, space propulsion, aeronautics and thermostructural composites, and industry and organic matrix composites.



Safran's role on Ariane and Vega, pillars in the European space program

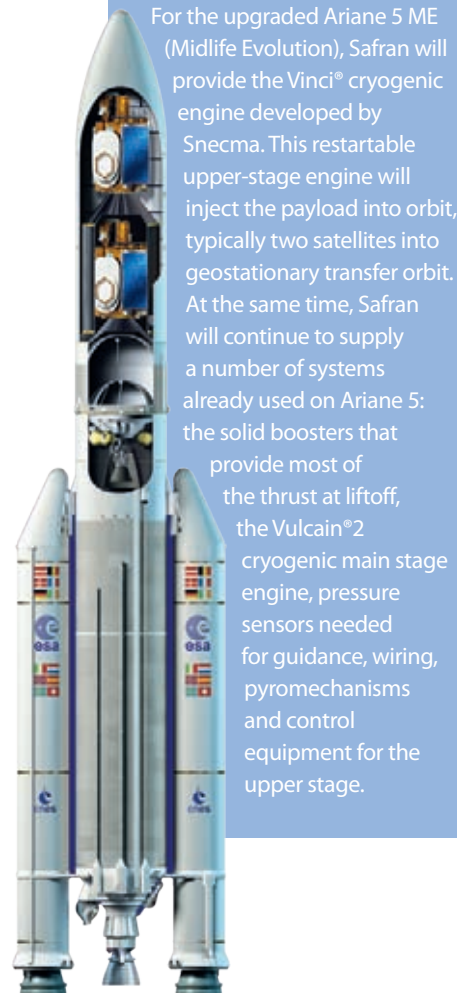
Safran is one of the main contributors to Europe's Ariane and Vega launchers, and plays an active role in Research & Development programs for Ariane's successors.

In November 2012, the ministerial-level European Space Agency (ESA) Council meeting approved the continuation of the Ariane 5 ME (Midlife Evolution) program, for an upgraded launcher that will enter service in 2017-18. It also approved the follow-on program, designated Ariane 6, for a launcher scheduled to enter service in 2021-22. The detailed definition of Ariane 6 should be completed by 2014, based on decisions made to favor technological developments that will benefit both Ariane 5 ME and Ariane 6, such as the Vinci® upper-stage engine being developed by Snecma (Safran). For the Ariane 6 preliminary design phase, Herakles (Safran) is the prime contractor for design studies on solid propulsion systems, while Snecma has the same responsibility for the upper-stage liquid propulsion system.

First flight of Europe's new Vega launcher a success

Europe's family of launch vehicles has expanded with the introduction of Vega, a light launcher designed for smaller satellites. Its first qualification launch on February 13, 2012 from the Guiana Space Center in Kourou, French Guiana was a complete success. Herakles and its subsidiaries play a key role on this launcher: Europropulsion, Herakles' joint subsidiary with Avio of Italy, makes the P80 solid rocket motor for the first stage, with propellant being supplied by Regulus (also a Herakles/Avio joint venture), and Herakles makes the nozzle. PyroAlliance supplies all destruction, ignition and separation systems for the first three stages, while Herakles makes the igniter casing, high-performance pressure transducers and nozzle subassemblies for the second and third stages.

ARIANE 5 ME SAFRAN TO SUPPLY ENGINES AND EQUIPMENT



For the upgraded Ariane 5 ME (Midlife Evolution), Safran will provide the Vinci® cryogenic engine developed by Snecma. This restartable upper-stage engine will inject the payload into orbit, typically two satellites into geostationary transfer orbit. At the same time, Safran will continue to supply a number of systems already used on Ariane 5: the solid boosters that provide most of the thrust at liftoff, the Vulcain®2 cryogenic main stage engine, pressure sensors needed for guidance, wiring, pyromechanisms and control equipment for the upper stage.

7 ARIANE 5 LAUNCHES IN 2012.

53 SUCCESSFUL LAUNCHES IN A ROW BY ARIANE 5 AT YEAR-END 2012.

SUPPORTING OUR CUSTOMERS FOR THE LONG HAUL

Safran supports our customers day after day, and the service business contributes to our financial health and robust business model. We guarantee our customers' business continuity, while keeping their operating and maintenance costs under control.

Custom-tailored services for aircraft engines and equipment

We signed a number of MRO (maintenance, repair and overhaul) contracts in 2012: – Four of the world's leading aircraft leasing firms – International Lease Finance Corporation (ILFC), CIT Aerospace, AerSale and GE Capital Aviation Services (GECAS) – signed contracts with CFM International to include their engines in the TRUEngine® program. – Rolls-Royce and Aircelle (Safran), to deliver higher value to their joint customer, signed a 25-year contract providing for the maintenance of the nacelles on the Trent 900 engines powering British Airway's 12 Airbus A380 super jumbo-jets. – Messier-Bugatti-Dowty (Safran) won general overhaul contracts for more than 240 landing gear sets, bolstering its leadership position in this market.

Life-cycle support: total reliability

For the last dozen years, Safran has enhanced its life-cycle support offering to better meet the expectations of today's armed forces: billing by flight-hour and firm objectives for dispatch reliability and response times, in exchange for long-term contracts. The most emblematic of these contracts, signed by Turbomeca with the French government in 2001 and covering 1,408 helicopter engines, was renewed in September 2012 for a period of ten years. Also last year, Sagem (Safran) signed a life-cycle support contract for Sperwer tactical drone

systems deployed by the French army, covering all maintenance, repair and technical support for systems in service until 2014. In addition, Sagem signed a through-life support contract for the STRIX observation and sighting systems on the French army's Tiger combat helicopters. In addition to these new contracts, Safran continues to provide life-cycle support to the French government for the M88 engine powering the Rafale fighter, and the Tyne engine powering the Transall transport and Bréguet Atlantique maritime patrol aircraft (ten-year contracts signed in 2010).

Security equipment maintenance

Morpho (Safran) booked an order from the US Transportation Security Administration (TSA) for the maintenance of its Itemiser DX portable

LANDING GEAR

Support packages for the complete life cycle



Messier-Bugatti-Dowty (Safran) announced a series of general overhaul contracts for Airbus landing gear at the MRO Europe 2012 trade show – for **Aegean Airlines, Cyprus Airways, Maximus Air and Egyptair** – confirming the excellence of its MRO services. Messier-Bugatti-Dowty uses personalized tracking of each landing gear leg and counts on a large stock of landing gear shipsets, ready to be used anywhere in the world.

TRUEngine®

A label that meets strong industry demand

The TRUEngine® label indicates that all the parts in a CFM engine and its maintenance operations are approved by the manufacturer, which increases the engine's resale value. For Safran, these agreements secure the sale of spare parts, which have to be original parts to earn the label.



AIMING FOR EXCELLENCE ACROSS THE BOARD

Safran, a dynamic, constantly evolving enterprise, seeks excellence in all areas to underpin our own development and foster total customer satisfaction.

An ambitious R&D policy

Safran's success is based on continuous innovation, anchored in sustained Research & Development investments. In 2012, we had R&D expenditures of 1.6 billion euros, or about 12% of our revenues. Over the last few years, this innovation strategy is also based on targeted acquisitions, especially technology start-ups. Morpho (Safran) acquired Cassis International in 2012, for instance, a pioneer and leader in Trusted Service Management (TSM), along with the European subsidiaries of ABnote, specialized in the production and personalization of bank cards. Sagem (Safran) strengthened its optronics and night vision business by acquiring a small, innovative Brazilian company, Optovac. And Safran continues to form partnerships with international research organizations and laboratories active in areas related to the Group's businesses, while maintaining long-standing relations with a number of leading technical schools and universities. Our constant focus on innovation has resulted in a large number of patent applications, over 750 filed in 2012, and a total portfolio of nearly 24,000 titles. In 2012 we were ranked third among French companies in terms of the number of patents published (according to the ranking published in April 2013 by the National Institute of Intellectual Property, INPI), and Group company Snecma (Safran) was ranked among the "Top 100 Global Innovators" in 2012 by Thomson Reuters.

Large-scale capital investments

Safran invests heavily in industrial facilities to keep pace with rising production rates, support our strategy of establishing a distinctive difference through innovation, and move closer to our customers. The opening of new facilities offering world-class industrial and environmental performance clearly reflects our commitment. In February 2012, for example, Labinal (Safran) inaugurated a new plant in Villemur-sur-Tarn, just a few kilometers from the old factory, to stay close to its main customer, EADS. The new 13,500 square meter site, considered "Green & Lean", was designed to meet the most demanding environmental requirements, and to ensure optimized production, use of space and workstation ergonomic design. The 730 employees at this plant, who work on all main aircraft produced by Airbus and Eurocopter, enjoy a thoroughly modern environment, combining enhanced working conditions and industrial efficiency. In March 2012, SAMES (Snecma America Engine Services) opened a new aircraft engine MRO center in Mexico, dedicated to operators in the Americas. The brand-new buildings, offering some 15,000 square meters of floorspace, are located next to two other Safran company plants, Messier-Bugatti-Dowty and Snecma, in the aerospace industrial park at Querétaro.

€419 MILLION
CAPITAL EXPENDITURES
in 2012 to keep pace with production
ramp-up and new technologies.



€1.6 BILLION
R&D EXPENDITURES
and more than 750 patents
filed in 2012.



**SME PACT
HELPING FINANCE
OUR SUPPLIERS**
Safran helps small and medium-size enterprises (SME) secure the financing needed to fund their growth or development into a Tier-1 supplier, especially by supporting their financing requests to organizations such as Aerofund, or the Strategic Investment Fund.

**RESPONSIBLE PURCHASING
COMMITMENT TO SHELTERED WORKSHOPS
AND ADAPTED ENTERPRISES**
Safran calls on adapted enterprises and the ESAT network in France that facilitates subcontracting or other work for disabled persons. The Group's agreement to support the employment of disabled persons provides for an increase in this program, with a sales target of 8 million euros in 2014, versus 2.5 million euros in 2011.

