





An alphabet comprising letters formed by products and components from our three core businesses: this graphic language, invented by Safran, reflects the passion for high technology shared by over 54,000 Safran employees throughout the world.



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 more than 54,000 employees and generated sales of 10.8 billion euros in 2010. 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 fast local service to customers around the world. Working alone or in partnership, Safran holds world or European leadership positions in its core markets.

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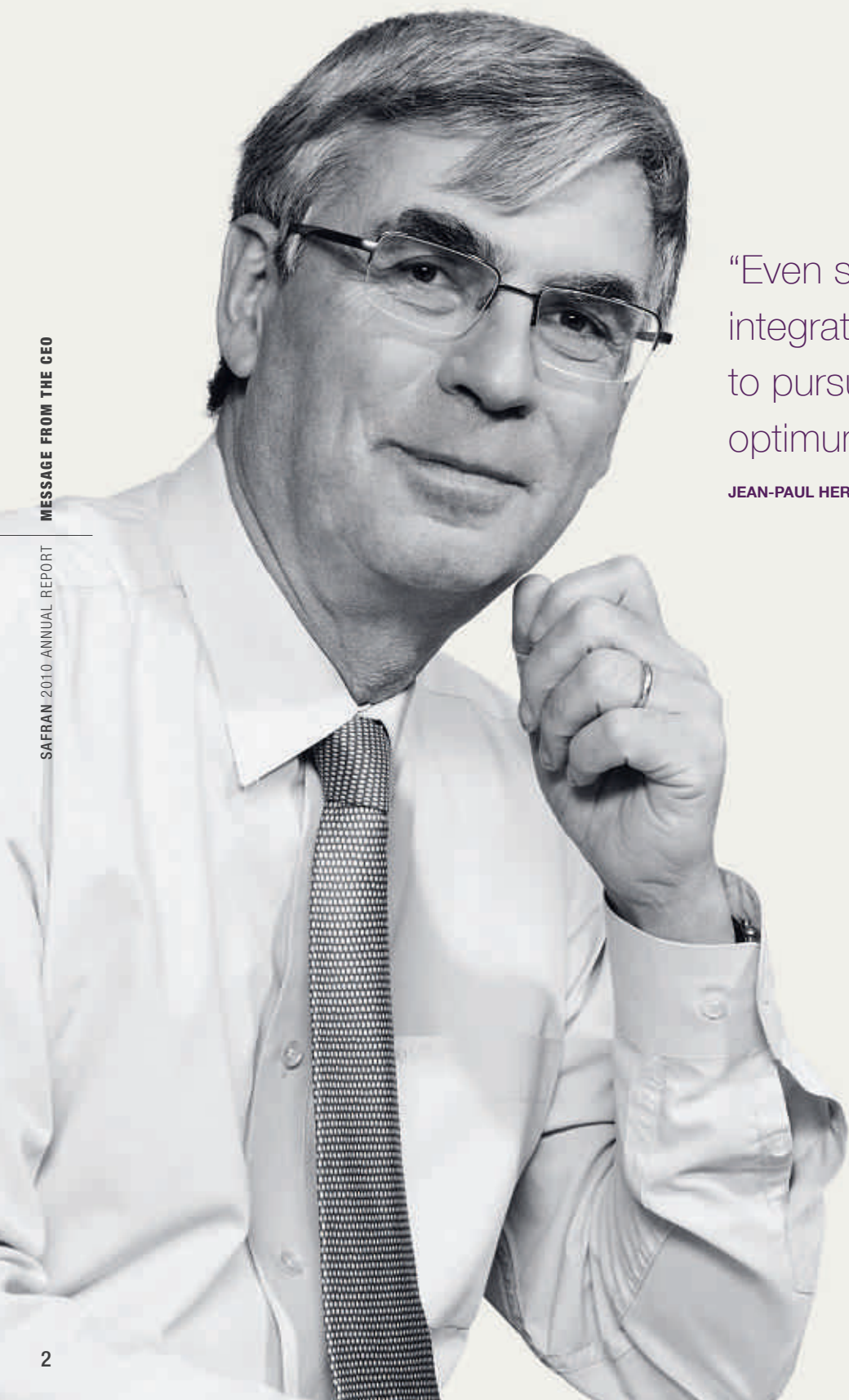
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“Even stronger and more integrated, Safran is ready to pursue its growth under optimum conditions.”

JEAN-PAUL HERTEMAN

## MESSAGE FROM THE CEO

**2010 was much more than just a year of transition for Safran.** It also marked the end of a difficult period, as the rebound in air traffic was confirmed and our customers reaffirmed their confidence in us. Safran is now stronger, and is ready to pursue its development under optimum conditions.

**All of the Group's businesses recorded good performance,** with certain emblematic achievements that are worth emphasizing. The highlight in the aerospace propulsion market was the confirmed breakthrough of the LEAP-X, successor to the CFM56, as the powerplant of choice on single-aisle jetliners. The propulsion system developed by Safran and partner GE has already been chosen for the Comac C919, built in China, and for the Airbus A320neo. At the same time, our acquisition of SNPE Matériaux Energétiques (SME) will enable us to develop a global champion in solid propulsion for space. The Aircraft Equipment branch confirmed its recovery, and has reorganized to meet the challenges facing us in the coming decades, in particular the advent of “more electric”

aircraft. In the Defense sector, our optronics equipment scored major business wins, while our security business continued to grow at a sustained pace, in line with Safran's corporate strategy. Our selection on the vast Indian program to assign every resident a unique biometric identification number shows that we have the capabilities needed to meet our ambitious goals. This is the largest program of its type in the world, covering more than 1.3 billion persons. We are also pursuing our targeted acquisition policy, most recently with the planned addition of L-1 Identity Solutions.

**Safran's performance has recorded a clear improvement, once again demonstrating the strength of our business model.** Our sales increased 3% last year to nearly 11 billion euros, and our operating income rose by 20%. Each of our businesses, supported by the highly effective Safran+ improvement program, contributed to these good results. Our share price reflects investor confidence in the Group's fundamentals: in fact, we practically doubled our stock market valuation during the year.

**At the same time, we continue to build and perfect our organization.** We are pooling our support functions, and we have rolled out a new visual identity. With full confidence in the dynamic performance of our markets, plus significant investment capacity, we are modernizing our industrial facilities in depth. For example, we opened four major plants in 2010, both in France and abroad.

**Sure of our business model and our outstanding people,** and with a clear vision of market trends, Safran expects sales to increase in 2011 by at least 5%, while our recurring operating income will advance at least 20%.

JEAN-PAUL HERTEMAN  
Chief Executive Officer, Safran



# GOVERNANCE

## AT DECEMBER 31, 2010



### SUPERVISORY BOARD

The Safran Supervisory Board met eight times in 2010, in particular to approve the consolidated and non-consolidated financial statements and to read the Executive Board's quarterly reports. It comprises 17 members.

**Francis Mer**, Chairman

**Michel Lucas**, Vice Chairman

**Luc Oursel** (representing the company Areva) – **Pierre Aubouin** – **Christophe Burg** – **François de Combret** – **Armand Dupuy** – **Jean-Marc Forneri** – **Patrick Gandil** – **Yves Guéna** – **Christian Halary** – **Shemaya Lévy** – **Michèle Monavon** – **Jean-Bernard Pène** – **Jean Rannou** – **Michel Toussan** – **Bernard Vatier**

**SUPERVISORS:** Georges Chodron de Courcel – Pierre Moraillon

**GOVERNMENT COMMISSIONER:** Louis-Alain Roche



### EXECUTIVE BOARD

**Jean-Paul Herteman**, Chairman

**Olivier Andriès**, Executive Vice President, Defense - Security

**Dominique-Jean Chertier**, Executive Vice President, Social, Legal and Institutional Affairs

**Xavier Lagarde**, Executive Vice President, Quality, Audit and Risk Management

**Yves Leclère**, Executive Vice President, Aircraft Equipment

**Ross McInnes**, Executive Vice President, Economic and Financial Affairs

**Marc Ventre**, Executive Vice President, Aerospace Propulsion

### SUPERVISORY BOARD COMMITTEES

The Supervisory Board has designated three committees to prepare its discussions, spotlight major issues and submit proposals.

#### STRATEGY COMMITTEE

The Strategy Committee gives its opinion on the Group's major strategic objectives and the development policy proposed by the Executive Board. It examines plans for strategic agreements and partnerships, as well as acquisitions and operations affecting the Group's structures. Since April 14, 2010, the committee comprises five members: Francis Mer (chairman), Pierre Aubouin, Christophe Burg, Luc Oursel and Jean Rannou.

#### AUDIT COMMITTEE

The Audit Committee examines financial statements and accounting procedures. In addition, it reviews requests submitted by the Management Board to the Supervisory Board for authorizations concerning significant acquisitions or divestments, as well as capital increases. The committee has five members: Shemaya Lévy (chairman), Pierre Aubouin, Michel Lucas, Jean Rannou and Michel Toussan.

#### APPOINTMENT

##### AND REMUNERATION COMMITTEE

The Appointment and Remuneration Committee assists the Supervisory Board in selecting members and corporate officers, and draws up recommendations concerning the compensation of corporate officers. The committee has six members: Michel Lucas (chairman), Pierre Aubouin, Christophe Burg, François de Combret, Jean-Marc Forneri and Bernard Vatier.



### CORPORATE OFFICERS

**Jean-Paul Herteman**, Chief Executive Officer

**Olivier Andriès**, Executive Vice President, Defense – Security

**Emeric d'Arcimoles**, Executive Vice President, International Affairs

**Dominique-Jean Chertier**, Executive Vice President, Social, Legal and Institutional Affairs

**Jean-Pierre Cojan**, Executive Vice President, Strategy and Development

**Xavier Lagarde**, Executive Vice President, Quality, Audit and Risk Management

**Yves Leclère**, Executive Vice President, Aircraft Equipment

**Ross McInnes**, Executive Vice President, Economic and Financial Affairs

**Marc Ventre**, Executive Vice President, Aerospace Propulsion

# CORPORATE GOVERNANCE

AS OF APRIL 21, 2011

## BOARD OF DIRECTORS

Safran's Annual General Meeting of Shareholders was held on April 21, 2011 at L'Espace Grande Arche, Paris-La Défense, under the chairmanship of Francis Mer, Chairman of the Supervisory Board.

The meeting approved the change in corporate governance to a structure solely based on a Board of Directors, and appointed the following **members of the Safran Board of Directors**:

<b>Jean-Paul Herteman,</b> Chairman and CEO	<b>Pierre Aubouin</b> <b>Marc Aubry</b> <b>Giovanni Bisignani</b> <b>Christophe Burg</b> <b>Jean-Lou Chameau</b> <b>Odile Desforges</b> <b>Jean-Marc Forneri</b> <b>Christian Halary</b>	<b>Xavier Lagarde</b> <b>Michel Lucas</b> <b>Elisabeth Lulin</b> <b>Laure Reinhart</b> <b>Michèle Rousseau</b>  Board Advisor: <b>Caroline Grégoire Sainte Marie</b>
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This type of corporate governance offers a more streamlined organization than the previous structure (15 members instead of 20), and is also more diversified, since it now includes five women on the Board, as well as two international figures.

## BOARD COMMITTEES

The Board has designated three committees to prepare its discussions, spotlight major issues and submit proposals.

### 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), Pierre Aubouin, Giovanni Bisignani, Christophe Burg, Odile Desforges, Xavier Lagarde and Laure Reinhart.

### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee examines financial statements and monitors questions concerning the generation and control of financial and accounting information. In addition, it oversees the efficiency of the company's internal control and risk management systems.

