



MEETING TOMORROW'S CHALLENGES THROUGH INNOVATION

2011 Registration Document



CONTENTS

Group Profile 1

01

Presentation of the Group 6

1.1	Overview	8
1.2	Group strategy	11
1.3	Group businesses	12
1.4	Research and development	27
1.5	Safran Group purchasing strategy	31
1.6	Safran+ progress initiative	32
1.7	Real estate and production plants	33

02

Review of operations in 2011 and outlook for 2012 38

2.1	Comments on the Group's performance in 2011 based on adjusted data	40
2.2	Comments on the consolidated financial statements	54
2.3	Comments on the parent company financial statements	57
2.4	Outlook for 2012	59

03

Financial statements 60

3.1	Consolidated financial statements at December 31, 2011	62
3.2	Statutory Auditors' report on the consolidated financial statements (Year ended December 31, 2011)	130
3.3	Parent company financial statements at December 31, 2011	132
3.4	Statutory Auditors' report on the financial statements (Year ended December 31, 2011)	156

04

Risk factors 158

4.1	Identified risk factors	160
4.2	General risk management policy	166
4.3	Insurance	167

05

Corporate Social Responsibility 168

5.1	The Safran Group's CSR policy	170
5.2	Human resources	170
5.3	Health, Safety and Environment (HSE)	180
5.4	Ethical and social engagement	187
5.5	CSR reporting methodology and Statutory Auditors' report	193

06

Corporate governance 198

6.1	Administrative and management bodies	200
6.2	Corporate officer and management compensation	225
6.3	Share transactions performed by corporate officers and other managers	233
6.4	Audit fees	234
6.5	Report of the Chairman of the Board of Directors	236
6.6	Statutory Auditors' report on the Chairman of the Board of Directors' report	249

07

Information about the Company, the capital and share ownership 250

7.1	General information and bylaws	252
7.2	Information on share capital	258
7.3	Share ownership	263
7.4	Relations with shareholders	266
7.5	Stock market information	267

08

Ordinary and Extraordinary Shareholders' Meeting of May 31, 2012 268

8.1	Agenda	270
8.2	Proposed resolutions	271
8.3	Dividend payment policy	280
8.4	Five-year financial summary	281
8.5	Statutory auditors' reports	282

09

Additional information 290

9.1	Persons responsible	292
9.2	Statutory auditors	293
9.3	Documents on display	294
9.4	Cross-reference tables	295



Safran is a leading international high-technology Group with three core businesses: Aerospace (Propulsion and Equipment), Defence and Security. It is a leading player on markets in which the technological and financial barriers to entry are high, with robust and profitable service activities and long-lasting partnerships and customer relations built on trust.

Revenue
€11.7 billion

Geographic footprint
in 57 countries

Headcount
59,805 employees

The Group differentiates itself from the competition through its technological expertise. The diversity of its businesses puts it at a genuine advantage, driving growth and enabling the Group to withstand economic cycles. From both a technological and managerial point of view, the Group's various businesses are highly integrated and complementary.

The Aerospace business model is sound, and its installed fleet offers significant new vistas for value creation thanks to associated maintenance and overhaul activities. Its engines and equipment are or will be used in numerous aircraft programs, and the Group pools its expertise to provide aircraft manufacturers and airlines with new, more comprehensive offerings for propulsion or landing systems. In Defence, the Group is renowned for its avionics and optronics expertise, which contributes significantly to the competence of armed forces around the world. In the Security segment, Safran's expertise lies in multi-biometric technology, secure documents such as passports and identity cards, and detection systems for dangerous and illicit substances. The Group has become one of the global leaders in this high-growth market through targeted acquisitions.

Safran enjoys particularly robust fundamentals with front-ranking technical and commercial positions, robust and profitable service activities, innovative research and development, a healthy financial situation and strong operating cash flow, which allow it to leverage opportunities for organic growth or acquisition-led development on all of its markets.

Firm in the belief that sustainably successful businesses are those able to manage the present in complete harmony with their vision of the future, Safran is poised to meet all of the challenges it encounters both today and going forward.



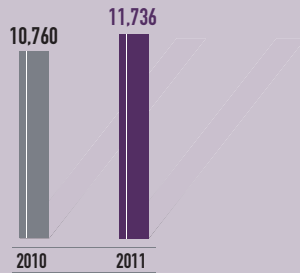
The French version of this Registration Document (*Document de référence*) was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 13, 2012 pursuant to Article 212-13 of the AMF's General Regulations. It may only be used in connection with a financial transaction if it is accompanied by a memorandum approved by the AMF. This document has been established by the issuer and is binding upon its signatories.

This Registration Document contains the annual financial report in accordance with Article 222-3 of the AMF's General Regulations. The cross-reference table referring to information required in an annual financial report is provided in section 9.4.3.

KEY FIGURES (ADJUSTED DATA)

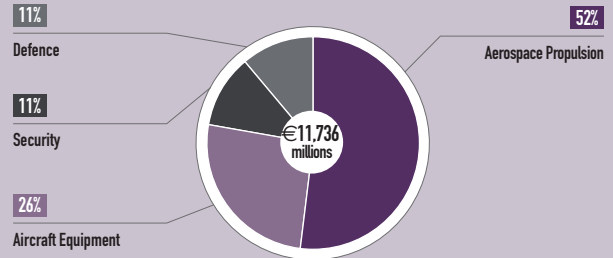
REVENUE (ADJUSTED DATA)⁽¹⁾

(in € millions)



Adjusted revenue climbed 9.1%, driven primarily by the performance of the Aerospace (Propulsion and Equipment) and Security businesses which generated growth of 9% and 20%, respectively. In 2011, revenue was also boosted by the consolidation of new activities, particularly in the Aerospace and Security businesses.

BREAKDOWN OF REVENUE BY BUSINESS



Safran is a leading international high-technology group. Its top-ranking Aerospace (Propulsion and Equipment) business generates 78% of the Group's revenue.

RECURRING OPERATING INCOME (ADJUSTED DATA)⁽¹⁾

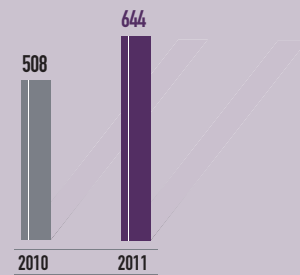
(in € millions)



Adjusted recurring operating income represented 10.1% of adjusted revenue, up 35% year on year. This improvement was primarily driven by the Aerospace business, which benefited from solid original equipment growth and accelerating trends in civil aftermarket while reaping the benefits of a leaner cost structure.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (ADJUSTED DATA)⁽¹⁾

(in € millions)

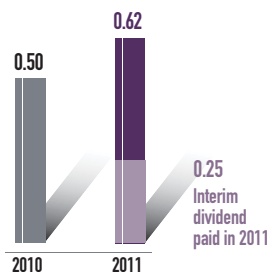


Adjusted profit attributable to owners of the parent rose 26.8%, representing €1.59 per share, up from €1.27 in 2010.

⁽¹⁾ The table reconciling the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.1.1.

DIVIDEND

(in € per share)



At the Ordinary and Extraordinary Shareholders' Meeting of May 31, 2012, the Board of Directors will recommend a dividend of €0.62 per share, a 24% increase from the previous year. An interim dividend (€0.25 per share) was paid in December 2011 and the final dividend (€0.37 per share) will be paid in 2012.

NET DEBT

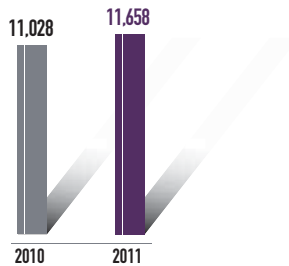
(in € millions)



The Group's net debt totaled €997 million at December 31, 2011. The Group's debt level remains low despite strategic acquisitions in the Security and Aerospace Propulsion segments for approximately €1.1 billion and dividend payments of €304 million (€202 million for the 2010 dividend and €102 million for the 2011 interim dividend payment).

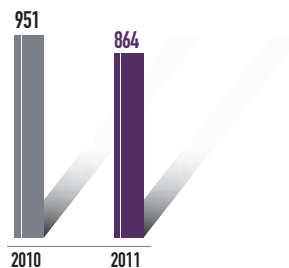
REVENUE (CONSOLIDATED DATA)

(in € millions)



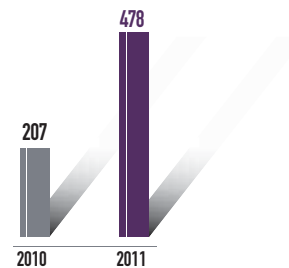
RECURRING OPERATING INCOME (CONSOLIDATED DATA)

(in € millions)



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (CONSOLIDATED DATA)

(in € millions)

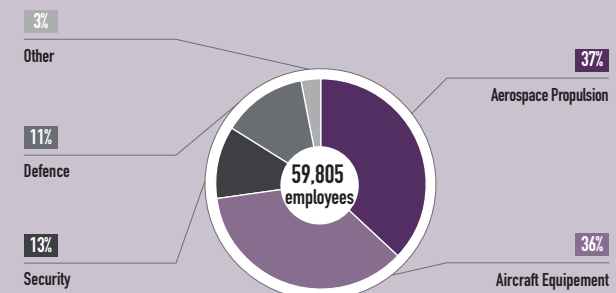


HEADCOUNT AS OF DECEMBER 31, 2011

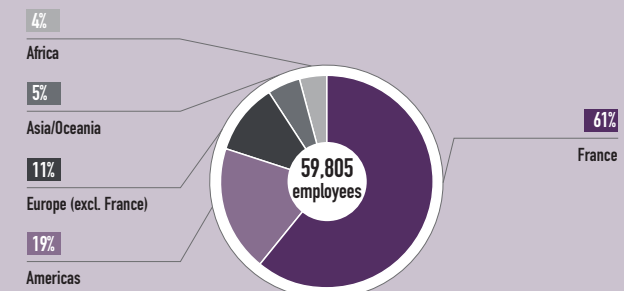


At end-2011, the Group's workforce had grown by 10.2% compared with 2010. The Group acquired the US company L-1 Identity Solutions Inc., now MorphoTrust (nearly 1,400 employees) and the French company SNPE Matériaux Énergétiques (SME) and its subsidiaries (just over 1,200 employees).

BREAKDOWN OF HEADCOUNT BY BUSINESS



BREAKDOWN OF HEADCOUNT BY GEOGRAPHIC AREA



The Group continues to grow in France as well as abroad, where Safran now represents more than 23,000 employees in 57 countries.

KEY FIGURES BY BUSINESS (ADJUSTED DATA)

	Revenue (in € millions)	Recurring operating income (in € millions)	Headcount
Aerospace Propulsion	6,110	909	22,065
Aircraft Equipment	3,097	202	21,543
Defence	1,264	58	6,587
Security	1,249	139	7,530

CORPORATE GOVERNANCE

At the Company's Annual General Meeting of April 21, 2011, a new corporate governance structure was adopted, replacing the Executive Board and Supervisory Board with a Board of Directors.

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

Since April 21, 2011, the Board of Directors of Safran has consisted of fifteen members – including four representatives of the French State and two employee shareholder representatives.

Since July 2011, the Board has been comprised of the following members:

- Jean-Paul Herteman, Chairman and Chief Executive Officer;
- Francis Mer, Vice-Chairman of the Board of Directors;
- Marc Aubry, Director representing employee shareholders;
- Giovanni Bisignani, Director (independent);
- Christophe Burg, Director representing the French State;
- Jean-Lou Chameau, Director (independent);
- Odile Desforges, Director (independent);
- Jean-Marc Forneri, Director (independent);
- Christian Halary, Director representing employee shareholders;
- Xavier Lagarde, Director;
- Michel Lucas, Director;
- Elisabeth Lulin, Director (independent);
- Astrid Milsan, Director representing the French State;
- Laure Reinhart, Director representing the French State;
- Michèle Rousseau, Director representing the French State.

Board advisor

- Caroline Grégoire-Sainte Marie.

BOARD COMMITTEES

In its meeting of April 21, 2011, the Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

Within their respective areas of expertise, each committee issues proposals, recommendations and opinions.

The Audit and Risk Committee

Four members – Chairman: Jean-Marc Forneri

The Audit and Risk Committee is responsible for examining the financial statements and addressing issues relating to the preparation and auditing of accounting and financial information. It also verifies the Company's external audit.

Appointments and Compensation Committee

Five members – Chairman: Michel Lucas

The Appointments and Compensation Committee assists the Board of Directors in its choice of members and corporate officers, and makes recommendations and proposals concerning the compensation of corporate officers.

The Strategy and Major Projects Committee

Seven members – Chairman: Francis Mer

The Strategy and Major Projects Committee expresses its opinion on the Group's major strategic orientations, development policy and major industrial product development projects or programs as presented to the Board of Directors by Executive Management.

It also examines proposals for strategic agreements and partnerships, acquisitions and all other transactions that impact Group structure.

EXECUTIVE MANAGEMENT

Following the change in Safran's corporate governance structure, at its first meeting on April 21, 2011, the Board of Directors opted to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and appointed Jean-Paul Herteman to take on these functions and the title of Chairman and Chief Executive Officer. At the same meeting, the Board of Directors appointed Francis Mer as Vice-Chairman of the Board of Directors.

Finally, the Board of Directors appointed as non-Director Deputy Chief Executive Officers:

- Dominique-Jean Chertier;
- Ross McInnes; and
- Marc Ventre.

01

Presentation of the Group

1.1	Overview	8
1.1.1	History	8
1.1.2	Main Group companies by business sector	9
1.1.3	Simplified organizational chart	10
1.2	Group strategy	11
1.3	Group businesses	12
1.3.1	Aerospace Propulsion	12
1.3.2	Aircraft Equipment	18
1.3.3	Defence	21
1.3.4	Security	24
1.4	Research and development	27
1.4.1	Major technological focuses	27
1.4.2	Technical and scientific partnerships	29
1.4.3	Innovation and intellectual property	29
1.4.4	Research and development expenditure	30
1.5	Safran Group purchasing strategy	31
1.6	Safran+ progress initiative	32
1.7	Real estate and production plants	33

In Brief

2011 revenue (adjusted data)

**€11,736
million**

Recurring operating
income, 2011

**€1,189
million**

Total R&D expenditure (including
the portion funded by customers)

**€1.3
billion**

2011 profit (attributable
to owners of the parent,
adjusted data)

**€644
million**

Headcount as of
December 31, 2011

**59,805
employees**

THE GROUP'S POSITIONING

Safran is a leading international high-technology Group with three core businesses: Aerospace (Propulsion and Equipment), Defence and Security. It is a prime player on all of its markets.

Aerospace

Through its rocket and aircraft propulsion systems, Safran covers the entire life cycle of systems for the propulsion of planes, helicopters, missiles and launch vehicles, in the civil, military and space markets, from design through to production, marketing, maintenance and repair.

Through its aircraft equipment systems, Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters.

Group companies provide both original equipment and services to leading global aircraft programs.

Defence

Safran is a leading player in optronics, avionics, electronics and critical software for civil and defence markets.

Security

Safran's Security business offers solutions for enhancing the safety and security of transport systems, critical infrastructures and individuals. It operates in the areas of biometric systems, secure documents (passports, ID cards), and systems for detecting explosives and illicit substances.

RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. R&D is therefore essential to Group strategy. The total cost of R&D, over 63% of which is self-financed, totaled €1.3 billion in 2011, representing almost 11% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

SAFRAN+

The Safran+ program targets continuous performance enhancements. It stimulates initiative and innovation through intra-group synergies, the ultimate aim being ever-higher customer satisfaction.

1.1.1 HISTORY

Safran is a leading international high-technology Group in the Aerospace (Propulsion and Equipment), Defence and Security industries, where it enjoys prime global or European market positions, either alone or in partnership with other companies.

Safran's roots and its technological and industrial hub are in France and Europe. From this base, it has extended its footprint to the American continent, Africa, Asia and Oceania. This presence enables the Group to develop and nurture industrial and commercial relations with the leading prime contractors and operators at national level, and to promptly deliver first-class local service to customers around the world.

Key dates in the Group's history

The Safran Group was created on May 11, 2005 from the merger of Snecma and Sagem. Safran is the world's oldest aircraft engine manufacturer. Comprising a number of companies with prestigious brand names, it has been at the forefront of aeronautics and defence for more than a century and is now also a leading name in security.

Safran is constantly seeking to adapt and reinvent itself to meet the critical technological and economic challenges of tomorrow.

- 1905** Louis and Laurent Seguin found the Société des Moteurs Gnome in the Paris suburb of Gennevilliers. In just a few short years, their Gnome rotary engines become the standard for planes around the world.
- 1912** Louis Verdet creates Le Rhône, which becomes Gnome's main competitor within two years. Gnome quickly takes over its competitor, creating the Société des Moteurs Gnome & Rhône. After the First World War, Gnome & Rhône becomes one of the world's leading manufacturers of aircraft engines.
- 1924** Marcel Môme creates Société d'Applications Générale d'Électricité et de Mécanique (Sagem), whose main business is to supply power to telephone exchanges. A few years later, Sagem diversifies its business to include the manufacture of cameras, projectors and artillery equipment. It also sets up the first ever analogue telephone network. Sagem creates Société d'Application Téléphonique, which in 1960 becomes the Société Anonyme de Télécommunication (SAT). This company goes on to design the world's first infrared guidance system for air-to-air missiles.
- 1945** Gnome & Rhône, one of the world's leading manufacturers of aircraft engines at the end of the First World War, is nationalized and renamed Snecma. It groups together the majority of French aircraft engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).
- 1968** Hispano-Suiza, specializing in power transmission for the engines of civil and military aircraft and helicopters, joins Snecma. A few years later, it teams up with Messier to create Messier-Hispano-Bugatti (MHB) and consolidate all landing system products. Messier-Bugatti-Dowty is today the world's leading player on this market.
- 1974** Snecma becomes a civil aircraft engine manufacturer through a cooperation agreement with General Electric Aircraft Engines for the manufacture of the CFM56 ("CF" for General Electric's commercial engine line and "M56" for Snecma's 56th project). This engine currently represents the world's largest civil aircraft engine fleet: an aircraft powered by the CFM56 takes off every 2 seconds.
- 1993** Sagem purchases Morpho, a specialist in fingerprint-based biometric recognition systems. Today, the business is the world leader in this sector.
- 1997** Snecma takes full control of Société Européenne de Propulsion (SEP) and enters the space propulsion market (Ariane launcher).
- 2000** Helicopter engine manufacturer Turbomeca joins Snecma to continue a technology success story that started in 1938 with company founder Joseph Szydlowski. Today, Turbomeca is the world's premier manufacturer of turbine engines for helicopters. In the same year, aircraft wiring specialist Labinal joins Snecma. Labinal is currently the world leader in this market.
- 2002** Hurel-Dubois merges with the aircraft engine nacelle business of Hispano-Suiza to become Hurel-Hispano. Three years later the company is renamed Aircelle. It is currently one of the key players on the aircraft engine nacelle market.
- 2005** Safran is formed from the merger of Snecma and Sagem.
- 2008** Safran extends its partnership with General Electric in the fields of aerospace propulsion and nacelles through to 2040. The Security business acquires Sdu-I in Holland, renamed Morpho BV.
- 2009** Safran acquires 81% of General Electric's Homeland Protection business, as well as Motorola's biometrics business (under the Printak brand).
- 2010** Labinal completes its acquisition of Harvard Custom Manufacturing – renamed Labinal Salisbury – an American company based in Salisbury (Maryland).
- 2011** Safran acquires L-1 Identity Solutions, a leading American identity management provider, to further strengthen its worldwide supremacy in advanced security solutions. It also acquires SME (formerly SNPE Matériaux Énergétiques), to become world number two in solid propellants for rockets.

1.1.2 MAIN GROUP COMPANIES, BY BUSINESS SECTOR

Safran today operates in three main markets: Aerospace, Defence and Security. Safran's Aerospace business breaks down into Aerospace Propulsion and Aircraft Equipment.

Aerospace Propulsion

Safran's Aerospace Propulsion business covers all activities (design, production, marketing, testing, maintenance and repair) relating to propulsion systems for planes, helicopters, missiles and launch vehicles, in the civil, military and space markets.

Snecma

Jet engines for civil and military aircraft, maintenance, repair, support and related services. Liquid-propellant propulsion equipment and systems for launch vehicles, satellites and space vehicles.

Turbomeca

Turbine engines for civil and military helicopters, turbojet engines for missiles and drones. Maintenance, repair, support and related services.

Snecma Propulsion Solide

Solid propellant rocket engines for space launch vehicles and missiles, thermostructural composite materials for aerospace and industrial applications.

SME

Propelling charges, energetic equipment, and composite materials for intermediary products for the defence and aeronautical, space and automotive industries. Energetic raw materials for solid and liquid propulsion.

Techspace Aero

Major components for aerospace engines. Equipment for aerospace applications. Equipment and test cells for aerospace engines.

Aircraft Equipment

Safran's Aircraft Equipment business covers equipment, systems and services for civil and military aircraft and helicopters.

Messier-Bugatti-Dowty

Landing gear and braking systems for civil and military aircraft and helicopters. Operations cover full product life cycles: from design and manufacture through to maintenance and repair.

Aircelle

Complete nacelle systems for aircraft engines, support and related services, composite materials for aerostructures.

Hispano-Suiza

Engine power transmissions for civil and military aircraft and helicopters, electronic power controllers and electrical systems.

Labinal

Electrical wiring for civil and military aircraft. Manufacturing and services for the aerospace, defence, automobile and rail industries.

Defence

Sagem⁽¹⁾

Solutions and services in optronics, avionics and navigation for aerospace, land and naval defence. Electronics and critical software for aerospace and defence applications.

Security

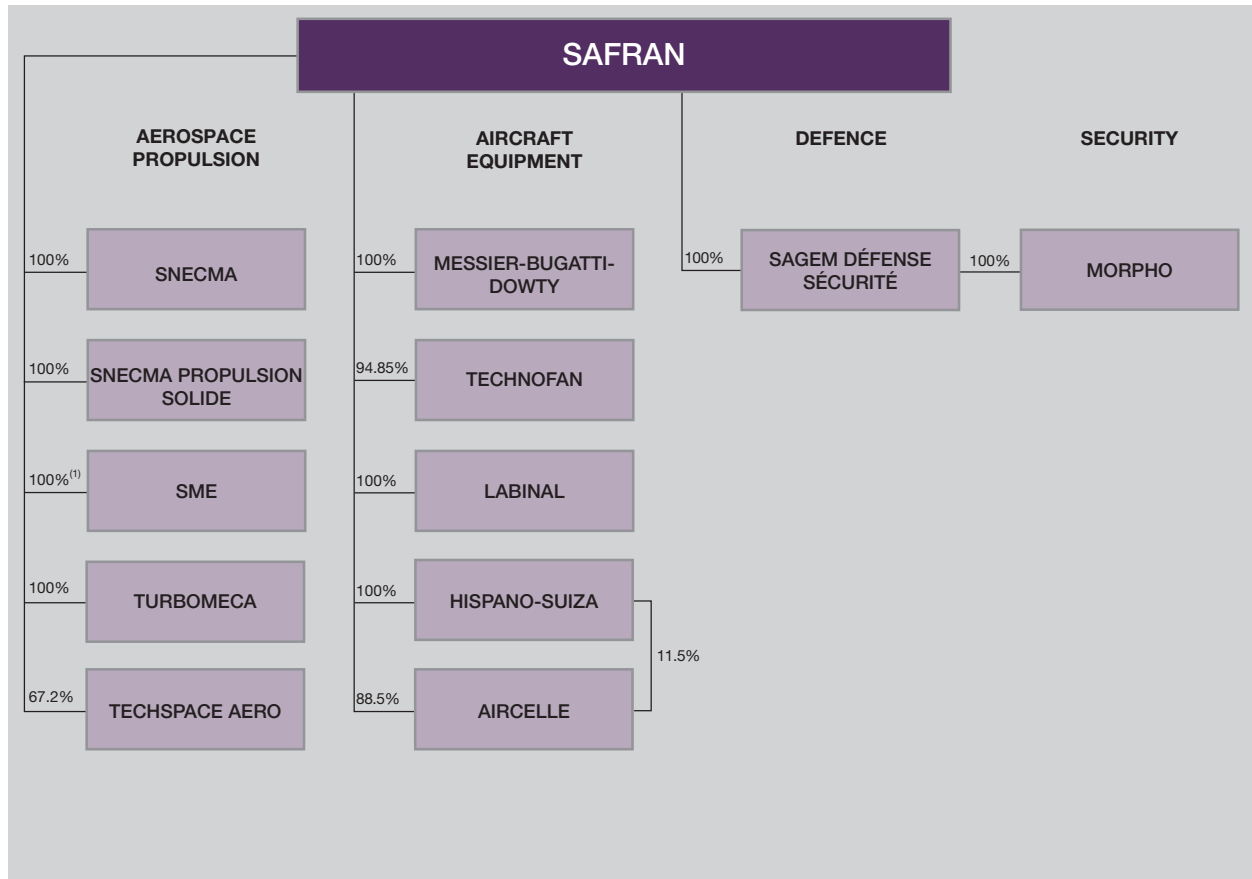
Morpho

Multi-biometric identification solutions by fingerprint, iris and face recognition, identity management solutions, smart cards and secure transactions; explosives and illicit substance detection solutions.

(1) Sagem is the trading name of Sagem Défense Sécurité.

1.1.3 SIMPLIFIED ORGANIZATIONAL CHART

The simplified organizational chart as of December 31, 2011 is as follows:



(1) Less one share held by the French state.

The list of consolidated companies is presented in section 3.1, Note 35.

1.2 GROUP STRATEGY

Safran holds leading international positions in the aerospace, defence and security markets. It enjoys strong customer recognition for excellence in all its businesses.

Safran is a leading manufacturer of aircraft engines, helicopter turbine engines and space engines. It is also a front-line player in landing gear, nacelles, electrical equipment and wiring systems, for aircraft manufacturers and airline companies. Safran provides its customers and operators with an extensive services offering across its whole business spectrum.

On the security market, Safran harnesses unique experience to meet growing demand for multi-biometric identification systems, secure documents systems (such as passports and identity cards), and tomographic systems for the detection of explosives and illicit substances.

The defence market also holds strong growth potential owing to Safran's strong innovative capacities in advanced technologies, which underlie its leadership in optronics, navigation and avionics.

Safran's development is guided by four key principles:

- technological innovation, driving long-term growth;
- world number-one ranking in an increasing number of businesses;
- strong positions on high-growth markets;
- consistently sound financial position.

To back its strategy, Safran continues to forge alliances and long-term partnerships, as with General Electric, on engines for short- to medium-haul aircraft (partnership dating back to 1974,

then renewed in 2008 through to 2040), and more recently with Honeywell, on an ecology-friendly "green-taxiing" system that does not require the use of the aircraft's engines. Safran also proceeds with targeted external growth operations, chiefly to round out its coverage of key technologies and to access new markets. These levers strengthen and accelerate Safran's organic growth.

Safran is also pushing ahead with its competitive performance improvement plan, through constant improvement to its industrial facilities and the increasing dollarization of its purchasing operations, which affords protection against exchange rate fluctuations.

Safran takes up positions on long-term markets on which sustained demand ensures growth and profitability. Growth opportunities are found not only in the strong development potential of emerging countries (such as China), but also in mature US and European markets, where aircraft fleets are under renewal. The worldwide fleet is expected to double in size over the next 20 years. This is the multipolar and global aerospace market on which Safran asserts its sustainable growth and profitability strategy.

Safran's financial fundamentals are very sound. Robust operating cash flow underpins a strong long-term position at the technological frontline, and sustained R&D investments drive short- and medium-term growth.

Safran's development strategy ties in with unwavering ethical principles, on job satisfaction, environmental protection, and the absolute need for infallible safety and security conditions. These principles are outlined in a charter that sets out Safran's values and ethical standards.



1.3

SAFRAN BUSINESSES

Safran operates in the high-tech Aerospace (Propulsion and Equipment), Defence and Security markets. In certain cases, it forges alliances and partnerships when participating in major programs in these markets, due to the technological challenges, cost, development time and risks involved.

By joining forces, each party brings the best of its know-how to the project in hand and shares risks thanks to a diversified product portfolio.

1.3.1 AEROSPACE PROPULSION

The Aerospace Propulsion branch operates in three fields:

Aircraft and liquid-propellant engines

Civil aircraft engines	Business jets
	Regional jets
	short- to medium-haul aircraft
	Long-haul aircraft
Military aircraft engines	Fighters
	Training and support aircraft
	Patrol, tanker and transport aircraft
Liquid- and plasma-propellant engines	Launch vehicles
	Satellites

Helicopter turbine engines

Turbine engines for light to medium helicopters
Turbine engines for medium-weight helicopters
Turbine engines for heavyweight helicopters

Solid-propellant engines

Civil space industry	
Military industry	Ballistic missiles
	Tactical missiles and targets

1.3.1.1 Aircraft engines and liquid-propellant engines

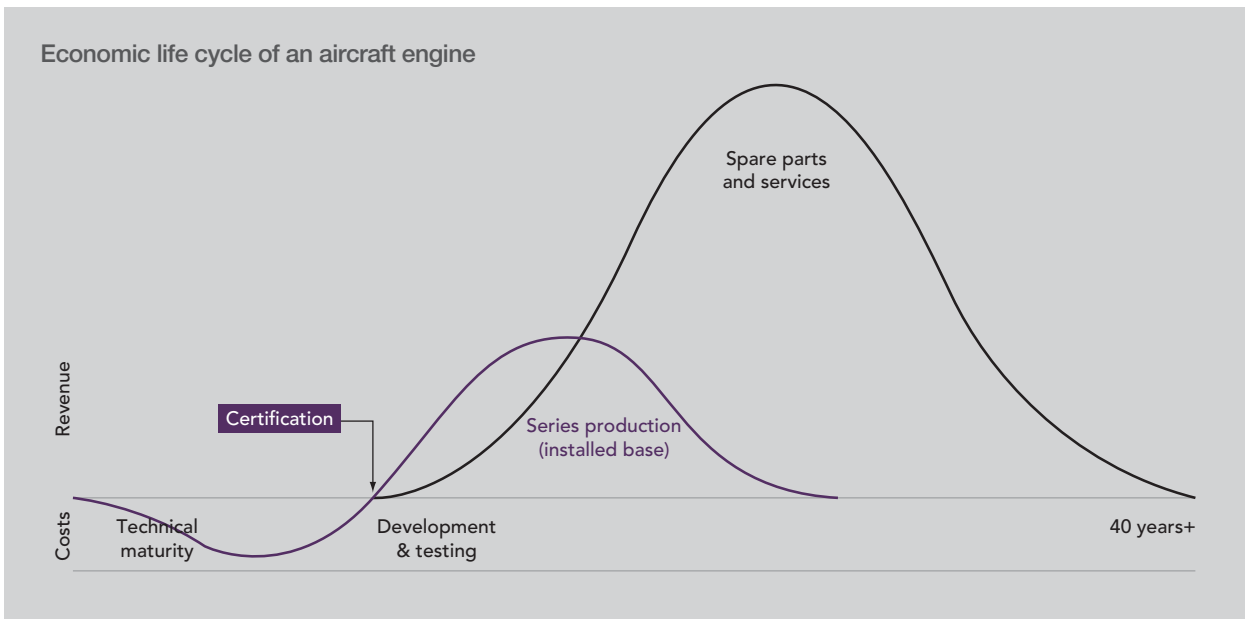
CIVIL AIRCRAFT ENGINES**Key characteristics of the business sector**

The civil aviation sector comprises four main segments:

- business jets powered with engines delivering between 5,000 and 18,000 pounds of thrust;
- regional jets (30 to 100 seats) powered by engines delivering between 8,000 and 18,000 pounds of thrust;
- short- to medium-haul aircraft with 100 to 200 seats, powered by engines delivering between 18,000 and 50,000 pounds of thrust;
- high capacity long-haul aircraft with a twin-aisle fuselage, powered by engines delivering over 50,000 pounds of thrust (currently up to 115,000 pounds).

