

KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS



MEETING TOMORROW'S CHALLENGES THROUGH INNOVATION

2011 Annual Report



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Safran is a leading international high-technology group and a Tier-1 supplier of systems and equipment for **aerospace, defense and security**. Operating worldwide, the Safran group has nearly **60,000 employees**. In 2011, it generated sales of **11.7 billion euros** and its share was added to the French stock market index CAC 40. Safran's **global presence** enhances its competitiveness and allows it to build industrial and commercial relations with **the world's leading prime contractors and operators**, while providing fast local service to customers everywhere. Working alone or in partnership, Safran holds **world or European leadership** positions in its core markets.

Discover the enriched version of the Safran 2011 annual report on your tablet, with photos and videos, by downloading the application at the App Store or on Google play.



You can also scan the following QR code:



MESSAGE FROM THE CHAIRMAN

JEAN-PAUL HERTEMAN,
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Through our major acquisitions, structural partnerships and remarkable business wins, Safran has established positions in all core markets that ensure the sustainable success of our business model.

If you had to name only one, what was the business highlight of 2011 for Safran?

With more than 3,000 orders during the year, the new LEAP engine received a remarkably warm welcome! Chosen by Airbus, Boeing and Comac for the next generation of single-aisle commercial jets, it is already on track to be a worthy successor to the best-selling CFM International CFM56. In 2011, the CFM joint venture between Safran and GE set an all-time record, with firm orders and commitments worth 52 billion dollars at list prices. These orders, which also provide solid foundations for tomorrow's service business, a source of recurring income, will guarantee a smooth, controlled transition between our two generations of best-selling aircraft engines.

What doors does this open for Safran?

With recurring operating income up 35% and buoyant cash flow to support our significantly increased investments, we largely confirmed our growth potential. Safran is investing in new technologies, modernizing our industrial facilities, expanding our presence in growth markets and consolidating our leadership on the next generation of single-aisle jets, the A320neo, 737 MAX and C919. At the same time, we are already gearing up for the breakthrough technologies needed on the next generation, which will come to market in about fifteen years.

What were the other business highlights in 2011?

Among our many successes last year, two are particularly significant for our future: in Brazil, we were selected by Embraer to provide the electrical distribution system and integrate this system on the new KC-390 transport, signaling a further step towards new business segments for more electric aircraft. In India, the national identity program Aadhaar passed the milestone of 100 million unique ID numbers assigned to residents of the country, and has reached an enrollment rate of nearly 1 million new persons per day!

Wouldn't you say the year was also very rich in terms of external growth and partnerships?

Definitely! Safran successfully completed several strategic transactions that have bolstered our positions. The acquisition of SNPE Matériaux Énergétiques (SME) will lead to the creation

of Herakles, the world's second largest manufacturer of solid rocket motors. We also added L-1 Identity Solutions, consolidating our world leadership in biometric solutions and making Safran one of the top three players in the security technology market, with 1.5 billion euros in sales and over 7,000 employees. In the defense sector, we signed an agreement with Thales, paving the way for a restructuring of the French optronics industry to ensure its long-term viability in a globalized market. We also formed a joint venture with Honeywell, a world leader in aircraft equipment, to develop electric green taxiing systems. We have formed a winning team that will offer a new technology, one that will improve airlines' operational efficiency and ensure the sustainable development of air transport.

From the outside, we see an enterprise on the move, one that has reached a certain level of maturity.

How would you evaluate the situation?

Last year saw the rollout of a new corporate governance for Safran, more aligned with today's competitive environment. Another highlight was the entry of the Safran share in the French stock market index CAC 40, reflecting the market's appreciation of our development potential. In recent years, Safran has successfully repositioned itself in three core businesses (aerospace, defense, security), managed the air transport crisis with calm confidence, successfully replaced the CFM56 and invested in the booming security market through several major acquisitions. I believe that we can look ahead to our long-term future with confidence.

Under current conditions, there are very few companies that enjoy such a strong position...

True, but to accelerate our growth even further, we must now amplify our research efforts and focus on innovation, meet the industrial challenge of delivering LEAP engines, and increase the share of service business in our total revenues to energize our business model. Meeting these goals will depend on attracting top talents. After hiring nearly 6,000 new employees in 2011, half in France, we will recruit just as many in 2012, including both men and women who love their jobs, and are motivated, responsible and want to help shape the future.



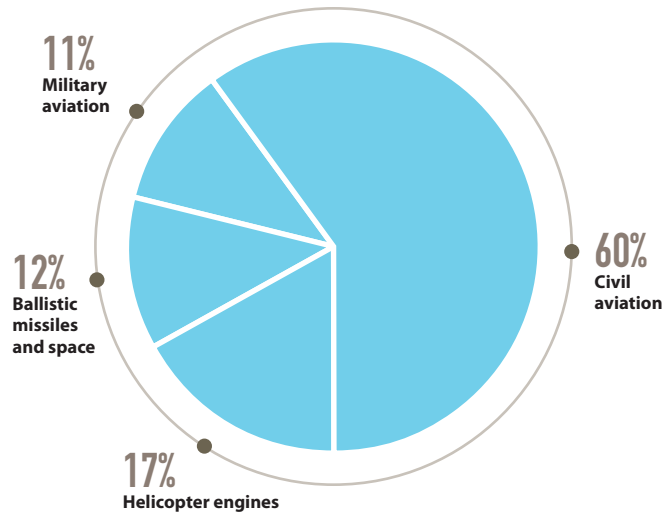
WE HAVE THE **ASSETS** NEEDED TO MEET OUR AMBITIOUS GOALS

Safran has a number of assets to tackle the future with confidence, including stronger positions in key markets, a new corporate governance structure to make us even more efficient in today's increasingly demanding and competitive environment, a solid shareholding structure, strong earnings growth and international reach that keeps us close to our customers.

Safran at a glance

AEROSPACE

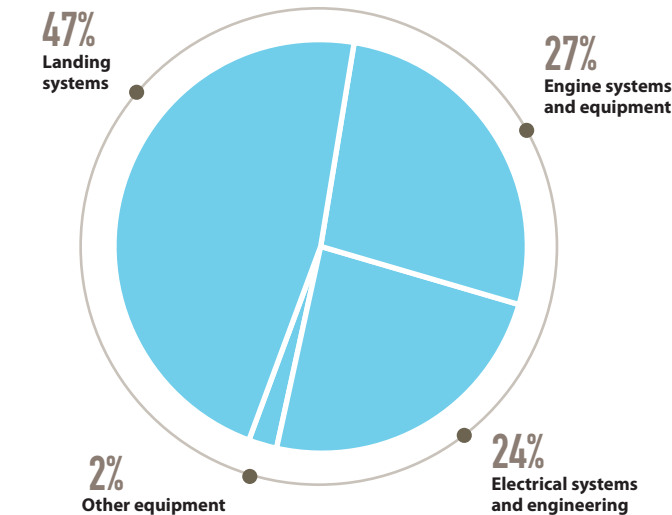
AEROSPACE PROPULSION



€6,110 million
sales +9%

- Commercial aircraft engines
No. 1 worldwide
(mainline commercial jets with over 100 seats, in partnership with GE)
- Military aircraft engines
No. 4 worldwide
- Helicopter engines
No. 1 worldwide
- Space engines
No. 2 worldwide in cryogenic propulsion
No. 2 worldwide in solid propulsion

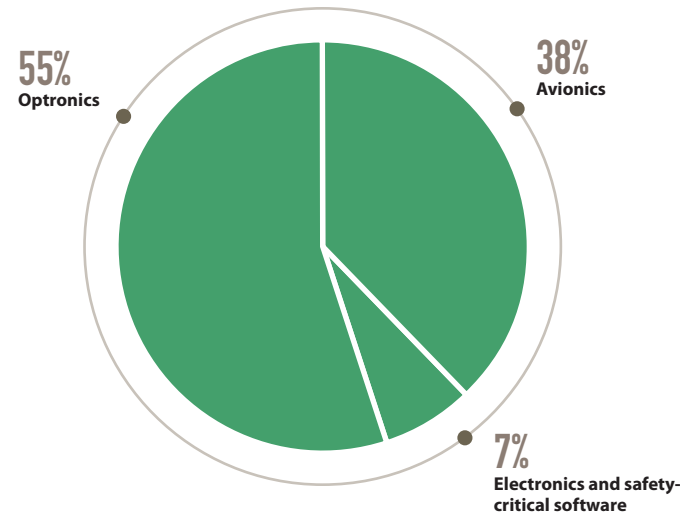
AIRCRAFT EQUIPMENT



€3,097 million
sales +9.3%

- Landing gear
No. 1 worldwide
- Wheels and carbon brakes
No. 1 worldwide
(mainline commercial jets with over 100 seats)
- Aircraft wiring
No. 1 worldwide
- Aircraft engine nacelles
A world leader
- Airborne power electronics
A world leader

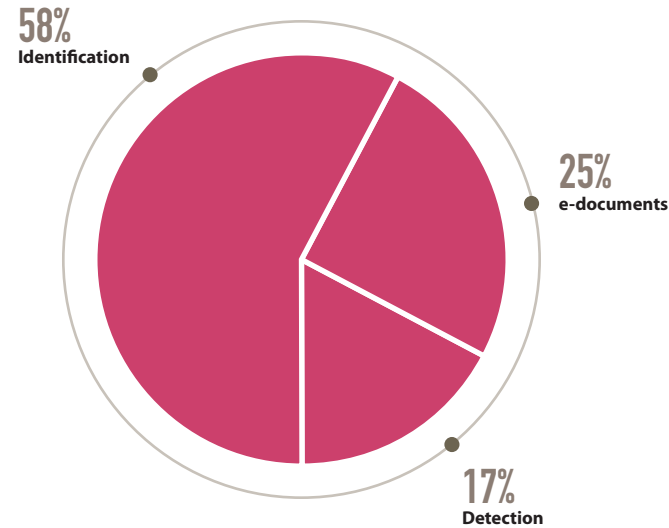
DEFENSE



€1,264 million
sales +1.9%

- Helicopter flight controls
No. 1 worldwide
- Inertial navigation
No. 3 worldwide
No. 1 in Europe
- Optronic systems
No. 1 in Europe
- Tactical drones
No. 1 in Europe

SECURITY



€1,249 million
sales +20%

- Biometric ID documents
No. 1 worldwide
- Automated fingerprint identification systems (AFIS), in Iris and Face Recognition solutions
No. 1 worldwide
- Explosive detection systems (EDS) for hold baggage
No. 1 worldwide
- Multibiometric technology
No. 1 worldwide
- Gaming terminals
No. 2 worldwide
- Smart cards
No. 4 worldwide
- Trace detection equipment
A world leader

STRENGTHENED MARKET POSITIONS

Safran consolidated its positions in several markets in 2011. It was a truly exceptional year for CFM International, the equal joint venture of Safran and GE, with a record of 52 billion dollars in orders and commitments at list prices. At the same time, we are clearly positioned to affirm our leadership in the security market.

A RECORD YEAR FOR THE CFM56

With nearly 23,000 delivered to date, the CFM56 is the best selling engine in the history of aviation. Last year saw a new production record, as CFM International delivered more than 1,300 CFM56 engines, compared with 1,250 in 2010. With an installed base of engines powering 9,500 aircraft belonging to more than 500 operators, airlines and leasing companies, the size of the maintenance market consolidates the company's business model, giving it a recurring income stream. Furthermore, the depth and breadth of the maintenance network is another strong sales point in convincing customers to buy CFM. A total of 1,500 CFM56 engines were ordered in 2011, including both commercial and military customers. Out of the firm orders for the Airbus A320 and Boeing 737 in 2011, CFM took 87% of the engine orders.



A CFM56-powered aircraft takes off somewhere in the world every two seconds.

LEAP, TOMORROW'S ENGINE

While CFM56 orders were once again buoyant, and would by themselves make 2011 a banner year, the orders recorded for the LEAP (Leading Edge Aviation Propulsion) engine show that the future of this new-generation powerplant is also assured. The LEAP-1A version will power the Airbus A320neo, the LEAP-1B version the Boeing 737 MAX, and the LEAP-1C the Comac C919. All in all, CFM signed 3,056 orders and commitments for LEAP

engines in 2011, in addition to the 200 engines already ordered in 2010. These orders accounted for nearly 80% of all engine orders for the new single-aisle commercial jets. In June 2011, Air Asia chose the LEAP to power 200 Airbus A320neo twinjets, the largest order in the history of commercial aviation. Southwest Airlines, the launch customer for the CFM56 on the Boeing 737 in 1981, was also the launch airline for the LEAP-1B, which will power its Boeing 737 MAX airplanes, in a contract worth 4.7 billion dollars, announced in December.