Committee members: Jean-Marc Forneri (Chairman), Pierre Aubouin, Elisabeth Lulin, Michèle Rousseau and Caroline Grégoire Sainte Marie.

### NOMINATION AND REMUNERATION COMMITTEE

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

Committee members: Michel Lucas (Chairman), Pierre Aubouin, Giovanni Bisignani, Christophe Burg and Francis Mer.

## CORPORATE MANAGEMENT



**Jean-Paul Herteman,**  
Chairman and CEO



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



**Ross McInnes,**  
Deputy Chief Executive Officer /  
Finance



**Marc Ventre,**  
Deputy Chief Executive Officer /  
Operations

Along with the change in corporate governance, Safran has also modified its corporate management structure. The aim is to continue to knock down operational barriers between Group companies, by creating an Operations division, and to further energize innovation across all entities by creating a Transformation division.



**Jean-Pierre Cojan,**  
Executive Vice President /  
Strategy



**Bruno Cotté,**  
Executive Vice President /  
International



**Yves Leclère,**  
Executive Vice President /  
Transformation



**Philippe Petitcolin,**  
President /  
Defence-Security

## COMPANY CHAIRMEN



**Pierre Fabre**  
Chairman and CEO,  
Sneema



**Olivier Andries**  
Chairman and CEO,  
Turbomeca



**Philippe Schleicher**  
Chairman and CEO,  
SME



**Jean-Luc Engerand**  
Chairman and CEO,  
Sneema Propulsion Solide



**Yves Prete**  
President and CEO,  
Techspace Aero



**Vincent Mascré**  
Chairman and CEO,  
Aircelle



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



**Olivier Horaist**  
Chairman and CEO,  
Hispano-Suiza



**Karen Bomba**  
Chairman and CEO,  
Labinal



**Philippe Petitcolin**  
Chairman and CEO,  
Sagem



**Jean-Paul Jainsky**  
Chairman and CEO,  
Morpho

### SAFRAN

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**SAFRAN**  
AEROSPACE · DEFENCE · SECURITY



SAFRAN

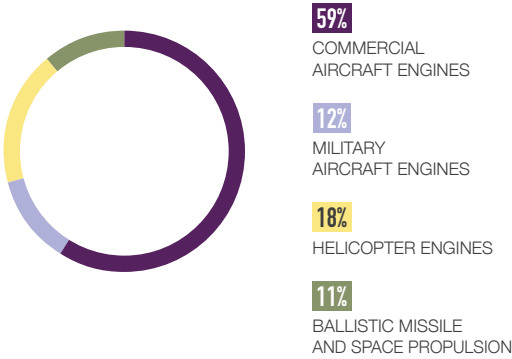
AT A GLANCE

SAFRAN AT A GLANCE

SAFRAN 2010 ANNUAL REPORT

AEROSPACE PROPULSION

€5,604 MILLION  
SALES



COMMERCIAL AIRCRAFT ENGINES  
**No.1 worldwide** (mainline commercial jets with over 100 seats, in partnership with GE)

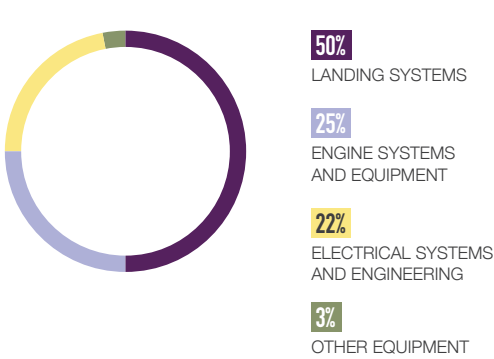
MILITARY AIRCRAFT ENGINES  
No. 4 worldwide

HELICOPTER TURBINE ENGINES  
**No. 1 worldwide**

SPACE ENGINES  
No. 2 worldwide in liquid propulsion  
No. 1 in Europe for solid propulsion

AIRCRAFT EQUIPMENT

€2,834 MILLION  
SALES



LANDING GEAR  
**No. 1 worldwide**

WHEELS AND CARBON BRAKES  
**No. 1 worldwide** (mainline commercial jets with over 100 seats)

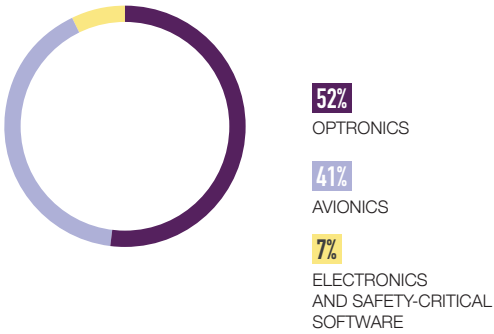
AIRCRAFT ENGINE NACELLES  
Top two worldwide

AIRBORNE POWER ELECTRONICS  
A world leader

AIRCRAFT WIRING  
A world leader

DEFENSE - SECURITY

DEFENSE  
€1,240 MILLION  
SALES



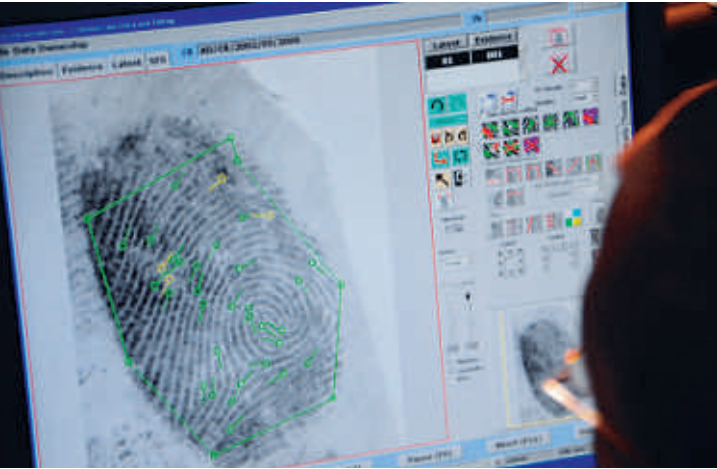
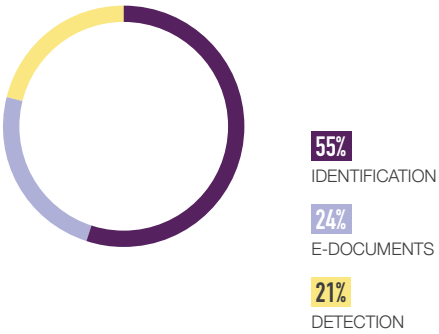
HELICOPTER FLIGHT CONTROLS  
**No. 1 worldwide**

INERTIAL NAVIGATION  
No. 3 worldwide  
No. 1 in Europe

OPTRONIC SYSTEMS  
No. 1 in Europe

TACTICAL UAVS  
No. 1 in Europe

SECURITY  
€1,041 MILLION  
SALES



BIOMETRIC ID DOCUMENTS  
**No. 1 worldwide**

AUTOMATED FINGERPRINT IDENTIFICATION SYSTEMS (AFIS)  
**No. 1 worldwide**

COMPUTED TOMOGRAPHY EXPLOSIVE DETECTION SYSTEMS  
**No. 1 worldwide**



2010

FINANCIAL AND OPERATING HIGHLIGHTS

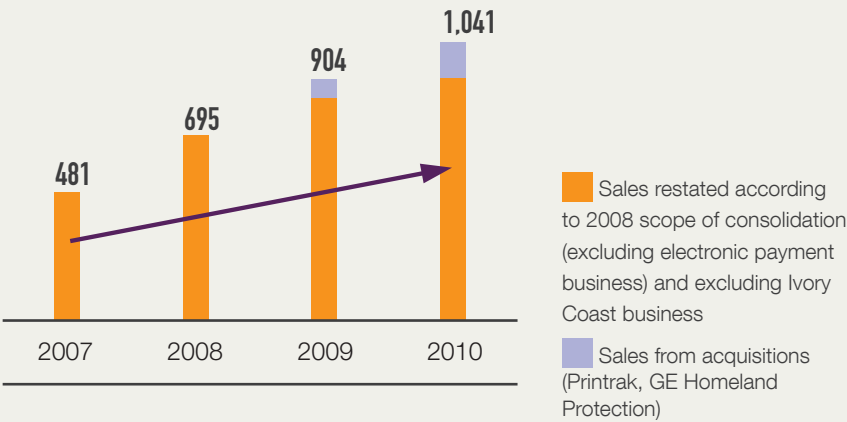
Safran posted adjusted sales of 10.8 billion euros for 2010, up 3% over 2009. Adjusted recurring operating income came to 878 million euros, equal to 8.2% of sales. This result was based on a hedging rate of \$1.44/euro, slightly more unfavorable than in 2009. One-time expenses, all related to the costs of mergers and acquisitions, amounted to 13 million euros, and adjusted operating income was 865 million euros.

The Group's share of adjusted net income jumped 29% over the previous year to 508 million euros, or 1.27 euros per share.

SALES BY SECURITY BUSINESSES

(millions of euros)

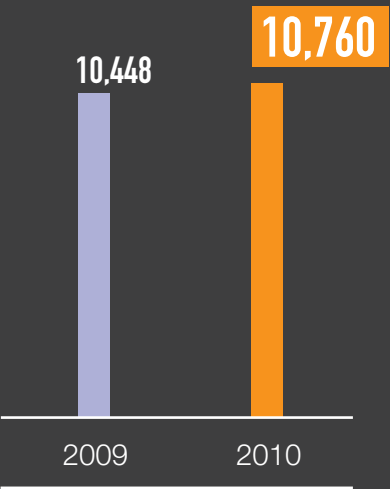
Between 2007 and 2010, the compound average growth rate was about 15%. Including the acquisitions of Printrak and GE Homeland Protection in 2009, the average growth rate would be about 21%.



SALES

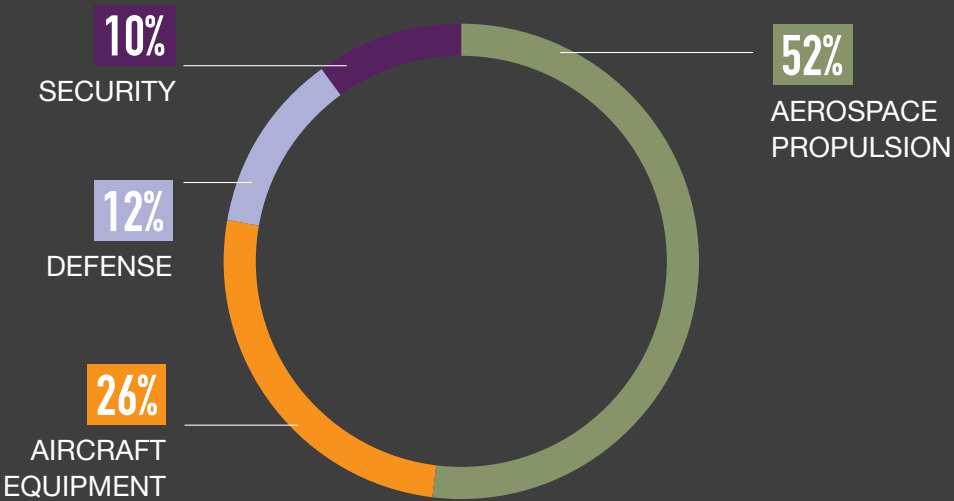
(millions of euros)

Safran's consolidated sales increased moderately in 2010, to 10,760 million euros, from 10,448 million euros in 2009, for a growth rate of 3%. On an organic basis, Group sales decreased slightly, by 1%.