In response to aircraft manufacturer requirements for specific engines for each of these business sectors, engine manufacturers invest in civil engine programs comprising two types of activity:

- original equipment activity, involving the sale of engines installed on new aircraft; and
- service activity, comprising the sale of spare parts and service contracts entered into on a case-by-case or long-term basis with operators and approved maintenance centers.



01

These programs may span more than 40 years and have several phases. A significant portion of revenue generated by these programs comes from support services.

Engine manufacturers generally form alliances and partnerships for the launch of engine programs, due to the technological challenges, cost and development time involved and the risks associated with the program's commercial prospects. These alliances and partnerships may be on an equal footing, between two or more joint prime contractor engine manufacturers, or they may involve the acquisition by one party of a minority stake (risk and revenue sharing participant) in a program managed by a single prime contractor engine manufacturer.

Unlike a traditional supplier, who receives a negotiated price for each part sold on delivery, the risk and revenue sharing participant receives a share of sales revenue for the final delivered product, corresponding to its share in the program. The risk and revenue sharing participant supplies spare parts for the sections of the engine under its responsibility, and receives either the sales price for these parts or a fixed-price payment relating to its percentage share in the program.

There are four major engine manufacturers in the sector that can act as prime contractors: General Electric (USA), Rolls-Royce (UK), Pratt & Whitney (USA) and Safran (France). Honeywell (US) only acts as prime contractor on business jet engines.

In the industry, the US dollar is used almost exclusively as the transaction currency.

Group products and programs

Safran's operations in the civil aircraft engines segment mainly involve Snecma, Turbomeca and Techspace Aero.

Low-thrust engines for civil aircraft

This engine family powers regional transport jets and business jets.

Safran is the prime contractor for the SaM146 program, in partnership with the Russian engine manufacturer, NPO Saturn. The SaM146 was selected as the sole engine for the Superjet 100, the 70- to 95-seater aircraft made by Russian manufacturer Sukhoi.

Safran also invests in engines for business jets through its Silvercrest program, focusing on engines delivering 10,000 pounds of thrust, which have been pitched to several aircraft manufacturers for future projects.

The Group also operates in this engine range through participation in the following General Electric programs:

- CF34 10 (Embraer 190 and COMAC ARJ 21 regional jets);
- Passport (Bombardier Global 7000/8000 business jets).

Medium-thrust engines for civil aircraft

The CFM56 engine program generates the largest share of Safran's Aerospace Propulsion revenue (approximately 50%). This engine is developed under equitable joint cooperation agreements by CFM International, a 50/50 joint venture between Safran and General Electric.



The majority of short- to medium-haul aircraft with more than 100 seats delivered over the last 15 years are powered by CFM56 engines. These engines power nearly 57%⁽¹⁾ of the Airbus A320 range. Competition to power the Airbus range comes from the V2500 engine developed by the IAE consortium comprising four engine manufacturers (Pratt & Whitney, Rolls-Royce, MTU Aero Engines and Japanese Aero Engines Corp.⁽²⁾), and the PW6000 engine developed by Pratt & Whitney, which currently powers only a small number of A318.

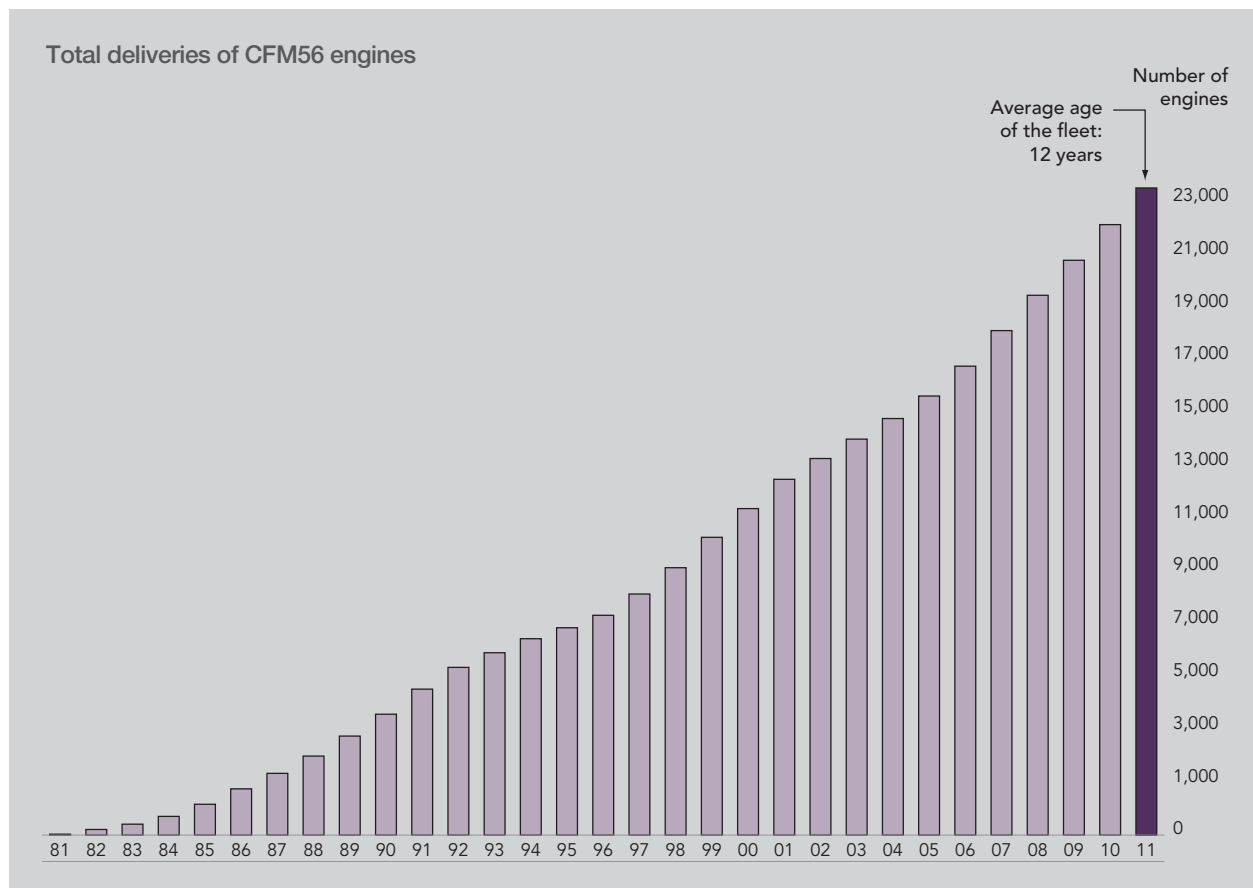
The new generation of the Boeing B737NG, like the previous version (Classic), is powered solely by CFM56 engines.

Overall, the CFM56 engine represents 77%⁽¹⁾ of the short-to-medium haul aircraft market.

The success of this program with airlines has led to a steady rise in the fleet of CFM56 engines delivered over the past 30 years. This engine currently represents the world's largest engine fleet, totaling close to 23,000 units (including some 780 withdrawn from service).

CFM International is also developing a new generation of engine called LEAP, which should lead to a 16% reduction in fuel consumption in comparison with current CFM56 versions. The first tests on the new unit will begin in 2012, with commissioning scheduled for 2016. The engine has so far been selected:

- in an initial version, LEAP-1C, as the only Western source for the propulsion system (engine plus nacelle) on COMAC's C919 Chinese aircraft;
- in a second version, LEAP-1A, as one of the two new engine options for the new Airbus A320neo, which was officially launched by the European aircraft maker in late 2010. (The other engine is the PurePower PW1000G, developed by Pratt & Whitney.);
- in a third version, LEAP-1B, as the exclusive source for the propulsion system on the new Boeing 737 MAX, officially launched by the US aircraft manufacturer on August 30, 2011.



(1) Source: Safran.

(2) In October 2011, Rolls-Royce and Pratt & Whitney announced that the latter would be buying the former's share in the IAE consortium. This operation will be concluded once the regulatory authorizations have been obtained.

High-thrust engines for civil aircraft

The Group operates in this engine range as a risk and revenue sharing partner of General Electric. Participation rates vary between 8% and 24% across several major engine programs in series production, including the CF6 powering the A330 (19.4%) and the 747 (10%), the GE90 powering the 777 (23.5%), the GP7200 powering the A380 (17.5%, including 7.5% with Pratt & Whitney), and the GenX (8%) powering the B787 Dreamliner long-haul aircraft and the Boeing 747-8.

MILITARY AIRCRAFT ENGINES

Key characteristics of the business sector

The military aviation sector comprises three main segments:

- fighters;
- training and support aircraft;
- patrol, tanker and transport aircraft.

The military aircraft engine and related services market is dependent on the budgets of client air forces. The military market is also influenced by national independence and diplomatic considerations.

The nature and performance of engines varies considerably depending on the segment: jet engines with a high weight-to-thrust ratio for fighters, and jet engines or turboprops closer to those found in civil aircraft for training and patrol aircraft.

As in the civil aviation sector, military engine programs generally involve two types of activity, namely original equipment and after-sales service, the latter comprising the sale of spare parts, maintenance and repair activities, as well as other customer services.

Alliances and partnerships between engine manufacturers have been forged to bring together the best technological and commercial assets, pool risks, and meet the needs of pan-European programs (such as EuroProp International, regarding the TP400 engine fitted to the Airbus A400M).

The majority of civil engine manufacturers are active in military aircraft engines and benefit from the technical synergies that exist between the two activities.

The key Western players in the fighter jet engine sector are North American and British, namely Pratt & Whitney, General Electric and Rolls-Royce.

The main European players are: Safran, whose M53 engine powers the Mirage 2000 and whose M88 engine equips the Rafale; Rolls-Royce, whose RB199 engine powers the Tornado and whose Pegasus engine powers the Harrier; and the European Eurojet consortium comprising Rolls-Royce, MTU Aero Engines (Germany), Avio (Italy) and ITP (Spain), which are developing the EJ200 engine for the Eurofighter Typhoon.

The choice of engines in the training aircraft sector consists mainly of those made by Safran (the Larzac, which powers the Alphajet, and the Adour in partnership with Rolls-Royce, which powers BAe Systems' Hawk aircraft), Pratt & Whitney (PW500 and PW300) and Honeywell (TFE731 and F124 engine families).

In the engine segment for military transport and patrol aircraft, the fleet is primarily made up of the T56 and AE2100 turboprops developed by Rolls-Royce North America (formerly Allison) and the Tyne engines developed by Snecma under Rolls-Royce license.

In the future, a major role will be played by the TP400 program (10,000 horse power turboprop – the most powerful in the Western world), which powers the European military transport aircraft the Airbus A400M, which is currently under development.

Snecma holds a 32.2% stake in this program as a member of the Europrop International (EPI) consortium, comprising Safran, Rolls-Royce, MTU Aero Engines and ITP.

Group products and programs

Safran's operations in the military aircraft engines segment mainly involve Snecma, Turbomeca and Techspace Aero.

Fighter engines

Historically tied to Dassault Aviation, activity in this segment is based mainly around the following programs:

- The Atar engine (4.5 to 7.1 metric tons of thrust), which powers the Super-Étendard Marine jets and the Mirage III, IV, V, F1 and 50 family. Series production of this engine has now ceased and approximately 850 engines remain with 11 customers.
- The M53 engine (9.5 metric tons of thrust), which powers Mirage 2000 jets. There are 606 engines in service with nine customers, totaling over 1.6 million flight hours.
- The M88 engine (7.5 metric tons of thrust) powers the Rafale, with some 278 engines in service.

Training and support aircraft engines

Activity in this segment is based on the following programs:

- The Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's Alpha Jet training aircraft and for which series production has ceased. The Larzac engine also powers the Russian MiG-AT and Indian HJT36 prototype training aircraft. Approximately 750 engines are in service with 14 customers, totaling over 3.5 million hours of flight.
- The Adour engine, which delivers thrust of 3.7 metric tons (with afterburner) or 2.9 metric tons (without afterburner), is developed and produced by RRTM (Rolls-Royce Turbomeca Ltd.), a partnership between Safran and Rolls-Royce. The Adour engine powers support and attack aircraft such as the Jaguar aircraft produced by Dassault Aviation and BAe Systems, and the following training aircraft: the Hawk produced by BAe Systems and the Goshawk T-45A produced by Boeing. More than 1,100 engines are in service in 18 countries.

Patrol, tanker and transport aircraft engines

Activity in this segment is based on the following programs:

- The CFM56 engine powering the military versions of the Boeing 707 (CFM56-2) and Boeing 737 (CFM56-7), as well as the US Marine C-40 transport aircraft (military version of the Boeing 737 transport aircraft), the future maritime patrol aircraft, the MMA (Multimission Maritime Aircraft), the AEW&C aircraft (Airborne Early Warning & Control) and the Wedgetail (detection and command aircraft).
- The Tyne turboprop engine, delivering 4,550 kW of thrust, developed by Rolls-Royce and manufactured under license by Snecma (57%) and MTU Aero Engines (20%). This engine powers C-160 Transall transport aircraft and Breguet Atlantic and Atlantique 2 maritime patrol aircraft. Series production of this program has ceased but it continues to generate revenues through spare parts and repairs.
- The TP400-D6 engine will power the Airbus A400M European transport aircraft.

Spare parts and services for civil and defence aircraft

Given the increase in the installed fleet and its average age, a steady rise in spare parts and service activities can be expected in the future.

LIQUID- AND PLASMA-PROPELLANT ENGINES**Key characteristics of the business sector**

This business sector is comprised of launch vehicle propulsion systems and satellite engines.

Two types of technology are involved: liquid-propellant rocket engines and electric thrusters (known as plasma thrusters).

European civil space activities are assigned among manufacturers in each country to ensure a fair return on the investment for all governments involved. The manufacturers then enter into agreements to reallocate these activities in accordance with their areas of expertise.