75
TRADE COMPLIANCE OFFICERS
guarantee that our business is conducted
according to the highest ethical standards.



10,000

EMPLOYEES
with Lean-Sigma
certification (White Belts,
Green Belts, Black Belts
and Master Black Belts).



NEARLY 35,000

IMPROVEMENT IDEAS
applied in 2012, after being
submitted through the participative
innovation initiative.



Long-term supplier relations

In line with our commitment to corporate social responsibility (CSR), Safran has established long-term relationships of mutual trust with our suppliers, and we support their development. Our suppliers' ability to address sustainable development issues plays a decisive role in their selection, on a par with their cost, quality and on-time delivery performance, along with their expertise and ability to innovate. The "Responsible purchasing" project, deployed in 2012 and 2013, is designed to enhance our purchasing strategies and practices by raising the awareness of Safran's own buyers and specifiers to the challenges of CSR. This project also provides for an evaluation of suppliers in terms of their commitment to social responsibilities.

A structured approach to performance improvement

When we launched the Safran+ modernization initiative in 2009, it was accompanied by several projects designed to shake things up inside the Group. One of these was RTDI (the French initials for research, technology, development and production engineering), designed to improve our industrial performance over the entire product design and production cycle. Conducted over a period of three years, RTDI identified performance levers which were deployed starting in 2012. One of these levers is the "design to cost" method. It aims to achieve technological excellence at the best cost, while meeting the customer's expectations in terms of performance, functionality, quality and on-time delivery. Safran applies the Lean-Sigma approach to support our continuous improvement drive, using proven tools to optimize processes and make them reliable, stable and predictable. In 2012, Safran provided Lean-Sigma training for over 10,000 employees at different levels, including 5,000 White Belts, who are instructed in the basic principles and objectives, and 600 Black Belts, who manage Lean-Sigma projects full-time. A new training program, Lean Manager, has been rolled out to help the managers involved more efficiently direct their teams working on Lean-Sigma projects. Lean principles are now applied to all areas, with the Lean Office initiative introducing the same methods long used in production to our support functions. The Lean approach is designed to increase productivity, reduce overhead expenses and improve service quality delivered to customers, whether internal or external.

SAFRAN 2012 LEAN-SIGMA EVENTS A SUCCESS

Safran organized a dozen regional Lean-Sigma events in 2012, at facilities in France, Canada, Morocco, the United Kingdom and China. The main actors in this initiative – Belts, sponsors, managers – met to discuss key issues, including Lean Office, Engineering, Manufacturing and the Kaizen method.

SAFRAN, THE FIRST CAC 40 COMPANY TO RECEIVE ANTI-CORRUPTION CERTIFICATION FROM ADIT

The effectiveness of Safran's anti-corruption practices has been recognized. In December 2012, we received the anti-corruption certificate from the technology information agency Adit (*Agence pour la diffusion de l'information technologique*), based on guidelines validated by SCPC (*Service central de prévention de la corruption*), the corruption prevention department that is part of the French Ministry of Justice. Along with this three-year certificate, the first awarded to a company in the French stock market index CAC 40, Safran is also applying an action plan to further improve its anti-corruption program.

At the same time, the participative innovation initiative has really taken root among all Safran employees: in 2012, nearly 35,000 improvement ideas submitted by employees were applied within the Group.

Enhancing the competitiveness of support functions

The identification of potential synergies has been extended to support functions, with the creation of shared services centers (SSC), pooling certain services at Group level to benefit all companies. These centers are being developed wherever the number of employees makes them cost-effective. This initiative is especially well developed in France, where an SSC department has been created, grouping for example payroll services for the employees of all Group companies in France, along with accounting, hiring and non-production purchasing. Based on the same principles, other functions have become increasingly centralized, including health, safety and environment (HSE), information technology, training, communications and legal affairs. A number of functions in our companies in the United States have also pooled their services, including finance, legal, fiscal advice, payroll, human resources, purchasing and IT. Safran has launched studies to pave the way for shared services centers in other countries, including China, where some services are already pooled, as well as Mexico, Russia, India and the United Kingdom.

Excellence in trade compliance

With the creation of the International division back in 2005, Safran clearly announced its commitment to coordinating and supporting sales and marketing by companies around the world, in compliance with the highest business ethics and standards. The division prevents and combats corruption through a network of 75 trade compliance officers, who oversee strict compliance with ethical business practices (including the selection and validation of all commercial partners, management of gifts, hospitality, sponsored trips, etc.) Since 2010, the International division has teamed up with Safran Corporate University to raise the awareness of Group employees concerned by these issues, through targeted information and special training sessions. Furthermore, the division organizes an annual seminar on business ethics, bringing together about 100 employees from all Group companies worldwide, including trade compliance officers, sales, legal and financial Directors, country delegates, etc. Through these meetings, they make sure that their knowledge of issues is up to speed, discuss best practices, and help improve Safran's trade compliance program. Safran has also defined a program for export controls, based on best practices and guaranteeing strict compliance with all applicable rules and regulations. We now have a network of more than 200 Export Control managers operating throughout the Group.



TALENTS

GUARANTEEING FUTURE SUCCESS

At Safran, the human factor is fundamental.

In our high-intensity technology sectors, with product life cycles that often stretch over dozens of years, the innovations we develop today – and the talented people behind these innovations – will guarantee our success in the future.

Day after day, Safran moves forward thanks to the people who are united by the pride and passion of working for an enterprise that helps develop concrete solutions to address today's most pressing economic, social and environmental issues. **To make sure our people realize their full potential**, Safran has made human resources development a top priority. We deploy an advanced social model, with sustained investment in training, and concrete engagements to foster diversity, social responsibility and environmental friendliness.

7,500

new hires
in 2012

4%

of payroll
dedicated
to training

2nd

employee
shareholding
rate in the
CAC 40

25%

women
in the
workforce

ATTRACTING AND INTEGRATING TOP TALENTS

Achieving technological excellence means being able to count on top talents across the board. Safran invests heavily to recruit the most talented people available, and makes sure they enjoy real career development opportunities. The men and women who join Safran become an integral part of an exciting human and technological adventure, and contribute to our exceptionally dynamic growth.

Significant recruiting needs

Safran is recruiting a wide variety of candidates – recent graduates, seasoned engineers and managers, technicians and line workers – to meet emerging challenges. In 2012 the Group hired over 7,500 new employees, including half in France, and this pace will not slacken in 2013. Some 64% of new hires in France are engineers and management staff, with 40% young graduates. To help young people's integration in the workforce and develop their skills, Safran invests heavily in training through work-study programs and internships.

Developing our employer brand

Safran has launched various communications actions targeting potential candidates to meet significant recruiting needs, including an employer brand campaign deployed since February 2012. This large-scale campaign spotlights a feature that makes Safran stand out: the societal role played by Safran's products and technologies. Ads were run in both daily papers and weekly news magazines in France, as well as in the trade press, backed by display ads in busy venues. Banners on leading employment and professional networking sites referred candidates to our new recruiting site,

safran-talent.com, which was totally revamped to clearly spotlight the Group's jobs and areas of expertise, and convey a dynamic image of Safran's corporate culture.

Stronger partnerships with academia

Safran maintains strong relationships with engineering schools and universities offering post-graduate degrees in our fields, all of which provide the pool of skills needed for the Group's development. We continued this approach in 2012 by signing new partnership agreements with institutes of higher education, expanding our network of affiliated schools and universities, now numbering about 20. These agreements have expanded their scope. For instance, Safran works with these institutions well in advance to develop curriculum, guaranteeing very high-level scientific and technical training and making sure courses match the evolving needs of industry.

Safran also endows chairs at leading engineering and business schools, and offers training courses

“SAFRAN IS RECRUITING ENGINEERS FOR SOME VERY IMPORTANT MISSIONS”

That was the tagline for an international advertising campaign focusing on the social contribution of Safran's innovative and reliable technologies. For example, thanks to the Arriel helicopter engine designed by Safran engineers, Éric, a search & rescue worker in the Alps, can continue helping mountain climbers in difficulty.



SAFRAN DISCOVERY DAY 2012

Safran's integration day was held on June 6 at the Le Bourget venue near Paris, in an atmosphere of discovery, sharing and getting to know each other. It brought together some 3,000 newly hired and promoted managers from around the world. The Group's senior executives, company CEOs and technical experts participated in roundtables that also featured extensive audience participation. This large-scale orientation and integration event had a significant impact inside the Group, and garnered major media coverage.



MORE THAN 200 SAFRAN AMBASSADORS: A PIVOTAL ROLE IN SCHOOL PARTNERSHIPS

Safran's "ambassadors" stay in touch with their alma maters, participating in seminars and roundtable discussions, simulated hiring interviews, etc., to develop the Group's recognition and establish direct contacts with students. This outreach helps them detect the promising youngsters who are really stimulated by Safran's professions and technologies.



7,500+
NEW HIRES IN 2012

4th
PREFERRED EMPLOYER OF FRENCH
ENGINEERING STUDENTS ⁽¹⁾

3,182
YOUNG PEOPLE IN WORK-STUDY
PROGRAMS AND 2,951 INTERNS
IN FRANCE IN 2012

with classes given by our specialists. Furthermore, to develop the recognition and knowledge of our professions among students, Safran helps them develop future career plans throughout their time at school, via visits to Group plants, roundtable discussions on our business sectors and professions, internships, etc. These partnerships with the world of higher education call on Safran's network of "ambassadors", who are in fact former students of these target schools who now work for Group companies. We have also set up a structure allowing Safran e-ambassadors to contribute to the professional networks LinkedIn and Viadeo, establishing privileged relationships with potential candidates.

Safran's proactive approach to developing our employer brand and school relations has already borne fruit. We are now ranked fourth among student engineers choosing their preferred employer⁽¹⁾, and we received 50% more job applications in 2012 than in 2011.