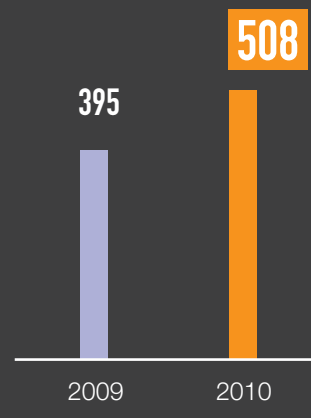


SALES BY BUSINESS SECTOR

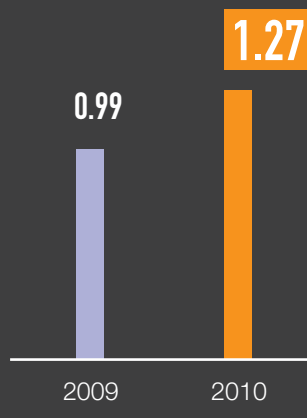
The 312 million euro rise in sales is primarily due to an increase of more than 15% in defense business, especially in optronics equipment, and the security sector, mainly due to acquisitions. While the sale of original equipment for aircraft declined somewhat, mainly due to a late ramp-up in Airbus A380 and Boeing 787 production, the sales generated by services remained stable.



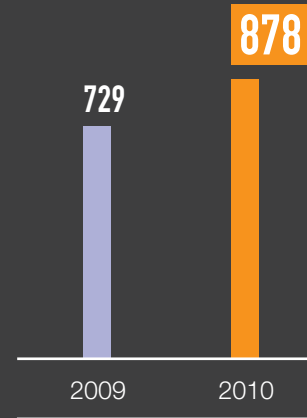
### NET INCOME – GROUP SHARE (adjusted data, millions of euros)



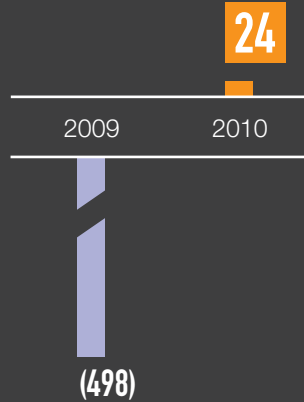
### NET PROFIT PER SHARE (euros)



### OPERATING INCOME (millions of euros)



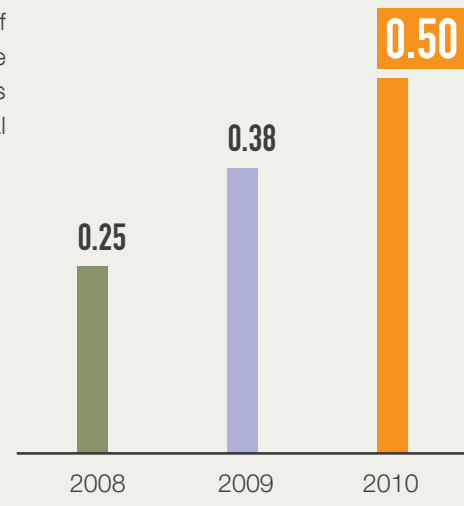
### NET CASH POSITION (millions of euros)



### SHARP RISE IN DIVIDEND

(euros)

The proposed payment of a dividend of €0.50/share is subject to a vote by the Annual General Meeting of Shareholders on April 21, 2011. The planned total payout will be about 200 million euros.



### NET INCOME

The Group's share of adjusted net income rose by 29% on an annual basis. It stood at 508 million euros for 2010, or 1.27 euros per share, compared with net income of 395 million euros on a restated basis (0.99 euros per share) for 2009.

### BALANCE SHEET AND CASH POSITION

At December 31, 2010, the Group's net cash position stood at 24 million euros, compared with a net debt of 498 million euros a year earlier, for a very significant improvement of 522 million euros. The healthy generation of free cash flow, at 934 million euros, was the result of good operational profitability and a

reduction of 317 million euros in working capital requirements. The Group profited from a favorable change in its cash position thanks to business agreements with aircraft manufacturers, the impact of economic stimulus measures by the French government, which accelerated the repayment of certain tax credits, and a significant recovery of receivables. With a gross cash position of 2.1 billion euros and confirmed, non-drawn credit facilities of 2.4 billion euros at December 31, 2010, Safran has confirmed its financial development capacity.

**€1 BILLION**

worth of **acquisitions** since 2008

**€1.2 BILLION**

**invested in R&D**, equal to nearly 11% of sales, including 637 million euros self-financed.

Over

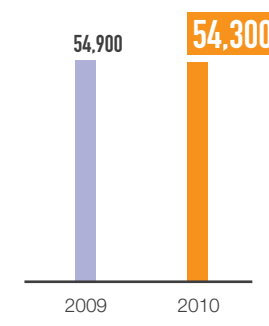
**€300 MILLION**

**invested in production facilities**, including the inauguration of four major new plants in 2010.

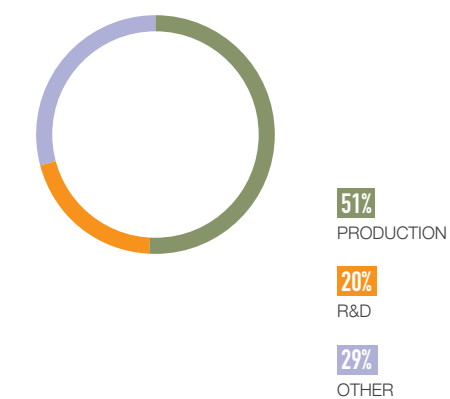
### EMPLOYEES

With exports accounting for 80% of its business, Safran is a major international group, although its roots are still largely in France: 64% of its workforce is based in France.

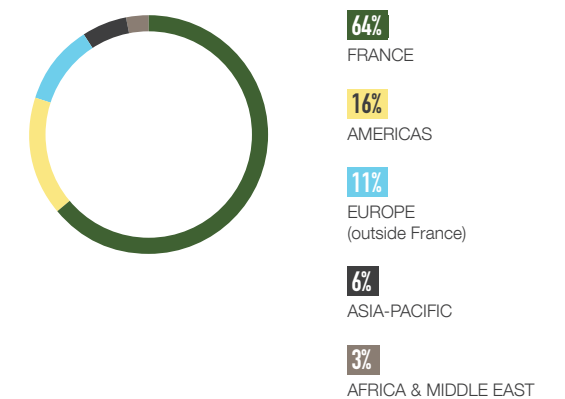
#### TOTAL EMPLOYEES



#### EMPLOYEES BY JOB TYPE



#### EMPLOYEES BY REGION





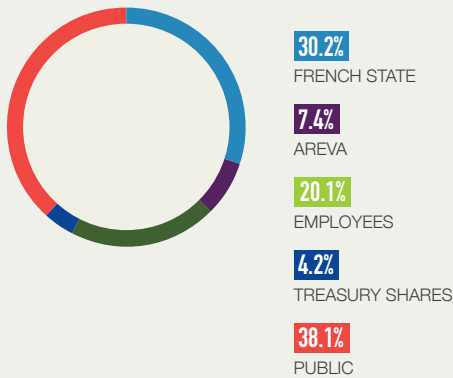
# INVESTOR INFORMATION

2010

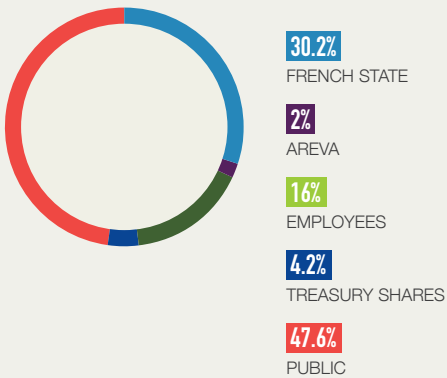
## CHANGES IN THE SHAREHOLDING STRUCTURE

Areva's stake in Safran was significantly reduced, from 7.4% to 2%. For Safran, this helps increase the number of shares available to the public.

### SAFRAN SHAREHOLDERS AT DECEMBER 31, 2009



### SAFRAN SHAREHOLDERS AT DECEMBER 31, 2010



REPAIRING ENGINE PARTS AT THE SUZHOU PLANT IN CHINA

## 2011 AGENDA

### FINANCIAL AGENDA

Annual General Meeting of Shareholders  
**April 21, 2011**  
Publication of 2011 Q1 results  
**April 28, 2011**  
Publication of 2011 H1 results  
**July 28, 2011**

### 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 Large 60 (starting March 21, 2011)

Safran gives shareholders clear, complete and accessible information in line with their requirements, no matter what their level of financial expertise. Specialized teams at Safran create information channels and organize meetings to establish relations of mutual trust, based on local contacts. In 2010, these teams revamped the financial information voice server to enrich its content. It is overseen by management teams from the Group's investor relations department.

Membership in the **Shareholders Club** is open to all individual shareholders. They receive regular information about Safran, in particular through the *Shareholders Newsletter*, which is available online, and was published more frequently in 2010. Visits to Group plants are also organized, and are open to all club members. In 2010, six half-day visits allowed more than 160 shareholders to get a close-up view of the Group's operations.

The **Annual General Meeting of Shareholders** allows shareholders to discuss issues with corporate management and ask questions. The meeting held on May 27, 2010 included an exhibition of Safran's products and technologies, reflecting its technological excellence in different markets. This exhibition showcased the broad variety of the Group's business sectors through three stands, dedicated to aircraft engines and equipment, defense and security.

Safran also organizes regular meetings with **financial analysts and institutional investors** from France and abroad, during presentations of financial results, as well as special conferences and seminars. We also organize roadshows and individual meetings, mainly in Europe and the United States, after the publication of annual and half-year results.