In Europe, the weak government market means that access to space systematically involves the operator Arianespace, the dominant player on the commercial market for the launch of geostationary telecommunication satellites. Safran is the main supplier of Ariane engines.

Group products and programs

Safran's operations in the liquid- and plasma-propellant engine segment mainly involve Snecma and Techspace Aero.

Safran's direct customers are EADS Astrium, which supplies series production units to Arianespace, and ESA for development activities:

- **Series production**, with manufacture of the Vulcain 2 cryogenic engine delivering 135 metric tons of thrust to power the main stage of the ES and ECA versions of Ariane 5, and manufacture of the HM7 cryogenic engine delivering 7 metric tons of thrust to power the upper stage of the Ariane 5 ECA rocket.
- **Development activities**, with the demonstrator for the new Vinci restartable cryogenic engine, delivering 18 metric tons of thrust, planned for the upper stage of the future heavy-lift Ariane 5, then a forthcoming new-generation European launch vehicle.

In the satellite sector, Safran offers an electric propulsion solution. SPT100 plasma thrusters are in service in geostationary satellites and the PPS1350 thruster powers ESA's SMART-1 lunar exploration probe.

1.3.1.2 Helicopter turbine engines**Key characteristics of the business sector**

The helicopter turbine engine market is characterized by significant diversity in applications and customer-users. With the exception of armed forces and certain specific civil applications, current helicopter fleets are small in size, in contrast to the civil aviation sector.

Helicopter engine size is determined mainly by airframe weight and mission type. Helicopters may have one, two or sometimes three engines.

Overall, the Group serves:

- government and parapublic applications: police, border control, medical and emergency services;
- civil applications: off-shore oil industry, transport, tourism and private ownership, and airborne work;
- military applications: transport, attack and ground support, maritime patrol.

This diversity, coupled with the fact that engines are tightly integrated into the helicopter airframe, gives rise to a wide variety in engines and associated versions.

The helicopter engine market, like the civil aviation market, comprises two activities:

- sale of turbine engines to helicopter manufacturers for installation in new airframes (original equipment);
- service activities based on spare part, maintenance and repair contracts with operators, requiring a major global customer support network with local reach, given the large number of users and the helicopter's limited radius of action.

The profile of a helicopter turbine engine program is extremely similar to that of a civil aircraft engine program as presented above.

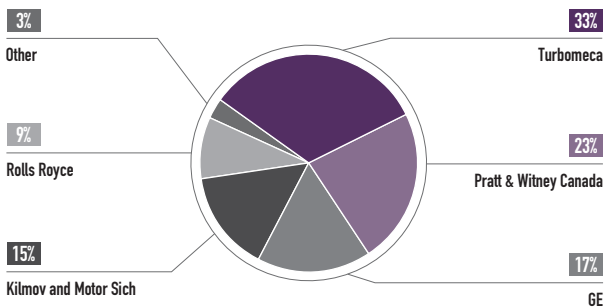
The airframe/engine pairing is often unique and at the origin of a new model. However, the current trend is towards multiple engine sizes in line with developments in airframes. This trend can also be seen where a helicopter is adapted for a specific purpose, thereby reintroducing competition into a given program.

There are fewer partnerships between engine manufacturers than in the civil aviation engine sector. The main partnerships are between Rolls-Royce and Turbomeca (RRTM, for the 2,500 shp⁽¹⁾ RTM322 engine, which powers the NH90 and EH101) and between Rolls-Royce, Turbomeca, MTU and ITP (MTRI for the 1,100 shp MTR390 engine, which powers the Tiger). The growth of the helicopter market in emerging markets has also led Safran to develop other types of partnerships with consortiums of helicopter manufacturers looking to enter the propulsion sector. This is the case with HAL in India and AVIC in China, which are both becoming major customers and partners.

(1) shp: shaft horsepower

The majority of major Western aircraft manufacturer groups are also present in the helicopter turbine engine market: Safran/Turbomeca (market leader), General Electric, Pratt & Whitney Canada, Rolls-Royce and Honeywell.

MARKET SHARE: SALES OF HELICOPTER ENGINES (2007-2011)



Source: Turbomeca.

Group products and programs

Most of Safran's helicopter engines are modular turbine units adaptable to civil and military helicopters. Modularity makes for more efficient maintenance programs. Safran engines are designed with a large additional power potential (up to 20%), which means they address a broad application spectrum.

Safran is active in all of the helicopter engine categories described above, primarily through Turbomeca.

TURBINE ENGINES FOR LIGHT TO MEDIUM HELICOPTERS

For single- and twin-engine light and medium helicopters, Safran offers two types of engine: Arrius and Arriel.

These engines and their derivatives power many civil helicopters, from Eurocopter (EC120, EC135, Écureuil, EC145, Dauphin, etc.), Sikorsky (S76) and Kamov (Ka-226T), along with military helicopters from Eurocopter (Fennec, Panther), AgustaWestland (A109 Power) and AVIC in China (Z9 and Z11).

The Arriel 1E2 engine powers the 322 twin-engine UH-72 Lakota by Eurocopter, ordered by the US Army.

TURBINE ENGINES FOR MEDIUM HELICOPTERS

For medium helicopters (five to seven metric tons), Turbomeca is present on the military market for combat helicopters, with the MTR390 (developed jointly with Rolls-Royce and MTU) that powers the Eurocopter Tiger, and the TM333 engine that powers Hindustan Aeronautics Ltd's (HAL) Dhruv. A special development contract has been signed with Spain (taking on board ITP as an additional engine partner) for a more powerful version of the MTR390 for the Tiger. For civil and military applications with this range of helicopters, Turbomeca develops the Ardiden.

The Ardiden program addresses the new generation of medium helicopters (five to seven metric tons). The Ardiden 1 version is in series production, as is the Indian version, Shakti, developed in partnership with Indian manufacturer HAL, which powers the new version of HAL's Druhv helicopter. The latest version, Ardiden 3, is at the development stage. It addresses six to eight ton helicopters under development, and has already won orders from AVIC in China and Kamov in Russia.

(1) Source: Safran.

TURBINE ENGINES FOR HEAVYWEIGHT HELICOPTERS

On the heavyweight helicopters market, Makila turbine engines are used on helicopters including the Eurocopter EC 225/725 and Super Puma.

The RTM322 turbine engine (50/50 cooperation with Rolls-Royce) powers NH Industries' NH90 helicopter and AgustaWestland's EH101 and Apache (UK-specific) helicopters. This engine, which is in competition with General Electric's T700 engine, has won twelve of the fourteen NH90 tenders⁽¹⁾.

Spare part and service activities

Following the example of its civil aviation activities, Safran has developed an international structure able to provide customers with turbo engine spare parts and services locally. Local coverage is provided through a worldwide network of repair centers (performing in-depth maintenance) and Safran/Turbomeca service centers.

1.3.1.3 Solid-propellant engines

Key characteristics of the business sector

This business sector comprises two main segments:

- the civil space industry, comprising launch vehicle propulsion to place satellites in orbit as well as satellite engines; and
- the military industry, comprising propulsion for all types of ballistic and tactical missiles.

In the military sector, ballistic missiles are an essential component of national nuclear deterrent forces for countries possessing this capability. With the exception of the United Kingdom, production is entrusted to national manufacturers. France is the only European country to develop its own ballistic missiles.

Orders for tactical missiles are placed by governments. Certain major markets, including the US, Russia and China, remain totally or partially closed to European suppliers or are subject to "local preference" policies.

In both the civil and military segments, engine manufacturers work closely with the launch vehicle or missile prime contractor. Development and engineering programs tend to be long and financed by government budgets, such as the European Space Agency (ESA) for civil space activities in Europe or the National Defence budget for strategic military operations. Missile development is also financed by customer governments.

Series production activities generally involve limited quantities and fixed costs are high.

Group products and programs

Safran is present in the civil and military space segments through the activities of Snecma Propulsion Solide (SPS) and SME.

CIVIL SPACE PROPULSION

This segment features the following activities:

- **Series production**, with the manufacture of powder boosters, solid propellant engines delivering 650 metric tons of thrust for Ariane 5 boosters produced by Europropulsion, a 50/50 joint venture between Safran and Avio.

- **Development activities**, with Safran participating in the European VEGA program, in which it is notably responsible for developing the nozzle for the P80 solid propellant engine. Safran also designs and manufactures nozzles in advanced composite materials for US space engines.

BALLISTIC MISSILE PROPULSION

Safran provides rocket engines for the missiles of France's ocean-going strategic nuclear force, in particular for the third-generation development program (M51).

TACTICAL MISSILE AND TARGET PROPULSION

Safran provides engines for MBDA very-short-range ground-to-air Mistral missiles, and Apache and Scalp long-range air-to-ground missiles, as well as their Storm Shadow derivatives. The Group provides engines for MBDA C22 targets, for US Air Force MQM 107 targets and for targets produced by the Italian company Galileo (formerly Meteor) for NATO forces in Europe. It also supplies components for the production of SM-3 interceptor missiles, developed by Raytheon for US missile defence programs.

A business that is consolidating

At the end of 2010, the French government agreed on the principle of transferring SNPE Matériaux Énergétiques (SME) to the private sector, thereby allowing Safran to further consolidate the solid propulsion business, key to the long-term viability of European launch vehicles and missiles. Through its subsidiary SPS, Safran is Europe's leading designer and manufacturer of solid-propellant engines. SNPE, via its subsidiary SME, is the European leader in propulsion technologies.

Safran bought all SME businesses, with its subsidiaries and participations (including 50% in Roxel), along with a 40% stake in Regulus (the remaining 60% of which is held by Avio).

Following this purchase, Safran's Solid Propulsion business employs a workforce of close to 3,000, including an R&D team of more than 600. In 2011, Safran obtained the government and Community authorizations needed for merging SME and Snecma Propulsion Solide into a single company named Herakles. The final conditions allowing the merger to go ahead should be met during the second quarter of 2012.

1.3.2 AIRCRAFT EQUIPMENT

The Safran Group is one of the world's leading aircraft systems and equipment suppliers, specializing in mechanical, hydromechanical and electromechanical equipment.

Safran's Aircraft Equipment business operates in four sectors:

Landing and braking systems

Landing gear

Wheels and brakes

Landing and braking systems

Support services for landing gear, wheels and brakes and related systems

Ventilation systems and filters

Engine systems and equipment

Nacelles and thrust reversers

Power transmission systems

Electrical systems and engineering

Wiring and electrical connection systems.

Power electronics and distribution systems.

Engineering

Other equipment

Small electric motors

This business covers design, manufacture and sale of various products, plus maintenance, repair, related services and sale of spare parts.

The growth potential of Safran's Aircraft Equipment branch is significant, with the Group enjoying leading positions in each of its sectors in recent and prospective major short-, medium- and long-haul commercial aircraft programs by Boeing (787, 737NG), Airbus (A380 and A350) and COMAC (C919).

Thanks to its technological expertise in a large number of aircraft equipment sectors, the Group is a preferred partner of aircraft manufacturers and is able to offer a comprehensive range of products and services. Safran is notably the sole comprehensive "ATA 32" supplier (landing gear + brakes + systems).

Safran's substantial capacity for innovation has enabled it to carve out either leading or major positions in its markets. Competitors such as Hamilton-Sundstrand (UTC group), Honeywell and Goodrich (for which the UTC group has tendered an offer) are present in several sectors of the aircraft equipment market, whereas Liebherr, Spirit, Moog, Zodiac, Thales, Meggitt, Avio, Latelec and Fokker specialize in only one or two specific sectors.

Adopting a less systematic approach than in the Aerospace Propulsion branch, Safran has formed a number of alliances and partnerships in the Aircraft Equipment sector, on an individual product and program basis.

Market characteristics are outlined individually below, for each business area.

1.3.2.1 Landing and braking systems

This business comprises three main product lines: landing gear, wheels and brakes, and landing/braking control systems.

On May 1, 2011, Safran merged its French subsidiaries Messier-Bugatti (wheels & brakes, landing and braking systems), Messier-Dowty (landing gear) and Messier-Services (maintenance and repair). The merger brings the new company, Messier-Bugatti-Dowty, along with all Safran's other landing and braking systems companies (in the UK, Canada, the USA, Mexico, China, Singapore and the Middle East), under a single management structure. The new organization is in response to market shifts toward more tightly integrated offerings addressing both aircraft manufacturers and airlines. A good illustration of this trend is the technological initiative on more fuel-economical "green taxiing" solutions, that do not require use of the aircraft engines.

LANDING GEAR

Key characteristics of the business sector

The market for commercial aircraft landing gear is shared by Safran, Goodrich (US) and Liebherr (Germany), plus a handful of niche players positioned in specific market segments (business jets, helicopters, drones, etc.). Technology requirements are high, as landing gear must bear extreme loads during maneuvers on the ground: it must be light, compact and robust, while being fully adapted to and optimized for the aircraft's profile. The business model includes a long development period – which starts with the initial aircraft development phase – limited production volume and regular service flows. Technological challenges include the use of new materials to improve the resistance of parts, new, more eco-friendly production processes (elimination of chrome) and enhanced acoustics.

Group products and programs

Safran's operations in the landing gear segment mainly involve Messier-Bugatti-Dowty.

Safran designs, manufactures and provides after-sales services for landing gear for civil and military planes and helicopters of all sizes. If requested by the customer, it also handles integrated systems. Safran also provides the technical assistance and spare parts needed for its equipment.

Safran is number one worldwide for these structural units, having equipped a fleet of some 21,000 aircraft. The Group's customer base comprises around thirty aircraft manufacturers, including Airbus, Boeing, Bombardier and Dassault, plus 650 major military and civil operators. Among the main commercial aircraft programs is the entire Airbus range, including the A350, as well as Boeing's 787 Dreamliner, the first contract with this US manufacturer. The Group also has a strong presence in military applications, where it equips the A400M, Rafale, Eurofighter Typhoon, F18, V22 and Eurocopter helicopters, as well as in the business jet and regional jet markets (ATR, SuperJet 100, Bombardier, Dassault-Falcon, Hawker Beechcraft, Fokker, Piaggio, etc.).

(1) Source: Safran.

WHEELS AND BRAKES

Key characteristics of the business sector

The present-day wheels and brakes market extends to some 20,000 commercial jets, and splits evenly into two segments: aircraft with steel brakes (first-generation brakes), and aircraft with carbon brakes, invented by Safran. The market for carbon brakes has developed rapidly since the 1980s, with the increase in air traffic and the gradual phase-out of steel brakes, replaced by carbon units. The wheels and brakes market is currently shared among four major global players: Safran, Goodrich (US), Honeywell (US) and Meggitt (UK).

Group products and programs

Safran's operations in the wheels and brakes segment mainly involve Messier-Bugatti-Dowty.

Safran designs, manufactures and provides after-sales services for wheels and carbon brakes for aircraft. It also provides electronic and electrohydraulic systems for aircraft braking, tire/brake/landing gear monitoring and landing gear steering systems.

The Group's main customers for wheels and brakes are Airbus and Boeing, chiefly in civil applications, for the A320, A330/A340, 767 and 777. In the military sector, Safran equips the A400M, the Rafale, the KC135 refueler and the C17. Recent contract wins for the A350, the A320neo range, the 737NG and the 787 have bolstered its position as leader in this sector.