Integration in the Group

New hires at Safran receive sustained support as they move up the responsibility chain, backed by targeted integration measures at both Group and company level. A special "Discovery Day" was organized in 2012 at the Le Bourget venue near Paris to welcome some 3,000 new engineers and managers from around the world. Corporate Human Resources is also analyzing the deployment of a Group-wide integration itinerary to ensure that new employees from all companies become familiar with all aspects of Safran, develop their personal networks and better understand our career development opportunities, and mobility and training policies.

⁽¹⁾ According to the 27th survey of French engineering and business school students' preferred employers in 2012, by TNS Sofres.

SUPPORTING SKILLS DEVELOPMENT

In any high-tech company, the ability to bolster everybody’s skills and develop a shared corporate culture is the key to building solid foundations for the future. And that’s why Safran invests 4% of its payroll in training, and continued to develop Safran Corporate University in 2012 as a vector for cultural, technological and organizational transformation.

Developing training
Safran Corporate University was founded to support the Group’s development by transmitting the knowledge and skills needed for growth. The university also helps promote a shared corporate culture and values, while directing training efforts towards priority objectives for skills development. Training programs offered by the university address all employees, at every level. A new Talent Development department was created in 2012, to strengthen the career management of executives and spotlight forward-looking managerial excellence.

An international, multicultural university
Operating across the world, Safran also invests heavily in training at the international level. Safran Corporate University already has campuses in Beijing and Dallas, two faculties that integrate local requirements in their training courses. Safran Corporate University now has training programs in a dozen countries, with courses in French, English or the local language. At the same time, the university helps spread Safran’s influence among customers and partners worldwide. Safran is a major player in a project to create a French-Brazilian aircraft maintenance training center, whose objectives are defined in

a Statement of Intent signed by French and Brazilian authorities in March 2012. We are also involved in training initiatives in Morocco, where the aviation industry has developed significantly in recent years, with support from the Moroccan government and European industry. We provided extensive support for the creation of an aviation technician training center in Casablanca, inaugurated in May 2011, and we have formed partnerships with local schools and universities, including the Moroccan Foundation for Advanced Science, Innovation and Research, and Al Akhawayn University in Ifrane.

Training certificates and degrees, validation of life experience
In France, Safran signed an agreement in 2012 with the *Conservatoire national des arts et métiers* (Cnam), a major player in continuing higher education. Cnam will contribute its broad expertise in professional training. The three-year agreement will help strengthen the innovative nature of certain training programs offered

A CENTRAL CAMPUS FOR SAFRAN CORPORATE UNIVERSITY
Safran has acquired the land where it is building its new university campus. Located in the Paris suburb of Massy, close to Orly airport and easy to reach in general, this 13-hectare campus can welcome up to 600 students at a time. It features an amphitheater, classrooms and accommodations for students.



SKILLS AND EMPLOYMENT PLANNING
Safran has set up Gateway programs to guarantee the employability of our people. These itineraries are designed to help employees boost their skills to facilitate their adaptation to changing job requirements, or to support a career development goal or job change.



LEADERSHIP MODEL
The Group launched its Leadership Model in 2012. This model describes the management style needed to ensure Safran’s long-term performance and competitiveness, from the standpoint of both values and behavior. It defines specific behavioral models associated with five key competencies:
– Embarking on a shared vision;
– Daring to innovate;
– Scoring as a team;
– Empowering people;
– Leading by example.



37,000
EMPLOYEES TOOK TRAINING COURSES IN 2012

1.4 MILLION
TRAINING HOURS IN 2012

4%
OF PAYROLL DEDICATED TO TRAINING

by Safran Corporate University, and also increase training opportunities for employees. The training courses developed by Safran Corporate University will be rounded out by courses from Cnam, with equivalent credits set up between the two training programs. For instance, Safran employees will be able to take a specific training program leading to a certificate or degree. A process to validate life experience, specific to Group employees, is also being studied. The first job sectors to take advantage of this partnership are finance, process engineering and the supply chain, along with Gateway itineraries designed to guarantee each person’s long-term employability and career development.

Group-wide networks to enrich skills
Safran is now developing Group-wide skills networks alongside its “Experts” network, created in 2005 to federate employees with solid experience and high-level skills in various scientific and technical disciplines.

A network of innovators from different Group companies and business sectors was created in 2012. Its role is to expand the innovation dynamic and accelerate the time to market for breakthrough technologies.

DIVERSIFYING PROFILES

As a responsible corporate citizen that values its people, Safran is committed to equal opportunity and diversity in the workplace – which we consider a major factor driving performance and innovation.

Diversity, a top priority

Safran has long been committed to fighting discrimination and promoting equal opportunity. Reflecting this approach, in 2008 Safran created a Diversity department as part of Corporate Human Resources, and then two years later signed the Diversity Charter. Our actions in this area are based on four primary objectives: promoting gender equality throughout the enterprise; employing seniors; hiring disabled persons and maintaining their employment; and social inclusion.

Supporting gender equality

Safran pays particular attention to gender equality in the workplace, backed by a wide range of measures. For example, in 2012 agreements were applied at a majority of Group companies. Safran is a partner in the association *Elles bougent* ("Women on the Move"), which aims to promote engineering and technical careers for female high school and college students. Once again, Safran participated in a number of awareness-raising actions organized by the association, including several visits to Group plants. Safran also renewed its partnership in 2012 with the Women's Forum, a major international event in Deauville. About 30 women from Safran participated in the discussions and conferences on how women see today's major economic and social challenges, including Sylvaine Picard, head

of the biometrics research team at Morpho, who won the Innovation award in September 2012 during the first Women in Industry Awards organized by the business magazine *L'Usine Nouvelle*.

A long-term commitment to integrating young people

Another top priority for Safran is a proactive employment policy for young people. In 2012, for example, the Group started negotiations at the European level on the integration of young people in the workforce. The agreement covers training, support and recruitment, in line with objectives for diversity and gender equality. Safran also continued actions in partnership with Frateli, an association founded to support high-potential students from low-income families, by offering an opportunity to be mentored by top young employees.

Career-long support

Employees 50 years and over represent nearly 30% of the Group's workforce. Safran is fully committed to maintaining these senior employees in their jobs, under conditions that give them a positive outlook on their

professional future, while leveraging their vast experience. Safran therefore continued to deploy measures in the Group-wide agreement in favor of senior employment throughout 2012. Furthermore, this agreement was temporarily extended, while awaiting negotiations on the employment of young people and seniors, slated to begin in 2013 within the scope of the French "Generations" bill.

23%
WOMEN AMONG NEW
MANAGEMENT HIRES

1,507
EMPLOYEES WITH
DISABILITIES IN FRANCE

"WOMEN, INDUSTRY AND DEVELOPMENT"

Safran organized a forum in Rabat, Morocco in March 2012 to share its commitment to women's training and education in Morocco. The event addressed opinion-leaders in the country and employees of Safran in Morocco. The Group boasts a significant presence in Morocco, with six companies, more than 2,000 employees (56% women), and a management staff including 40% women.



AGREEMENT FOR THE EMPLOYMENT OF DISABLED PERSONS

Safran signed a Group-wide agreement with all unions in April 2012 to support the employment of disabled persons in France. Running for three years, this agreement provides for the recruitment of more than 70 disabled employees, and training for 100 young people in work-study programs and 65 interns. It also encompasses strengthened arrangements for integration and training, as well as support measures for career development.

AFFIRMING OUR SOCIAL MODEL

Safran's social model is based on the firm conviction that employees are our primary asset. They have a clear stake in our performance, through an active policy of employee shareholding and strengthened social benefits. They are stakeholders in our strategy, based on a constructive labor-management relationship and a dynamic process of participative innovation.

Sharing the fruits of growth

Safran has logged steady progress in building a solid base of social benefits. Through profit-sharing and incentive measures, we give employees a stake in our success, by equitably sharing the fruits of growth. In June 2012, management and the main unions signed an amendment to the profit-sharing agreement, applicable to Group employees in France and using a new simplified formula, directly related to our financial results. Furthermore, in 2012, for the second year in a row, Safran paid a profit-sharing bonus to French employees. In February 2012, management and unions signed an agreement creating a collective retirement savings plan, offering Group employees in France the possibility of establishing a supplemental retirement plan under advantageous conditions.

Promoting employee shareholding

Safran has long implemented an employee shareholding policy, one of the pillars of our corporate culture. This policy is based on both permanent structures, such as the matching shareholder fund, offered within the scope of a complete employee savings system, and one-time actions, such as the "Leverage 2012" operation, deployed from December 2011 to May 2012, enabling employees in 15 countries to acquire Safran shares at preferred rates. This operation proved very popular,

with some 18,000 participants and more than 6.5 million shares subscribed. At year-end 2012, 80% of the workforce owned Safran shares. With employees holding 15% of the share capital and nearly 24% of voting rights, Safran ranks second among companies in the French stock market index, CAC 40, in terms of the size of its employee shareholding.

Employees: shaping their own careers and contributing to corporate strategy

In 2012, Safran bolstered measures that guarantee the employability of employees and their professional fulfillment. These measures include training courses open to all employees, and skills and employment planning designed to facilitate mobility and career development. Safran has also developed a participative innovation initiative, applied throughout the Group. This initiative allows each employee, no matter what their position in the enterprise, to be recognized as a change agent, based on their innovative ideas and actions. Safran organizes an annual Innovation Awards competition to recognize employee initiative in all sectors and at all levels. We reaffirmed our commitment to this principle in 2012 by signing

SAFRAN WINS TWO AWARDS FOR EMPLOYEE SHAREHOLDING POLICY

The federation of associations of employee shareholders awarded its Grand Prize to Safran in 2012 for advances in employee shareholding. In addition, ORAS, part of the RH&M group, awarded a Compensation & Benefits trophy to Safran for the deployment of an international employee shareholding operation.

SAFRAN RECOGNIZED FOR PARTICIPATIVE INNOVATION

During the *Carrefour de l'Innovation Participative* forum organized in November 2012 by the association *Innov'acteurs*, Sagem's Fougères plant received an award for the maturity of its organization set up to facilitate innovation and continuous improvement. The tools and methods deployed have proved to be especially effective, with an average of more than ten ideas per person and per year being applied.