CLOSER COLLABORATION WITH THE WORLD'S THIRD LARGEST AIRCRAFT MANUFACTURER

Safran, the world leader in landing systems through its subsidiary Messier-Bugatti-Dowty, was chosen by Brazilian aircraft manufacturer Embraer, No. 3 worldwide, to provide various systems and equipment for the KC-390, a new military transport designed for both logistics and humanitarian missions, that can also be converted into an in-flight tanker. In addition to providing major landing and braking systems, Safran was also chosen to provide an electrical actuation system, both primary and secondary electrical distribution systems, and complete integration of the aircraft's electrical system.



Embraer's KC-390 transport can be converted into a tanker.

GROUND REVOLUTION IN AIR TRANSPORT

The Electric Green Taxiing System is an economical and ecological solution to allow airplanes to taxi on the ground without have to use their jet engines. Demanding expertise in a number of different disciplines, this system will revolutionize the air transport industry. Safran, fully aware that an efficient partnership is a source of higher performance, instigated the creation of a joint venture with Honeywell to develop the electric green taxiing concept, giving it all the advantages needed to be a leader in this upcoming sector.

LEADER IN THE SECURITY MARKET

Safran finalized its acquisition of L-1 Identity Solutions in July 2011, becoming the world leader in biometric ID solutions. Safran is now one of the world's three leading players in the security sector, after steadily strengthening our market positions. Since 2008, Safran has invested some 1.7 billion euros in targeted acquisitions: the aforementioned L-1, plus Sdu-Identification (secure ID documents, 2008); Printrak (automated fingerprint identification systems, 2009) and GE Homeland Protection (computer tomography explosive detection, 2010).



The MorphoCardScan™ station is used by police forces to quickly identify suspects.

CREATING A WORLD LEADER IN SPACE PROPULSION

Safran finalized its acquisition of SNPE Matériaux Énergétiques (SME) from the SNPE Group in April 2011. The acquisition included SME's subsidiaries: a 50% stake in Roxel, specialist in tactical missile propulsion, and 40% in Regulus, which makes solid propellants for launch vehicles. The new entity, to be named Herakles in 2012, makes Safran the world's second largest space propulsion company. Furthermore, this new business model gives France a very structured space propulsion industry, consolidating the production of rocket motors and propellants.



Handling a rocket stage in the casting pit.

NEW CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The change in corporate governance to a structure solely based on a Board of Directors was approved on April 21, 2011. This change reflects an economic, industrial and competitive environment that demands ever-faster decision-making.

The current makeup of the Safran Board of Directors is as follows:



Jean-Paul Herteman,
Chairman and CEO

Francis Mer,
Vice Chairman

Marc Aubry
Giovanni Bisignani
Christophe Burg
Jean-Lou Chameau
Odile Desforges

Jean-Marc Forneri
Christian Halary
Xavier Lagarde
Michel Lucas
Elisabeth Lulin

Astrid Milsan
Laure Reinhart
Michèle Rousseau
Caroline Grégoire-Sainte Marie,
Board advisor

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 on the Group’s major strategic objectives and the development policy proposed by corporate management to the Board of Directors.

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
Caroline Grégoire-Sainte Marie

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



CORPORATE OFFICERS



1 Jean-Paul Herteman,
Chairman and CEO

2 Dominique-Jean Chertier,
Deputy Chief Executive Officer,
Corporate office

3 Ross McInnes,
Deputy Chief Executive Officer,
Finance

4 Marc Ventre,
Deputy Chief Executive Officer,
Operations

THE EXECUTIVE COMMITTEE

comprises the corporate officers and the following persons:



Jean-Pierre Cojan
*Executive Vice President,
Strategy*



Bruno Cotté
*Executive Vice President,
International*



Yves Leclère
*Executive Vice President,
Transformation*



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



Éric Bachelet
*Corporate Senior Vice President,
Research & Technology*



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



Jean-Lin Fournereaux
*Corporate Senior Vice President,
Space*



Olivier Andriès
*Chairman and CEO,
Turbomeca*



Karen Bomba
*Chairman and CEO,
Labinal*



Pierre Fabre
*Chairman and CEO,
Snecma*



Jean-Paul Jainsky
*Chairman and CEO,
Morpho*



Vincent Mascré
*Chairman and CEO,
Aircelle*



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



Philippe Schleicher
*Chairman and CEO,
SME*

A SOLID SHAREHOLDING STRUCTURE

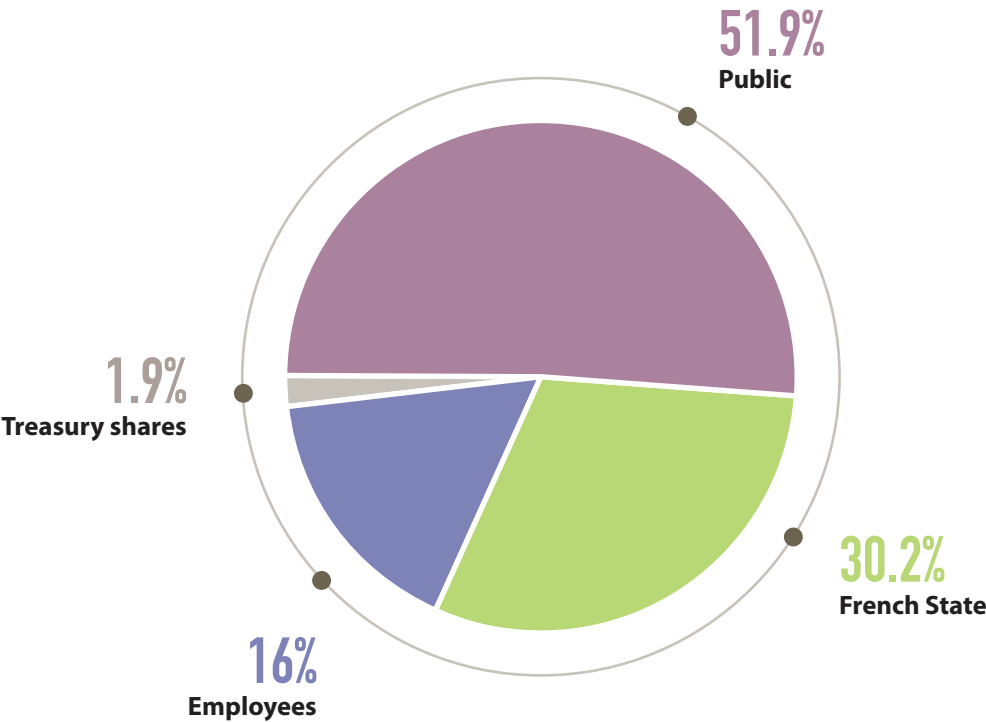
The Safran share was added to the French stock market index CAC 40 in September 2011, a result that was directly related to actions undertaken since the creation of the Group in 2005. In particular, these actions were designed to increase the float in its share capital, which increased to over 50% in 2011 because of the gradual reduction of Areva's legacy stake in Safran's capital.

Safran gives shareholders clear, complete and accessible information to address their requirements, no matter what their level of financial expertise. A number of communications and information channels are deployed for our shareholders, including the annual report, reference document, *Shareholders Guide*, *Shareholders Newsletter*, *Safran Magazine*, website, toll-free number and financial news releases.

To foster closer relations with our individual shareholders, based on mutual trust, we offer members of the Shareholders Club the opportunity to visit our plants. In 2011, for example, seven visits allowed more than 200 shareholders to get a special close-up view of the Group's operations.

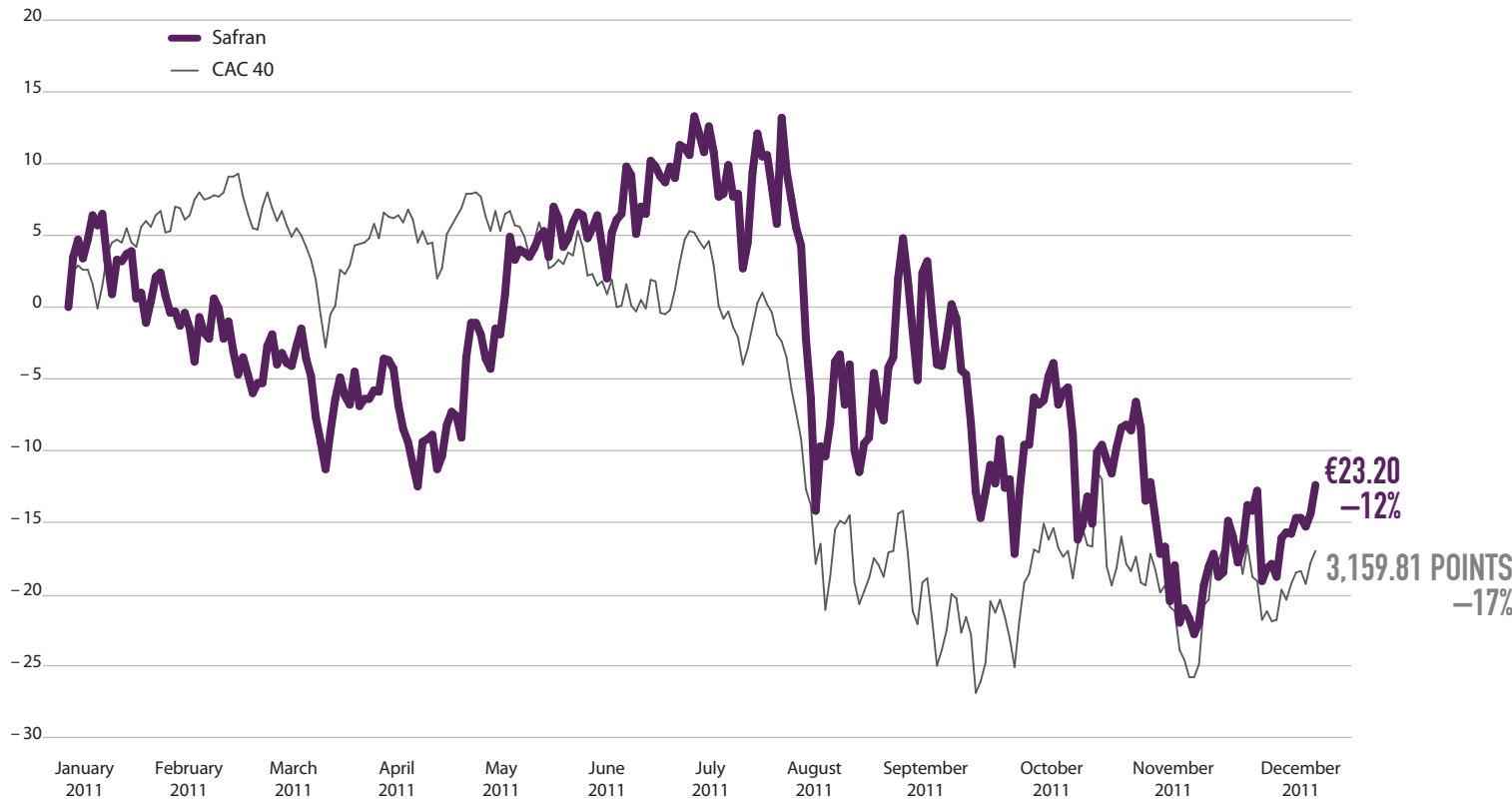
Safran management also organizes regular meetings with financial analysts and institutional investors from France and abroad, during presentations of financial results, as well as specialized conferences and seminars. Corporate management also presented the Group's fundamentals and its market growth during a special Investors Day on December 13, 2011.

SAFRAN SHAREHOLDERS
at December 31, 2011



SAFRAN SHARE PRICE

January 1 to December 30, 2011



After a promising start to the year, the CAC 40 index was penalized by the unstable economic environment in 2011. Crises in certain Arab countries led to a sharp rise in oil and raw material prices, Europe was unable to provide a unified response to the persistent sovereign debt crisis, and austerity budgets were applied by governments. Out of the 40 shares in the CAC 40 benchmark index, only seven rose in 2011, and the index as a whole fell 17% during the year. Given these conditions, Safran posted the twelfth best performance among companies in the index, as its share price decreased 12%.