The Group holds 49.2%⁽¹⁾ of the global market for wheels and carbon brakes for aircraft with over 100 seats. In 45% of cases, these fleets are less than five years old, which, given the activity's business model, offers the Group a strong and highly-profitable future revenue outlook on a constant-fleet basis. Safran is remunerated on a per equipped-aircraft landing basis.

LANDING AND BRAKING SYSTEMS

Key characteristics of the business sector

The market for landing/braking systems includes braking systems, landing gear extension and retraction systems and monitoring systems. The main players are Safran, Goodrich (US), GE Aviation Systems (US) and Crane Aerospace & Electronics (US).

Group products and programs

Safran's operations in the landing and braking system segment mainly involve Messier-Bugatti-Dowty.

In the landing/braking electronic control systems segment, Safran's position is buoyed by its technological advance in electric braking and its ability to propose a comprehensive offering to customers, which encompasses landing gear, wheels and brakes, and associated control systems.

SUPPORT SERVICES FOR LANDING GEAR, WHEELS AND BRAKES AND RELATED SYSTEMS

Safran provides maintenance services for all Group products, as well as for competitor products, for all aircraft of 10 metric tons and above. Through its partnerships in Asia, the US and France, the Group offers solutions tailored to regional and business jets.

VENTILATION SYSTEMS AND FILTERS

Through Technofan, which is listed on Euronext Paris (Segment C), Safran designs, manufactures and markets ventilation systems for aircraft cabins, and avionics and brake cooling systems for commercial and military aircraft and helicopters.

Through its subsidiary Sofrance, Safran manufactures and markets a wide range of filtration systems for fuel, lubrication, air and hydraulic applications.

1.3.2.2 Engine systems and equipment

NACELLES AND THRUST REVERSERS

Key characteristics of the business sector

The nacelle is comprised of the engine fairing, the air inlet, the nozzle and the thrust reverser, which, as its name indicates, reverses the engine's thrust to help brake the aircraft. The thrust reverser represents approximately half the value of the nacelle. The market is organized around these sub-units, which require both specific and varied technical expertise according to the size and complexity of the nacelles. Safran's main competitors are Goodrich and Spirit.

Group products and programs

Safran is present in the nacelle and thrust reversers sector through the activities of Aircelle.

Safran designs, manufactures and provides after-sales services for nacelles for business jets, regional jets and commercial aircraft with over 100 seats. The Group also provides aerostructures, particularly those manufactured with composite materials. It is a recognized expert in the manufacture of complete nacelle systems (A340-500/600 and A380), large-scale reversers (A330 and A320) and acoustic technologies, and has a strong presence in the market for regional and business jets (Embraer 135/145 and 170, Gulfstream V, Bombardier Global Express, Challenger 300 and Sukhoi Superjet 100). Safran is one of three global leaders in this sector, with a market share of 25%⁽¹⁾. Safran has an alliance with General Electric, via its subsidiary Middle River Aircraft System (MRAS), along the same lines as the CFM engine program partnership. The purpose of this alliance, called Nexcelle, is to jointly develop nacelles for future medium-haul aircraft. This is likely to strengthen Safran's long-term position. COMAC has selected the Nexcelle joint venture's "integrated nacelle" for the CFM LEAP-1C integrated propulsion system. The contract comes with an industrial cooperation agreement between Nexcelle and the Chinese state-owned group AVIC. Nexcelle has also been selected by General Electric to supply the nacelle for its Passport engine, which powers the Bombardier Global 7000/8000 business jets. Safran/Aircelle also develops the A320neo nacelle for Airbus, in partnership with GE/MRAS, in a version powered by the CFM LEAP-1A.

POWER TRANSMISSION SYSTEMS

Key characteristics of the business sector

The power transmission market covers a range of applications, the main ones being accessory gearboxes (which deliver mechanical energy to engine accessories or aircraft systems), reduction drives (which transfer power to the propeller blades on turboprop

aircraft), and main transmission gearboxes (which transfer power to the blades on helicopters). The main players on this market are the engine and helicopter manufacturers themselves, along with equipment suppliers such as the UTC group, Avio, KHI, Triumph and Northstar.

Group products and programs

Safran's operations in the power transmission sector involve Hispano-Suiza.

Safran designs, manufactures, markets and maintains a wide range of mechanical power transmission systems for civil and military aircraft engines. Its customers are mainly Safran Group companies. Its reputation for technical expertise in power transmission systems has enabled it to enter into agreements with Rolls-Royce and more recently Eurocopter, and has bolstered Safran's position among sector leaders.

1.3.2.3 Electrical systems and engineering

WIRING AND ELECTRICAL CONNECTION SYSTEMS

Key characteristics of the business sector

Wiring and electrical connection systems are mainly comprised of electrical harnesses as well as main and secondary transformer stations and other electrical cabinets.

Much of the aircraft wiring market is still in the hands of aircraft manufacturers' internal departments. The Group is the worldwide leading supplier on the open market for aircraft wiring. Its main rivals are Fokker/ELMO, LATELEC and, in the US, Ducommun LaBarge.

Group products and programs

Safran's operations in the wiring and electrical connection system segment mainly involve Labinal. Safran is a major player in this segment, chiefly with customers Airbus and Boeing. Safran provides electrical and layout design work in addition to wire production and installation support services at the aircraft manufacturer's site. If requested by the aircraft manufacturer, as is often the case on upgrade programs, Safran can take on the planning and onboard installation stages. This can – as with recent major programs such as the A380 – extend to an "end-to-end" service covering engineering, manufacture and installation support.

In late 2010, Safran acquired Harvard Custom Manufacturing. Situated in the US and specializing in wiring for military aircraft, the new unit (now operating as Labinal Salisbury), generates annual sales of around USD 100 million.

In 2011, Safran and Boeing bought out Royal Air Maroc's stake in the electrical wiring manufacturing company Matis, in Casablanca. Safran and Boeing now have equal shares in this company.

POWER ELECTRONICS AND DISTRIBUTION SYSTEMS

Key characteristics of the business sector

The power electronics market is recent, arising directly from developments in electrically powered aircraft functions (electric thrust reversers, electric brakes, electric load control, etc.). Power electronics skills are in the hands of major equipment manufacturers such as Hamilton Sundstrand (UTC group) and Goodrich (for which the UTC group has submitted a purchase bid).

(1) Source: Safran.

The electrical systems market is longer-established, and mostly covers electricity generation and distribution functions. This market is currently commanded by major players such as Hamilton Sundstrand (UTC group), Goodrich, Zodiac and GE, which cover all or some system components.

Group products and programs

Safran's operations in these segments involve Hispano-Suiza and (for electrical distribution systems) Labinal.

Safran is highly innovative in power electronics, especially with regard to ETRAS (Electrical Thrust Reverser Actuation Systems). It recently developed and deployed the world's only electric control system for nacelles, on the A380. This is a major leap forward on the technological front which, combined with Safran's engine and electrical wiring expertise, places the Group in an excellent position to join the leading global players in onboard electric generation and distribution for tomorrow's increasingly electric generation of aircraft.

In November 2011, Embraer selected Safran to provide all emergency backup power and primary and secondary distribution systems on its KC390 military transport aircraft program.

ENGINEERING

Key characteristics of the business sector

Demand continues to run high on Safran's engineering market. With the many programs currently under development, aircraft manufacturers and equipment vendors are experiencing a shortage of specialist engineering skills.

1.3.3 DEFENCE

Safran is a major player in avionics, optronic, electronic solutions and services, and critical software for the civil and defence markets.

The defence business can be broken down into three key sectors:

Optronics

Soldier modernization

Optronics and sights

Drones

High-performance optics

Avionics

Navigation and sensors

Seekers and guidance systems

Flight control systems

Upgrading of military aircraft/civil avionics

Onboard information systems

Electronics and critical software

Onboard electronic equipment

Onboard critical software

At the same time, Safran's major aerospace customers are trimming back their supplier panels, and this gives rise to consolidations and new opportunities for those suppliers that are selected.

Selection depends on the ability of suppliers to provide consistent support on their customers' international markets, and to sustain and develop their skills bases.

Safran's main competitors are leading full-service engineering groups such as ALTEN and ALTRAN as well as niche aviation suppliers, e.g., Assystem and Aeroconseil.

Group products and programs

Safran is present in the engineering market through Safran Engineering Services, a subsidiary of Group company Labinal. In Europe, North America and Asia, Safran Engineering Services is primarily active in the aviation market but also provides services to related markets such as automobile and rail. Its expertise, focused on four broad areas (electricity, aerostructures, mechanical systems and embedded systems), is used by various Group companies, chief among which ranks Labinal. However, it also provides services to major aviation customers (EADS, Boeing, Dassault and Embraer) as well as land transport companies (Bombardier Transport, Renault and Peugeot).

1.3.2.4 Other equipment

SMALL ELECTRIC MOTORS

Through its subsidiary Globe Motors, Safran designs, manufactures and markets a wide range of precision electric motors and actuators for the automobile, aviation and defence industries.

Safran is active in France and internationally in navigation assistance equipment, electronic, optical and optronic equipment. It develops, produces or purchases, and maintains computers and printed circuit boards used in all types of platforms for the civil and military aviation and defence sectors. Safran develops onboard electronics and critical software for the systems it manufactures.

Safran's main partners and customers are governments, mainly within the defence sector, and European groups such as Thales, EADS, Nexter, BAe Systems, MBDA, Finmeccanica, Saab AB, Alenia, Dassault and DCNS, as well as foreign-based firms such as Elbit Systems and General Electric.

Other well-known integrators and equipment and system suppliers in the international aviation and defence sectors may also become partners or customers of the Group, primarily those located in the US, Israel, Brazil, Russia, India, China, South Korea, South Africa and Canada.

1.3.3.1 Optronics

Key characteristics of the business sector

Safran's ability to innovate and its expertise have enabled it to become a reference in the high-tech industry of optronics. The optronics sector covers a wide range of equipment and systems, such as the upgrade to the Felin infantry combat system, night

vision goggles, vehicle digitization (vectorics) and air-land battle space digitization, “optronic pods” for aircraft and weapon systems, drone systems, periscopes for nuclear submarines, and REOSC high-performance optics. Safran also offers a full range of infrared and thermal equipment. Optronic applications cover the air-ground defence, naval-air defence, aviation and space sectors.

On December 20, 2011, Thales and Safran signed a memorandum of understanding on a 50/50 optronics joint venture.

The new organization will address future defence systems that represent a major challenge in terms of modernization and upgrading. The combination of Safran and Thales’ skills will offer greater benefits for customers and the two partner companies. New systems include the optronics system on the Atlantique 2 maritime patrol aircraft upgrade, the image chain on the future French-British MALE drone, various modular optronics systems on army vehicles, and optronics on the next-generation helicopter. The joint venture covers cooperation on technical, commercial and scheduling matters, with each company keeping full control of its industrial assets.

Through the new partnership, Thales and Safran will be strengthening French capacities in infrared sensor technologies, the price and performance of which are crucial factors behind the competitive performance of optronic systems.

Group products and programs

Safran is active in the optronics industry through Sagem (the trade name of Sagem Défense Sécurité), the subsidiaries Vectronix (optronics products, mainly in the form of Vector and JIM LR night-vision binoculars) and Optics 1 Inc. (integrated systems and optical, opto-mechanical and electro-optical subsystems), and through its stake in Sofradir (world number-one in infrared detection).

SOLDIER MODERNIZATION

With Felin (the French acronym for “infantryman with integrated equipment and links”), designed specifically for soldier modernization in the French armed forces, Safran is offering innovative solutions to meet the needs of various armed and security forces (army as well as police, civil security and firefighters) both in France and further afield. Providing the dismounted soldier with optimal ease of movement, this modular approach developed and marketed by Safran meets the objectives of soldier modernization programs (SMP). The soldier has enhanced protection against ballistic risks (shrapnel-proof vest, plates to protect against assault weapons, etc.), NBC risks (integrated ventilation system featuring two filtration systems) and climate risks (technical underwear adapted to a variety of climatic conditions).

OPTRONICS AND SIGHTS

PORTABLE OPTRONICS

Safran is a trailblazer in, and the leading European producer of, portable optronics. It offers a full range of observation hardware and systems that can be used day and night in all conditions. Its

thermal cameras and multi-purpose night-vision imagers, such as the JIM LR (a long-range multifunction imager – ordered by the French army as well as other armed forces), have become a global market reference. These high-tech systems are widely used in the overseas operations conducted by French and other Allied armies.

ONBOARD SYSTEMS

Safran also works to provide protection for land armored vehicles (e.g., Leclerc tank), light- and medium-weight wheeled or tracked combat vehicles, infantry or mechanized combat vehicles (with the possibility of adding ambulant firing capabilities in day or night conditions, turret stabilization, self-protection, HMI (human/machine interface) and navigation capabilities. Safran also offers solutions for ships, surface vessels (self-protection modernization and optronics systems) and submarines (renovation of navigation systems, and installation of displaced-sight combat periscopes).

In the field of gyro-stabilized sights, Safran has participated in major combat helicopter programs: Tiger, NH90, Cougar and Panther. Infrared STRIX and OSIRIS sighting systems fitted to Tiger helicopters are able to meet the most demanding conditions of any combat platform in operation, providing for target observation, detection, reconnaissance, identification and localization, as well as pursuit and fire direction for onboard weapons. Safran is also involved in major French and export (Emirates, Saudi Arabia, etc.) land vehicle programs (Leclerc, BCI, BMP3).

Safran’s experience in (conventional and nuclear) submarine masts and periscopes has been applied to several programs such as Scorpène, Agosta and Daphné. The new generation of combat nuclear submarines, the Barracuda class, which have pump-jet propulsion, will also be equipped with these technologies – notably incorporating the DAS surface detection system using non-penetrative optronic masts.

Safran’s artillery systems boast state-of-the-art capabilities and are used by armed forces in more than 20 countries. The SIGMA 30 family of units for land navigation and artillery pointing make it possible to fire accurately at very short notice.

DRONES

Safran has pushed back the barriers on drone systems through its mastery of core technologies: navigation and flight control, visible and infrared optronics, and data transmission. Night and day, Safran’s tactical-drone systems are used in daily operations, in close contact with threats.

HIGH-PERFORMANCE OPTICS

With its REOSC optic range, Sagem is a specialist in advanced opto-mechanic equipment for civilian and military applications. As a worldwide leader in high-performance spatial optics, Sagem is the sole company in Europe to master polishing and large-scale ceramic substrate treatment (SiC) to a degree of precision within several nanometers. Its space optics are used onboard Helios I and II, Meteosat and the Spot satellites, plus numerous scientific satellites.

Customer support

Sagem's customer support includes high value-added services, including repairs, equipment delivery and technical support. All strive towards the same goal: ensuring that equipment is in full working order at all times.

1.3.3.2 Avionics

Key characteristics of the business sector

Safran's innovation and expertise make it a top-tier global player in the high-tech avionics industry. The avionics segment covers onboard electronics technologies in the following product lines: inertial navigation, flight control systems, guidance systems (seekers, AASM munitions) and onboard information systems. The applications corresponding to this product offering are extensive and encompass all types of platform and comprehensive navigation systems, such as combat vehicles and ships, commercial planes, helicopters, and guided weapon systems. In addressing several different markets with common-core technology platforms, Safran enhances competitive performance and optimizes its customer portfolio. This approach reduces both costs and volatility.