PROTECTING OUR EMPLOYEES’ HEALTH AND SAFETY

Safran naturally strives for excellence in health, safety and environmental matters, in line with our values as a responsible corporate citizen and our commitment to sustainable development.

A responsible Health, Safety and Environment policy

At Safran we are fully committed to developing a prevention-based culture to efficiently manage our health, safety and environment (HSE) risks, for the benefit of our employees, partners, suppliers, customers and all communities concerned by our activities, anywhere in the world. The corporate HSE policy, determined by the Group’s Chairman and CEO and applied by the Sustainable Development department, reflects a continuous performance improvement approach and Safran’s values and commitments: protect the health and safety of the people who work for the Group; guarantee the reliability of our facilities and protect their surroundings; design, build and distribute products and services that incorporate health, safety and environmental requirements throughout their life cycle. Safran defines specific HSE targets and areas of improvement every year, listed in the dashboards and performance indicators used by all management staff. Our performance in these areas is controlled by HSE management reviews in each company, as well as at Group level.

Improving occupational safety to drive long-term industrial performance

Occupational safety is one of Safran’s main concerns, and a primary performance factor. It is backed by solid Group-wide decisions, plus the all-out commitment of corporate management. While Group facilities have received HSE certification for over a decade (based on the ISO 14001 and OHSAS 18001 standards), Safran also wanted to reenergize this initiative, more clearly targeting its improvement actions to meet its objective of cutting in half the rate of accidents with lost days over a period of five years (2009-2013). The Group therefore deployed a custom-tailored Safran HSE reference system, certified by the appropriate authorities. It includes all requirements stipulated in international standards, and also sets specific internal standards in 30 different areas, including ergonomics, eco-design, chemical risks, etc. These standards are designed to be both

SAFRAN HSE CERTIFICATION

The HSE certificates issued by Safran incorporate the requirements of the international standards ISO 14001 and OHSAS 18001, along with additional standards specific to the Group. Auditors are trained and qualified by Safran on a rigorous basis. To ensure their independence, they never operate in their own company, which also helps encourage the spread of best practices. Safran has asked Bureau Veritas to attest that its internal certification process is equivalent to one provided by a third-party.



STRESS PREVENTION POLICY

Safran applies a three-pronged stress prevention policy:

- A diagnostic, based on a survey performed in conjunction with the University of Liège, the results of which are analyzed to define and implement an action plan.
- Awareness-raising measures for all employees, and training sessions for management.
- Detection of and support for employees undergoing occupational stress.



IMPROVED ERGONOMICS

Safran has identified ergonomics as one of its priority improvement objectives. There are three main aspects involved: enabling everybody to work under the best possible conditions; enhancing occupational safety; improving productivity. The Group hired an ergonomics specialist in 2012 to evaluate the requirements of its companies and set up appropriate solutions.



**40%
DECREASE IN
ACCIDENTS WITH
LOST DAYS
IN 2012 VS. 2009**

**1,500
MANAGERS AND
SENIOR EXECUTIVES
HAVE RECEIVED
OCCUPATIONAL SAFETY
TRAINING IN FOUR YEARS.**

pragmatic and educational, enabling management staff to evaluate their own degree of operational expertise, and to develop an improvement plan. An internal certification committee issues HSE certificates to Group facilities, attesting to their maturity and compliance with international standards.

Protecting employee health and preventing work-related stress

Studies on the prevention of occupational stress have been carried out at all Group facilities in France, in conjunction with the University of Liège in Belgium. Based on these studies, each company has been able to define targeted action plans, which are now being rolled out. Safran has also developed Group-wide awareness raising measures for all employees and training sessions for management staff, HR managers, personnel representatives and occupational health departments.

A study of opportunities and an analysis of the most appropriate methodologies are already under way to deploy a similar approach in international facilities, taking into account local characteristics.

Controlling the use of chemical substances

One of Safran’s fundamental objectives is to efficiently manage and replace dangerous substances. The Group is particularly attentive to protecting employees who work in production units handling these types of substances, and is strongly committed to the deployment of the European directive REACH (Registration, Evaluation, Authorization and restriction of Chemical substances).

SUPPORTING MEANINGFUL SPONSORSHIPS

Safran sponsors projects that rally the people in the Group and convey our values. For instance, since 2005 we have sponsored an ocean racing program, and since 2011 we have supported the *Oiseau Blanc* search effort to retrace part of our own history...

Vendée Globe 2012

The early withdrawal of our *Safran* ocean racer from the Vendée Globe 2012 round-the-world race, due to a technical problem, was a keen disappointment to both skipper Marc Guillemot and the 62,500 employees of Safran. The Group and its people have now supported the skipper and his boat for more than seven years, through thick and thin, and they are deeply involved in this boat sponsorship project, in particular the dozens of engineers who directly work on the boat. The innovative solutions incorporated in this Open 60 class monohull ocean racer draw on R&D efforts at different Safran companies, and generally aim to reduce weight, a key to boosting the boat's performance. For example, *Safran's* rudder and mainsail rail are made of 3D woven carbon composites, while lithium-ion batteries were developed that store twice the energy of conventional batteries for the same weight.

Virtual regatta a big hit

Our boat sponsorship efforts have helped spread Safran's influence for a number of years. In 2012 this project further expanded its scope by being used as a communications channel for recruitment. Despite *Safran's* withdrawal soon after the start of the Vendée Globe, the story continued online for participants in the Safran e-Sailing Team challenge – whether

employees, students or the general public – who skippered their own virtual *Safran* all the way to the finish line. As part of this initiative, a “serious game” was organized solely for students, which not only saw them participating in the virtual Vendée Globe, but also asked them to meet a series of challenges that allowed them to discover the wide range of Safran's business sectors and technologies. Up for grabs were over 1,000 individual prizes, including VIP tickets to the 2013 Paris Air Show for the top ten virtual skippers. Nearly 8,000 students from 158 universities registered for this contest, making it a big hit. It also involved an inter-school competition, with the winners invited to sail on *Safran*, plus sponsorship for a crew entering the 2013 EDHEC Sailing Cup – the largest student sports event in Europe, in which Safran is an official partner.

SEARCH FOR THE OISEAU BLANC CONTINUES!

In 2011 Safran signed a two-year partnership with the association *La recherche de l'Oiseau Blanc* (“In search of the White Bird”), to find the wreck of this legendary French aircraft, piloted by Nungesser and Coli in 1927 in an attempt to fly from Paris to New York. While the searches carried out in June 2012 were unfruitful, the project continues to mobilize energies. Safran is seeking to “find” part of its history, by searching for the plane's engine, a 450-HP Lorraine-Dietrich 12 Eb produced by one of the Group's predecessor companies.



SOLIDARITY AT SEA

Safran shared with the IMOCA technical committee the conclusions of its inquiry into the incident occurring right after the start of the 2012 Vendée Globe on its Open 60 class ocean racer, so that the lessons learned from this problem can benefit all other shipbuilders and skippers and improve these 60-foot thoroughbred racing boats' safety and reliability.



7,924 STUDENTS FROM 158 UNIVERSITIES PARTICIPATED IN THE SAFRAN E-SAILING TEAM GAME.

8,000+ LORRAINE-DIETRICH 12 EB ENGINES WERE PRODUCED IN THE TWENTIES AND THIRTIES; THIS IS THE ENGINE THAT POWERED THE OISEAU BLANC.

FOSTERING SOCIAL INCLUSION AND EQUAL OPPORTUNITY THROUGH CORPORATE PHILANTHROPY

Safran's philanthropy actions reflect the Group's commitment to corporate social responsibility. Our partnerships meet two main requirements, a sound structure and long-term effectiveness.

Safran Foundation for Integration

For the second year in a row the Safran Foundation for Integration, dedicated to the social and professional integration of young people in difficulty, continued to support the ambitious SHIFT project (*Safran Handicap Innovation Technologie Fauteuil*) for the design of innovative wheelchairs, in partnership with the Garches Foundation. This unifying project brings together students from two engineering schools (*École centrale de Lyon* and *institut des sciences et techniques des Yvelines*), a design school (*Strate Collège*) and Safran's own engineers. While the Safran foundation primarily operates in France, several high-impact partnerships have been formed abroad: in Morocco, with the EMA association to support schools in disadvantaged areas of Casablanca; in Brazil, through the International Youth Foundation, which supports the integration of young people in the professional environment; and in India, through the association Namasté, which helps integrate disadvantaged women in the work environment.

Safran Foundation for Music

Safran's commitment to top young classical musicians echoes the technical excellence that underpins our high-tech businesses, and the need to promote young talents in each of the Group's businesses. The Safran Foundation for Music supports exceptional young musicians throughout their training and career debuts. It awards an annual prize, won by the pianist Guillaume Vincent in 2012.

Corporate philanthropy

Along with the actions undertaken by its foundations, Safran has confirmed its policy of forming premium public and private partnerships. For example, we teamed up with the French Ministry of Education to organize a fourth concert for some 800 students from priority schools in the Greater Paris area. Safran also partnered the French Senate and Urban Ministry for the operation *Talents des cités* (“Inner City Talents”). Furthermore, we continued our partnership with the *Orchestre de l'Alliance*,

SAFRAN RENEWS PARTNERSHIP WITH TALENTS DES CITÉS

The *Talents des cités* (“Inner City Talents”) competition recognizes creators of business start-ups in priority neighborhoods, within the scope of a more general urban policy. Four entrepreneurs supported by Safran won an award this year for creating Prev'QSE, a company specialized in training and consulting services concerning vocational risks, first aid, safety and the environment.