### SAFRAN INVESTOR RELATIONS

2, boulevard du Général Martial Valin,  
75724 Paris Cedex 15, France

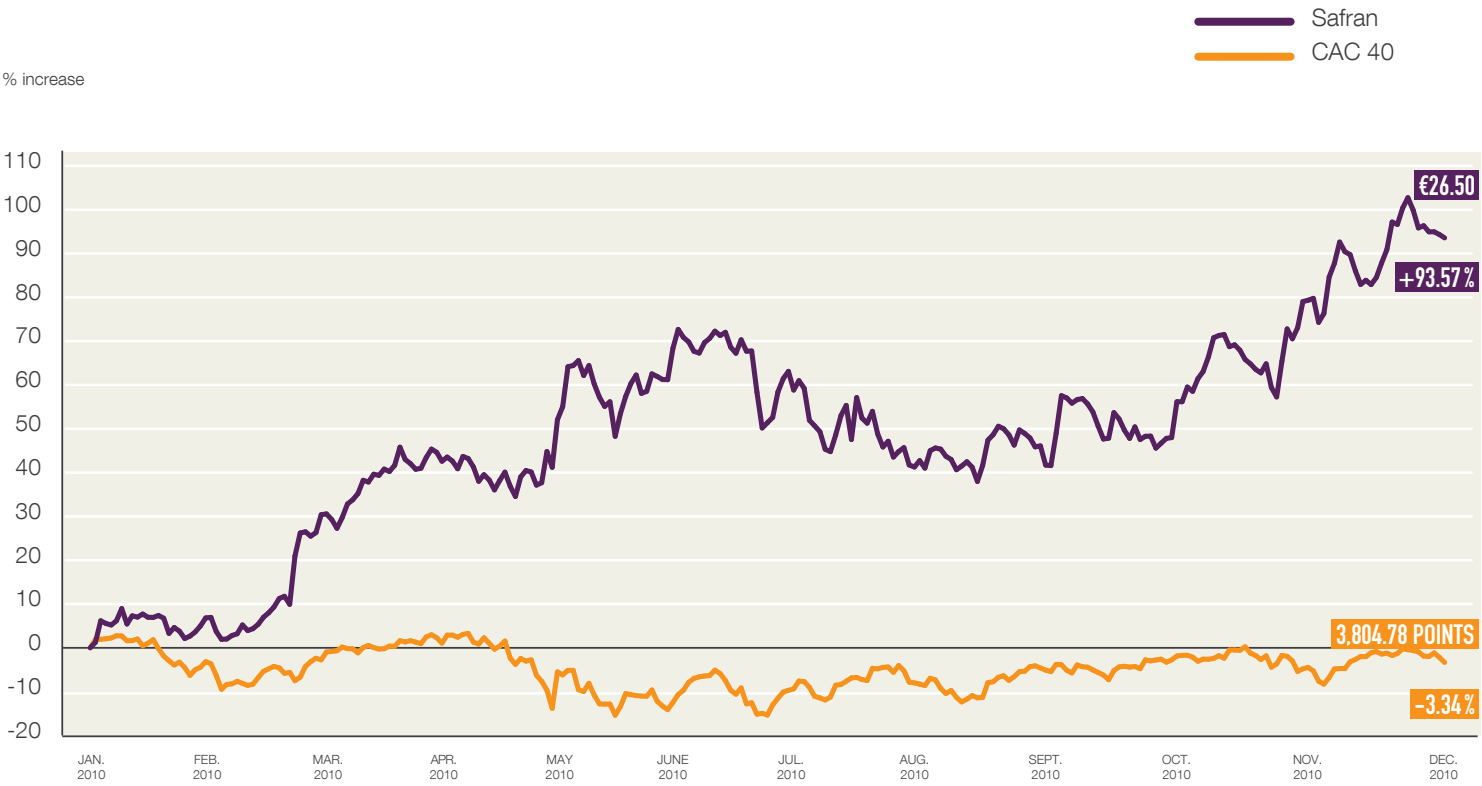
#### Investor and Analyst contact

Phone: + 33 (0)1 40 60 83 53  
email: investor.relation@safran.fr

#### Individual shareholders and Shareholders Club contact

**N° Vert : 0 800 17 17 17**  
email: actionnaire.individuel@safran.fr

## SAFRAN SHARE PRICE: JANUARY 1 TO DECEMBER 31, 2010





## STRATEGY NURTURING GROWTH

Safran, as a world leader in high technology, applies an ambitious Research & Technology (R&T) policy designed to ensure vigorous organic growth through increasingly integrated solutions. If needed, this strategy is backed by a targeted mergers & acquisitions policy, to provide or strengthen certain technological building blocks.

## ACQUISITION OF L-1

### A WORLD LEADER IN SECURITY SOLUTIONS

Safran and L-1 Identity Solutions, a leader in this market in the United States, announced on September 20, 2010 that they had signed an agreement providing for the acquisition by Safran of L-1's biometric solutions, access control, secure ID document and enrollment service businesses, for a total of \$1.09 billion, in cash. This operation, which was to be finalized in the first half of 2011 (pending authorization by American authorities), will create a world leader in high-tech solutions for the booming biometric security market.

With the addition of L-1, Safran will increase its security business sales by one-third. It will also help the Group consolidate its

positions in the American market, giving it the complete array of technologies needed by any major player in the security sector. Already the world leader in fingerprint recognition, Safran will also acquire this status in iris recognition, and will bolster its production capacity for secure ID documents. From the business standpoint, the acquisition facilitates access to the huge driver's license market in the United States, which is managed by each state individually.

Morpho will subsequently have the essential technologies and market access that will enable it to meet its long-term strategic objective of making security the Group's third pillar.



FINGERPRINT  
RECOGNITION



1979

first flight of a CFM56 engine

2016

planned flight of first LEAP-X engine

1.09

billion dollars invested in the acquisition of L-1

100

million euros invested in the new Turbomeca plant

## LEAP-X CHOSEN FOR AIRBUS A320NEO

### THE NEW-GENERATION AIRCRAFT ENGINE

On December 1, 2010, Airbus selected the LEAP-X as one of the engines to be offered on its A320neo. After having been chosen by Chinese aircraft manufacturer Comac as the sole Western powerplant on the new C919 jetliner, the LEAP-X is well on its way to replicate the success of its predecessor, the CFM56, which has become the benchmark in aircraft propulsion over the last 25 years. The shift to the new generation is already under way: the LEAP-X will enter service in 2016 on both the new version of the Airbus A320 and on the Chinese airliner.

## ACQUISITION OF SNPE MATÉRIAUX ÉNERGÉTIQUES

### EUROPE CONSOLIDATES ITS SOLID PROPULSION INDUSTRY

During the third quarter of the year Safran announced its plan to set up a framework agreement for industrial and commercial collaboration with SNPE, bringing to fruition a project that was considered a pivotal strategic objective for many years, namely, to strengthen the solid rocket motor industry in France and Europe. Solid propulsion is a key to both missiles and launch vehicles, and the two groups already team up on propulsion systems for France's nuclear strategic missile, the M51, and for Europe's Ariane 5 launcher. The agreement between the two groups provides for the acquisition by Safran of SNPE Matériaux Énergétiques (SME) and its subsidiaries, including 50% of Roxel, a specialist in tactical propulsion, and 40% in Regulus, a subsidiary specialized in solid rocket motor propellants. Pending the finalization of government procedures, expected in the first half of 2011, this project should enable Safran to establish its position as the world's second leading supplier of solid propulsion systems. The new industrial organization will also give

Europe a structured space propulsion industry, including the production of propellants and rocket motors within the same group. In fact, that is exactly how all of Safran's main competitors in this market are already organized. The resulting industrial and contractual simplification will significantly boost industry competitiveness, and will help both the Ariane launcher and tactical missiles win new contracts. The restructured solid propulsion industry, now grouped within Safran, will comprise nearly 3,000 employees, a Research & Development unit with more than 600 scientists and engineers, and total sales estimated at nearly 600 million euros in 2011.

THE AIRBUS A320NEO WILL BE POWERED BY LEAP-X ENGINES



## INAUGURATION OF THE JOSEPH SZYDLOWSKI PLANT

### INDUSTRIAL EXCELLENCE, FRENCH STYLE

Our ongoing international development does not mean that we have stopped investing in France. Safran continues to invest in state-of-the-art industrial facilities, as shown by Turbomeca's new Joseph Szydlowski plant in Bordes, southwest France, inaugurated last June by French President Nicolas Sarkozy. This new plant represents a total investment of 100 million euros. Turbomeca's new plant will reduce production cycles by 50% and bring design and production teams closer together. Entirely "eco-designed", it exceeds the most stringent Health, Safety and Environment (HSE) standards, and is a model of sustainable development. It was conceived with the well-being of future generations in mind, as well as the long-term viability of the enterprise, by anticipating the more restrictive environmental regulations to come. The plant also ensures the company's long-term presence in this region, supporting both employment and skills development, and reflects the Group's commitment to the ongoing growth of the world's leading producer of turbine engines for helicopters.



INAUGURATION OF THE NEW TURBOMECA PLANT



ARIANE 5 LAUNCH IN KOUROU, FRENCH GUIANA



## RESEARCH & TECHNOLOGY RISING TO TOMORROW'S CHALLENGES

Establishing a distinctive technological difference is one of the key competitiveness factors in Safran's business sectors. To maintain our leadership in an environment characterized by increasing global competition, the Group applies a strategy based on proactive Research & Technology.

### INNOVATION ANCHORED IN CROSS-FUNCTIONAL COMPETENCIES

Safran's Research & Technology activities are organized according to a model that fosters the development of synergies. For instance, we have set up a network of experts focused on a dozen main disciplines: mechanics, aerodynamics, composite materials, alloys, electronics, onboard software, sensors and signal processing, systems engineering, etc. Several research centers in France and the United States, for instance, are working on signal processing and imaging techniques. Safran's products for defense optronics, biometrics, explosive detection and critical engine parts, whose quality is certified

by non-destructive testing (computed tomography, ultrasound inspection, etc.), benefit from broad synergies between these teams. Since being created, the Safran group has maintained close ties with academic research. In 2010 we started a new collaboration with the Leti lab at French atomic energy commission CEA, an applied research center for microelectronics and information technology, to work on infrared sensors using indium antimonide (InSb) technology.

To convert our research investments into intangible assets, Safran also actively pursues a policy of filing for patents, with the total number in our portfolio increasing steadily.

### New R&D center

The new François Hussenot center in Massy, near Paris, consolidates the Group's strengths in electronics and safety-critical software within the Safran Electronics division, forming a world-class R&D hub.



5th

leading French company  
in terms of patents published  
in 2010 (426)

20%

of employees  
work on R&D

450

doctoral scientists  
work in Safran's  
research teams

1.2

billion euros invested  
in R&D in 2010  
(53% self-financed)

### GREEN TAXIING: COMBINING ECOLOGY AND ECONOMY

Safran has developed a concept that will allow aircraft to taxi, before takeoff and after landing, without using their jet engines. Electric motors powered by the auxiliary power unit (APU), already installed on all planes, will be added to each wheel in the main landing gear, and controlled from the cockpit. This concept will provide fuel savings of up to 5%, while significantly reducing CO<sub>2</sub> and NOx emissions, largely offsetting the additional fuel used due to the weight of the system. Furthermore, since the jet engines won't operate while the plane is on the ground the risk of ingesting debris is greatly reduced. A demonstrator is planned for 2012, with the system entering service in mid-2016.

### SIMPLER SECURITY CHECKS

Morpho's innovative X-ray diffraction technology will revolutionize the luggage inspection process during passenger check-in at airports, by allowing liquids and gels to be inspected, while increasing the detection rate and decreasing the number of false alarms. This highly effective technology provides a precise identification of materials contained in luggage, based on their crystal or molecular structure, offering unprecedented detection performance. Many other technical advances are behind the design of a fast, compact system, especially well suited to these inspection stations.

### 3D WOVEN COMPOSITE BLADES FOR LEAP-X

In December 2010, Snecma carried out the first simulated blade rupture test on a new-generation fan module. This test is a major milestone in the certification of any jet engine. The fan blades and casing are made of a 3D woven composite material, using the resin transfer molding (RTM) process. RTM involves the injection of a liquid resin between a rigid mold and countermold, to produce 3D composite parts that are both light and strong, and very practical production processes have been developed as well. RTM woven composites are one of the major technological advances incorporated on the new LEAP-X engine.

### Tomorrow's ceramic low-pressure turbines

The use of composite materials is gradually being extended to the entire aircraft, including the engine. In July 2010, Safran tested the first prototype of a low-pressure turbine fitted with ceramic matrix composite blades. Based on the 3D woven technology developed jointly by Snecma and Snecma Propulsion Solide (the Group's center of excellence in composite materials), these blades are a world first, and a real technology breakthrough that heralds the new generation of turbines to be incorporated in airplanes that will hit the market towards 2018.



ASSEMBLING INERTIAL  
NAVIGATION EQUIPMENT  
IN A CLEAN ROOM



TAXIING



TESTING FAN BLADES  
ON THE LEAP-X ENGINE



## DEVELOPMENT UNIFIED AND EFFICIENT GROWTH

Safran continues to expand, while also building our image and bolstering our structure as a major global enterprise.

### A UNIFIED WHOLE

In 2010 Safran rolled out a new visual identity, designed to spotlight the value of the Group as a unified whole built on its constituent companies. At the same time, we further strengthened the coordination of our international development, based on a unified image and with the aim of greater efficiency. In the field, we carried out a number of promotional actions for the Group, to support the development of our companies. This support was reflected in close contacts with local authorities and key personalities, professional associations and think tanks.