Competitors are active in several sectors in France and internationally and include Thales, BAe, Finmeccanica, Rockwell Collins, Northrop Grumman (formerly Litton), Eaton and Liebherr.

Group products and programs

Safran is present in the avionics sector through Sagem (the trade name of Sagem Défense Sécurité) and its subsidiary Sagem Avionics Inc. (automatic pilot systems for aircraft, activators and onboard data acquisition and processing modules), and its holding in Astrac (fighter upgrades).

NAVIGATION AND SENSORS

As the European market leader in inertial navigation systems, Safran offers a wide range of inertial and hybrid systems for submarines, surface ships, land vehicles, airplanes, helicopters and aircraft. Recognized know-how in these technologies lies behind Safran's involvement in programs such as Rafale and A400M, and, more recently, in a Russian joint-venture developing and supplying inertial systems for fighter planes and combat helicopters.

SEEKERS AND GUIDANCE SYSTEMS

Building on the Magic II program, Safran has combined expertise in optronics and guidance systems to provide seekers for Mistral and MICA IR missiles. At the heart of the missile's system, the seeker fitted to the MICA uses the most advanced technologies such as bispectral imaging and real-time processors. MICA IR missiles are carried by Rafale fighters and Mirage 2000-5 interceptor aircraft.

The AASM (French acronym meaning Modular Air-to-Ground Weapon) is a family of new-generation, high-precision weapons for modern air forces. It is a conventional-use weapon that can be used in all conditions, day or night, and has substantial standoff capacity. The missile is operational on Rafale fighters belonging to the French

army, air force and navy and carries several examples of Safran's expertise such as inertial components comprising hemispheric resonating gyro, infrared technology and image processing.

FLIGHT CONTROL SYSTEMS

As a worldwide leader in helicopter flight control, Safran offers automatic systems designed to aid the pilot while maintaining a maximum level of security. Safran's expertise extends to components of navigation systems coupled with autopilots: position sensors, flight control actuators and onboard computers. Safran was selected along with partners Eurocopter and Thales on the development project for the X4 next-generation helicopter. Embraer commissioned Safran with development and supply of the horizontal stabilizer trim actuator (HSTA) on the KC390. AgustaWestland selected Sagem to handle the development of the secondary onboard computer for the AW169 flight control system.

UPGRADING OF MILITARY AIRCRAFT AND CIVIL AVIONICS

Safran offers turnkey solutions that include training and maintenance. They are based on inertial navigation, visible and infrared optronics, high-performance digital processing both onboard (weapons systems) and on the ground (mission preparation). The company is upgrading the Ukrainian Mi24 helicopters and working with Thales under the Astrac joint venture to retrofit Morocco's Mirage F1 fighters (new attack and navigation system, new weapons, etc.).

Safran is also a major player in upgrading avionics for civilian and parapublic helicopters and airplanes. Its offer runs from cockpit displays to complete aircraft modernization. For example, Safran was selected by the Brazilian army and Helibras to take charge of upgrading the EC725 helicopters.

ONBOARD INFORMATION SYSTEMS

Safran has also developed flight-data recording systems (Aircraft Condition Monitoring System – ACMS), which equip ATR, Embraer, Boeing and Airbus aircraft. Safran has also provided the information system of the A380, and of the A350, under Airbus prime contractorship. More than simply a data network, the system comprises a fully fledged intranet combining the properties of a router, server and communication interface.

Customer support

After-sales service accounts for a quarter of overall sales. Safran addresses the substantial installed base to offer quality customer support, especially in repair work.

1.3.3.3 Electronics and critical software

Safran is active in onboard electronics and critical software through Sagem's Safran Electronics division and its subsidiaries Safran Electronics Asia Pte Ltd (electronics maintenance center for the Asia Pacific region), Safran Electronics Canada Inc. (onboard electronics for business jets and regional aircraft), and FADEC International LLC, a 50/50 US joint venture with BAE Systems.



This Safran Electronics division provides Safran Group companies with the electronic equipment and critical software required for their world-leading programs. It develops, produces or purchases, and provides maintenance for computers and printed circuit boards for numerous systems (FADEC engines, nacelles, landing gear, braking systems, flight control systems, inertial navigation systems and sights) for aircraft and naval and terrestrial landing platforms. Safran Electronics also develops and certifies the critical onboard software for these systems.

ELECTRONIC EQUIPMENT

Safran Electronics specializes in electronic systems for harsh environments (temperature, vibration, etc.) and single and multiple onboard computers, either standalone or integrated in an IMA (Integrated Modular Avionics) system, for critical applications such as engine control, flight control, braking control and landing gear control. Its teams develop, produce or purchase, and provide maintenance for, computers and printed circuit boards. They also design and install electronic controls for Safran Power⁽¹⁾ power converters and electro-mechanical actuators. Safran Electronics also manufactures complex hybrid micro-electronic modules for aerospace applications. As such, it is conducting work on the electronic propellant flow-rate regulation demonstrator for the Vulcain X engine, and on control

systems for plasma thrusters. Safran Electronics covers the whole of the supplier chain. It develops know-how and technological expertise in areas such as production of electronic circuit boards, through a strong industrial excellence center based at its Fougères plant, plus a sound network of suppliers, partially located in both low-cost and dollar zones.

CRITICAL SOFTWARE

Safran Electronics develops the complex critical software used in Safran group onboard systems. The software is critical in terms of dependability requirements in harsh environments, and it complies with extremely demanding certification standards. Safran Electronics teams handle software architecture, specifications, coding, verification, quality assurance, configuration management and certification.

Computer maintenance and repair

At its Massy and Singapore repair centers, Safran Electronics performs maintenance of its own onboard computers along with systems from other Safran Group and third-party manufacturers. It maintains and repairs computers and electronic boards for a significant number of airlines and airforces worldwide.

1.3.4 SECURITY

Security activities can be split into three key sectors:

Identification

Identification solutions	Large-scale identity systems
	Border control
	Criminal identification
	Biometric enrollment services
	Biometric equipment
Other activities	Lottery terminals
	Transport security

e-Documents

SIM cards

Bank cards

Secure identity documents

Detection

Detection by X-ray tomography of explosives and dangerous and illicit substances.

Spectrometry-based detection and analysis of traces of explosives and dangerous and illicit substances.

Safran is present in the security sector through Morpho, the world leader in biometric solutions. Its main subsidiaries in this sector are as follows: Morpho Detection (formerly General Electric's Homeland Protection unit, specializing in the detection of explosives and illicit substances), Morpho Cards (smart cards), MorphoTrak (formed from 2009 US merger of Sagem Morpho Inc. and the biometric businesses of Printrak, bought from Motorola, which in 2011 brought in some of the businesses bought from L-1 Identity Solutions, including biometric sensors), Morpho B.V. (European leader in printing of secure documents such as passports) and MorphoTrust. Under a proxy agreement with the US government, MorphoTrust was founded to take in the US businesses of L-1 Identity Solutions regarding the issuance of identity documents in the USA, biometric enrollment services for authorization control, and sensitive projects run by the US government.

Safran is a global leader in digital identity solutions, and a leading player in passenger and goods flow control. It focuses on organic growth of around 10% per annum in the targeted markets, based on the ongoing improvement of its technology offering, a policy of industrial and academic partnerships and, potentially, major new targeted acquisitions in related markets.

Acquisition of the identity solutions businesses of L-1 Identity Solutions, US market leader, became effective as of July 25, 2011, following authorization from the Committee on Foreign Investment in the United States (CFIUS). It bolsters Safran's coverage of the world's biggest security systems market and strengthens its multi-biometric offering, combining facial or iris recognition with fingerprint recognition.

(1) Safran Power: a division of Hispano-Suiza.

Through these companies, Safran has perfected cutting-edge technology in areas such as biometrics, onboard software (in particular smart card operating systems), secure terminals (speed control radars, gaming terminals or biometric terminals), secure printing techniques and cryptology, and detection (explosives and illegal substances). Such technology is necessary to access key target markets.

In the air and airport sectors the trend towards increased security continues and requires a considerable joint effort by numerous players, including airport and civil aviation authorities, airline companies, border police and customs authorities. Safran cooperates with all national and international organizations influencing the development of new technologies in the aviation sector. Cooperation applies to R&D work on next-generation check-points, to offer improved fluidity and security in airport passenger and luggage inspection, implementing various technologies developed by Morpho. Safran is a listed supplier of the TSA (Transportation Security Administration) in the US and of numerous airports worldwide. It is also a global partner of the ACI (Airport Council International) and participates actively in the "Simplifying Passenger Travel" working group, which seeks to make air travel more convenient, more secure, and more comfortable.

1.3.4.1 Identification

Key characteristics of the business sector

Identification solutions comprise the Group's identity programs and products (identification solutions, automatic systems for processing biometric data, etc.) and security equipment (biometric terminals, biometric enrolment kiosks, gaming terminals, transport safety equipment, etc.), which, by identifying persons or objects, contribute to the protection of persons, goods or sites against all types of threats and danger.

By "identify" we mean being able to find reference to a particular individual from among a group of individuals who are, *a priori*, known. By "authenticate" we mean confirming, based on information provided by individuals (pin code, biometric data, etc.) that individuals are who they say they are. Generally speaking, system security calls for combined use of both functions: identification is used when a right of passage is issued, to verify that the individual requesting the right is not *persona non grata* and that he or she is not referenced in the system under another name. At this stage, the reference biometric information is created that will later be used to authenticate the requester when he or she exercises this right.

The market for automated fingerprint identification systems (AFIS) addressing forensic applications is concentrated in the hands of a few players. Safran is the global leader, boasting a market share of approximately 50%⁽¹⁾, followed by NEC and 3M after its acquisition of Cogent Systems. Having reached maturity in crime-solving

support applications for leading forensic laboratories worldwide, AFIS markets are currently enjoying a significant upturn thanks to the international development of applications for the delivery and verification (mainly at border controls) of passports and other biometric identification documents (ID card, e-health card, etc.).

Markets for identification management and flow control multiple applications are highly competitive. They comprise numerous industrial players (Gemalto, 3M, etc.) and major integrators (Lockheed Martin, Accenture, etc.) in a whole host of business sectors. This offers Safran the opportunity to adopt a variety of positions through a competition or cooperation approach. Safran is currently a major global player in identity solutions, with significant market share in all targeted markets⁽²⁾.

Contributing to these solutions are Dutch subsidiary Morpho B.V. (specializing in the printing and personalization of secure documents), US subsidiaries MorphoTrak and MorphoTrust (identification products and solutions), and Morpho Cards and its network (smart-card specialists providing cards for identification applications).

Group products and programs

IDENTIFICATION SOLUTIONS

Safran already offers numerous biometric techniques to identify physical persons, including fingerprint (and potentially vein pattern) recognition, facial and iris recognition and various combinations of these techniques. In the promising field of rapid DNA identification, Morpho has signed a strategic research, development and commercialization agreement with US company ZyGEM.

The implementation of these techniques enables the following systems and solutions to function:

- major identification systems (censuses and production of ID cards, voter cards, passports, e-health cards, driver's licenses, etc.);
- border control solutions, including fingerprint recognition (Paris airports, and Marseille Provence Airport from 2012) and iris recognition (UK) of passengers listed in a database, a common European visa system for asylum seekers, and facial and electronic passport data recognition (Australia/New Zealand);
- solutions to help solve crime, such as automatic fingerprint identification systems for police or legal authorities;
- enrollment services for control of authorizations to work at sensitive sites and on critical applications (e.g., US businesses under proxy).

Morpho's identification division also designs and deploys the biometric sensors and equipment used for protecting access to physical premises or information systems, along with biometric enrollment terminals and identity control terminals using one or more of the three major biometric detection technologies (fingerprint, facial and iris recognition).

(1) Source: Safran estimation based on 2010 Frost & Sullivan survey, "World Biometrics Market".

(2) Sources: 2011 ABI research survey, "Government and Healthcare Citizen ID Cards"; 2010 Frost & Sullivan survey, "World Biometrics Market"; Safran internal studies.

OTHER BUSINESSES/ACTIVITIES

Image-analysis expertise developed for biometrics is also applied to secure terminals for lotteries or bookmaking, or products, systems and services for transport safety. In road safety, for example, Safran products cover all safety rule control requirements (speed, signs, etc.), and include manual solutions and fully automated digital systems.

1.3.4.2 e-Documents**Key characteristics of the business sector**

Through Morpho and its subsidiaries, Safran is the fourth-largest⁽¹⁾ smart card company worldwide after Gemalto, Oberthur Card Systems and Giesecke & Devrient. Smart cards are used to identify beneficiaries for a whole range of applications. Safran is present in all market segments, including mobile phones, bank cards, identity documents (ID cards, health cards, passports and driving licenses), and secure access to business networks and the internet.

Group products and programs**SIM CARDS**

On the SIM card market, Morpho supplies the world's biggest mobile phone operators via a state-of-the-art logistics chain that delivered 550 million SIM cards worldwide in 2011. Mobile telecommunications is a fast-moving field, addressed by four Safran R&D centers actively involved in high-potential projects including: NFC (near field communication), which will soon enable users to identify themselves via their mobile phone, using it to pay for purchases, for example; machine-to-machine technology capable of, for example, tracking a fleet of GSM-equipped vehicles; or digital identification where a smart card becomes a means of internet user authentication, with reliability as high as for the mobile phone network.

BANK CARDS

Morpho supplies major banks in regions including Europe, Latin America and Asia. This sector is currently benefiting from two major trends: magnetic stripe cards are giving way worldwide to smart cards meeting the EMV (Europay MasterCard Visa) standard; and no-contact technologies are gaining ground. Both technologies heighten the security of transactions, reduce the incidence of fraud, and improve customer convenience.

Against this backdrop, Safran strengthened its Latin American coverage with Morpho Cards do Brasil's acquisition of the Carvajal group's card personalization and production centers in Colombia and Peru on September 30, 2011.

SECURE IDENTITY DOCUMENTS

Lastly, Morpho's e-documents and identification divisions contribute to Safran's leadership on the identity solutions market (in which it is global leader), for which it produces the following:

- ID cards, driver's licenses, health cards and voter cards;
- paper and electronic passports, visas, and corporate cards integrated in major systems.

1.3.4.3 Detection**Key characteristics of the business sector**

This sector covers two main product lines performing detection and identification of dangerous substances (such as explosives) and illicit products (such as weapons, drugs, and biological, chemical or radioactive substances): explosive detection systems (EDS), using tomography or X-ray diffraction; and trace (vapor or particle) detection and analysis systems. These systems improve security at airports, in air transport (passenger and freight), at borders (land and maritime), at sensitive sites (industry, government, etc.), at major events, etc.

Safran is present on the detection market through the US company Morpho Detection, in which it acquired an 81% interest from General Electric in 2009. It continues to innovate to round out its range of products and services designed to detect new types of threat.

Morpho Detection, with its worldwide installation and maintenance network, specializes in several key technologies such as 3D X-ray tomography, X-ray diffraction spectroscopy, ion mobility spectroscopy, Raman spectroscopy and quadripolar magnetic resonance. With acquisition of the Californian start-up Syagen Technology, Inc., Safran extended its portfolio to include a fourth detection technology – mass spectrometry – addressing applications that call for very high sensitivity and precision.

In detection equipment, Morpho Detection's main competitors are the US companies L3 Communication, Rapiscan (OSI) and SAIC, the UK company Smiths Detection and the Chinese company Nuctec. The main competitors in tomography are L3 Communication and SAIC/Reveal. In trace analysis, Morpho Detection has one of the market's most comprehensive and efficient offerings, its main competitor being Smiths Detection.