THE 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

2012 FINANCIAL AGENDA

- Publication of 2012 Q1 results:
April 26
- Annual General Meeting of Shareholders:
May 31
- Publication of 2012 H1 results:
July 31
- Publication of 2012 Q3 results:
October 25

SAFRAN INVESTOR RELATIONS

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75724 Paris Cedex 15, France
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Individual shareholder and Shareholders Club contact
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N° Vert 0 800 17 17 17

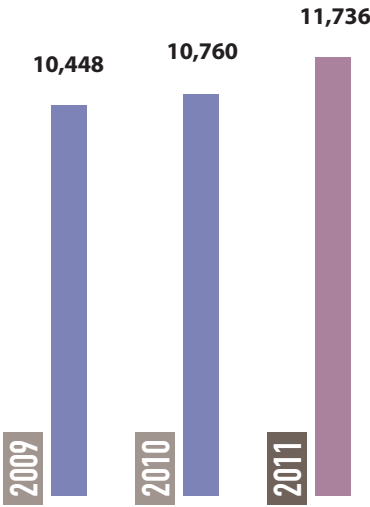
STRONG RISE IN EARNINGS

Safran’s operating performance showed strong improvement in 2011, as we recorded record orders during the year and a record order book at the end of the year. We booked 21 billion euros worth of orders in 2011, a 60% rise over the previous year, and our order book stood at 43 billion euros at December 31, 2011. Furthermore, this figure does not include the potential sales generated by CFM56 spare parts, a business with intrinsically significant revenues over the coming decades.

Safran posted sales of 11,736 million euros in 2011, versus 10,760 million euros in 2010, for year-to-year growth of 9.1%, or 6.3% organic growth. We posted recurring operating income of 1,189 million euros, equal to 10.1% of sales, a jump of 35% over the 2010 figure of 878 million euros (8.2% of sales).

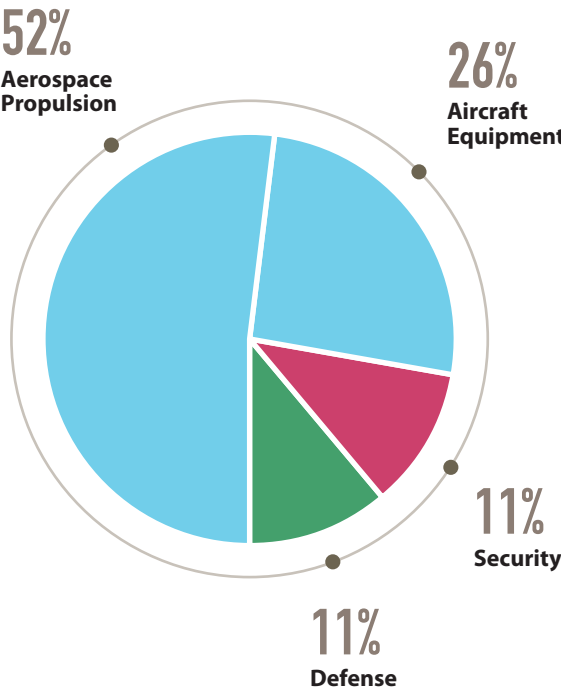
SALES

(adjusted data, millions of euros)



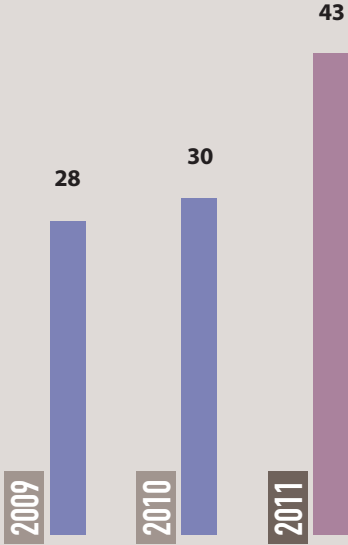
Sales for the year grew by 976 million euros, thanks to increased volumes of new aircraft sales, the increase in aircraft support business, the soundness of our defense business (optronics) and dynamic growth in the security market (biometric identification, e-documents).

SALES BY BUSINESS SECTOR



CONSOLIDATED ORDER BOOK

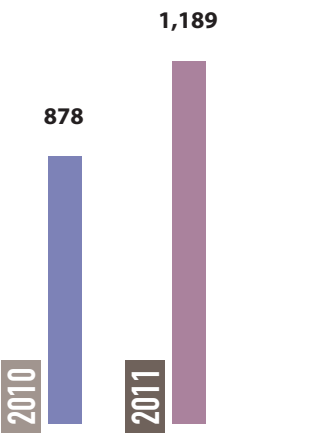
(billions of euros)



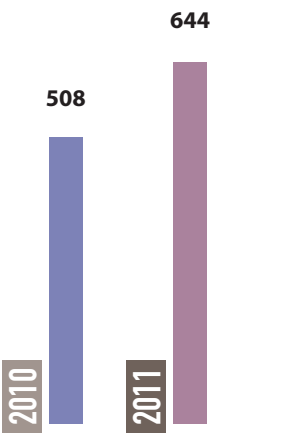
All-time high in yearly orders and record order book
Safran booked 21 billion euros worth of orders in 2011, 60% over the previous year, clearly proving the market’s resilience and dynamic performance. The order book at the end of the year stood at 43 billion euros, including recent firm orders for CFM56 and LEAP engines.

EARNINGS ON THE RISE

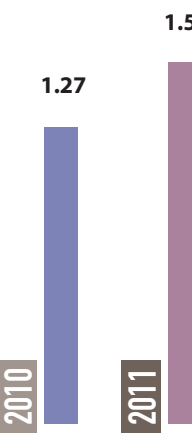
RECURRING
OPERATING INCOME
(adjusted data, millions of euros)



NET INCOME,
GROUP SHARE
(adjusted data, millions of euros)



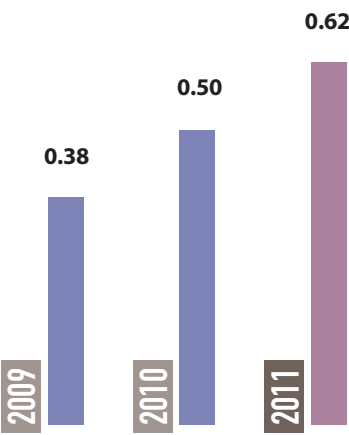
NET PROFIT
PER SHARE
(euros)



NET DEBT
(millions of euros)



DIVIDEND
PER SHARE
(euros)



BALANCE SHEET STRUCTURE AND CASH POSITION

Operations generated 532 million euros in free cash flow. Net debt stood at 997 million euros at December 31, 2011, compared with a net cash position of 24 million euros at December 31, 2010. The free cash flow of 532 million euros was the result of 1,185 million euros in cash flow and a reduction of 62 million euros in working capital requirements, partly dedicated to increasing R&D expenditures and capital investments. At December 31, 2011, Safran had 1.4 billion euros in cash, as well as confirmed, non-drawn credit facilities worth 2.6 billion euros.

8.4%
increase in commercial
aircraft engine service
business (in US dollars).

1.3
billion euros
total R&D expenditures.

20%
increase in security
business sales.

PROFIT-SHARING

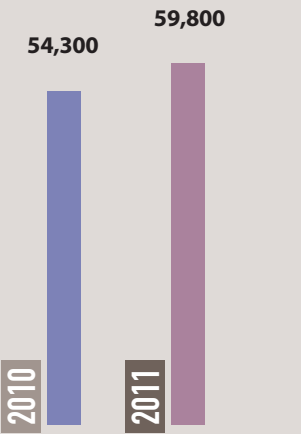
In application of a new French law voted in 2011, the Group agreed with employee representatives to pay a profit-sharing bonus to each eligible employee in French entities. The accounting impact of 20 million euros is included in 2011 financial statements. At the same time, Safran decided to implement a leveraged employee stock ownership operation, designed to give employees a greater personal stake in Safran's objectives, success and performance. Expenditures for this plan amounted to 8 million euros in 2011. The Group's total contribution to profit-sharing and incentive plans in 2011 (including the allocation of bonus shares and aforementioned items) came to 209 million euros, an increase of 30% on an organic basis.

The payment of a dividend of €0.62/share is subject to a vote by the Annual General Meeting of Shareholders on May 31, 2011. Dividends in the three previous years were 0.50 euro in 2010, 0.38 euro in 2009 and 0.25 euro in 2008. If this proposal is approved, and given the interim payment of 0.25 euro per share in December 2011, the balance of 0.37 euro /share will be paid in 2012, for a total payout of about 150 million euros. The balance will be paid starting on June 8, 2012, with the ex-dividend date being set at June 5.

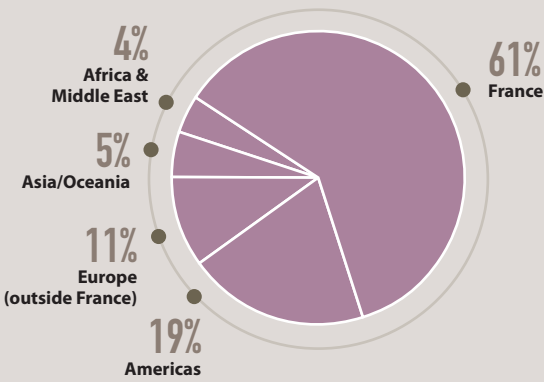
EMPLOYEES

The increase in the workforce was mainly due to acquisitions in France and international markets.