SAFRAN FOUNDATION FOR MUSIC RECOGNIZES GUILLAUME VINCENT

A pianist prodigy born in 1991, Guillaume Vincent won instant recognition for his virtuosity and musical sensitivity during concerts in the series *Jeunes Talents – Premières Armes*, organized by the Armed Forces Museum in partnership with Safran.



organizing a concert to benefit the AFM-Téléthon association to fight muscular dystrophy. Our corporate philanthropy policy extends well beyond France, since Safran is committed to a number of international initiatives: – Organization of concerts to promote young virtuosos, in cooperation with the French embassy in the United States. – Support for the Duke Ellington School of the Arts, a public high school in Washington, D.C. – In partnership with the Mexican Ministry of Education, an operation that will enable 4,500 children from disadvantaged families to visit the Papalote Museo del Niño, an interactive science and technology museum in Mexico City.



GROWTH

BENCHMARKS

Safran's performance in 2012 validated our strategic choices, as our businesses posted very dynamic growth. Highly competitive, always on the move, Safran is recording a steady rise in profitability. **Our backlog of orders, now equal to nearly four years of production, allows us to look to the future with confidence.** And our sound financial health means that we can invest heavily in both research and production facilities to bolster our positions in markets where the strategic and technological choices made today determine success for decades to come. At Safran, we have nurtured the **global reach, strong competitive positions and solid shareholding structure** needed to ensure sustained growth.



billion
in sales



employees
worldwide



billion
backlog
of orders



of revenues
invested
in R&D

CORPORATE OFFICERS



Foreground

Jean-Paul Herteman,
Chairman and CEO

Left to right

Dominique-Jean Chertier,
Deputy Chief Executive Officer,
Corporate Office

Ross McInnes,
Deputy Chief Executive Officer,
Finance

Marc Ventre,
Deputy Chief Executive Officer,
Operations

EXECUTIVE COMMITTEE

The Safran Executive Committee comprises the corporate officers and the persons shown below.



Left to right

Vincent Mascré,
Chairman and CEO,
Aircelle

Jean-Luc Bérard,
Corporate Senior
Vice President,
Human Resources

Jean-Lin Fournereaux,
Corporate Senior
Vice President,
Space

Yves Leclère,
Executive Vice President,
Transformation

Philippe Schleicher,
Chairman and CEO,
Herakles

Olivier Andriès,
Chairman and CEO,
Turbomeca

Éric Bachelet,
Corporate Senior
Vice President,
Research & Technology

Jean-Paul Jainsky,
Chairman and CEO,
Morpho

Philippe Petitcolin,
President,
Defense-Security
Chairman and CEO,
Sagem

Karen Bomba,
Chairman and CEO,
Labinal

Bruno Cotté,
Executive Vice President,
International

Alain Sauret,
Chairman and CEO,
Messier-Bugatti-Dowty

Pierre Fabre,
Chairman and CEO,
Snecma

Jean-Pierre Cojan,
Executive Vice President,
Strategy

BOARD OF DIRECTORS

The Safran Board of Directors comprises 15 members, including four representatives of the French government and two employee shareholder representatives. A third of the members are independent directors with expertise and international experience in Safran’s strategic business sectors.

Safran Board of Directors

- Jean-Paul Herteman,**
Chairman and CEO
- Francis Mer,**
Vice Chairman
of the Board of Directors
- Marc Aubry**
- Giovanni Bisignani**
- Christophe Burg**
- Jean-Lou Chameau**
- Odile Desforges**
- Jean-Marc Forneri**
- Christian Halary**
- Xavier Lagarde**
- Michel Lucas**
- Élisabeth Lulin**
- Astrid Milsan**
- Laure Reinhart**
- Michèle Rousseau**
- Caroline Grégoire-Sainte Marie**
Board advisor



Board members in front of the Turbomeca (Safran) plant in Bordes, France, alongside corporate officers and Turbomeca management, October 24, 2012.

BOARD COMMITTEES

Three committees prepare the Board’s deliberations and submit proposals for consideration by the Board.

Strategy and Major Projects Committee

The Strategy and Major Projects Committee issues opinions and submits recommendations to the Board of Directors on the Group’s major strategic objectives and the development policy.

Committee members:

- Francis Mer**
(Chairman),
- Giovanni Bisignani,**
- Christophe Burg,**
- Odile Desforges,**
- Xavier Lagarde,**
- Astrid Milsan,**
- Laure Reinhart.**

Audit and Risk Management Committee

The Audit and Risk Management Committee examines financial statements and provides follow-up on questions concerning the generation and control of financial and accounting data. In addition, it oversees the efficiency of the company’s internal control and risk management systems.

Committee members:

- Jean-Marc Forneri**
(Chairman),
- Elisabeth Lulin,**
- Astrid Milsan,**
- Michèle Rousseau.**

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in selecting its members and corporate officers, and draws up recommendations concerning the compensation of corporate officers.

Committee members:

- Michel Lucas**
(Chairman),
- Giovanni Bisignani,**
- Christophe Burg,**
- Francis Mer,**
- Astrid Milsan.**

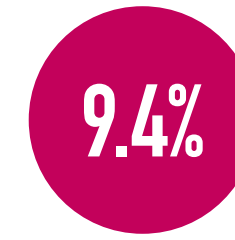
KEY FIGURES

RECORD PERFORMANCE, WITH A SHARP JUMP IN EARNINGS AND CASH FLOW



INCREASE IN CAPITAL EXPENDITURES

Safran is investing in new technologies and expanding capacity to keep pace with higher production rates and modernize its industrial facilities. The Group spent 419 million euros in 2012, an increase of 19%.



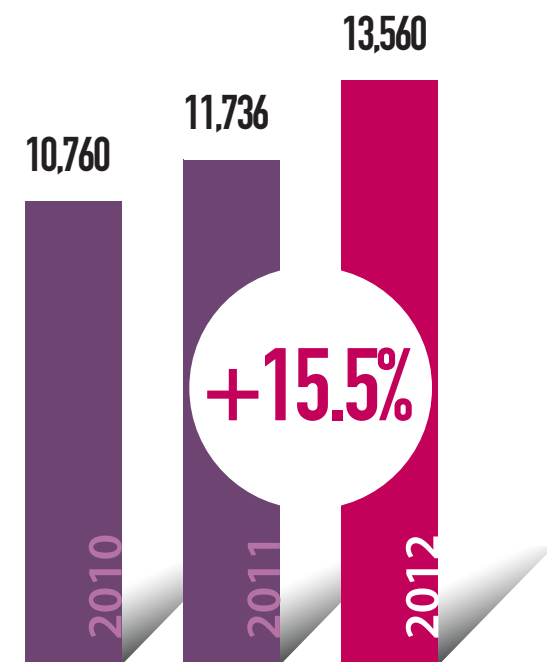
INCREASE IN COMMERCIAL ENGINE SERVICE BUSINESS

Sales from services for commercial aircraft engines increased 9.4% (in US dollars), driven by the initial overhauls of the latest CFM56 engines.



TOTAL R&D EXPENDITURES

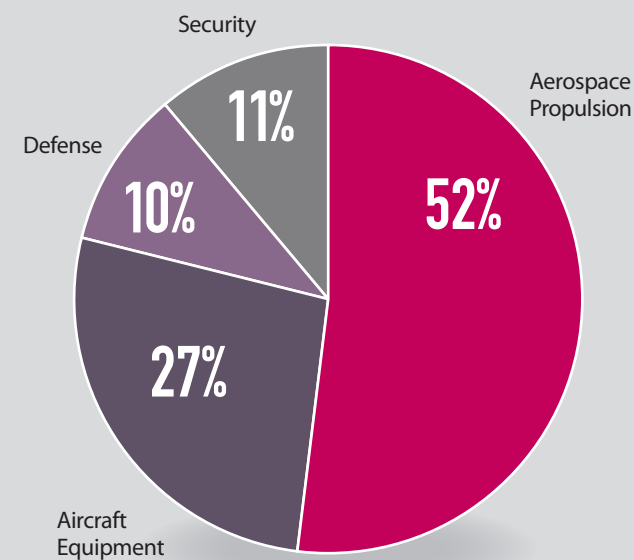
Safran's R&D spending equals about 12% of sales. The growth in this figure is primarily due to the development of two aero-engine families: LEAP for single-aisle commercial jets, and Silvercrest for business jets.



SALES

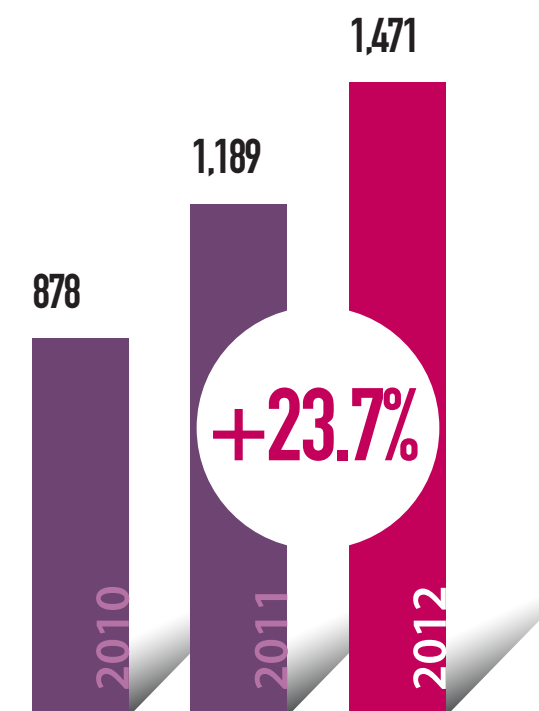
(adjusted data, millions of euros)

Sales for the year increased 15.5% (8.6% on an organic basis), mainly reflecting the performance of Safran's aviation and security businesses. Sales benefitted from higher original equipment sales volumes in aviation, a rise in commercial aircraft engine support business, the resilience of our defense business (avionics) and dynamic growth in the security market (biometric identification, e-documents).