This strategy also involved, for example, the coordinated implementation of a Group-wide offset policy, along with the management of our internal export control and trade compliance processes. A new company was created in 2010, Safran Mexico. The aim of this type of entity is to bolster our local presence with regional customers, and pool various support functions. We also focused on rationalizing the Group's businesses in the United States and India last year, while organizing major country-level seminars in Russia, Brazil, Mexico, India, Italy and the United Kingdom.

### New visual identity

The Group's new visual identity was unveiled during the Annual General Meeting of Shareholders in 2010. It is based on a modernized Safran logo and a "descriptor" specifying the three core markets.





More than  
**54,000**  
employees  
worldwide

Including  
**25%**  
outside of Europe

Present  
in more than  
**50**  
countries

### EXPANDING FOUNDATIONS IN SECURITY

The security sector has consolidated at a rapid pace over the last few years. Safran is now one of the top three providers of biometric solutions in this market, and is No. 1 worldwide in automated fingerprint identification systems (AFIS). With the recent acquisition of L-1 Identity Solutions (pending approval by American authorities), Safran will become the world leader in biometric ID solutions and the detection of dangerous products, adding expertise in critical iris recognition technologies and bolstering its capacities in enrollment systems. The acquisition of Printrak and GE Homeland Protection in 2009, along with L-1 today, confirm the Group's transatlantic presence. In addition to adding new technological building blocks, the incorporation of L-1 will also facilitate access to the American market, which now accounts for about 40% of global security business.

### A strategic facility in Mexico

Mexico is located in a very strategic position near the United States, the world's leading aviation market. In March 2010, Mexican President Felipe Calderon and Safran CEO Jean-Paul Herteman inaugurated the Group's new site in Querétaro. This site houses two plants, which make components for engines and landing gear used on both Boeing and Airbus jetliners. Already operating in Mexico for more than 20 years, Safran has confirmed its position as the country's leading aviation industry employer, with 3,000 employees, and consolidated its strategic presence in this prestigious sector.

### THE UNIQUE ID NUMBER PROGRAM IN INDIA

Safran's participation in the Indian program to assign a unique identification number to all residents will accelerate the development of the security market in Asia. The Group has therefore created a dedicated biometric subsidiary, Sagem Morpho Security Pte Ltd., and we have also teamed up with Mahindra Satyam, one of the world's leading providers of information services. The vast Indian ID program is unprecedented worldwide, since it involves the creation and management of a biometric database eventually covering 1.4 billion people – a major breakthrough in the security market. Last December, Safran was the first company to contribute its technology for the deduplication of biometric files, enabling the first unique ID number to be issued in India.

With more than 1,000 employees, security is already Safran's largest production business in India. Safran makes a wide range of personalized smart cards in the country for a number of applications, including healthcare, biometric identification, transport, banking and mobile phones. Safran's Noida plant turns out one million smart cards a day, sold not only in India, but also exported to many other countries in Asia, Africa and the Middle East.



SMART CARDS  
FOR BANKING



ENROLLING RESIDENTS IN  
THE INDIAN ID PROGRAM



WORKERS AT THE  
QUERETARO PLANT  
IN MEXICO

FRENCH ROOTS,  
GLOBAL FOOTPRINT

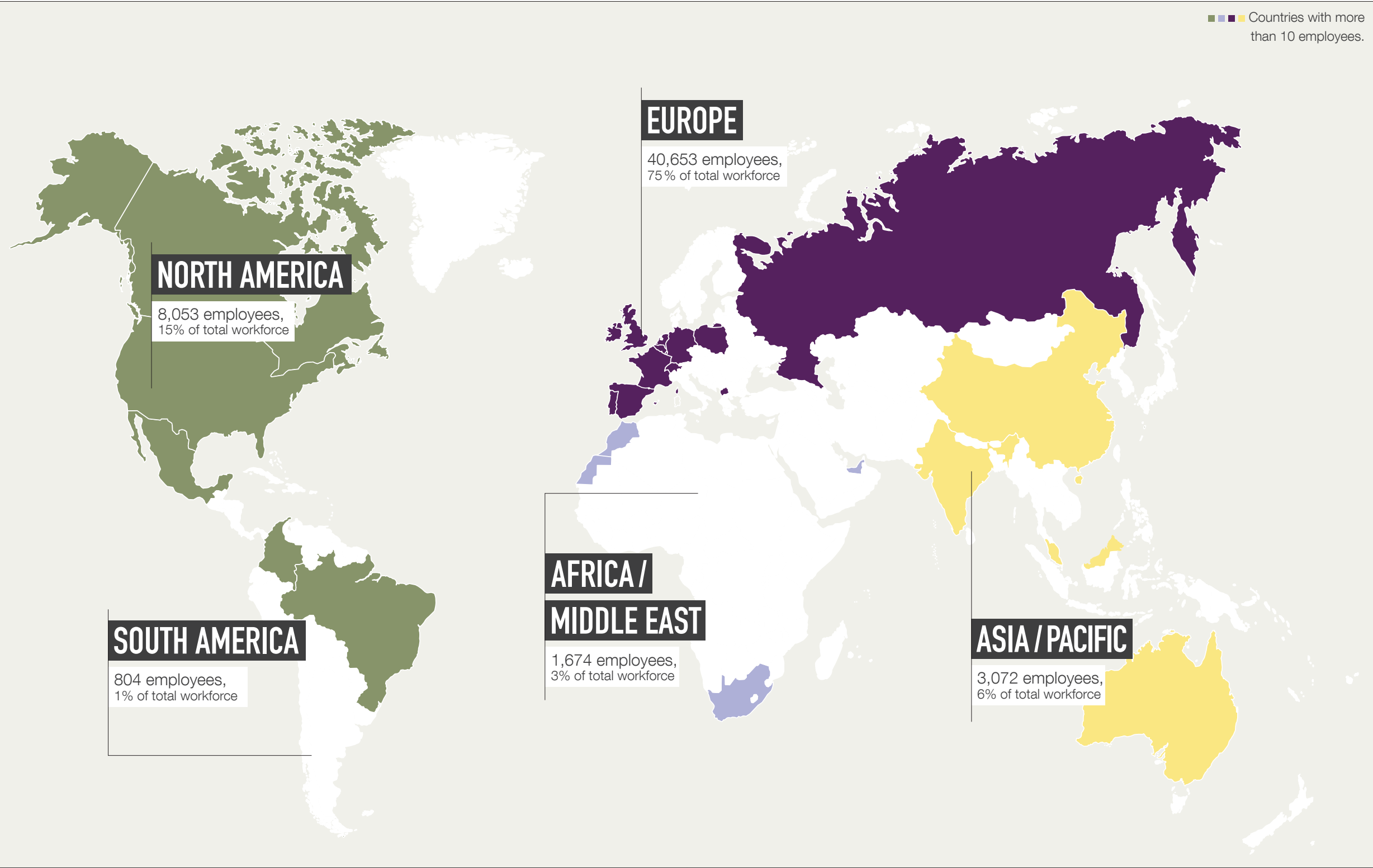
Safran has continually expanded to keep pace with the development of global business over the years, and now operates in more than 50 countries around the world.

NORTH AMERICA  
8,053 employees

United States	4,330
Mexico	2,708
Canada	1,015

SOUTH AMERICA  
804 employees

Brazil	703
Other	101



EUROPE

40,653 employees

France	34,482	Germany	990
U.K.	1,985	Russia	288
Belgium	1,448	Other	1,460

AFRICA /

MIDDLE EAST

1,674 employees

Morocco	1,336
South Africa	246
Other	92

ASIA / PACIFIC

3,072 employees

India	1,623
China	670
Singapore	542
Australia	179
Other	58





## IMPROVEMENT INITIATIVES

### DYNAMIC TRANSFORMATION

Safran pursues its continuous improvement initiatives based on best practices from around the world. These large-scale projects, coordinated by the Group and applied to all of our units, underpin an approach based on ongoing innovation and transformation. They target economic performance, as well as fostering the full-fledged commitment of all employees to continuous improvement.

#### REFINING OUR CONTINUOUS IMPROVEMENT APPROACH

Safran's improvement initiative was relaunched two years ago as Safran+, a label that is now widely recognized throughout the Group. Based on continuous improvement efforts, the priority projects – coordinated at Group level and overseen by management teams at our companies – are deployed simultaneously across the Group, and aim to achieve breakthrough improvements. The corresponding gains are spotlighted, to make sure that the performance achieved in each type of improvement action is visible. The four main improvement objectives are: the development of service sales; the

bought-in share of production costs; its internal share; and control over overhead, structural and administrative expenses. At the same time, a major Group project focuses on reducing our working capital requirements and improving cash flow. Another project aims to decrease the Group's exposure to euro/dollar exchange rate fluctuations.

To increase their effectiveness, heads of both improvement initiatives and Group projects received special training in 2010, covering communications techniques, managing change and labor relations, and managing transformation projects.

#### Pooling procurement

Non-production purchases have been pooled through the creation of a shared services center, called Safran Purchasing. With this new structure, purchasing between Group companies is now coordinated centrally, while companies have retained their operational responsibility for the purchase of components, products or services needed to make their own products.



1,900

Green Belts and Black Belts, already certified or being trained, are leading projects at Safran

More than

1,000

Lean projects launched or completed in 2010

250

employees now consolidated within Safran Purchasing

11.4

improvement suggestions per person and per year applied at Sagem Industries

## MODERNIZATION OF GROUP MANAGEMENT

Two types of actions run concurrently: continuous improvement initiatives, coordinated by Group companies within the scope of their own progress plans, and breakthrough or even disruptive concepts, embodied in several projects deployed simultaneously across the Group and coordinated centrally. All Safran entities share the common goals of improving financial performance and stimulating innovation, based on reference standards applied throughout the Group. In line with this approach, various support functions are being modernized to establish new operating modes and an enhanced service culture. For instance, since January 2010 a shared services center has centralized payroll and personnel management for 24,000 employees in France. At the same time, we revamped our in-house university, creating Safran Corporate University to support ongoing changes in our business sectors and develop the skills and expertise of more than 54,000 Group employees. Safran Corporate University focuses its training programs on the Group's strategic challenges and priority skills development objectives for the entire workforce. This is just one way for us to unify our personnel around a shared corporate culture, identity and values. The RTDI (research, technology, development and production engineering) project aims to improve all processes involved in getting a new product to market by 30%.

## LEAN-SIGMA, A MAJOR IMPROVEMENT LEVER

The Lean-Sigma initiative continues to be a major lever for improving the Group's performance. Based on training Green Belts and Black Belts in these two productivity improvement techniques, this initiative now counts nearly 2,000 employees who are undergoing training or have already been certified – and they will lead improvements in production, engineering and support functions.

## COMPETITION DRIVES INNOVATION

Safran organizes a yearly competition that rewards the best innovations in five categories: Lean-Sigma, sustainable development, innovation in the field, patented innovation, and product, technology or service innovation. A Safran Grand Prize for Innovation recognizes the most innovative idea of the year. The "innovation in the field" award for 2010 was jointly awarded by Safran and the business weekly *L'Usine Nouvelle*, while the prize for the best Lean-Sigma project spotlighted the impact of a quality initiative set up in conjunction with a supplier.

## LEAN TRANSFORMATIONS

More than 80 "Lean Transformations" have been launched in the last two years. These initiatives systematically focus on visual management and use a two-pronged approach: projects implemented locally by companies, in line with the improvement objectives defined by Safran; and others carried out at Group level, based on proposals by our companies.

## Supply Chain

Safran continues to optimize its supply chain. All Group companies now manage this proactive initiative, sharing common reference standards that were drawn up to place daily supplier relations on a more professional basis. Thanks to actions targeting our suppliers, we have been able to reduce non-quality in half since 2008, while at the same time improving on-time delivery performance by 30%.