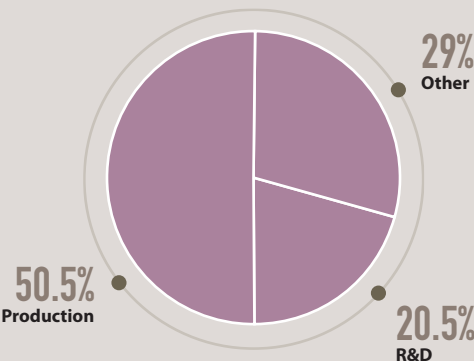
TOTAL EMPLOYEES



EMPLOYEES BY REGION



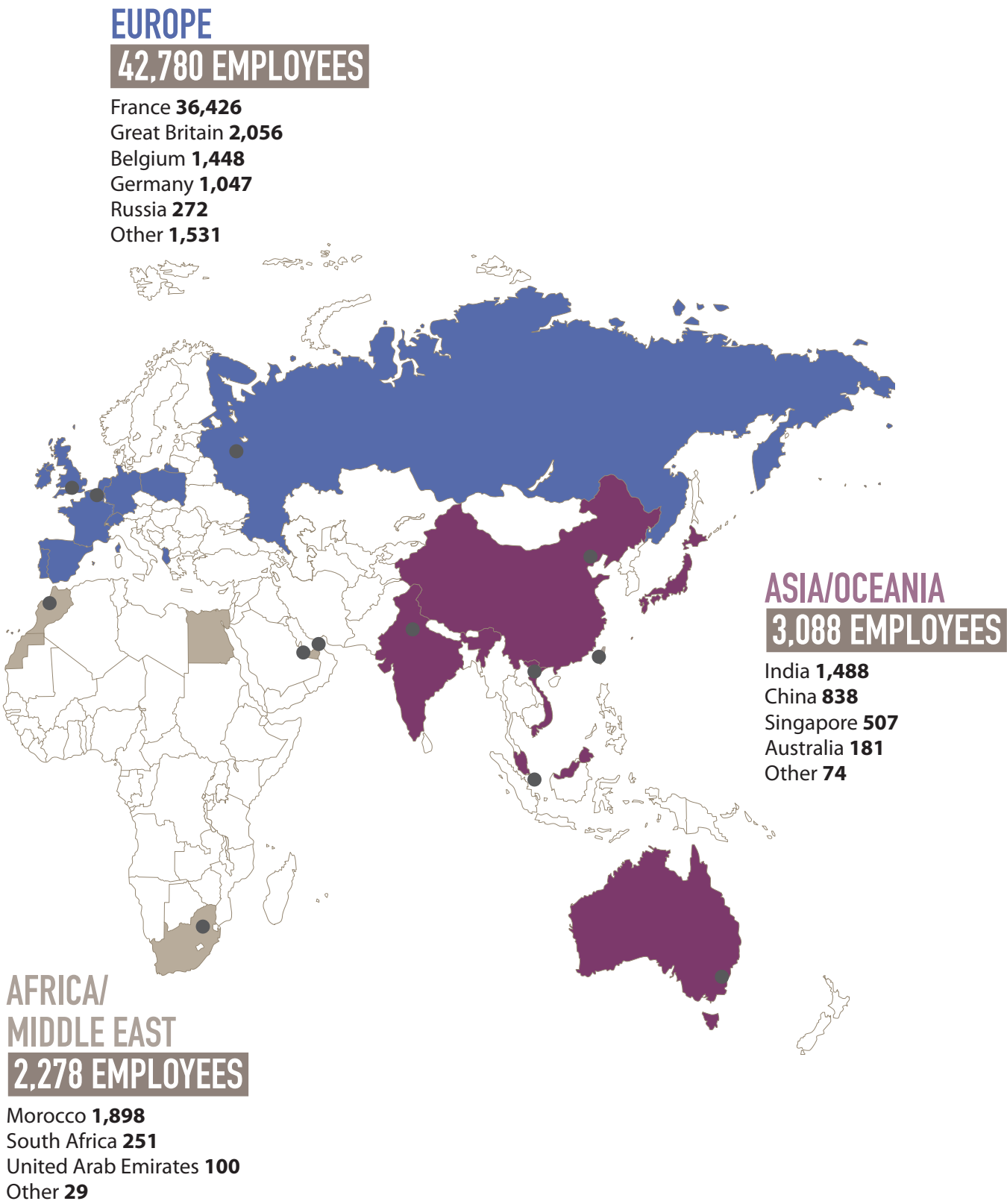
EMPLOYEES BY JOB TYPE

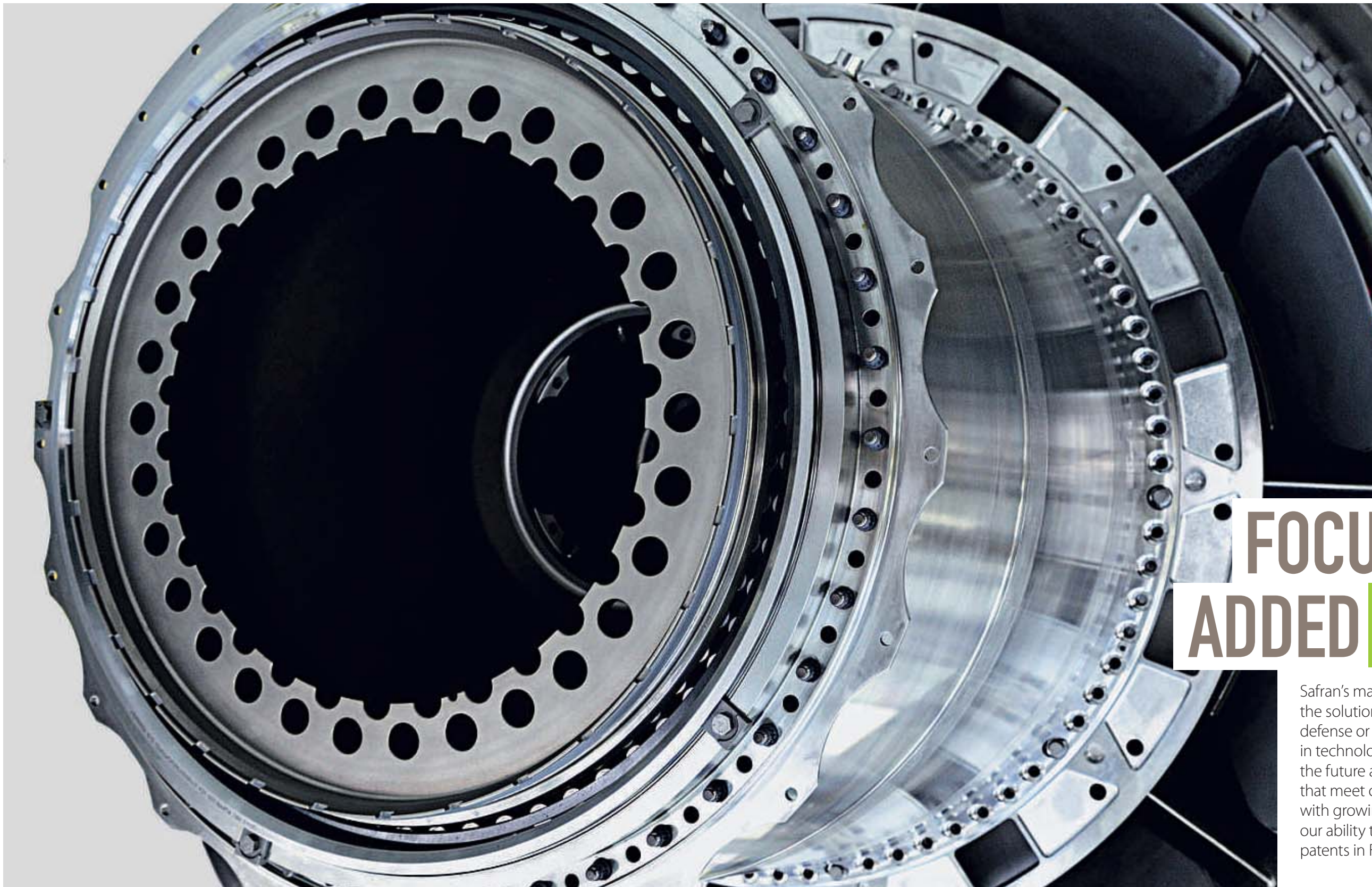


INTERNATIONAL SCOPE

The aerospace, defense and security markets are global, and Safran is an international group. Our systems and equipment have been chosen for all major aircraft, whether made in Europe, North America, Brazil, China, India or Russia. Our local facilities guarantee customers close support and quick responsiveness. The International division coordinates Safran delegations in all the main countries where we operate. These national delegations coordinate our local companies, and oversee the pooling of support functions. In addition, our delegations oversee our relationships with the country's government and major customers. To keep pace with our growth, Safran must meet the challenge of an increasingly internationalized workforce. In our security business, for instance, the addition of the 1,300 employees of L-1 Identity Solutions in 2011,

following the successive acquisitions of Printrak and GE Homeland Security, increase Morpho's North American identity. At Safran, we have clearly identified all facets of this challenge, and we are making major efforts to facilitate integration. One of the roles of Safran Corporate University is to accelerate the development of a common corporate culture. The internationalization of Safran is taking place concurrently with the development of our production capacity in France, including the opening of major new facilities that will ensure the long-term viability of employment in industry.





FOCUS ON VALUE- ADDED INNOVATIONS

Safran's many business wins clearly reflect the relevance of the solutions we offer our markets. Whether in aerospace, defense or security, we are leveraging our proven capabilities in technological innovation to build solid foundations for the future and develop products with ever-higher performance that meet our customers' economic needs and are compatible with growing environmental demands. Clearly demonstrating our ability to innovate, Safran now files for the second most patents in France.

A revamped organization to spur innovation

Safran revamped its organization in 2011 to more closely match the requirements of a fast-changing economic, industrial and competitive environment. The overall aim is to foster greater cross-functionality and innovation.

R&T challenges

Safran's focus on innovation is expressed through several imperative research objectives, starting with environmental protection. This means making products that help reduce the noise and greenhouse gases generated by air transport, developing greener operating procedures and integrating the entire life cycle in product design. Our Research & Technology efforts have to address a number of often interlinked issues, including the rising cost of energy and raw materials, growing air traffic and the resulting airport congestion, an increased need for smoother and more secure travel and transactions. At the same time, Safran must also address issues concerning its defense businesses.

Transformation

Safran created a Transformation division based on a simple observation. While the excellence of our technologies, the quality of our products and the engagement and expertise of our people are widely recognized by customers, we are facing a fiercely competitive environment, where new players can quickly gain a foothold. To maintain our leadership, we have to make sure that the innovations invented by Safran benefit from the proactive support they need to be fully developed and reach the market in timely fashion. The role of the Transformation division is to realize major breakthroughs, such as the introduction of carbon brakes on commercial aircraft in the 1990s. Provided we meet this goal, innovation becomes a source of vitality, unity, growth and influence for Safran.

A new approach to facilitating R&T and innovation

Safran's Research & Technology activities are anchored in a robust, yet flexible organization. The combination of strategic management, decentralized execution and a dense network of partnerships helps precisely direct R&T work, from fundamental research to technology and product demonstrators. For basic research, Safran counts on recommendations from our Scientific Council, comprising eminent scientists from outside the Group. We have also established major partnerships with the French national scientific research agency CNRS, the French aerospace research agency ONERA, and a number of research labs and organizations around the world (including Georgia Tech and Virginia Tech in the United States, Astar in Singapore, etc.).

“Safran, now No. 2 in patent filings in France”

At the same time, we enjoy regular and enriching contacts with major corporations and organizations carrying out research in related areas, such as the aerospace giant EADS, and the French atomic and alternative energy commission CEA. We have formed a cross-disciplinary research organization, based on seven major technology areas, including materials and processes, aeronautical turbomachinery, electrical systems and onboard electronics. The R&T teams in each company apply this research to their specific field, with their own advances flowing back to enrich Safran's general knowledge base. Safran now deploys an organization designed to accelerate the transformation of innovative concepts into successful products in the marketplace.

Integrate costs from the design phase

Safran initiated 15 “design to cost” projects in 2011, focusing on ways to optimize the production costs for our products. In fact, Safran Corporate University has provided specific training in this methodology for 300 employees.

A structured, decentralized improvement initiative

The Safran+ continuous improvement initiative, originally launched in 2009, is now at the heart of all Group operations. It is based on five Group-wide projects, 50 major projects covering all lead companies, and another thousand projects in the field, managed on a decentralized basis. Safran mainly calls on the Lean-Sigma methodology to underpin our continuous improvement drive.

Lean is based on an active local presence, and seeks to eliminate tasks that don't add value, while also simplifying processes. Six Sigma offers improvement tools to make processes more stable and predictable, especially through statistical variability analysis. The systematic deployment of these operational improvement techniques continued throughout 2011. The core of this system is the training of expert Black Belts, who work full time on Lean-Sigma projects, and Green Belts, operational managers who also take responsibility for improvement projects. At the end of 2011, Safran had certified more than 200 Black Belts and 790 Green Belts. Our decentralized improvement initiatives call on the participative innovation concept, which means fostering the emergence of improvement ideas using a bottom-up approach. To encourage employees throughout the Group to take the initiative, Safran organizes an innovation competition every year. Open to employees at all Group companies, this competition provides recognition for our people's creativity, initiative and dynamism.

DESIGNING TOMORROW'S ENGINES

LEAP, POWERING THE FUTURE

Safran, through CFM International⁽¹⁾, powers most aircraft in the short/medium-haul single-aisle commercial jet segment. The CFM56 engine powers both the Airbus A320 and Boeing 737 families. Starting in 2016, the next-generation LEAP, to be certified in 2015, will power the **Airbus A320neo** and the **Comac C919**, as the sole Western powerplant on this Chinese aircraft. Then in 2017, the LEAP will be introduced as the exclusive engine powering the **Boeing 737 MAX**. The new LEAP engine will offer a significant improvement over the CFM56 in terms of economic and environmental performance, including a 15% reduction in specific fuel consumption and therefore CO₂

emissions, and a 75% reduction in noise. LEAP's NOx (oxides of nitrogen) emissions will be 50% under the limit stipulated by the strictest regulations. The LEAP test program was ahead of schedule in 2011, and results of the tests of the second e-Core demonstrator (including compressor, combustor and turbine) met or surpassed performance objectives. The endurance tests on the 3D woven composite fan blades also showed excellent results. Invented by Safran, this technology is one of the major building blocks on the LEAP. The engine's business wins on each of the three new-generation jets reflect the engine's superior performance in relation to its competitor, whether in terms of specific fuel consumption

75%
noise reduction compared
with the CFM56, or
a decrease of 16 EPNdB⁽²⁾
in perceived noise.

3 versions
of LEAP will power
3 major new aircraft:
Airbus A320neo (LEAP-1A),
Boeing 737 MAX (LEAP-1B),
Comac C919 (LEAP-1C).

or time on-wing (without removal for servicing). While the LEAP features a number of technological innovations, it is still based on a proven architecture and guarantees its customers operational reliability as well as optimized and predictable maintenance costs. Aircelle will supply the LEAP nacelle on the A320neo and the C919, in conjunction with Middle River Aircraft Systems, a GE company, its partner in the joint venture Nexcelle.