SALES BY BUSINESS SECTOR

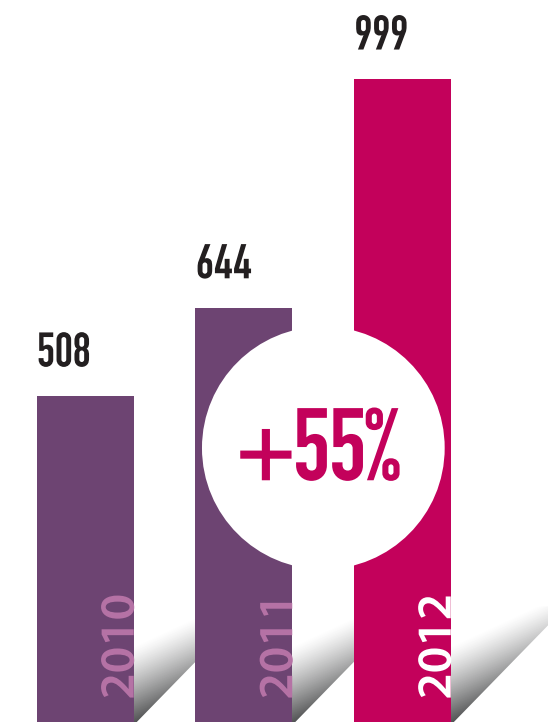
Safran benefitted from its leadership positions in aerospace: sales in the propulsion business rose 14.6%, while aircraft equipment sales increased 19.2%. The Group's avionics (Defense) business grew, and sales by the security business jumped nearly 24%, in large part through acquisitions.



RECURRING OPERATING INCOME

(adjusted data, millions of euros)

Safran posted adjusted recurring operating income of 1,471 million euros, a rise of 23.7% and equal to 10.8% of adjusted sales. The Group continued to improve its competitiveness, in terms of both industrial performance and structural costs.



NET INCOME – GROUP SHARE

(adjusted data, millions of euros)

The Group share of adjusted net income jumped 55% in 2012 over 2011, reaching 999 million euros, or 2.41 euros per share, compared with 644 million euros and 1.59 euros per share in 2011.



NET DEBT (millions of euros)

Safran generated 564 million euros in free cash flow in 2012, equal to 38% of the adjusted recurring operating income. The Group's ability to increase its free cash flow throughout 2012 reduced its debt load. Safran had net debt of 932 million euros at December 31, 2012, versus 997 million euros a year earlier. This is still a relatively low level of debt, given the Group's strategic acquisitions in the Defense and Security sectors, worth nearly 200 million euros, and a dividend payout of 283 million euros. At December 31, 2012 Safran had cash and cash equivalents of 2.2 billion euros, as well as confirmed and non-drawn credit facilities for 2.55 billion euros.



ANOTHER RECORD YEAR FOR CFMI

Firm orders and commitments for the CFM56 and LEAP engines reached 9,943 at the end of the year; this figure is equal to about seven years of production at current rates.



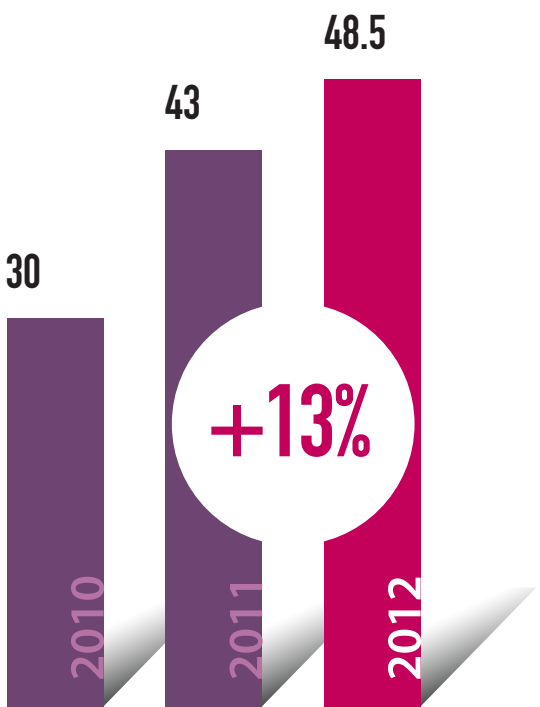
FIRST SAFRAN ISSUE IN US PRIVATE BOND MARKET A SUCCESS

In February 2012, Safran issued bonds worth USD 1.2 billion, in particular to refinance recent acquisitions in the United States over a longer period.



GE'S REMAINING STAKE IN MORPHO DETECTION, INC. (MDI) ACQUIRED FOR 90 MILLION EUROS

Morpho (Safran) now owns 100% of Morpho Detection, Inc., which signed a five year non-exclusive indefinite delivery/indefinite quantity contract with the US Transportation Security Administration (TSA) in 2012, worth up to USD 528 million.



RECORD ORDER BOOK (billions of euros)

Safran booked 18.1 billion euros worth of orders in 2012, increasing the order book by 5.5 billion euros to a total of 48.5 billion euros at the end of the year. This figure does not include the future business generated by CFM56 spare parts and services, when supplied on the basis of a Time & Material contract. The service business will generate significant revenues and margins over the coming decades.

OUTLOOK FOR 2013

(based on an estimated average exchange rate of USD 1.29/€1.00, and at a hedging rate of USD 1.29/€1.00)

Safran forecasts an increase in adjusted sales of about 5%, and a further increase in adjusted recurring operating income, of nearly 15%. Free cash flow should equal nearly 40% of the adjusted recurring operating income.

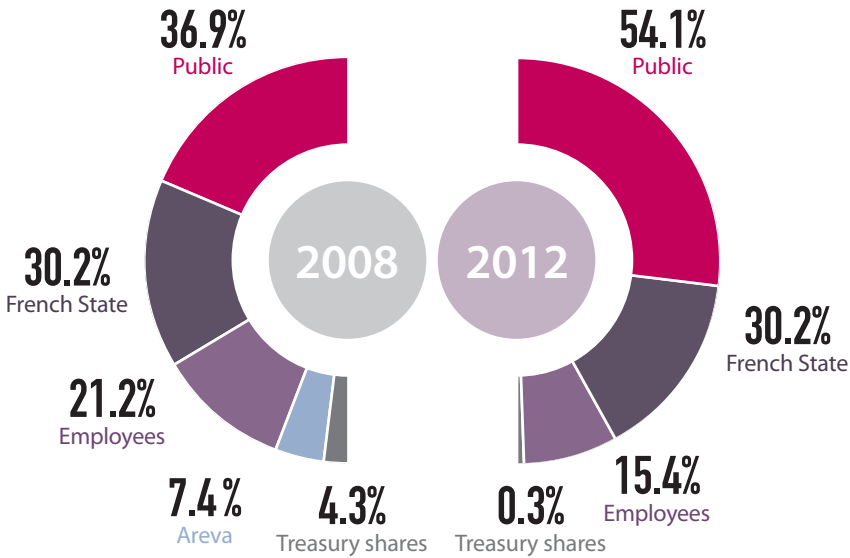
“We will resolutely continue our long-term investments in state-of-the-art technologies and innovative products. We are especially confident that our results will continue to grow in 2013 and beyond.”

Jean-Paul Herteman, commenting on the annual results for 2012, on February 21, 2013

BOLSTERING RELATIONS WITH SHAREHOLDERS

CAPITAL SHAREHOLDING STRUCTURE at December 31

Changes in the Group's shareholding structure spotlight the increase in its float (publicly-held shares), which has grown from 36.9% to 54% in four years, and strengthened the liquidity of the Safran share. The significant number of employee shareholders, which boosts employee motivation and loyalty, is also a factor in ensuring the Group's stability.



THREE MEETINGS WITH SHAREHOLDERS

Along with the traditional Annual General Meeting in Paris, Safran organized two individual shareholder meetings outside of Paris for the first time in 2012, in Marseille and Strasbourg. Shareholders greatly appreciated these opportunities to discuss the Group's news, results and strategic development objectives, and meetings will be organized again in 2013.



INTRODUCING OUR PRODUCTION PLANTS

On December 11, 2012, about 15 shareholders visited the Messier-Bugatti-Dowty (Safran) plant in Molsheim, eastern France. This historic site, founded back in 1909, now includes a wheel and brake production facility and a repair center spanning some 25,000 square meters. Safran organizes a half-dozen visits of this type every year throughout France to enable individual shareholders to discover the diversity of our businesses.



SAFRAN SHARE PRICE

January 1, 2008 to February 28, 2013



SAFRAN SHARE

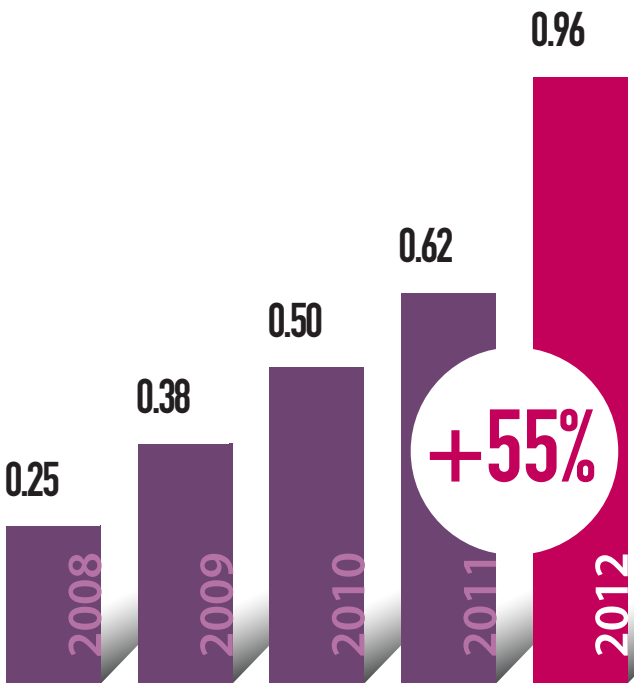
The Safran share is listed in Compartment A of Euronext Paris, and is eligible for Deferred Payment Service (SRD).

Name: SAFRAN

ISIN code: FR0000073272

Abbreviation: SAF

Index: CAC 40



DIVIDEND PER SHARE

(euros)

The payment of a dividend of €0.96/share was submitted for a vote by the Annual General Meeting of Shareholders on May 28, 2013. This dividend, which since 2007 corresponds to a payout rate of 40%, also represents an increase of 55% over 2011. An interim payment of €0.31 per share was paid in December 2012, with the balance of €0.65/share to be paid as from June 6, 2013.