KEEPING OVERHEAD, STRUCTURAL AND ADMINISTRATIVE COSTS UNDER CONTROL

OPTIMIZING OUR SUPPLY CHAIN



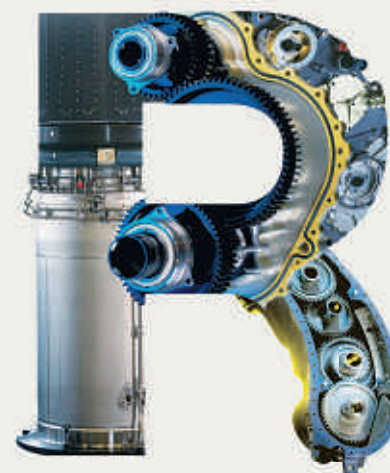
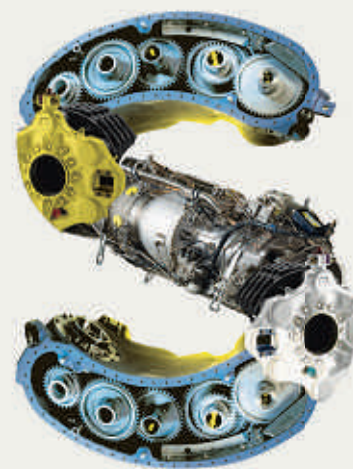
THE "FINGER ON THE FLY" MOBILE FINGERPRINT RECOGNITION SYSTEM WON THE SAFRAN INNOVATION GRAND PRIZE IN 2010





AEROSPACE  
PROPULSION

34



DEFENSE – SECURITY

42

AIRCRAFT  
EQUIPMENT

38

**Safran has organized its core businesses** in three branches. The Aerospace Propulsion and Aircraft Equipment branches consolidate the companies dedicated to air and space. The Defense – Security branch consolidates operations concerning optronics, avionics and electronics for both civil and military markets, as well as biometric and detection solutions for the security market.



Safran's aerospace propulsion activities cover the entire life cycle of propulsion systems – design, production, marketing, testing, support – for airplanes, helicopters, missiles and launchers, in the civil, military and space markets. Engines built by Safran power many of the world's leading aircraft and spacecraft.

## INTERVIEW

**MARC VENTRE, Executive Vice President,  
Aerospace Propulsion branch**

### How would you characterize the market in 2010?

The rebound in air transport, already buoyant in emerging countries starting in 2009, spread worldwide. These favorable conditions underpinned a clear recovery in airlines' financial health. We have now emerged from the low point in the business cycle.

### How did the events of the past year impact Safran's propulsion business?

Spurred by the market recovery, we posted spectacular results at the Farnborough international airshow in July: more than 825 orders for CFM56 engines, along with long-term maintenance contracts, worth over \$7.3 billion at list prices. The orders booked in 2010 largely exceed our best-ever year for production.

### In addition to this business success, was there another area where you were especially satisfied?

Our very good earnings, built on what is now a well established trend of continuous improvements in controlling costs and improving productivity.

### What difficulties did you have to overcome last year?

Spare parts orders for the CFM56 were lower than in 2009, a cause for concern, but this was fortunately offset in part by our support business for military, helicopter and large turbofan engines. We also recorded a 16% rise in CFM56 spare parts sales from the third to the fourth quarter of the year. This indicates that the low point is now behind us, and that the recovery is solidly established, including for support services.

*"The selection of the LEAP-X for the Airbus A320neo confirms our success in 2009 when this engine was chosen to power the Comac C919. The successor to the CFM family is now well under way."*





**5,604**

million euros  
in sales

**20,000**

employees

**9,000**

Ariel engines delivered  
as of year-end 2010

**15%**

reduction in CO<sub>2</sub>  
emissions on the LEAP-X

**55**

Ariane 5 launches  
as of Dec. 31, 2010

#### COMMERCIAL ENGINES: CFM56 CONTINUES TO MEET CURRENT NEEDS

Air traffic grew 6.3% in 2010 over the previous year, according to the International Civil Aviation Organization (ICAO), due to a significant rise in international traffic and dynamic growth of domestic traffic in emerging countries. While the LEAP-X engine represents the future in aircraft propulsion, CFM56 engines continue to meet the current needs of Safran's customers, as clearly shown by the large number of new contracts signed at the Farnborough airshow. In June 2010, the European Aviation Safety Agency (EASA) certified the SaM146 engine powering the Sukhoi Superjet 100 regional jet, a decisive step forward in the promising career of this new aircraft. Mexican airline Interjet ordered 20 Superjet 100s during the year, including five on option.

#### Airbus selects the LEAP-X

The LEAP-X, a new generation engine developed by CFM International, a 50/50 joint company of Snecma (Safran) and GE, was selected by Airbus as one of the engines to be offered on the A320neo. This new aircraft could enter service in spring 2016, and will meet customers' priority requirements in terms of reliability, reduced fuel consumption and maintenance costs, and environmental performance.

#### MILITARY ENGINES: TP400 FLIGHTS, MRO CONTRACT

The difficulties of the new A400M military transport have now been overcome, and its TP400 turboprop engine is continuing flight tests leading to certification. The fourth A400M built by Airbus made its first flight in December, and the development fleet logged more than 1,000 flight-hours in 2010. During the year Safran signed a five-year contract with SIAé, the French military aircraft MRO (maintenance, repair and overhaul) organization, covering the M53 (Mirage 2000) and M88 (Rafale) engines, as well as the TP400 (A400M) when it enters service.

#### INAUGURATION OF BORDES PLANT

The Arriel family of helicopter engines has celebrated its 30 millionth flight-hour. Available in 28 different versions, it holds a 60% share of the market for helicopters with 700 to 900 shp (shaft horsepower) engines. Reflecting its confidence in its helicopter engine design and

HELICOPTER POWERED  
BY AN ARRIEL ENGINE



production business, Safran invested 100 million euros in the new Turbomeca plant in Bordes, southwest France, inaugurated in June 2010 by French President Nicolas Sarkozy.

#### MEETING AMBITIOUS GOALS IN SPACE

On January 14, 2010, Ariane celebrated its 30th anniversary, and this success story continues today with Ariane 5. Safran is responsible for propulsion systems on this European launcher, with the Vulcain® 2 main-stage and HM7B upper-stage cryogenic engines, along with the solid rocket boosters, in partnership with Avio. Including the six missions in 2010, Ariane 5 had performed 41 successful launches in a row at December 31, 2010.

Safran, the European leader in the design and construction of solid rocket motors, signed an agreement to acquire SNPE Matériaux Energétiques (SME), the European leader in propellants and energetic equipment. The new consolidated entity will be a world leader in solid propulsion for both space and defense applications. The M51 strategic missile, including propulsion and guidance systems by Safran, was fired by a submerged submarine on the move for the first time.

COMPUTER-  
AIDED DESIGN  
(CAD)  
ILLUSTRATION  
OF THE LEAP-X  
ENGINE



THE AIRBUS MILITARY  
A400M AIRLIFTER





Safran supplies a wide range of systems and equipment for most of today's leading aircraft, in particular nacelles and thrust reversers, landing and braking systems, and electrical power transmission, distribution and management equipment.

## INTERVIEW

**YVES LECLÈRE, Executive Vice President,  
Aircraft Equipment branch**

### **What were the main developments for your branch in 2010?**

Above all, I would like to underscore the rebound in our economic performance. After three years of unrelenting efforts, we generated significant cash flow. Our productivity gains are especially encouraging, and we will keep improving in this area.

### **What areas gave you the greatest satisfaction?**

The success of our nacelle and thrust reverser business, driven by the success of the new LEAP-X family, is very encouraging. Nexcelle and CFM confirmed their synergy, clearly proving Safran's ability to provide its customers with an integrated propulsion system, including the engine, nacelle and thrust reverser. This capability proved to be especially relevant, because, after convincing Comac in late 2009, this proposal won over Airbus in 2010.

### **Were there any disappointments last year?**

Perhaps the term is a bit strong, but it's true that delays in major aircraft programs including a significant number of our products impacted our sales growth.

### **The companies Messier-Dowty, Messier-Bugatti and Messier Services are going to merge: why now?**

Today, aircraft manufacturers want to work with solid Tier-1 partners, capable of delivering integrated, innovative solutions. In terms of service delivered to airlines, our future also depends on our ability to provide more comprehensive packages. Major opportunities are coming up in the next decade, so it's the right time to create a world leader by grouping all functions that connect an airplane to the ground (i.e., landing, braking, steering) in a single entity.

*"With Safran Power and the Ampères research program, Safran really anticipated the 'more electric' aircraft revolution. I am sure that we will be ready for the new generation of single-aisle jets."*





**2,834**million euros  
in sales**19,000**

employees

**20,500**aircraft fitted with  
Safran landing gear**13,000**engines in service  
with Safran nacelles**500**kilometers of wiring  
on an Airbus 380**SUCCESS IN THE NACELLE/THRUST  
REVERSER MARKET**

Last year was very promising for the future of Group company Aircelle, which has a number of programs in its portfolio. Nexcelle, an equal joint venture of Aircelle and Middle River Aircraft Systems (GE) has a very healthy order book. The selection of the LEAP-X engine for both the Comac C919 and the Airbus A320neo also benefits the Aircraft Equipment branch. These successes are based on innovations that call on composite materials, and on exceptional work focusing on acoustic performance, aerodynamics, electrically-controlled thrust reversers and the “design to cost” concept, which involves integrating cost factors right from the initial design phase.

**An assembly line that will become an industry benchmark**

The A380 nacelle assembly line in Le Havre, France, marks a significant breakthrough in production: the same automated line is used to assemble four different versions of the nacelles used on the Airbus super-jumbo jet: for the two different engines offered on this aircraft, and with or without thrust reversers on each model.

Nexcelle will also be participating in another major aircraft program, since its nacelles and thrust reversers will equip the GE TechX engine, selected for the new Bombardier Global 7000 and Global 8000 business jets.

**THE FUTURE OF LANDING AND  
BRAKING SYSTEMS**

Safran is gearing up to keep pace with the fast-evolving aviation market, by merging Messier-Dowty, Messier-Bugatti and Messier Services to form an entity that will more efficiently meet future needs. Furthermore, in response to increasing demand from operators to reduce fuel consumption and CO<sub>2</sub> emissions, the Group is working on a concept called “Green Taxiing”, allowing aircraft to avoid using their jet engines while taxiing at airport, which will reduce fuel

consumption by up to 5%. The landing gear on single-aisle jets could be equipped with electric motors to drive their wheels as early as 2016. Safran also continued to bolster its industrial facilities in 2010. For instance, it expanded its plant in Bidos, France, adding a new landing gear assembly shop, and the new plant in Querétaro, Mexico started operations.

**LABINAL AND SAFRAN POWER:  
TOWARDS MORE ELECTRIC AIRCRAFT**

“More electric” aircraft simply means that the traditional hydraulic and pneumatic systems will be replaced by electrical systems in the upcoming generations of commercial jets. The new Safran Power entity, dedicated to this field, is now completely organized. In related areas, Safran Engineering Services was created on March 1, 2010, as a single entity that provides engineering services for design departments in the Group and for other major manufacturers.

NACELLES BY NEXCELLE  
WILL BE FITTED ON THE  
BOMBARDIER GLOBAL  
8000 HIGH-END BIZJET



THE INNOVATIVE  
ASSEMBLY LINE  
FOR THE A380  
NACELLE



LANDING GEAR ON  
A BOEING 787



**2,281**  
million euros  
in sales

**13,000**  
employees

A major player in global security markets, Safran offers a complete line of advanced technology products, from personal identification to luggage inspection, helping to protect people, identify criminals and secure critical facilities.