Contributors

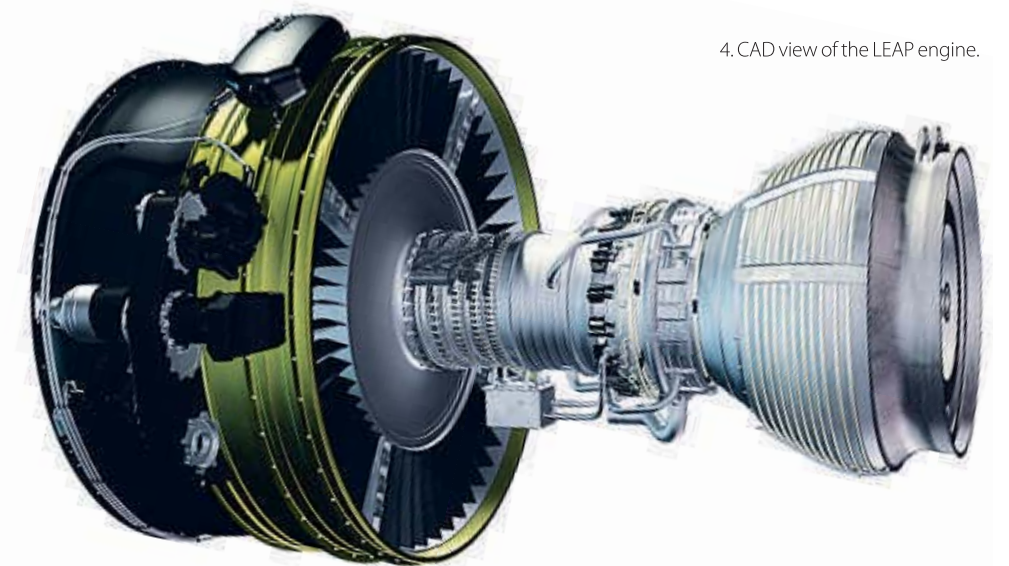
1. Cédric Goubet
Executive Vice President, CFM
"One of CFM's leading clients, Southwest Airlines, will be the launch customer for the LEAP-1B on the Boeing 737 MAX, with a firm order for 150 aircraft signed in 2011."



2. Fabienne Lacorre
LEAP chief engineer, Snecma
"Improved performance is based on highly optimized thermodynamics, enhanced 3D aero design, the use of innovative production processes, and the widespread application of composite materials."



3. François Guerzeder
Vice President, Sales & Marketing, Aircelle
"The nacelle for the Comac C919, featuring a second-generation electric thrust reverser actuation system (ETRAS), will be based on an innovative design to improve performance and facilitate engine maintenance."



4. CAD view of the LEAP engine.

(1) CFM International is a 50/50 joint company of Safran and GE.
(2) Effective perceived noise, decibels.

MORE

SAFRAN CONTINUES TO INVEST
IN INDUSTRIAL FACILITIES

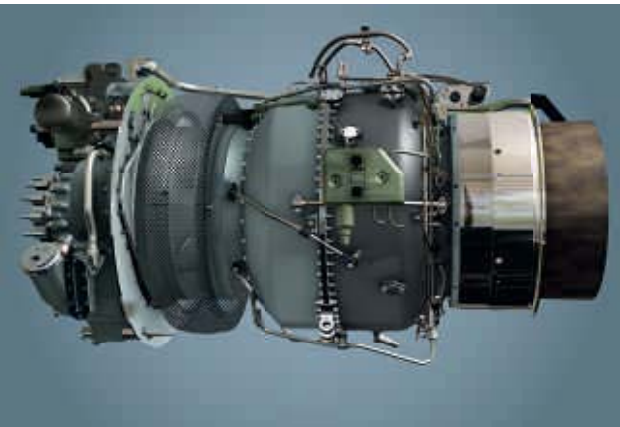
The new plant in Mantes-Buchelay, in the greater Paris area, hosts the precision mechanics operations of Turbomeca and Hispano-Suiza, previously located at Mézières-sur-Seine and Colombes, respectively. This new plant is responsible for the design, manufacture and assembly of hydromechanical components in the oil and fuel systems for helicopter and military aircraft engines. The 13,000 square meter (140,400 sq ft) building is designed according to the low-consumption building concept and also meets high environmental quality (HQE) construction standards. In the southwest French town of Villemur-sur-Tarn, Labinal invested some 12 million euros in a new production unit that ensures the long-term viability of 500 local jobs. In Xi'an, China, the new joint venture between Aircelle and Xi'an Aircraft International Corporation (XAIC), a subsidiary of AVIC, was inaugurated in September. This new plant will produce and assemble nacelle components for the Comac C919.



The 4-axis machining cell at the new Mantes-Buchelay plant.

HELICOPTER ENGINES FOR CHINA AND EUROPE

Extending their strategic partnership, Safran and AVIC signed two memorandums of understanding in 2011. The first lays the foundations for the joint development of new-generation turbine engines, intended for heavy helicopters. The second specifies the terms of the two groups' collaboration on avionics equipment for helicopters and general aviation. In Europe, Russian Helicopters ordered the first 40 Ardiden 3G engines from Safran to power the new Ka-62 medium helicopter designed and built by Kamov. This order followed the signature of a framework contract concerning the supply of 308 engines for this new helicopter, to be certified in 2014. Turbomeca is also continuing to work on the TM800, whose development and certification timetable is in line with that for the Eurocopter X4 helicopter it will power. This new engine will offer higher performance, easier maintenance and a reduced environmental footprint. Concerning aircraft systems, Group company Sagem has teamed up with Thales to study aspects of flight controls, data processing and flight control optronics.



Turbomeca's Ardiden 3G turboshaft engine.

A400M ENGINE CERTIFIED

The European Aviation Safety Agency (EASA) has certified the TP400 engine produced by the Europrop International consortium, which includes Safran. The TP400 is the first large turboprop engine to be certified by the agency, and the first military engine to be certified to civil aviation standards. To date, the TP400 has logged over 12,000 hours of tests, including 8,000 under the wing of the new A400M military transport.



The A400M is powered by four TP400 turboprop engines, each developing 11,000 shaft horsepower.

ARIANE, THE WEST'S MOST RELIABLE LAUNCHER

Orbiting the communications satellites Arabsat-5C (built by Astrium and Thales Alenia Space of Europe) and SES-2 (built by Orbital Sciences Corporation of the US), the Ariane 5 heavy launcher, with propulsion systems by Safran, logged its forty-sixth successful launch in a row, giving it the highest reliability rate among Western launch vehicles.

SAFRAN, THE CARBON BRAKE LEADER IN ASIA

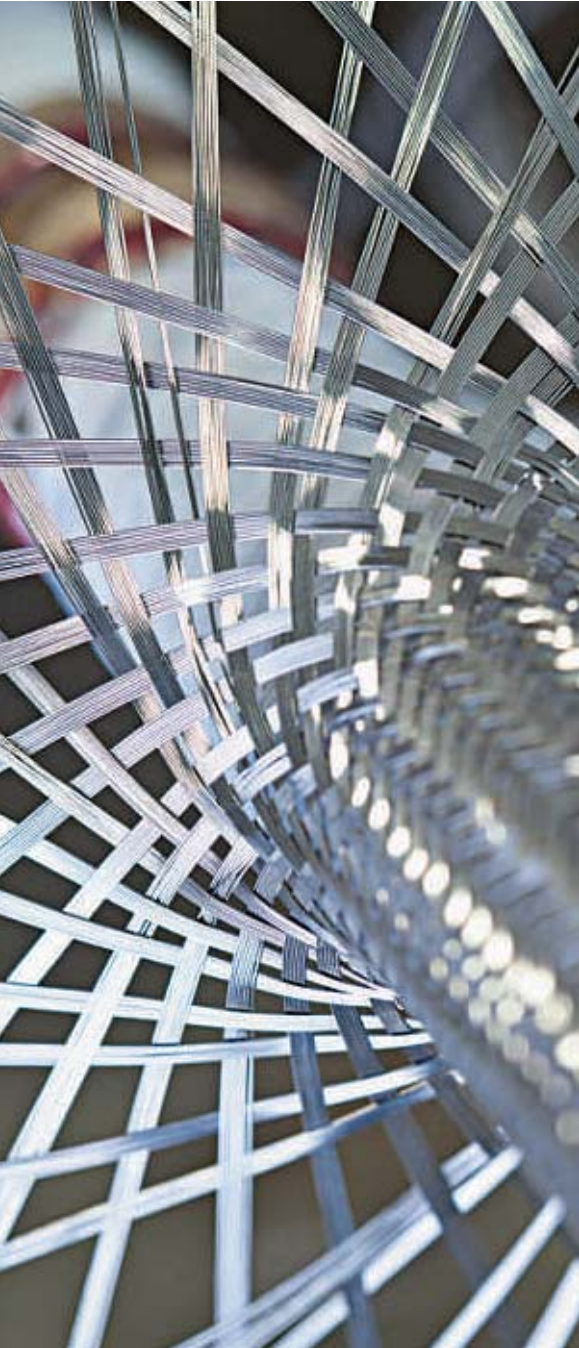
Singapore Airlines chose Messier-Bugatti-Dowty wheels and carbon brakes for its Airbus A350 XWB fleet, confirming Safran's leadership in this market in Asia.



Wheel and carbon brake.

CFM56, FROM SUCCESS TO SUCCESS

Prior to the LEAP's service entry in 2016, the CFM56 continues to be the most reliable aircraft powerplant, with 550 million flight-hours and a dispatch reliability rate of 99.98%. Some 22,700 CFM56 engines have been delivered since the beginning of this program (see page 8).



DEVELOPING AN ALL-ELECTRIC
ENERGY TRAIN

MORE ELECTRIC AIRCRAFT

Safran plays a pivotal role in the ongoing revolution in aircraft energy sources, with the traditional hydraulic and pneumatic systems being replaced by electrically-driven systems in the upcoming generations of commercial jets. By eliminating heavy pipes, electrical systems save weight, which in turn reduces fuel consumption and CO₂ emissions, facilitates maintenance because of the use of plug and play components, and eliminates the problem of leaks. In other words, “more electric” aircraft offer a host of advantages. The development of solutions to favor the use of electrical power is now driven by proven advantages in operational performance and competitiveness. Over both the medium and long term, the optimization potential for the use of electrical energy on aircraft is much larger than for systems based on hydraulic or pneumatic power. However, to ensure this energy transition, we must master

the key technologies in airborne electrical systems, as shown by the Safran Power Electronics Center (SPEC) and our Electric Green Taxiing System. Safran organized the fourth SPEC symposium at the National Institute for Applied Sciences (INSA) in Lyon in November 2011. SPEC is the Group’s center of expertise in power electronics, bringing together specialists in the enabling technologies needed for “more electric” aircraft. A dozen Group companies participated in this symposium, along with about 20 laboratories, universities and Safran’s industry and government partners. The presentation of technology demonstrators was a highlight of the meeting.



1

1. Final wiring of an Airbus A380.
2. Boeing 787 electric brake.



2

800 kW

The electrical power needed to handle all of the technical and cabin functions on a jet airliner with 150 to 200 seats.

Contributors

3. Didier Godart
Director, Safran Innovation
“Safran is a global leader in aircraft propulsion, power electronics, wiring, landing systems and nacelles, and will soon add green taxiing. We have all the competencies and technologies needed to set us apart and become a pivotal player in tomorrow’s more electric aircraft.”



3

4. Serge Bérenger
Director, Safran Power
“Electrical system optimization has to integrate the complete energy train, and especially the physical and functional integration of key components, such as the generators, distribution, wiring and power electronics.”



4

5. Jean-François Weibel
Program manager, electrical actuation systems, Sagem
“Replacing hydraulic and pneumatic energy by electrical power means that various power electronics units have to be shared by different functions, including the critical flight controls and their actuators.”



5



REDUCE AIRCRAFT NOISE
AND FUEL CONSUMPTION
ON THE GROUND

ELECTRIC GREEN TAXIING SYSTEM

An Electric Green Taxiing System allows aircraft to move on the ground without having to use their jet engines, a major innovation in air transport and a breakthrough for tomorrow's aircraft. Safran's Electric Green Taxiing System uses electrical power generated by the plane's auxiliary power unit (APU) to drive electric motors located in the wheels (left). Because the jet engines can be turned off while the plane is taxiing on the ground, this system significantly reduces operating costs and pollution, thereby considerably improving airlines' operational and environmental performance. Safran is creating a joint venture with American company Honeywell to accelerate the time to market for this system, with the aim

of a service entry in 2016. The partnership is based on the complementary capabilities of the two companies: Honeywell is a world leader in APUs and cockpit systems, while Safran brings to the table the combined expertise of its companies: Hispano-Suiza for power electronics, Labinal for wiring, Sagem for control electronics, Technofan for actuator cooling and Messier-Bugatti-Dowty for overall design, and integration in the landing gear, wheels and brakes. We have even acquired an Airbus A320, operating out of the Montpellier airport, as a development testbed. The test and demonstration platform will be made available for a wide range of other innovative projects, particularly to support the development of "more electric" aircraft.