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N° Vert 0 800 17 17 17

A WORLD LEADER IN AEROSPACE PROPULSION AND AIRCRAFT EQUIPMENT

AEROSPACE PROPULSION

CIVIL AND MILITARY AIRCRAFT ENGINES



SINGLE-AISLE COMMERCIAL JETS: with the CFM56, Safran and partner GE hold world leadership in the market for engines powering mainline commercial jets (over 100 seats). Its successor, LEAP, has already been chosen for the Airbus A320neo, Boeing 737 MAX and Comac C919.

REGIONAL AND BUSINESS AIRCRAFT: Safran is developing Silvercrest, a new-generation jet engine for large, long-range business aircraft. Along with NPO Saturn, Safran is also prime contractor for the SaM146, which powers the Sukhoi Superjet 100 regional jet.

MILITARY AIRCRAFT: Safran produces the TP400 turboprop engine (Airbus A400M transport), as well as the jet fighter engines M88 (Rafale) and M53 (Mirage 2000), and the Larzac and Adour engines for training aircraft.

Safran offers a complete range of maintenance, repair and overhaul (MRO) services for these engines.

**No.1 worldwide
in commercial aircraft
engines**
(mainline jets with over 100 seats,
in partnership with GE)

**No. 4 worldwide
in military aircraft
engines**

HELICOPTER TURBINE ENGINES



LIGHT/MEDIUM HELICOPTERS: Safran offers two main families of engines for this helicopter class, Arrius and Arriel, powering a number of civil and military helicopters made by Eurocopter, Sikorsky, AgustaWestland, Kamov and AVIC. Safran is developing the Arrano engine for Eurocopter's new X4 helicopter.

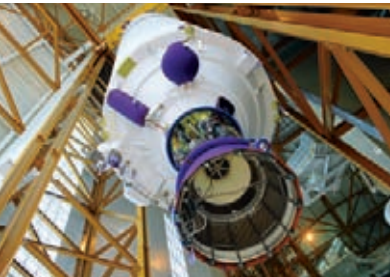
MEDIUM HELICOPTERS: Safran provides the engines for the Eurocopter Tiger and the HAL (Hindustan Aeronautics Ltd.) Dhruv, and is developing the Ardiden 3 for new-generation helicopters.

HEAVY HELICOPTERS: Working alone or in partnership, Safran makes the Makila and RTM322 turboshaft engines powering heavy helicopters by Eurocopter (EC225/725, Super Puma), NH Industries (NH90), AgustaWestland (AW101) and Boeing (WAH-64).

Safran provides comprehensive local support services for all operators.

**No.1 worldwide
in helicopter turbine
engines**

SPACE



LAUNCHERS: Safran produces the Vulcain®2 and HM7B cryogenic engines for the main and upper stages, respectively, on the Ariane 5 launcher, along with the solid rocket boosters (in conjunction with Avio). It is also developing the new Vinci® upper-stage engine for the Ariane 5 ME and Ariane 6 launchers. Along with Avio, Safran is prime contractor for the P80 solid rocket motor on the first stage of the new Vega light launcher, and the Group also provides a number of systems and equipment on the second and third stages.

SATELLITES: Safran produces Hall effect plasma thrusters for satellites (such as the PPS®1350 for Alphasat), as well as plasma propulsion systems, and is developing a range of thrusters with power ratings from 300 W to 20 kW. Safran also makes liquid rocket propellants (MMH) and high-precision sensors for satellites.

**No. 2 worldwide
in cryogenic and solid
rocket propulsion**

AIRCRAFT EQUIPMENT

LANDING AND BRAKING SYSTEMS



LANDING GEAR: Safran designs, produces and supports landing gear for civil and military fixed and rotary-wing aircraft of all sizes. These systems are used on many of today's most prestigious aircraft, including the Airbus A320, A350, A380 and A400M, the Boeing 787 Dreamliner, Rafale, Eurofighter Typhoon, F-18, etc. Safran also designs integrated landing systems, including the landing gear, gear extension and retraction system, wheels and brakes and other equipment.

WHEELS AND BRAKES: Safran designs, produces and supports wheels and carbon brakes, in particular for the Airbus A320 and A350 XWB, Boeing 737 Next-Generation, 767, 777 and 787.

**No.1 worldwide
in landing gear**

**No.1 worldwide
in wheels and carbon
brakes**
(mainline commercial jets
with over 100 seats)

ENGINE SYSTEMS AND EQUIPMENT



NACELLES AND THRUST REVERSERS: Safran provides these items for mainline, regional and business aircraft. It is the sole nacelle systems integrator for the engines on the Airbus A380. Working alone or in partnership with GE, Safran is developing nacelles for the LEAP engines powering the Airbus A320neo and Comac C919, and for the Silvercrest and GE Passport business jet engines.

POWER TRANSMISSIONS: Safran designs, produces and supports mechanical power transmissions for civil and military fixed and rotary-wing aircraft engines, including the Airbus A320, A330/A340, A350 XWB and A400M, the Boeing 737 and 777, Rafale, Eurocopter EC175, Gulfstream G650, etc.

**No.1 worldwide
in power
transmissions**
(mainline commercial jets with
over 100 seats)

**A world leader
in aircraft engine
nacelles**

ELECTRICAL SYSTEMS AND ENGINEERING



ELECTRICAL INTERCONNECTION SYSTEMS: Safran designs, produces and supports the installation of electrical wiring harnesses and cabinets, especially for Airbus and Boeing.

POWER ELECTRONICS AND ELECTRICAL DISTRIBUTION SYSTEMS: Safran applies all technologies needed for electrical power generation and distribution systems. It will supply the electrical distribution systems on the new Embraer KC-390 transport, and handle complete integration of the electrical system.

ENGINEERING: Major players in the aerospace and land transport sectors call on Safran's expertise in electrical systems, aerostructures, mechanical systems and safety-critical software.

**No.1 worldwide
in aircraft electrical
interconnection
systems**

EUROPEAN LEADER
IN OPTRONIC SYSTEMS
WORLD LEADER
IN BIOMETRIC IDENTIFICATION

DEFENSE

OPTRONICS



SOLDIER MODERNIZATION: Safran is prime contractor for the FELIN integrated equipment suite, designed to enhance observation, communications, mobility and support functions for infantry soldiers.

OPTRONICS AND SIGHTS: Safran produces portable observation systems and equipment, and is developing solutions for land vehicles, aircraft and submarines.

DRONES: Safran produces the Sperwer tactical drone system, is developing the Patroller™ system, and applies all enabling technologies for these unmanned aerial systems.

HIGH-PERFORMANCE OPTICS: Safran is the world leader in high-performance optics for space, supplying systems and equipment for the Helios, Meteosat and Spot programs, as well as a number of scientific satellites.

No.1 in Europe
for optronic systems

No.1 in Europe
for tactical drones

AVIONICS



NAVIGATION AND SENSORS: Safran offers a wide range of inertial and hybrid navigation systems for submarines, surface vessels, ground combat vehicles, aircraft, missiles and satellites.

SEEKERS AND GUIDANCE: Safran provides the seekers for the Mistral and MICA IR missiles, and is developing the seeker and sight for the upcoming MMP medium-range missile, under prime contractor MBDA. Safran is prime contractor for the AASM Hammer air-to-ground guided weapon, already in service on the Rafale fighter.

FLIGHT CONTROL SYSTEMS: The world leader in flight control systems for helicopters, Safran is developing some of the systems for Eurocopter's new-generation X4 helicopter.

Safran also provides a wide range of innovative services for airlines and other operators, under the Cassiopée label.

No.1 worldwide
in helicopter flight
control systems

No.3 worldwide
in inertial navigation

ELECTRONICS AND
SAFETY-CRITICAL SOFTWARE



ONBOARD ELECTRONICS: Safran supplies and supports computers and pc boards used to control critical aircraft functions: flight data recording, engine control (FADEC), flight controls, information systems, landing and braking systems, etc. These products have been chosen for many of today's leading aircraft, including the Airbus A380 and A400M, Boeing 787, Rafale fighter, NH90 and Caracal helicopters, etc.

SAFETY-CRITICAL SOFTWARE: Safran develops sophisticated safety-critical software, an integral part of the onboard systems made by the Group.

No.1 worldwide
in FADEC engine
control units
(commercial aircraft, in partnership
with BAE Systems)

SECURITY

IDENTIFICATION



LARGE-SCALE ID SYSTEMS: Safran offers biometric ID enrollment and registration solutions, and is participating in the world's largest program of this type, Aadhaar, in India.

BORDER CONTROL AND ID CHECKS: Safran designs systems and equipment enabling the biometric identification of preregistered passengers, and also provides police and government authorities worldwide with automated fingerprint identification systems (AFIS).

OTHER APPLICATIONS: Safran's identification technologies are also used in road safety systems and secure gaming terminals (lotteries and betting).

No.1 worldwide
in automated
fingerprint
identification systems,
plus biometric facial and iris
recognition systems

No.1 worldwide
in multibiometric
technology

E-DOCUMENTS



SIM CARDS: Safran supplies SIM cards to the world's leading mobile phone operators, calling on a global supply chain to deliver hundreds of millions of cards every year.

BANK CARDS: Safran works with leading banks in Europe, Latin America and Asia.

SECURE ID DOCUMENTS: Safran produces highly secure personalized ID documents, including ID cards, passports and visas, driver's licenses, voter cards, healthcare cards, employee ID cards, etc.

No.1 worldwide
in biometric ID
documents

No.4 worldwide
in smart cards

DETECTION



EXPLOSIVE DETECTION: Safran applies both computed tomography and X-ray diffraction technologies, vital to systems capable of automatically detecting explosives and dangerous or illicit substances. Nearly 2,000 of the Group's explosive detection systems are in service worldwide, especially at airports.