Group products and programs**X-RAY TOMOGRAPHY DETECTION OF EXPLOSIVES AND DANGEROUS AND ILLICIT SUBSTANCES**

This technology is used in automatic detection systems such as large-diameter luggage tunnels at airports, that check up to 1,000 items per hour. The latest additions to the range, the CTX 5800 and 9800, meet the new European Standard 3. Safran also provides unique automatic detection solutions combining tomography and X-ray diffraction, allowing better detection capacity and considerably reducing the number of false alarms.

(1) Source : 2011 ABI research survey "Smart card and secure IC market data".

SPECTROMETRY-BASED DETECTION AND ANALYSIS OF TRACES OF EXPLOSIVES AND DANGEROUS AND ILLICIT SUBSTANCES

This kind of equipment (fixed, mobile or even portable) uses ion mobility or Raman spectrometry to detect and identify vapor traces of explosive or illicit substances. Safran's wide product range addresses a broad spectrum of users' needs and operational environments.

The systems are used by all types of security services worldwide (airport passenger control, civil security, prisons, police, customs, etc.), in border control applications (air freight, hold luggage, passengers, cabin luggage), and for protection of sensitive sites (ministries, nuclear power stations, etc.) and major events (sports tournaments, international conferences, etc.).

1.4 RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. From aircraft engines and equipment to defence and security systems, the required technological expertise and reliability must be second to none, given the highly critical nature of the applications. In order to achieve this objective, the Safran Group calls on the best knowledge available in mechanical engineering, aerodynamics, reactive flow technology, thermodynamics, metal and composite materials, fuel materials, electronic and electrical engineering, spectrometry, X-ray imaging, image processing and information processing. Research and Technology (R&T) comprises all studies, research and technological demonstrations needed to develop expertise for a given product at the lowest possible risk and cost and within the shortest possible timeframe.

Further downstream, Research and Development (R&D) corresponds to product design, prototype manufacture, development tests and certification tests showing that the product meets customer specifications and applicable regulations. To bridge the gap between R&T and R&D, and accelerate the emergence of new operations involving innovative concepts, Safran set up its Innovation Department in 2011. This new department covers everything from technological demonstrations through to market launch.

Together, these phases are known as RTD (for Research, Technology, innovation and Development) and are fundamental to the implementation of the Group's strategy. The total cost of these activities, over 63% of which is self-financed, was approximately €1.3 billion in 2011, representing almost 11% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

Each Safran Group company is responsible for its own R&T, and this enables it to concentrate on its own objectives. In tandem, the Group is constantly working to develop technology synergies. Centers of excellence combining the expertise of several subsidiaries have been set up in cross-cutting disciplines such as materials and processes, acoustics, power electronics, monitoring, critical software and image processing. Most Innovation Department projects involve developing synergies across the capabilities of several companies.

Safran Group R&T is guided by major challenges, which account for the bulk of the budget. These challenges are directly related to the current positions of Safran in its markets and those targeted in the long-term.

1.4.1 MAJOR TECHNOLOGICAL FOCUSES

1.4.1.1 Propulsion performance

Propulsion performance objectives for 2020 and acceptance restrictions for future aircraft engines have been defined by ACARE⁽¹⁾. The targeted 20% reduction in engine consumption, 60% reduction in polluting emissions and 50% reduction in perceived noise underpin initiatives such as work on the successor to the CFM56 engine for the new generation of short- to medium-haul aircraft to be designed during the coming decade.

These initiatives incorporate two technological phases:

- the LEAP turbofan engine, with very high dilution rate. For those modules under Snecma's responsibility in CFM International, this integrates advanced technologies such as a highly innovative lightweight air blower made from composite materials, a high-efficiency low-pressure turbine and higher energy extraction for the production of electricity onboard.

This engine will be available in 2016 and will bring about major improvements in current performance levels, particularly in terms of fuel consumption. It has already been selected for the C919, A320neo and Boeing 737 MAX. R&T work is in progress on long-term continuous improvement in engine performance;

- the second phase is more ambitiously innovative, in line with ACARE, whose objectives require a break with the existing engine architecture. To this end, several possibilities, such as the open rotor concept and faired architectures with very high dilution rates, are currently the subject of advanced research as part of European programs such as DREAM⁽²⁾, under the seventh FRDP⁽³⁾. This work may be subsequently assessed by demonstrations performed as part of the "Clean Sky" Joint Technology Initiative. This program, approved by the European Council at the end of 2007, will accompany technological developments up to 2014.

(1) ACARE: Advisory Council for Aeronautics Research in Europe.

(2) DREAM: Validation of Radical Engine Architecture Systems.

(3) FPRTD: Framework Program for Research & Technical Development.



Helicopter turbine engines are subject to similar imperatives requiring reductions in fuel consumption and environmental impacts. Turbomeca has undertaken technology programs along similar lines to address future market needs: the first concrete example of this work came with a new 800 kW engine for Eurocopter's next-generation 4-ton helicopter program, launched in 2011. Turbomeca also works with customers to produce innovative new engine integration products, such as hybrid power architecture concepts in drive systems.

The need to lighten aircraft and helicopters and their equipment has led to increased use of composite materials. Safran engines and equipment (whether engines, nacelles, landing gear or brakes) are characterized by heavy mechanical loads and a more difficult environment than for other aircraft sections such as airframes. To develop its composite materials solutions, Safran set up the Safran Composites Center, with resources and skills in organic matrix composites. In this area, Snecma Propulsion Solide provides core expertise for thermostructural composites. Several projects are underway to perfect the introduction of these composites into aircraft engines. In 2010, the world's first tests were carried out on a CFM-class engine with a section of a low-pressure turbine featuring movable composite blades. Development of this technology is going ahead with sights set on continuous improvements in the LEAP engine. Research efforts into rocket propulsion, a cutting-edge industry where technological demands are extremely high, remains a Safran priority. Technological work in this sector is focused on enhanced performance for the Ariane 5 launch vehicle (with an Ariane 5 ME version for 2015) and preparatives for a forthcoming Ariane 6 launch vehicle, under the space section of the French government's "Investment for the Future" project. The technological scope of these programs has been extended to include SME fuel materials.

Missiles

New missile propulsion technologies are developed under the Herakles project involving joint work by Snecma Propulsion Solide (SPS) and SNPE Matériaux Énergétiques (SME). This makes for smoother integration, for example, of SPS thruster body and nozzle technologies with SME solid propellant technologies. Research focuses include thrust modulation for tactical missiles, gas valving for interceptors, and higher-thrust solid propellants with more eco-friendly compositions.

1.4.1.2 More electric aircraft

The move towards increased use of electrical energy continues. The trend, which started with the A380 and Boeing 787 programs, will be a defining characteristic of the next generation of short-to-medium haul aircraft. Safran must position its new equipment solutions firmly in this niche and prepare the technologies that will ensure its products are competitive in terms of performance, functions and cost.

Safran is involved in several technology programs alongside aircraft manufacturers in a European or French context. Within the Group, electric aircraft projects have been launched by the Innovation Department and by the SPEC⁽¹⁾ Center of Excellence, focusing on power electronics. These efforts are boosted by numerous academic alliances with around 15 CNRS laboratories, and technology projects undertaken with partners at the cutting-edge of electrical engineering in their sector, such as Alstom, Schlumberger, Schneider and Valeo. By way of example, the Innovation Department is running the Green Taxiing project under a partnership with Honeywell. This new system seeks to reduce aircraft fuel consumption during taxiing. Instead of using the aircraft engines for ground maneuvers, electrical energy generated by an auxiliary power unit (APU) drives electric motors in the landing gear wheels.

1.4.1.3 Avionics

Navigation

Air, land, sea, satellite and weapons navigation markets are constantly evolving and expanding: the integration of mobile units into cooperative groups, increasing autonomy requirements, and the required land-onboard continuum via secure links are only a few drivers of renewed demand and associated technologies. Safran's approach relies strongly on HRG⁽²⁾ technology, whose characteristics make it possible to design and produce world-leading navigation equipment at competitive costs.

Electronic solutions and critical software

Safran Electronics has embarked on ambitious onboard electronics and systems engineering projects. The Group has undertaken process harmonization, and emerges as a major player driving technological progress in these sectors. For example, it is technical coordinator of the ARTEMIS joint undertaking's CESAR project.

1.4.1.4 Services

Innovation efforts are called for, consistent with the growing importance of services in the Group's business. Techniques used to diagnose and forecast the condition of airplane and helicopter equipment and systems bring value for Safran product users, as regards both operational considerations (optimization of maintenance), and fleet management support (evaluation of residual value). To address this need, Safran is developing its Monitoring Services system for managing fleet equipment operating data. The new system will initially be rolled out for helicopters.

(1) SPEC: Safran Power Electronics Center.

(2) HRG: Hemispherical Resonator Gyros.

1.4.1.5 Defence

Optronics

Optronics needs range from imagers operating in one or more wavelength bands through to full image processing systems handling monitoring, detection, identification, fire control and self-protection. Integrated digital battlefield solutions are developed using equipment and systems that couple infrared sensor and light intensification technologies with other functions such as geolocalization.

1.4.1.6 Security

Morpho's leadership position in biometric systems, associated terminals and identity document systems is maintained through significant R&T investment in improving biometric data identification and capture algorithms and in enhancing the performance of anti-fraud and information protection systems. This yields a capability to rapidly build, and then operate, large-scale biometric databases such as that covering the population of India, which has an enrollment rate topping a million individuals per day. The 2009 acquisition of General Electric's Homeland Protection affiliate specialized in the detection of explosives and illicit substances has provided the Group with a new strategic focus in its development of technologies to control the flow of people and goods – a key growth segment in the coming years, especially in the field of air transport security.

1.4.2 TECHNICAL AND SCIENTIFIC PARTNERSHIPS

In implementing its R&T strategy, Safran enjoys the support of its partners which provide it with scientific and technological expertise. Safran thus meets the two prerequisites for success: it identifies known and latent market needs through customer contact; and it adopts an open approach to what is an increasingly complex and multidisciplinary scientific and technological environment.

In 2009, Safran created a Scientific Council, currently chaired by Professor Mathias Fink, which comprises seven leading international scientists bringing proven expertise in all the scientific disciplines underlying Group businesses. One of the Council's main functions is to issue recommendations on the structure and quality of the Group's scientific partnerships.

For the first R&T levels, Safran has developed a network of scientific partners in France in the university and applied research sectors. ONERA⁽¹⁾ is a key partner in many fields, such as aerodynamics, energy and materials. However, it is the 15 laboratories and institutes with which Safran has entered into long-term partnership agreements that constitute a veritable external research division covering several sectors. Most partnerships with these laboratories are covered by framework agreements between Safran and the French Center for Scientific Research, CNRS. In all, Safran supports the work of around 150 PhD students and brings its scientific partners considerable amounts of annual financial support. Safran is also stepping up cooperation with the French Atomic Energy Commission, CEA. In addition to LCTS⁽²⁾, a second joint laboratory has been set up, working on imaging and vision techniques. In addition, Safran is a founder member of the French Foundation

for Aerospace Research (FNRAE) and the French Research Cooperation Foundation to which the Toulouse Aerospace Advanced Research Thematic Network (RTRA) is related. Safran is also a major player in several competitiveness hubs and in particular the System@tic, Aerospace Valley and ASTech centers.

Safran plays an active role in European Union bodies and programs. The Group participated in setting the Strategic Research Agenda (SRA) and is a member of ACARE. It has played a leading role in aviation research programs since the first FPRD and in particular in those programs focusing on noise reduction and environmental protection. It is actively involved in developing technological building blocks and in demonstrating solutions that meet ACARE 2020 objectives. Since 2008, Safran has been playing an active role in establishing the Clean Sky Joint Technology Initiative, bringing together the leading players in aviation R&D, and in the European Commission in a demonstration program about airframes, engines and systems, to be completed in 2014. Safran is very actively involved in preparatory work on the forthcoming European Horizon 2020 framework program.

Safran also works with several prestigious universities in the USA, including Stanford, Virginia Tech and Georgia Tech.

The intellectual property related to this work is defined contractually at the beginning of projects between partners. The general principle is that the intellectual property belongs to the partners who performed or co-financed the work, and, at the very least, Safran receives rights of use in its own field.

1.4.3 INNOVATION AND INTELLECTUAL PROPERTY

Innovation is at the heart of Safran's strategy. The competitiveness of its products is largely based on the successful integration of technological innovation or adjustments, providing the customer with industry-leading performances. Only a few examples are necessary to demonstrate Safran's ability to produce innovations which mark a break with existing technology, in sectors as varied

as electric brakes, composite fan blades and hemispheric resonator gyros. The creation of cross-disciplinary teams, capitalizing on the wide range of expertise available in the Group, offers both an efficient and high-performing organizational structure. This approach is typified by the high-potential projects run by the Innovation Department.

(1) ONERA: The French Aerospace Lab

(2) LCTS: Thermo-Structural Composites Lab

The development of technical expertise is also key to preparing for the technological challenges of tomorrow. The implementation of a process for defining needs for expertise within the Group's companies has improved the management of expertise renewal and the training of new experts.

Intellectual property is of increasing importance amid globalized markets and ever-fiercer competition. It responds to operational imperatives, while strengthening and securing Safran's commercial positions. The creative and innovative ability of teams is demonstrated by the increasing number of patents filed: over

600 in 2011. This places the Safran Group at the 2nd rank of the French filers of patents⁽¹⁾. Overall, the Group portfolio comprises some 16,000 patents around the world, bolstering its position as international leader in its areas of business.

Dependence

Safran has not identified any dependence on patents, licenses, industrial contracts or manufacturing processes likely to have a material impact on the Group.

1.4.4 RESEARCH AND DEVELOPMENT EXPENDITURE

Including the portion funded by customers, the total cost of Research, Technology and Development (RTD) was approximately €1.3 billion in 2011, representing almost 11% of revenue. RTD operations in France totaled around €1.1 billion, more than 85% of overall RTD expenditure. Over 63% of RTD expenditure is self-funded, and can be broken down as follows:

- Aircraft programs (including Silvercrest, LEAP, Airbus A350, A400M and Boeing 787): 39%;
- Helicopter turbine engines: 7%;
- Security and Defence, excluding aviation: 18%;
- R&T: 28%;
- Other: 8%.

<i>(in € millions)</i>		
<i>Not including non-current items</i>	2010	2011
Self-funded RTD	(637)	(808)
<i>% of revenue</i>	5.9%	6.9%
Research tax credit	124	121
Self-funded RTD after research tax credit	(513)	(687)
Capitalized expenditure	179	282
R&D amortization/depreciation	(72)	(90)
Impact on operating income	(406)	(495)
<i>% of revenue</i>	3.8%	4.2%

The significant increase in overall self-funded expenditure (€171 million, up by 27%) is chiefly explained by development work on the Silvercrest and LEAP engines, and on A350 equipment, and by the rise in R&T effort, partially offset by a reduction in expenditure on the A400M and the SaM146 engine for the Russian Superjet 100 regional jet, development of which was completed in 2010.

Amortization of R&D expenditure for 2011 stood at €58 million, and depreciation at €32 million, broken down as €23 million in Aerospace Equipment and €9 million in Aerospace Propulsion.