- 1. The Airbus A320 flying testbed acquired by Safran.
- 2. Safran and Honeywell sign the collaboration agreement.



Contributors

3. Olivier Savin
eGTS programs Director, Safran
"The Electric Green Taxiing System will enable airlines to save several hundred thousand dollars per year on each airplane."

4. Éric de Wergifosse
Power electronics product manager
"Green taxiing uses the power from the plane's own APU to power the electric motors located in the wheels on the main landing gear."

5. Anas Farid
Electrical engineer, Messier-Bugatti-Dowty
"Tests kicked off in November at Montpellier, and are designed to evaluate the runway conditions and calculate the power needed to move the plane on the ground."

6. Émilie Faugère
Doctoral student in thermomechanical simulation, Messier-Bugatti-Dowty
"The actuators' size and mass restrictions have a significant impact on how much they heat up during operation. So we are performing sophisticated numerical modeling to eliminate insofar as possible the risks of a thermally-induced failure."

**3%
to 4%**
Annual reduction in fuel
consumption by airlines
operating airplanes
with the Electric Green
Taxiing System.

**8,500
to 9,000**
The number of aircraft
on which the Electric
Green Taxiing System
could be installed,
as original equipment
or retrofit, between
2016 and 2030.

SAFRAN TECHNOLOGIES
IN OPERATION

DEFENSE
APPLICATIONS

France has ordered 22,600 FELIN systems for its army, and they are gradually being deployed by all infantry regiments as part of the country's soldier modernization program. Designed to support all combat phases, this integrated equipment suite is now in service in theaters of operation where French forces have been deployed. FELIN easily adapts to all types of missions because of its open, modular and scalable architecture. The French air force and navy have both started deployment of a new infrared terminal guidance version of the AASM Hammer, a new-generation modular air-to-ground weapon. Designed as a "smart" fire & forget guided weapon, the AASM Hammer comprises a guidance kit and a range augmentation kit attached to a standard bomb. The IR version features an infrared imager located in the nose, operating in conjunction with the standard GPS/inertial guidance unit. Deployed in combat, this new version

showed that it was particularly well suited to strikes against targets with uncertain coordinates, and offered very high final impact accuracy. In fact, French defense procurement agency DGA has successfully launched the laser terminal guidance AASM version against a land target moving at 80 km/h. This version will go into volume production for the air force and navy starting at the end of 2012.



1. JIM LR binoculars with integrated third-generation infrared imager.
2. An AASM underneath a Rafale wing.



Contributors

3. Jeanne-Marie Lota
Program Director, Sagem Optronics & Defense division
"Building on our experience as prime contractor for the FELIN program, Sagem can offer custom-tailored solutions for all armies, from optronics devices to complete systems."

4. Laurent Godard
Production manager, Land combat program, Sagem
"Working with the Poitiers plant, in charge of making optronics for FELIN, the Fougères plant is specialized in the production of pc boards and logistics services."

22,600
FELIN systems ordered
for the French army.

MORE

OPTRONICS PARTNERSHIP WITH THALES

On December 20, 2011 Safran and Thales signed a memorandum of understanding to create a joint venture covering technical, commercial and program activities for optronics, with industrial assets remaining at the parent companies. This collaboration will concern future defense systems, for which the combination of skills offered by Safran and Thales will provide an offering that is optimized for both customers and the two parent companies.



Safran and Thales sign the optronics MoU.

LEADER IN OPTRONICS TECHNOLOGIES

The portable multifunction optronics systems and equipment made by Sagem and its subsidiary Vectronix are used daily by a number of armed forces. Vectronix is participating directly in the British soldier modernization program, designated FIST (Future Infantry Soldier Technology). In addition, some 4,000 Moskito night vision goggles are now in service with the British army, or on order. This market has also seen the launch of new products. For example, TACS-M is a new miniature thermal imager for infantry, clipped to image intensifiers, to enhance visibility and control over tactical situations. Used in conjunction with binoculars, STERNA is an ultra-light, high-precision target location system adapted to the requirements of artillery forward observers.

AN ULTRAMODERN PLANT FOR INERTIAL NAVIGATION

Sagem is the world leader in inertial navigation. Last year it opened an ultramodern new plant in Montluçon, specialized in the production of laser gyros and hemispherical resonator gyros (HRG). Inertial navigation systems allow airplanes, surface ships and submarines to navigate safely and precisely, with full autonomy. These systems offer extreme precision, but require an ultra-clean production environment. The new Coriolis building in Montluçon spans 14,000 square meters, including 6,500 square meters of clean rooms, and features 5,000 square meters of photovoltaic cells on the roof.



Measurements in a clean room at the new Montluçon plant in France.

WORLD FIRST: ELECTROMECHANICAL AILERON ACTUATOR TESTED IN FLIGHT

In a world first, the electromechanical actuator (EMA) developed and produced in partnership with Airbus was tested for the first time as a primary flight control on the aileron of an Airbus A320 flying testbed. This new type of actuator will eventually replace conventional hydraulic flight control actuation with electrical drive.

SALES SUCCESS FOR JIM LR 2

In 2011, French defense procurement agency DGA awarded Sagem a contract for 1,175 JIM LR 2 long-range multifunction infrared binoculars. Drawing on operational feedback from the previous JIM LR unit, the new JIM LR 2 incorporates several improvements, including longer detection and identification range, increased target designation distance, image fusion from the visible and thermal channels, still image and video recording. The two versions are interoperable with the FELIN command and coordination systems. More than 5,000 JIM LR units are now in service or on order around the world.



JIM LR, the long-range multifunction infrared binoculars from Sagem.

CASSIOPÉE, A NEW CONSTELLATION OF AVIATION SERVICES

Designed for airlines as well as business aircraft and helicopter operators, Cassiopée is an innovative modular range of five families of services: Flight Safety & Risk Management, Maintenance Performance, Flight Operations, Airline Organization, and Cost Savings. At the end of 2011, United Arab Emirates company MBM Aeronautics chose Sagem to market and distribute the Cassiopée Exclusive service in countries belonging to the Gulf Cooperation Council.



Cassiopée, a new modular range of innovative aviation services.



ID DOCUMENT
SECURITY

BIOMETRICS, TO BENEFIT ALL CITIZENS

Finalizing the acquisition of L-1 Identity Solutions in 2011, Safran confirmed its world leadership in biometric identity solutions. Morpho, the Group company specialized in the security business, has established long-standing relations with most American states, as well as US federal agencies. It has worked with the State of New York for twenty-three years, and with the FBI for thirty-seven years, for example. Products and technologies by Morpho cover all requirements in these markets. The operational synergies generated by the L-1 acquisition should account for annual savings of about \$30 million, taking full effect by mid-2013. In India, technologies developed by Morpho are playing a pivotal role in the first phase of the Aadhaar national

ID program. Now being deployed, this first phase concerns 200 million persons. The largest biometric ID program in the world, Aadhaar gives each resident of India a unique identification number, based on dual biometric security (fingerprints and iris recognition), to provide secure access to a wide range of social services and benefits. Another future growth market for security is Latin America, where Safran continued its development strategy by winning major contracts in Argentina, Mexico, Chile, Panama and other countries. During the year, Safran also finalized its acquisition of the Valores Plastimar bank card production and personalization centers from the Carajal group of Colombia.



1



2



3



4



5



6

Contributors

3. Jessica Westerouen Van Meeteren
Managing Director, Morpho BV
"Morpho holds an unrivaled position in today's ID market because of the combination of our different areas of expertise, spanning secure electronic ID documents, border control systems, secure electronic transactions and more."

4. Sanjeev Shriya
Managing Director, Smart Chip Ltd.
"Safran plays a major role in the success of Aadhaar. It's the only partner to offer the requisite expertise in all three areas, namely biometric acquisition terminals, enrollment services and biometric systems."

5. Robert Vinco
Marketing and Sales Director for Latin America, Morpho
"Morpho won the contract to supply a complete solution for Chile, giving citizens a new ID card and passport."

6. Paul Jeremias
Director of Operations, Morpho South Africa
"The Botswana police reiterated their trust in us by signing a two-year maintenance contract for the Automated Fingerprint Identification System (AFIS), one of the most advanced in Africa."

110
million enrollments
already completed at
the end of 2011 in India,
for the Aadhaar program.

7,200
Safran employees work
in the security business.



TRAVELER SECURITY

DETECT AND IDENTIFY

The time it takes to complete formal procedures during aircraft check-in and border controls could hinder the development of air travel, and that's why Safran is focusing on speeding up these controls while still bolstering security. The MorphoWay e-gate identifies passengers in real-time, calling on three biometric technologies recommended by the International Civil Aviation Organization (ICAO): fingerprint, iris and face recognition. This system greatly simplifies the ID control process, while maintaining an optimum level of personal security. A total of 94 Safran e-gates are now in service, half of them in the pioneering countries of Australia and New Zealand. The European Civil Aviation Conference (ECAC) said in 2011 that Morpho's high-speed explosive detection systems met the European Union's Standard 3 requirements. Safran's CTX 9400 and CTX 9800 explosive detection systems

have demonstrated their detection effectiveness, operational efficiency and speed, enabling European airports to install these high-performance systems for checked luggage inspection with full confidence. This marks a major step towards the deployment of Morpho's computed tomography systems in Europe. In the United States, Morpho has signed major contracts with the Transportation Security Administration (TSA) for the maintenance of explosive detection systems and the supply of mobile trace detection devices, confirming Safran's leadership in this key security market.



- 1. Using the CTX 5800 explosive detection system to inspect luggage.
- 2. Itemiser® DX, capable of detecting a wide range of explosives.



8%
of revenues
from the security
business are
reinvested in R&D.

7
seconds to pass
border controls
using an e-gate.



Contributors

3. Catherine Herold
Doctoral student, Telecom ParisTech, Morpho
"The IDentity & Security Alliance, the joint research center of Morpho and Telecom ParisTech, was inaugurated in 2011. It will help unleash the application potential of research on secure ID management technologies."

4. Richard Mikhael
Morpho Sales & Marketing Director, Middle-East
"Morpho was selected by the United Arab Emirates to carry out a pilot project to improve traveler flows. For the first time in the Middle East, three biometric technologies – fingerprint, iris and facial recognition – will be used to check the identity of travelers entering national territory. From the moment they are registered, travelers can freely pass through the gates."

5. Bruno Pattyn
Managing Director, Morpho Australasia
"Thanks to the deployment of the new SmartGate, and by working hand in hand with the customs services in New Zealand and Australia, Morpho facilitated border checks with full security, despite the increase in air traffic during the Rugby World Cup in 2011."

6. Jay Hill
Executive Vice President, Strategy & Technology, Morpho Detection
"The comprehensive expertise available at Morpho gives us an unrivaled ability to integrate technologies for document verification, identification and detection. This will enable us to revolutionize air travel security by making processes more efficient, while still keeping costs affordable for our customers."

MORE

ACQUISITIONS GENERATE SYNERGIES

Safran has made targeted acquisitions in the security market in recent years, generating synergies that continued to prove their pertinence in 2011. For example, the acquisition of Printrak really allowed the AFIS business to take off in the United States, while strengthening our R&D capabilities. The new AFIS platform integrates Printrak’s architecture with Morpho’s biometric engine. With the acquisition of Sdu, Morpho staked out a position in the e-passport and ID document markets, while generating new revenues from its identity solutions, including an additional 40 million euros in sales in 2011 and over 80 million euros in orders for 2012. L-1 Identity Solutions is now being integrated in the Safran group and should generate synergies leading to annual savings of 30 million dollars starting in 2013.



Morpho produces modern, highly secure ID documents.

MORPHIDENT, FINGERPRINT IDENTIFICATION IN THE FIELD

MorphoIDent, launched in February 2011, is a portable terminal that allows public security personnel to carry out ID checks in the field and in real time, using fingerprint recognition technology. Calling on the most advanced identification technologies available, MorphoIDent combines robustness with a distinctive ergonomic design and especially user-friendly features. Fingerprints are read by an optical sensor certified by the FBI. The fingerprints captured may then be compared to those in local, national or international databases. The MorphoIDent terminal can be easily integrated in current information technology architectures, without the cost of additional infrastructure. It meets the needs of police forces in the field, who demand reliable yet compact ID solutions.