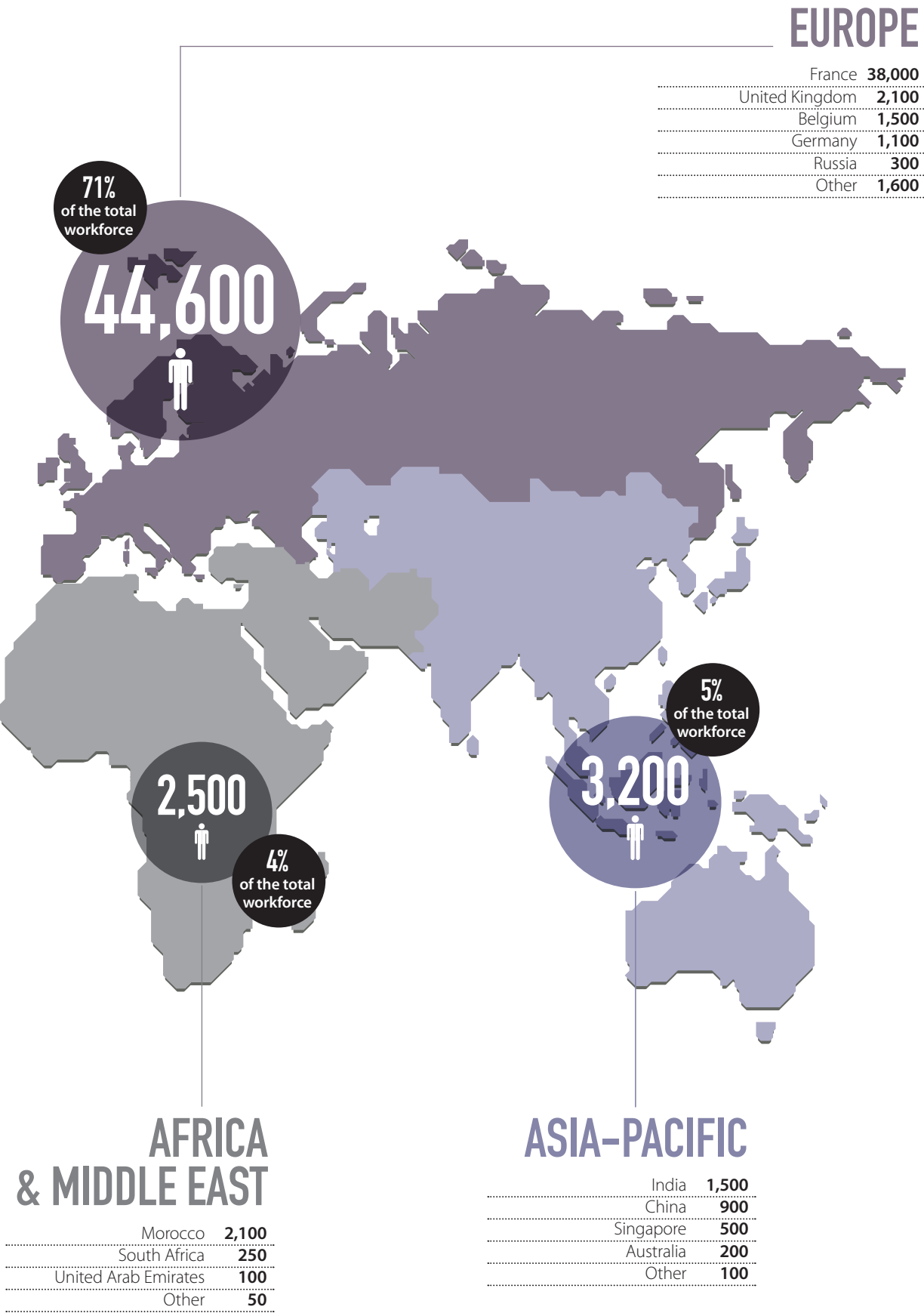
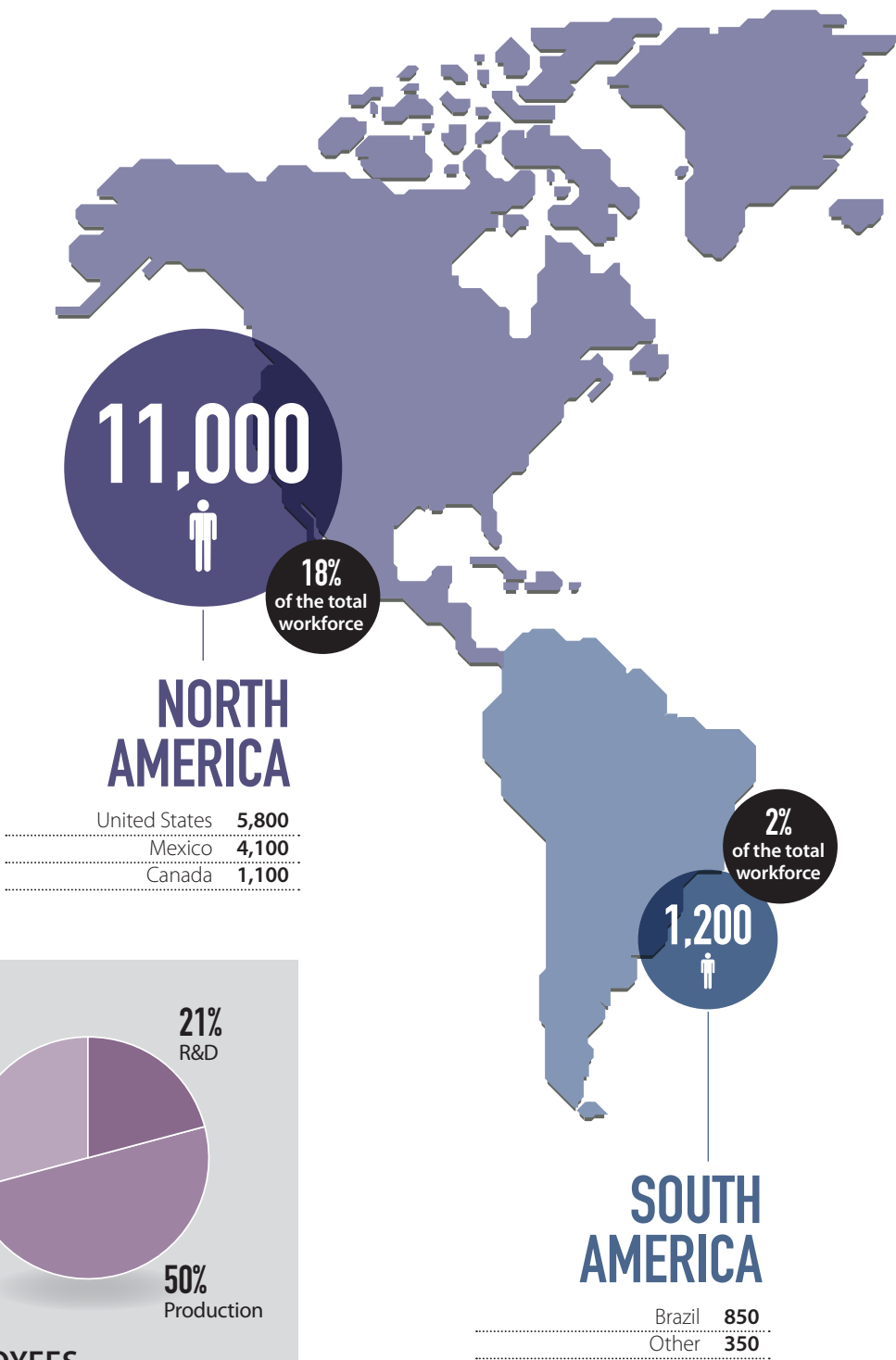
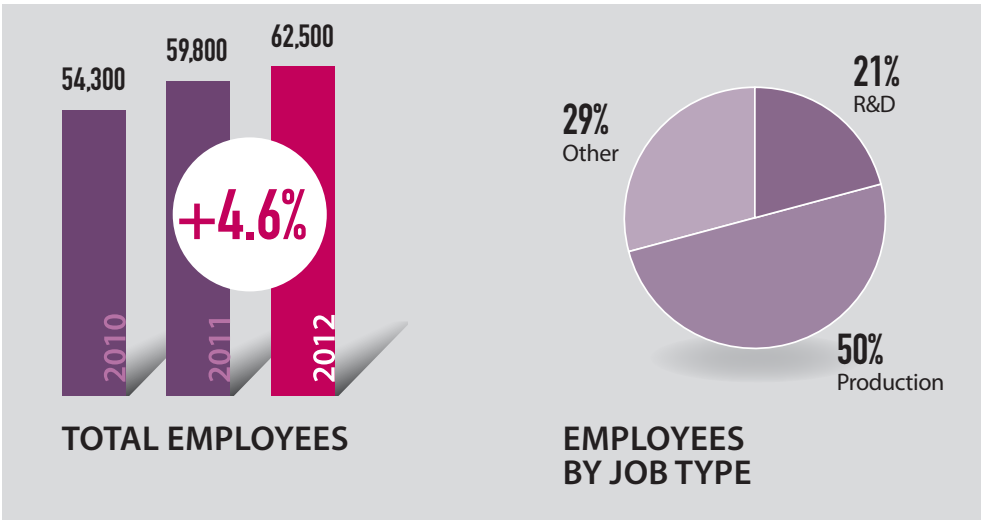
TRACE DETECTION: Systems by Safran detect and identify traces of explosives or illicit products, using ion mobility spectrometry. These systems, fixed, mobile and portable, are deployed in many different security applications, including border control, protection of high-value sites and during major events.

No.1 worldwide
in explosive detection
for checked luggage

A world leader
in trace detection

62,500 EMPLOYEES WORLDWIDE

Our core markets – aerospace, defense and security – are global. Safran has therefore set up a truly global industrial organization to provide local support to all customers, while expanding our reach and underpinning our competitiveness. We remain profoundly attached to our home territory, where two-thirds of our people work. We continue to develop strategic research and production capabilities in France, thanks to sustained capital expenditures.



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KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS

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