We also call on our expertise in optronics, avionics and electronics to give our customers high-tech systems and equipment for use on air, land and sea, in both civil and military markets.

## INTERVIEW

**OLIVIER ANDRIÈS**, Executive Vice President,  
Defense – Security branch

**What was the main development in 2010 for your branch?**

The announcement of the planned acquisition of L-1 Identity Solutions was undoubtedly the most important event last year. Following the acquisition of Morpho Detection in 2009, this transaction, pending approval by American authorities, is a new challenge for us. L-1's businesses are an excellent fit with our own, from both the commercial and technological viewpoints, and will strengthen our position as a major player in the global security market.

**Could you briefly describe the unique ID number program in India?**

India has launched a vast program to assign each resident a unique identification number – by far the largest program of this type in the world, since it will cover 1.4 billion persons, 15 times more than the largest biometric database to date. Morpho is one of the three companies chosen to take part in the first phase of this program, covering some 200 million persons.

**And what were the highlights in your defense business last year?**

First, the excellent performance of our optronics business, with sales up 38%, driven by our subsidiary Vectronix and the many contracts it won from the U.S. Army. Also worth noting were the successful firing tests of the laser-guided AASM, as well as several successes in avionics, including a number of certifications, such as the one for the electric brake software on the Boeing 787.

**Why is the X4 program so important for Safran?**

Eurocopter's planned X4 helicopter is the first civil rotorcraft with fly-by-wire controls. In addition to the development of a new engine, Safran has signed a tripartite agreement with Eurocopter and Thales for the development of the X4's avionics suite, and we will be in charge of the flight controls.

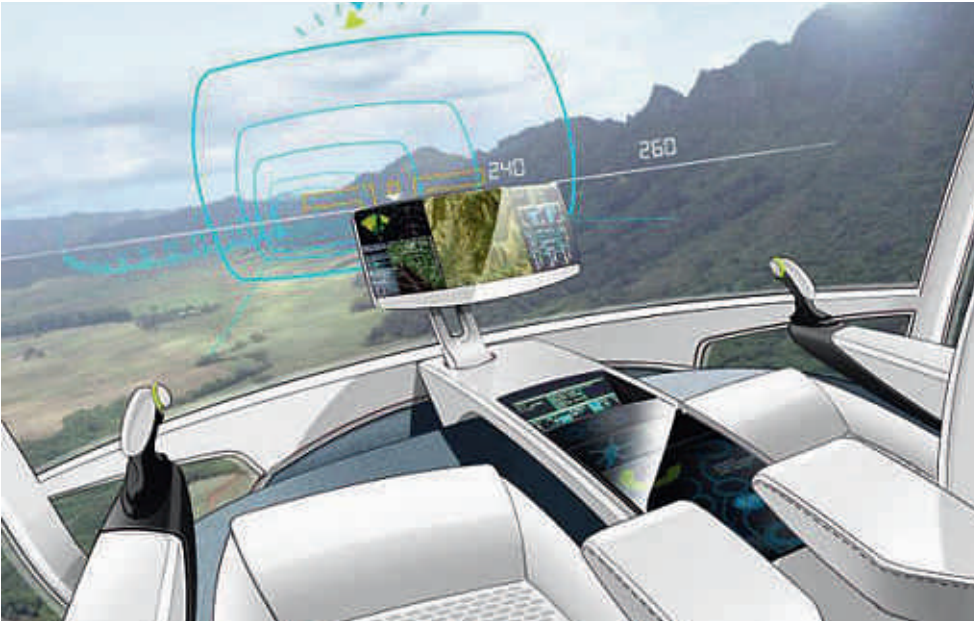
*“Our corporate strategy of making security the third pillar of the Group really came into its own in 2010, with the planned acquisition of L-1 and the unique ID number program in India.”*





# DEFENSE

3D ILLUSTRATION OF THE X4 HELICOPTER'S COCKPIT



4,500

JIM LR infrared binoculars on order or already in service in a number of countries

## BUOYANT OPTRONICS BUSINESS

One of the main highlights of 2010 was the buoyant performance of the optronics business, especially for portable optronics equipment, which recorded sales growth of 70%. Also worth noting are several major business wins, including our selection by French defense procurement agency DGA as prime contractor for the RIF-NG program, the new-generation warfighter radio and information system, and an order for 1,175 new-generation JIM LR long-range infrared binoculars. These multifunction binoculars give armed forces and security units the capability for day/night observation, detection and identification of threats to a range of several kilometers. Compact and ergonomically designed, they include all functions required for even the most demanding operating

environments in a single unit: daytime vision, thermal (nighttime) vision, range-finding, laser pointer, GPS and magnetic compass.

## REORGANIZATION

The 1,500 employees of Safran Electronics are now grouped at the new François Hussenot plant in Massy, south of Paris, while the transfer of our electronics activities to Fougères is under way.

In addition, the Tarbes plant's work for the Megajoule Laser research facility was transferred to the ALCEN group.

## X4, tomorrow's helicopter

The X4 helicopter, which will succeed the Dauphin, is a flagship program in Eurocopter's range of civil rotorcraft. It will be developed using funding from the French economic stimulus program, and is slated to enter service in 2016. The technological aspects of this new helicopter, dubbed "Petrah", mark a major step towards the "more electric" helicopter. Safran has signed an agreement with Eurocopter and Thales to develop the avionics suite for this new helicopter, bolstering the Group's position in fly-by-wire controls for rotary-wing aircraft.

# SECURITY

THE UNIQUE ID NUMBER PROGRAM IN INDIA



1,400,000

passports issued in Albania

1,000

pieces of luggage inspected per hour using the CTX 9800 computed tomography system

## ID BUSINESS SUCCESS

Safran was chosen to participate in the test phase of India's unique ID number program, which combines iris and fingerprint recognition for a population sample group of 200 million persons. In addition to this unprecedented project, Safran scored a number of major business wins, including the renewal of passports in the Netherlands, secure driver's licenses in North Carolina, and replacement of the Iris system in the United Arab Emirates.

## DETECTION: MEETING NEW THREATS

To respond to the emergence of new terrorist threats, Safran is developing innovative technologies to detect liquid explosives, as well as explosives in containers. The Group received several major certifications for its products in the United States and Europe, in particular for the CTX 9800 and CTX 5800 computed tomography systems. It also booked orders from around the world for the Itemiser DX portable explosive trace detector.

## TECHNOLOGIES RECOGNIZED

### WORLDWIDE

Safran maintained its position at the cutting edge of technology, winning several awards for the quality of its products and innovative solutions. For example, Safran was ranked first by the National Institute of Standards and Technology (NIST) in the United States in an authentication test of fingerprint recognition. At the Security Essen 2010 trade show, Safran won the innovation award for its sensor that combines the analysis of vein patterns in fingers and fingerprints. More recently, Group company Morpho won the "Sésames" award for its work to ensure the compatibility of SIM cards with local wireless networks.

## Planned acquisition of L-1 Identity Solutions

The planned acquisition of L-1 will significantly bolster Safran's world leadership in security solutions due to several key factors: complementary technological fit with facial and iris recognition; and complementary footprints, especially with the addition of the secure driver's license market in the United States.



## HUMAN RESOURCES

# A STRONG, INTEGRATED GROUP

The Safran group is developing in today's global economy. Besides growing in scope and reorganizing, it is also assuming its corporate social responsibility as a leading economic player by signing agreements and implementing a dynamic human resources policy.

### HUMAN RESOURCES: SAFRAN'S MAIN CAPITAL

To keep pace with its growth, Safran faces two challenges: skills management and internationalizing its customers and teams. The level of skills and ability to develop its employees' know-how are particularly crucial factors for high-tech business activities. Safran focuses two thirds of its recruitment efforts on attracting engineers. In 2010, Safran created three new departments within the HR division: the Social Relations department, the Management and Senior Executives department and the Training and Managerial Development department. The latter two share a goal: strengthening the Group's common culture and enabling greater mobility

for executives between companies and jobs. This goal requires shared operating modes, developing networking, and the exchange of best practices and cooperation through closer working relationships. This makes Safran Corporate University, reorganized in 2010, an ideal resource for all employees in the Group, from high-level managers to staff affected by career changes, whatever their company and location. The University is a great way to spread the Safran group's culture, identity and values.

### Safran Corporate University

The training courses run by the new Safran Corporate University are grouped into three main categories:

- **Leadership and Management:** facilitating shared management practices based on the Group's values.
- **Professions and Skills:** enhancing technological and production skills, as well as skills required for support posts in accounting, purchasing, human resources, etc.
- **Employment-Training:** protecting the employability of each and every employee in the Group, by facilitating retraining for those whose skills need to be adapted or whose jobs have changed.



1.360

staff hired  
in France  
in 2010

2.100

interns  
welcomed  
in France in  
2010

4%

of payroll  
expenditures  
dedicated to  
training

70%

of employees take a training  
course at least once a year

CORPORATE SOCIAL RESPONSIBILITY  
AND DIVERSITY

Responsible corporate citizenship, the power of teamwork and bringing out the best in men and women – three of Safran’s core values – are illustrated in several ambitious projects aimed at fostering diversity.

One of their main focuses will be on better integrating disabled persons. With a project called “Élan” launched in 2006 by the Safran Foundation for Integration, the Group takes on students for work-study courses. In this same area, Safran supports the SALTO project and the HAN’VOL association. On May 21, Safran also signed an agreement with Agefiph (1), setting an objective of hiring or training 146 disabled persons over a period of two years, including 49 permanent or fixed term contracts, 67 apprentices and 30 interns.

Steps have also been taken to foster gender equality. The Group is a partner in the “Elles bougent” association, which aims to promote women’s roles in science education and encourages overall diversity when hiring staff, particularly with regard to engineers and executives.

Moreover, as in 2008 and 2009, Safran continued to welcome 250 young people per year from disadvantaged urban areas under the French government’s “Espoir Banlieues” program.

MODERNIZATION OF SUPPORT POSTS

The purpose of modernizing support posts is to provide the Group with more efficient ways of operating, to substantially develop a service culture, to help build an integrated group and to share common processes. As an example, the creation of Safran Purchasing in November fulfills all these purposes, bringing together buyers dedicated to non-production purchases. Another shared services center now manages the administration and payroll of French employees.

Reorganization projects have also been set up within the Computer Systems and Information Technology department, and in the Legal, Communications and Health, Safety and Environment (HSE) departments. The projects are aimed at smoothing processes and communication between the Group’s key central posts and their network of correspondents in various companies and countries.

(1) Agefiph: organization that manages funds allocated to employment of the disabled in France.

Signing the diversity charter

On November 8, in an additional step forward in Safran’s commitment to equal opportunity and diversity, Jean-Paul Herteman, Chief Executive Officer, signed the diversity charter. Also in attendance at the signing in Évry, France, were Manuel Valls, Mayor of Évry and member of the French Parliament, Pierre Lambert, Prefect with delegated responsibility for equal opportunity in the Essonne region, and Claude Bébéar, Honorary Chairman of the AXA group and co-initiator of the diversity charter.

ALMOST 25% OF SAFRAN  
EMPLOYEES AROUND  
THE WORLD ARE WOMEN  
(HERE, IN MEXICO)



SIGNING THE DIVERSITY CHARTER,  
NOVEMBER 8



THE COMPANY’S  
SKILLED SENIORS

HEALTH  
SAFETY  
ENVIRONMENT

52

BOAT  
SPONSORSHIP

56



PATRONAGE

54

**Safran's corporate responsibility** takes the form of various commitments such as the fight against climate change, protection of the environment and people's health, cultural and social patronage and a boat sponsorship initiative. The Group develops these corporate social responsibility actions in line with the core values that underpin its identity.