MorphoIDent provides immediate identification.

A NEW BIOMETRIC SYSTEM FOR CANADIAN POLICE

The new MorphoBIS biometric identification system, combining technologies from Printrak and Morpho, was deployed for the first time in May 2011 by the Calgary and Edmonton police forces in Canada. This new-generation AFIS terminal is an innovative solution designed to help police crack cases by checking personal identities using fingerprints.



MorphoBIS uses the latest biometric technologies.

DNA ANALYSIS IN LESS THAN AN HOUR

Drawing on the latest advances in microfluidics and nanotechnologies, Morpho has established partnerships and made investments in DNA analysis. Within a year or two, it intends to develop a system capable of analyzing a DNA profile in the field within an hour, without having to send samples to a lab.

COMPREHENSIVE ROAD SAFETY RANGE

Safran signed a partnership agreement with Selex Elsag (Finmeccanica group) in June, expanding its range of road safety and automobile inspection products. The first stage in this collaboration concerns the expansion of both companies’ product portfolios. Morpho is contributing its expertise in automated speed control, red light cameras and ticket processing. Selex Elsag is specialized in the search for stolen vehicles or suspects, especially through advanced license plate analysis systems.



The lightweight Mesta 1000 speed radar facilitates patrol mobility.



WE SUPPORT A RICHLY DIVERSE **WORKFORCE,** WITH PEOPLE WHO LOVE THEIR WORK

In technology-intensive jobs, the keys to standing out are a passion for one's work and dedication to innovation. Safran invests heavily in developing our people's skills and expertise. We foster diversity and cross-fertilization to spur our employees' creativity, and we provide total support throughout their careers. As a socially responsible enterprise, Safran applies our core values in dealings with both employees and the communities where we do business.

Attracting and training top talents

Safran has to energize recruitment and enhance attractiveness to support our development and transformation. We also have to maintain, enrich and renew our people’s skills and expertise, since their enthusiasm, commitment and creativity are the keys to our success.

Managing skills and enriching talents

To maintain our leadership in innovation and help our customers meet emerging challenges, Safran has to be able to count on our employees’ expertise. In 2011 alone, we hired some 2,800 new employees in France and nearly as many in other countries. Our corporate human resources teams anticipate changing job requirements and draw up recruitment and succession plans, along with the training programs needed to keep pace with these changes. Our employment and skills planning initiatives apply to each and every employee, who thus receive the support needed for a fulfilling and productive career path.

Proven HR tools

Human resources management depends on an array of proven tools, anchored in a systematic annual appraisal interview with the employee’s immediate manager. A special moment for open discussion, this interview is designed not only to review the work accomplished in the previous year, including successes and areas to be improved, but also to provide a real career development outlook. At the same time, progress reports are organized at key moments in everyone’s career.

Encouraging mobility

Safran considers internal mobility an excellent way of accelerating the spread of a common corporate culture, as well as encouraging the sharing of experiences. In fact management tends to prefer internal transfers over outside recruitment. The jobs forum, which centralizes all job offers throughout Safran, can be consulted by all employees via the intranet.

Proactive recruitment

With the burgeoning need for innovation, Safran has to develop a proactive policy to recruit young talents from very diverse horizons. At the same time, we have to bolster certain specific skills, including program management and customer service. Given these conditions, Safran teamed up with the HEC Paris business school and the ISAE (Institut supérieur de l’aéronautique et de l’espace) aeronautical engineering school in 2011 to create an “Innovative Program Management” chair. This partnership, the first of its kind, also illustrates our commitment to innovation in the management sphere. Along the same lines, we have established ties with Pierre et Marie Curie University in Paris, to form a partnership covering certain specialties in engineering masters programs. In-house, the Ambassadors Program, expanded and structured in 2011, calls on a network of Group employees, tasked by corporate human resources to interact with students and organize various events and actions in universities and engineering schools.

Supporting the transformation of Safran

Continuing employee education is a pivotal part of Safran’s corporate strategy, which is anchored in innovation and cross-functionality. Safran Corporate University was founded to support the Group’s transformation by helping develop the skills of all employees, enhancing our human capital and helping us adapt to evolving job requirements.



RECRUITMENT AND EMPLOYER BRAND

Safran strengthened its employer brand in 2011 to make the Group more attractive to our recruiting targets (both young graduates and experienced staff). The corporate baseline has added a third “key”, becoming “Key Missions, Key Technologies, Key Talents”. A large-scale international advertising campaign was also developed, then rolled out in March 2012 in the press, on billboards and online. At the same time, we developed “Recruitment 2.0”, using social networks to meet our priority objective, namely establish a dialog with candidates by having experts from the Group interact with all communities interested by their areas of expertise. Since then, we have also revamped the recruitment space on our website and renamed it “Safran Talents”.



Meet Safran on:



1



2

First person: ambassadors and experts

1. Éric Dalbiès

Assistant to the Chairman, Turbomeca
“Depending on their assigned mission in schools, Safran has created three types of ambassadors: lead ambassador, junior or senior profession ambassador, and teacher ambassador.”

2. Benoît Lazzarotto

Electronics unit manager, Sagem
“In November 2011 I shared my experiences with some 65 master’s students at Pierre et Marie Curie University. They were keenly interested in the jobs offered by the Group, and I hope I gave them food for thought concerning their career plans.”

3. Françoise Cau

Optics design and architecture, Sights program, Sagem
“Biometrics, composites, noise reduction, inertial navigation, optronics... The high-tech nature of Safran’s businesses means calling on the broad-based expertise that is continuously cultivated, enriched and regenerated throughout the Group.”

3



Nurture talents, boost career development, spur change

The training programs offered by Safran Corporate University meet three complementary objectives. First, they aim to develop skills in professions needed by Safran for successful growth. Each year, all Safran companies and operating divisions analyze future requirements to identify the skills and professions needed to meet the technological and commercial challenges that we will be facing in five to ten years. The University then designs training programs to meet these needs, covering not only technical jobs, but also support functions. For example, in 2011, it introduced programs on system architecture, industrial processes, design to cost, purchasing, sales & marketing and economics and management. The second objective of the University is to enhance the employability and career development capabilities of all employees, to keep pace with changes in Group requirements. The underlying aim is mainly to safeguard useful skills when professions are going to change or even disappear. These programs are an important part of Safran's employment and skills planning policy. The third objective, accounting for about 15% of our training efforts in the coming years, is to help all management staff conduct the change process. In 2011 the University launched a new "Executive" program to round out its offering of training programs for tomorrow's top management. Access to these key positions is carefully shepherd through intensive, high-level training programs. 22 Group-wide management sessions were organized during the year to develop cross-functional project and personnel management capabilities. At the same time, Safran Corporate University provides training programs to give local managers concrete solutions to address their own challenges.

The University also provides training sessions for the Group's partners and customers, helping to spread Safran's influence at all levels.

International deployment

Safran Corporate University operates internationally, in particular through the creation of campuses that are designed to be melting pots to bolster the corporate culture. The University is in effect a very powerful tool, enabling us to spread our corporate culture, identity and values throughout all Group companies and all countries where we operate. It deploys the powerful resources needed to accelerate skills development across the Group. In 2011, for example, Safran acquired a 13-hectare (32 acre) campus in Massy, near Paris, to host training sessions. Furthermore, it has a 400-seat amphitheater for major in-house events, including orientation days for new hires, seminars, conferences and meetings with our partners and customers. Other Safran Corporate University facilities are located in Beijing and in Dallas.

Leadership model

Safran set up a task force in 2011 to define our Leadership Model, since we are firmly convinced that the attitudes and behaviors of managers have a decisive impact on our performance as a whole. This Leadership Model will be a pivotal part of all programs. In line with our corporate culture, it comprises an array of competencies that all managers must appropriate to guide daily interactions with their teams.

SAFRAN CORPORATE UNIVERSITY

**THREE COMPLEMENTARY
TRAINING CURRICULUMS**

Safran Corporate University has programs that address all employees, no matter where they are based. There are three main types of programs:

- **Leadership:** training programs that prepare management staff to meet the Group's strategic challenges. Each year, more than 500 local managers receive training in team leadership, and more than 100 managers receive support as they are promoted to key positions.
- **Business:** training programs and courses designed to develop competencies that are key to the future of Safran, covering all production jobs and support functions, along with general areas such as foreign languages or personal efficiency. These programs, available worldwide, are common to all companies.
- **Gateways:** employee support programs to help them enhance their skills and adapt to major changes in their jobs, or even to support a change in profession.



1.2
million hours of training
provided yearly at Safran.

37,000
employees receive
training each year.

600
participants can attend
seminars at the same
time on the Safran
Corporate University
campus.

Motivating and recognizing performance

Safran’s social model focuses on the continuous career development and employability of all employees, while also supporting an active management-labor dialog to make sure that employees have a stake in the Group’s performance.

Maintaining employment and investing in France

Safran has always worked to maintain industrial employment in France. For example, after selling our mobile phone business in 2009, the 700 employees at the telephone production plant in Fougères were retrained for jobs in the aerospace and defense sectors. Reflecting this approach, Safran invests regularly to modernize and upgrade our industrial facilities.



The employees at Fougères learned new skills.

The HR dynamic

In 2011 all unions signed a Group-wide agreement on the prevention of stress, expanding the stress evaluation initiative to cover all facilities in France. And for the first time since Safran was created in 2005,

all companies signed remuneration agreements within the scope of France’s mandatory annual wage and salary negotiations in March 2011. Furthermore, with dividends increasing, a profit-sharing bonus was paid to all employees in France. Four unions signed an agreement on employment and skills planning, as Safran seeks to anticipate changes in job requirements and make sure that professional itineraries cover these needs. For example, Safran plans to facilitate job mobility and use training programs to bolster employee skills. The agreement encompasses information on the Group’s strategy and medium and long-term outlook, as well as on employment and skills policy. It provides for the analysis of current resources and foreseeable changes in needs, along with the definition of an action plan by a Group committee with equal representation for all companies. In addition, the agreement lays groundwork for the future, within the scope of a commitment to being a socially responsible enterprise.

Safran joins ASPI Eurozone index

Recognizing its performance as a socially responsible enterprise and prior to the agreement, the Safran share was chosen for the ASPI (Advanced Sustainable Performance Indices), established by ratings agency Vigeo. Vigeo, the leading European expert in evaluating responsible performance, measures the performance and risks of companies in six major areas: the environment, human rights, human resources, social commitment, market behavior and corporate governance. The ASPI Eurozone index includes the 120 top-rated listed companies in the euro zone, based on Vigeo rankings.



The Vigeo index includes in particular the employees’ work environment.

Encouraging employee stock ownership

Designed to give employees a greater stake in Safran’s objectives and performance, a leveraged employee stock ownership operation was organized in France in late 2011, before being expanded to include international entities in early 2012. This operation allows employees to acquire Safran shares under preferential conditions. The operation proved very popular in France, with large numbers of employees clearly expressing their confidence in the future of Safran. Nearly half of all French employees took advantage of this offer, and a large number chose to invest all or part of their profit-sharing bonus in shares. Reactions were so enthusiastic that the 6 million shares assigned by Safran to this operation were fully subscribed. Through this operation Safran was able to further strengthen its employee shareholding, already the second highest among companies in the CAC 40 stock market index.



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First person

1. Doctor Jacqueline Papin
Health Advisor, Safran
“The agreement on stress prevention applies at several levels: raising the awareness and if necessary training all stakeholders (staff, managers, union representatives, occupational health service), diagnostics organized by steering committees to track the initiative all the way through deployment of action plans and, at the same time, providing specific support measures for persons in difficulty.”

2. Marc Aubry
CFDT union coordinator, Safran
“Each employee has to be able to appropriate, build and guarantee his or her career path at Safran. The Group-wide agreement on employment and skills planning, in line with this goal, was signed in November 2011 by four unions and Safran management. The negotiated organization defines the role of employees, management, HR managers and union representatives, and provides for the associated resources and tools. It also stipulates the opening of Group-wide negotiations on in-service training starting in 2012.”

3. Catherine Poulain
Customer and staff manager, CS SAFIRH, Safran
“A Group-level services center now manages payroll for all French companies in the Safran group.”

“The second highest employee shareholding rate among companies in the CAC 40.”

Encompassing a wealth of diversity

Safran, a signatory of the Diversity Charter, has long been committed to equal opportunity and diversity. These goals are considered a major part of our HR policy and an essential factor in driving performance and innovation.

Cultural diversity and unified commitments

Cultural diversity, a natural component of a global corporation, takes on a special dimension at Safran because of the nature of our markets, a focus on international partnerships and external growth. At the same time, our diversity-oriented human resources policy is consistent with our commitments to corporate citizenship. Actions reflecting this policy focus on young people from disadvantaged neighborhoods, women, seniors and the disabled.



Safran's HR policy fosters diversity.

Encouraging gender equality

One of the top priorities in our HR policy is favoring gender equality through support for women. To attract young women to our workforce, develop equality in our teams and facilitate women's access to management positions, Safran deploys a wide range of actions. These include contacts with female students to promote scientific and technical jobs, often through our membership in the association founded to support this goal, *Elles Bougent* ("Women on



The association "Elles Bougent" in action at the 2011 Paris Air Show.

the Move"), gender equality in recruitment (our aim is to hire at least 25% women in 2012), equal remuneration, and actions designed to foster women's promotion to management jobs. During the Women's Forum in Deauville last October, Safran, a partner in this event, led a workshop on "Women's role in innovation", and invited about 30 of our own employees to take part in the roundtables at the forum.

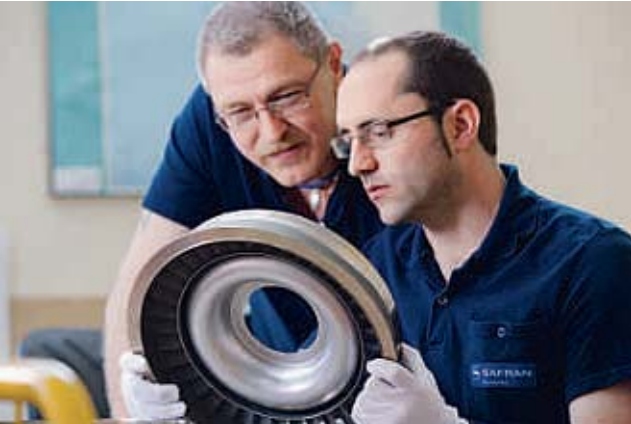
Supporting the employment of disabled persons

For the 15th National Disability Employment Awareness Week in France last November, Safran, along with AGEFIPH (French fund management association for the employment of disabled persons) launched a major in-house poster campaign, with the tagline, "We are 1,579 disabled workers at Safran, and nothing could be more normal!" The Safran group has been especially mobilized since 2006 to support the integration and employment of disabled persons via associations such as Tremplin, ADAPT, etc. Through the Safran

Foundation for Integration, the Group conducts the *Élan* project, enabling it to welcome disabled persons under apprenticeship or vocational work experience contracts. Safran is also a partner in the *Salto* project, which aims to offer work-study positions in industry to disabled persons. Furthermore, it is a founding member of the Han'Vol association, initiated by French aerospace industry trade association GIFAS, which supports the integration of disabled persons in the aerospace sector via work-study contracts.

Senior employment: Safran surpasses objective

An agreement to support the employment of seniors, signed in 2010 and running three years, makes Safran one of the few major companies to make a formal commitment in this area. In particular, the accord provides for at least 14% of the Group's employees to be over 55, and this objective was exceeded in 2011.



Senior employment is one of Safran's corporate commitments.

Initiatives for social integration

Safran's corporate citizenship is also expressed through various initiatives for social integration. In 2011, Safran continued its partnership with *Frateli*, an association founded to support high-potential students from low-income families, by offering an opportunity to be mentored by top employees. Safran also works with the *Aéronautique solidaire* project, developed in collaboration with charity organization *Les Restos du Cœur*, to train and support the hiring of persons in difficulty in the aerospace industry.



1



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First person

- 1. Delphine Dijoud**
LEAP engineer, Snecma
"The large number of production or technical jobs at Safran means that women are still a minority. But Group management is firmly convinced that certain 'more feminine' approaches to engineering jobs can spur technological innovation!"
- 2. Pierre-Arnaud Buzzi**
Accountant trainee, Sagem
"Becoming disabled, I could no longer do my original job. Through the *Salto* project including Safran as a partner, I am now in a work-study program at Sagem, as part of a vocational work experience contract."
- 3. Nicolas Franck**
Production department, Snecma
"The main challenges of the *Frateli* mentorship project are to help high-potential youngsters from disadvantaged neighborhoods make ambitious career plans, initiate a network of contacts and support them through employment. The strength of this project is that it is mutually enriching."

A universal commitment to the future

Safran is developing a culture based on anticipation and prevention to manage health, safety and environmental risks. Furthermore, we are involved in various corporate philanthropy and sponsorship projects that match our values and benefit society.

HEALTH, SAFETY, ENVIRONMENT

A strong commitment to improving occupational safety

In 2011 Safran consolidated the development of its health, safety and environment organization, first initiated the previous year. The new Sustainable Development division coordinates three geographic zones – Americas, Europe/North Africa, Asia-Pacific/Middle East/sub-Saharan Africa – covering all Safran sites and operations around the world. To foster synergies, several sites that may be close but belong to different companies, have been organized as regional hubs. The hub coordinators, site prevention staff, occupational health services and decentralized experts form a network that the Sustainable Development division can call on to deploy its actions. A corporate team supports these correspondents in the use of all Group tools, and for all Group-wide subjects. Safran has implemented a proactive policy to improve occupational safety. The main indicators used to evaluate and apply improvement plans are the accident frequency and severity rates. The former indicates the number of accidents per million hours worked, while the latter indicates the number of days lost because of occupational accidents per thousand hours worked. Our aim is to cut the frequency rate in half by 2013, in relation to 2008, with very ambitious goals set for each company. At 113 main facilities with a total of more than 54,000 employees, the number of work accidents dropped significantly in 2011 versus previous years, including a 12% decrease from 2010. These results are very encouraging. In fact, since 2005

the frequency rate had changed very little, staying at 6 to 7, but it dropped by 20% in 2011, down to 5. A detailed listing of accidents with lost days is now part of the monthly reporting package tracked by corporate management, and this report will become weekly in 2012.

A consolidated reference system

In general, Safran continued to structure its Health, Safety, Environment initiative in 2011, seeking to manage risks and improve performance by consolidating the Safran HSE reference system. The system currently comprises a manual and 27 HSE standards, enabling each Group facility to evaluate its own maturity on a scale of 1 to 4. The new Safran reference system has been validated by a third party, showing its equivalence with certifications to ISO 14001 and OSHAS 18001 standards. Starting in 2012, the Safran HSE reference system will gradually replace these certifications.



20%

drop in occupational accident frequency vs 2010.

3,000

managers trained or made aware of issues involving stress in the workplace.

ENVIRONMENTAL PROTECTION, A LONG-TERM INITIATIVE

Safran continued to efficiently manage its environmental footprint in 2011. The Group's project team for the European regulation REACH (Registration, Evaluation and Authorization of Chemicals) benefits from dual reporting lines to both the Sustainable Development and Production divisions, giving it more action levers. It also calls on a network of product environment correspondents at each company. These correspondents are tasked with facilitating solutions for growing environmental requirements, in particular those applicable to products. A new campaign to measure the carbon footprint at 69 of our largest plants kicked off in 2011. It enabled verifying data and helped Safran gear up for new regulatory requirements. Results of these measurements will be available in 2012.

Safran is also committed to various significant external actions, such as the creation of the International Aerospace Environment Group (IAEG), which primarily aims to define common environmental standards for the international aerospace industry, also applicable to the entire supply chain. A major player in the European research program Clean Sky, Safran also teams up with French aerospace industry association GIFAS to conduct work on the application of REACH, write professional guides and replace potentially hazardous chemical substances.



IMPROVING WORKING CONDITIONS

Safran continued to deploy its risk evaluation initiative in 2011, including ergonomic analyses of all workstations, evaluation of chemical risks, environmental and accident analyses. In particular, this initiative calls on TESSE, a tool for the traceability and evaluation of health, safety and environmental exposure, bringing together data on all occupational risks, no matter where they originate.

Safran corporate management signed an agreement with five French unions in January 2011 concerning stress prevention in the workplace, thus formalizing in-depth work on managing psychosocial risks that had started back in 2004. This agreement provides for the stress evaluation procedure to be applied to all Group facilities, as well as deploying actions to raise the awareness of all stakeholders. It also defines actions to help detect and take responsibility for employees suffering from stress. In addition, the agreement provides for expanded actions concerning the preservation of employees' health.

PARTNERSHIP

In search of the Oiseau-Blanc

Safran has signed a two-year partnership agreement with the association *La Recherche de l'Oiseau-Blanc* ("In Search of the White Bird") to participate in search operations off the coast of Saint-Pierre-et-Miquelon. The aim is to find the wreckage of the legendary *Oiseau-Blanc* flown by French pilots Charles Nungesser and François Coli, who may have crossed the Atlantic in 1927. By participating in this search for an outstanding airplane, Safran also hopes to find a piece of its own history, namely the plane's Lorraine-Dietrich engine.



A 450-hp Lorraine-Dietrich 12EB engine, identical to the one that powered the *Oiseau-Blanc*.

BOAT SPONSORSHIP

A number of improvements for Safran ocean racer

For the *Safran* monohull ocean racer, 2011 was above all a year to prepare for the upcoming Vendée Globe solo round-the-world race. Looking ahead to this mythic race, which will start at the end of 2012, the boat underwent a number of changes, including improvements to the steering system and the construction of a new titanium keel. The keel was designed with help from Safran's own designers: its panels were forged, machined and welded by various partners from the aerospace industry. Construction also started on a new mast, with an ambitious weight savings goal. Part of the mast will use Safran's proprietary woven 3D composite technology, used on the LEAP jet engine's blades and other critical parts. Safran continues to show that its contribution as a sponsor goes beyond financial support. Our strong involvement in the design and production of various upgrades reflects our conviction that cross-fertilization helps drive progress. In competition results, Marc Guillemot and co-skipper Yann Eliès finished sixth in the Transat Jacques Vabre transatlantic race, having shown a real fighting spirit under terrible weather conditions. Shortly before that race, *Safran* had set a new record in the Race around Britain.



2011: gearing up for the 2012 Vendée Globe.

PHILANTHROPY

Since 2005, Safran has provided support for more than 250 projects through its corporate philanthropy and social responsibility policy. All of these initiatives aim to meet two major challenges, namely social solidarity and equal opportunity. They are implemented either through Safran’s two foundations, or directly with the association involved.

The Safran Foundation for Integration supports the social or professional integration of young adults suffering from a physical, mental or social disability. The primary criterion is the sustainable nature of the benefits for aid recipients. International actions in 2011 focused on projects in Brazil, India and Morocco, and will have a strong leverage effect on populations that are particularly disadvantaged. Furthermore, Safran employees stepped up even more to help the Foundation on projects carried out in collaboration with HR departments from companies or the Group, such as *Élan* and *Frateli* (see page 53 for more details). Another excellent illustration is the ambitious project to design innovative wheelchairs, launched in the summer of 2011 in partnership with the Garches Foundation, leading engineering schools (Centrale Lyon, ISTY and Strate College) and a number of Safran employees, mostly engineers.



A child operated on for a heart defect, thanks to the *Mécénat Chirurgie Cardiaque*.

The Safran Foundation for Music’s primary mission is to support young virtuosos as they start their careers, just like Safran supports the career development of our talented young employees. Our Foundation works with various organizations that already support them, including the Louvre museum (“young talents” cycle), the armed forces museum (“young talents-début” cycle) and renowned festivals. The Safran Foundation for Music Award recognizes a young musician of the year. Since music is also a channel for integration, the Foundation maintained its commitment to the project “Chamber Music in the Hood”, resulting once again in a concert at the prestigious Salle Pleyel concert hall in Paris, with the participation of young students from disadvantaged neighborhoods.



Wenjiao Wang, winner of the Safran Foundation for Music Award.

Direct actions based on premium public and private partnerships

A long-standing partner, the *Orchestre de l’Alliance* organized a concert along with Safran to benefit the *Mécénat Chirurgie Cardiaque*, a cardiac surgery association for children with heart defects. We also formed new partnerships last year: with the French embassy in the United States to organize concerts spotlighting young virtuosos in Washington, D.C. and at American universities, in conjunction with the French Senate and Ministry of the City, within the scope of the operation, *Talents des Cités*.



National winners of the “Talents des Cités” contest and elected officials in the Senate chamber.

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