# HEALTH, SAFETY, ENVIRONMENT

Responsible corporate citizenship is one of the values of the Group, which is committed to efficiently managing its health, safety and environment risks.

### SPECIFIC TARGETS AND A NEW ORGANIZATION

The Sustainable Development department was extended in 2010 to become the Health, Prevention, Safety, Environment and Sustainable Development department (HPSE & SDD). Safran's intention is to set up a prevention culture throughout the entire Group. The first target is to improve working conditions with regard to health and safety, in particular by cutting the number of work-related accidents and illnesses in half within five years. The aim with regard to the environment is to reduce environmental impacts (water and air emissions, waste production, water and energy consumption) and to prevent and manage technological and natural risks (pollution, fire, flooding). The core team in the HPSE & SDD is structured into three geographical areas; each area coordinator manages a network of preventers spanning various sites that are geographically close, belonging to different companies in the Group. In HSE, as in other posts at Safran, integration of processes has continued, together with interdisciplinary work and the emergence of a Group culture.

### A GLOBAL MANAGEMENT SYSTEM

The Group's HSE management system is based in particular on 26 standards that apply worldwide, allowing each unit to measure its maturity level with regard to risk management. These standards were reworked in 2010 and are both a real roadmap for managers and an efficient tool for performance monitoring. They evolve over time, in line with the requirements of the Group's customers. This is also true for the Safran HSE audit guidelines, which will be replacing the guidelines currently used (ISO and OHSAS). Test audits were conducted in selected companies in 2010 – at Techspace Aero in Liège (Belgium), Sagem Industries in Fougères (France), Sagem in Valence (France) and Turbomeca in Dallas (United States).

### PREVENTION CULTURE

Managers have various tools and methodologies available for improving their HSE risk management. The TEHSE program (traceability and evaluation of exposure in health, safety and the environment) gathers data on all work-related risks. The program was already up and running at around fifty sites in 2010, and it will be deployed throughout the entire Group in 2012. Managers can use the Group approach for the prevention of psychosocial risks, including a method for assessing the risk of stress, already deployed in 2010 at 14 sites with a total of 14,000 employees.

### Measuring our carbon footprint

In 2008, Safran invested in a tool to measure its carbon footprint, setting a goal of reducing its CO<sub>2</sub> emissions by 15% by 2012. At the beginning of 2010, 65 sites were being measured, accounting for 90% of the Group's revenues and 85% of its staff. Three new sites have since joined the scope of the project. At the forefront of companies in the aerospace sector, Safran also started a procedure at the end of 2009 to obtain the Carbon Progress® label, delivered by Bureau Veritas Certification, to highlight steps toward sustainably reducing its carbon footprint. The pilot site, the Group's head office in Paris, passed the first milestone in the procedure in 2010.

8,500 M<sup>3</sup>

of rinsing baths recycled each year at the Turbomeca site in Mézières-sur-Seine (France)

42%

reduction in water consumption thanks to modifications made to the plumbing at Labinal in Chihuahua (Mexico)

### WATER AND ENERGY SAVINGS IN POLAND

The Hispano-Suiza site (Safran) in Poland set up a new wastewater treatment plant in 2010. This innovative "zero discharge" closed cycle facility is equipped with a low temperature energy-saving system. Water consumption can be reduced by 1,500 m<sup>3</sup> in one year, energy consumption by 24 MWh and 69 tons of industrial waste are eliminated.



ENHANCED TREATMENT OF INDUSTRIAL WASTEWATER



REDUCED NUMBER OF ACCIDENTS

MEASURING THE CARBON FOOTPRINT



# PATRONAGE

Safran is a demanding corporate philanthropist; its commitment to long-term investment in industry is equally strong and dedicated in the social and cultural spheres.

The proactive approach adopted by the Safran group for issues relating to solidarity was reaffirmed in late 2009/early 2010 with the renewal of its two corporate foundations for integration and music for a period of five years. Safran’s corporate patronage policy is part of a larger global approach, and is developed within these two foundations, through steps to promote solidarity undertaken with major partners. Over 200 projects have been supported in France and abroad since 2005.

**TWO CORPORATE FOUNDATIONS WHOSE DIVERSE ACTIONS EMBODY THE VALUES OF A SOCIALLY RESPONSIBLE GROUP...**

The Safran Foundation for Integration fosters the social and professional integration of young adults with motor, sensory, mental or social disabilities. “It is because of this goal, so easy to say, but with very ambitious objectives, that I have accepted the position of director,” said Dr. Xavier Emmanuelli, founder of the “Samu social” social assistance service. Around fifteen projects from very high-quality associations were thus selected by the board of directors in 2010. The Foundation makes every effort to support projects that combine the Group’s industrial universe with the public interest. An example of this is the approach adopted by the association “Les Ailes de la ville,” which provides aerospace industry skills training at the Air and Space Museum at Le Bourget, for young people having difficulty finding a job. Moreover, Safran employees now have the opportunity to take part in the Foundation by

participating in projects conducted in collaboration with the Group HR division and each company’s HR division. In addition to the Élan program, which accepts around thirty young disabled people each year for work-study courses leading to a qualification, a second joint undertaking has been launched to support the Frateli association. Its objective is to pair up high-potential students from lower income families with “mentors” – young high-level employees.

**Two excellent examples of Safran’s involvement in favor of diversity and equal opportunity**

The Safran Foundation for Music supports talented young musicians in their training or the development of their professional careers by supporting the places where they perform. The young violinist Fanny Clamagirand underscores this aid: “With the support of the Foundation, I have made significant progress in my career and I have been able to raise my artistic level even farther.” The Safran Foundation annual prize for music, awarded this year to Mi-Sa Yang, a brilliant young South Korean violinist, illustrates the close link that exists between the Group and the world of classical music, through the shared values of excellence and technical sophistication.

**... AND A PATRONAGE POLICY LINKED TO LONG-TERM PARTNERSHIPS**

The initiatives supported by the Group through its patronage policy combine a social and cultural approach in cooperation with partners that have a leading role to play. Safran has thus entered into a very strong long-term partnership with the French Ministry of National Education. For the third year running, pupils from schools in educational priority areas in the three Île-de-France school districts were invited by Safran to attend a concert given by the Orchestre de l’Alliance in the Salle Gaveau hall in Paris on December 14, with the Minister of Education, Luc Chatel, also present.

612

pupils attended the concert organized by the Safran group, in partnership with the French Ministry of National Education and the Orchestre de l’Alliance

68

Safran employees are voluntary mentors in the Élan program

MI-SA YANG, WINNER OF THE SAFRAN FOUNDATION PRIZE FOR MUSIC



FRENCH EDUCATION MINISTER LUC CHATEL, DURING THE CONCERT GIVEN BY THE ORCHESTRE DE L’ALLIANCE IN THE SALLE GAVEAU



SUPPORT FOR THE MOROCCAN ASSOCIATION INSAF, TO ENABLE 150 GIRLS TO RETURN TO SCHOOL AND PROVIDE EMPLOYMENT FOR 100 SINGLE MOTHERS

FRATELI: SPONSORS AND SPONSORSHIP RECIPIENTS



# BOAT SPONSORSHIP

Safran's corporate culture is distinguished by mastery of cutting-edge technologies, honoring commitments and the ability to maintain long-term partnerships. These three components are also manifested in the way that the Group's boat sponsorship program is run.

## TECHNOLOGY, RESPECT FOR OTHERS AND LONG-TERM PARTNERSHIPS

The ability to develop strong, long-lasting partnerships is a remarkable characteristic of the Safran group. This trademark has been omnipresent in the boat racing sponsorship project right from the start. Establishing long-term relationships with the skipper, Marc Guillemot, the architects, service providers and the shipyard where the *Safran* boat was built has been a key factor for success and performance. The project has been sustained by the enthusiasm of the men and women in the Group who contributed Safran's technologies, procedures and methods, constituting a unique breakthrough in the history of boat racing sponsorship.

## COMPETITION AS A STIMULUS

Safran has a profound belief in the virtues of emulation and competition as a stimulus to outdo oneself and push boundaries, both in industry and in ocean racing. It does not claim any exclusivity in this respect; the shape of the *Safran* hull has been used to build new boats, thus creating formidable competitors. At Safran, thinking ahead to stay ahead is in our DNA. We never allow ourselves to rest on the laurels of our current performance; instead, we deploy a continuous improvement approach in our boat racing sponsorship. The

long-term development plan for continuous improvement of the platform is intended to ensure that *Safran* remains the benchmark boat in the IMOCA class. Work done in 2010 focused on reducing the weight of the boat and lowering its center of gravity, developing a simpler, more reliable, higher-performance hydro-generator, and developing a groundbreaking fuel cell.

## WE'VE GOT A WINNER!

On July 1, 2010, the Round Spain race ended in Barcelona with a resounding victory for *Safran* and its crew, led by Marc Guillemot, after winning four of the six stages of the race. In November, Safran and its skipper came in third against particularly stiff competition in the La Route du Rhum - La Banque Postale race. The Group also co-sponsors a crew of young Bretons who finished first in the "Student" category in the annual Tour de France à la Voile race and came in eighth overall.



MARC GUILLEMOT  
ON SAFRAN

INAUGURATED IN JUNE 2010  
BY THE PRESIDENT OF  
FRANCE, TURBOMECA'S NEW  
JOSEPH SZYDLOWSKI PLANT  
IS A 100 MILLION EURO INVESTMENT.



**Graphic design and production:** ★ EURO RSCG C&O - Document printed on Condat silk PEFC 300 g and 150 g paper.

**Photo credits:** **Front cover** Éric Drouin/Snecma – Thierry Mamberti/Safran – Morpho/Thomas Goldet/Studio RG – Studio Pons/Safran – Thierry Mamberti/Safran – Studio Pons/Aircelle – **p. 2** Alphabet Euro RSCG C&O – **p. 2, 4, 5, 35, 39, 43** Roberto Frankenberg – **p. 6** Eric Drouin/Snecma, Frédéric Lert/Safran – **p. 7** Jean-François Damois/Creative Center/Safran – Morpho – **p.12** Zhou JunXiang/Imaginechina/Safran – **p. 15** Fotolia – **p. 17** Airbus – Étienne Follet – ESA-CNES-AE CSG Service Optique J-M Guillon – **p. 21** Daniel Linares/Sagem – Andy Wilson/Moodboard/GraphicObsession – Éric Drouin/Snecma – **p. 25** Sebastian Piramovicz – Snecma – Amit Dey/Morpho – **p. 31** Gérard Vouillon/Morpho – GlowImages/GraphicObsession – Éric Drouin/Snecma – **p. 37** Jérôme Sigalas/Safran – Snecma – Frédéric Lert/Safran – **p. 41** Image provided courtesy of Bombardier Inc. – Patrick Boulen/Aircelle – Vince Streano/Creative Center/Safran – **p. 44** Courtesy of Eurocopter – **p. 45** Arjun Mehta/Safran – **p. 49** Arturo Rodriguez/Safran – Éric Forterre/Safran – François Laforêt/Equivox – **p. 53** Thierry Mamberti/Safran – Wojciech Pietraszek/PP-EKO Ltd. – Rémy Guillaumot/Safran – **p. 55** DR – Jean-François Damois/Creative Center/Safran – Insaf – Éric Drouin/Safran – **p. 56** François Van Mallegheem/DPPI/Safran – **Inside back cover** Créav Atlantique.

## KEY MISSIONS, KEY TECHNOLOGIES

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