A provision of €23 million for loss of value on the GP7000 program was reversed in 2011, this being booked under "Other non-recurring operating income and expenses".

(1) Ranked second by the French Industrial Property Institute (INPI) at March 27, 2012 (patents published in 2011).

1.5

SAFRAN GROUP PURCHASING STRATEGY

Safran constantly strives to pursue a purchasing policy consistent with its objective of excellence and competitive performance, and with its sustainable development policy. Supplier input accounts for the majority of its development and production costs. Suppliers' strategy, performance (cost, quality, delivery times), know-how, technological innovation and capacity to tackle sustainable development issues must match Safran's current and future needs. This is a determining factor in the Group's capacity to reach its goals.

Safran's purchasing policy seeks to concentrate business with suppliers that meet these demands, that comply with the specific rules applicable to the aerospace, defence and security markets, and that are prepared to commit to long-term undertakings with Safran on a mutually profitable basis.

The policy has four main objectives:

- to build a supplier panel that:
 - enables Safran to meet its current needs and plan ahead as regards the international development of each Group company in targeted geographic areas, and to ensure secure sourcing for strategic purchases,
 - enables Safran to roll out its sustainable development policy upstream through the supply chain;
- to involve suppliers early on in the Group's development programs so that they can meet all customer demands, allowing them to propose innovations and harness the full

extent of their know-how on obtaining the best possible cost and performance for Safran Group products, and full compliance with health, safety and environmental requirements;

- to promote common procedures, management tools and metrics across all Safran Group companies to improve operating modes and performance with suppliers;
- to support key suppliers on measures to adapt their organizations and industrial configurations to Safran Group expectations and shifts in market demand.

The rollout of Safran's purchasing policy is fully consistent with its sustainable development policy.

Logistics chain players involved in the rollout of the purchasing policy comply with the Safran Group's Ethics Charter.

The rollout of the policy requires close cooperation among Group companies, a Safran Purchasing network and culture, tight coordination among all Group players in contact with suppliers, and involvement of the purchasing team in all product life-cycle phases.

Safran reorganized its general purchases management structure in 2010. Existing resources have been pooled in a common services center responsible for managing all purchasing processes for Safran Group companies (excluding production). The new levers afforded by this development brought indirect purchasing gains of more than 40% in 2011 compared to 2010.

01



1.6

SAFRAN+ PROGRESS INITIATIVE

The Safran+ progress initiative was launched in 2009 with the aim of continually improving performance throughout the Group. In order to achieve this, Safran+ has defined key areas for progress, set targets and developed a specific approach.

Safran+ is a centralized initiative, featuring its own network, and deployed within all of the Group's entities. This structure allows for an array of progress initiatives, either created by the Group and applicable to all of its companies, or created by the companies themselves for their own internal use.

Most of these initiatives involve ongoing improvement, but five ground-breaking projects have also been put forward by the Group. These involve:

- the upgrade of management processes (geared towards support functions);
- decreased working capital requirements;
- production purchases;
- the optimization of the upstream chain supply;
- increased effectiveness of development, research and engineering programs.

They are joined by two permanent, cross-Group initiatives:

- interactive innovation initiatives offering employees the possibility to improve the company through their sector;
- the use of the Lean Sigma⁽¹⁾ approach to train Green and Black Belts, professional drivers of Group change, acting in a structured and standardized manner.

Most projects can be measured and target at least one of the following three objectives:

- higher operating profit;
- lower working capital requirements;
- lower EUR/USD exchange rate risk.

For each of these initiatives, the Group's strategy helps define an annual objective per company.

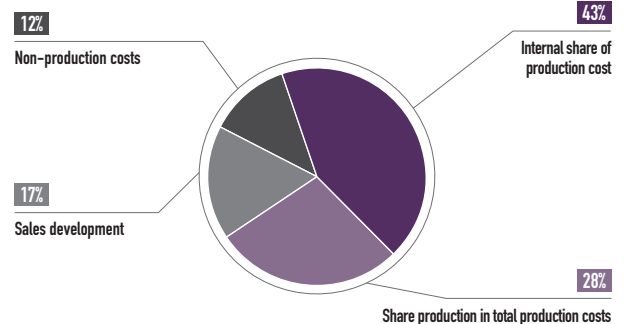
Work toward these objectives is monitored by means of two complementary approaches:

- upstream, managers assess the direct progress of actions using project-relevant operational indicators, from identification through to fulfilment;
- downstream, key management indicators are applied to compare expected against actual performance achieved by the company during the year (e.g. production cost indexes, lead part cycles, etc.).

The managers concerned report on progress to Safran Executive Management at two reviews carried out at two different sites per company.

2011 PROGRESS PLANS

In 2011, the breakdown of profits was as follows:



In each of the above areas, the most successful initiatives in 2011 were:

- Share of purchases in total production costs:
 - ongoing business development in dollar and low-cost zones (Mexico, Morocco, China);
 - widespread transition from supplier performance management (OTD⁽²⁾, ppm⁽³⁾) to global performance management on full cycle from order to customer delivery.
- Internal share of production cost:
 - 300 engineers trained in Design to Cost⁽⁴⁾ to simplify future developments by capitalizing on experience;
 - step-up of Lean management projects: 973 in progress or completed in 2011, and rollout in China;
 - ongoing extension of network of change drivers, with close to 2,200 Green Belts, 400 Black Belts and 20 Master Belts certified or pending certification.
- Non-production costs:
 - centralized payroll processing for the Safran Group's 17 French companies at a common services center, using a single software package, to reduce unit payslip production costs across a workforce of 37,000;
 - contribution to companies' competitive performance in line with forecasts for Safran Purchasing⁽⁵⁾, since it was set up in 2010 to handle centralized processing for non-production purchasing group-wide. Enhanced field-specific expertise;
 - launch of new Lean Office operations⁽⁶⁾.
- Sales development:
 - promotion of new service activities addressing customers.

(1) Lean Sigma: Continuous performance improvement and waste elimination process.

(2) OTD: On-Time Delivery.

(3) ppm: parts per million.

(4) Design to Cost: Process to design a product or service to a fixed cost.

(5) Safran Purchasing: a shared service center for non-production purchasing.

(6) Lean Office: application of the lean process within the support functions.

1.7 REAL ESTATE AND PRODUCTION PLANTS

Safran's registered office is located in Paris, France.

The Group carries out its activities at research, production and maintenance centers based at 250 major industrial sites worldwide. The table below lists the Group's main sites in terms of either scale or geographic location.

Headcount was selected as a consistent common indicator of scale, given the production, research, development and technical support activities of the Group. Production capacity for the latter two activities is also based on the number of employees, since the concept of utilization rates is not deemed relevant.

Company	Site	Activity	Headcount as of	
			Dec. 31, 2011	Occupancy
FRANCE				
Safran	Paris 15	Registered office and combined activities	761	O
Snecma	Évry/Corbeil	Machining and assembly of aviation parts, sales and marketing of military engines	2,769	O
Snecma	Gennevilliers	Forging, casting and machining of aircraft parts	1,434	O
Snecma	Vernon	Design and production of rocket engines	1,061	O
Snecma	Villaroche	Design, assembly and testing of jet engines, sales and marketing of commercial engines	3,452	O
Snecma	Montereau/Melun	Customer services	527	T
Snecma	Châtellerault	Maintenance of military engines, parts, devices and commercial engines	662	O
Snecma	Saint-Quentin-en-Yvelines	Commercial engine MRO (maintenance, repair and operations)	646	O
Snecma	Le Creusot	Turbine disks machining	193	O
Snecma Propulsion Solide	Le Haillan	Registered office, propellant-based propulsion for Ariane and missiles, thermostructural composites	1,206	O
SME	Saint-Médard-en-Jalles	Production of solid propellants	740	O
SME	Vert-le-Petit	Design, development and production of energetic materials	205	O
SME	Toulouse	Production of raw materials for space chemistry	80	O
Turbomeca	Bordes	Registered office, design, manufacture and testing of gas turbines	2,465	O and FL
Turbomeca	Tarnos	Production of mechanical components and maintenance of helicopter engines	1,463	O
Turbomeca	Buchelay	Production of hydromechanical parts and subsystems for the aviation industry	303	O
Microturbo	Toulouse	Manufacture of low-power turbines	473	O
Aircelle	Le Havre/Gonfreville	Design and production of nacelles and thrust reversers	1,450	O
Hispano-Suiza	Colombes	Registered office and research and production center for power transmission systems	691	O
Labinal	Blagnac	Registered office, engineering	166	O
Labinal Services	Mérignac	Assembly, installation, maintenance	341	T
Labinal	Villemur-sur-Tarn	Production of aircraft wiring	525	O
Messier-Bugatti Dowty	Molsheim	Production of wheels, brakes and hydraulic systems. Landing gear repair and maintenance.	830	O

(O: Owner – T: Tenant – FL: Finance Lease)

Company	Site	Activity	Headcount as of		
			Dec. 31, 2011	Occupancy	
Messier-Bugatti-Dowty ⁽¹⁾	Vélizy-Villacoublay	Registered office, design and testing of brake systems and landing gear	1,034	O	
Messier-Bugatti-Dowty ⁽¹⁾	Villeurbanne	Production, research and development of carbon brakes	185	O	
Messier-Bugatti-Dowty ⁽¹⁾	Bidos/Oloron-Sainte-Marie	Production of landing gear	812	O	
Safran Engineering Services	Montigny-le-Bretonneux	Engineering	560	T	
Safran Engineering Services	Toulouse	Registered office, services	391	T	
Sagem	Paris 15	Registered office	406	O	
Sagem	Fougères	Electronic subcontracting	665	O	
Sagem	Argenteuil	R&D	598	O	
Sagem	Éragny	R&D	612	O	
Sagem	Massy	Manufacture of optoelectronics and aircraft. Electronic regulation and control systems.	1,728	FL and T	
Sagem	Montluçon Domerat	Mechanical, optics and electronics manufacture and systems integration	1,211	O	
Sagem	Poitiers	Manufacture of optoelectronic equipment	467	O	
Sagem	Dijon	Manufacture of optoelectronic equipment	284	O	
Sagem	Mantes	Manufacture of aircraft equipment	233	O	
Morpho	Issy-les-Moulineaux	Registered office, administrative and commercial center	379	T	
Morpho	Osny	R&D	613	O	
EUROPE (EXCLUDING FRANCE)					
Aleat	Tirana	Albania	Manufacture and distribution of ID documents	92	T
Labinal GmbH	Hamburg	Germany	Engineering, assembly, installation and maintenance	291	T
Morpho Cards GmbH	Flintbek and Paderborn	Germany	Research, manufacture and sale of smart cards	501	T
Sagem Navigation GmbH	Murr	Germany	R&D, production	82	T
Techspace Aero	Herstal (Milmort)	Belgium	Registered office, aviation and aerospace production, test cell design and jet engine testing	1,176	O
Aircelle Ltd	Burnley	UK	Production of nacelles and thrust reversers	645	O
Messier-Dowty Ltd	Gloucester	UK	Research, testing, engineering and production of landing gear	899	O
Morpho B.V.	Haarlem	Netherlands	Production, customization and sale of cards, ID and security documents and related products	299	T
Hispano-Suiza Polska sp. zoo	Sedziszow Malopolski	Poland	Production of mechanical parts for Safran Group companies	404	O
Orga Zelenograd Smart Cards and Systems, z.a.o.	Moscow	Russia	Research, manufacture and sale of smart cards	108	O
Smartinvest o.o.o. and Smartec z.a.o.	Moscow	Russia	Holding company, research	75	T
Vectronix	Heerbrugg	Switzerland	Research and manufacture of optronics defence products	249	T

(O: Owner – T: Tenant – FL: Finance Lease)

(1) Messier-Bugatti, Messier-Dowty and Messier Services merged on May 2, 2011, to form Messier-Bugatti-Dowty, world number one in aviation landing gear and braking systems.

Company	Site		Activity	Headcount as of Dec. 31, 2011	Occupancy
NORTH AMERICA					
Messier-Dowty, Inc.	Montreal	Canada	Production and of landing gear	233	O
Messier-Dowty, Inc.	Toronto	Canada	Production and maintenance of landing gear	548	O
Safran Electronics Canada, Inc.	Peterborough	Canada	R&D, customer support and production of aircraft equipment	100	T
Turbomeca Canada, Inc.	Mirabel	Canada	Gas turbine and aircraft equipment MRO, and work on helicopters	57	O
Advanced Components International	Fort Myers	United States	Design and production of reservoirs for aerospace applications	22	O
Cenco, Inc.	Minneapolis	United States	Test cell engineering	60	T
Globe Motors, Inc.	Dothan	United States	Electric engines	180	O
Labinal, Inc.	Corinth	United States	Production of aircraft wiring	713	T
Labinal, Inc.	Everett	United States	Engineering	179	T
Labinal Salisbury, Inc. Maryland	Salisbury	United States	Production of aircraft wiring	865	O
Messier-Bugatti USA	Walton	United States	Production of carbon brakes, R&D	209	FL
Morpho Detection, Inc.	Newark/ Wilmington	United States	Research, manufacture and sale of systems and products for detecting dangerous and illicit substances	315	T
MorphoTrak	Anaheim/Tacoma	United States	Research, sale and technical support of identity products and services	416	T
MorphoTrust	Billerica	United States	Research, sale and technical support of identity products and services	1,074	T
Optics 1, Inc.	Manchester	United States	R&D, electro-optical and opto-mechanical production	49	T
Sagem Avionics, Inc.	Grand Prairie	United States	Marketing and customer support for aircraft product lines	110	T
Turbomeca Manufacturing, Inc.	Monroe	United States	Production of helicopter engine parts	103	O
Turbomeca USA, Inc.	Grand Prairie	United States	Maintenance of delivered engines and delivery of spare parts	351	O
Vectronix, Inc.	Leesburg	United States	Marketing of observation and localization systems and equipment	63	T
Labinal de Mexico	Chihuahua	Mexico	Production of aircraft wiring, engineering	2,834	T
Messier Dowty Mexico	Querétaro	Mexico	Production of landing gear	119	T
Messier Services	Querétaro	Mexico	Landing gear MRO	189	T
Americas					
Morpho	Mexico	Mexico	Sale of biometric devices	27	T
Snecma America Engine Services SA CV (SAMES)	Querétaro	Mexico	Commercial engine MRO	59	T
Snecma Mexico	Querétaro	Mexico	Production of commercial engine parts	107	T

(O: Owner – T: Tenant – FL: Finance Lease)

Company	Site		Activity	Headcount as of Dec. 31, 2011	Occupancy
SOUTH AMERICA					
Morpho Cards do Brasil SA	Taubate/São Paulo	Brazil	Research, manufacture and sale of smart cards	633	T
Turbomeca do Brasil Industria e Comercio Ltda	Rio de Janeiro	Brazil	Design, manufacture, purchase-sale and maintenance of turbo engines	239	O
Morpho	Bogota	Colombia	Local adaptation of government solution software and hardware	114	T
Morpho Valores Plasticar	Bogota	Colombia	Manufacture and sale of smart cards	125	T
AFRICA AND THE MIDDLE EAST					
Morpho South Africa Pty Ltd	Rivonia (Johannesburg)	South Africa	Sale of biometric devices	26	T
Turbomeca Africa	Stanton	South Africa	Production and repair of helicopter engines	211	T
Morpho	Abu Dhabi	UAE	Sale of biometric devices	68	T
Aircelle Maroc	Casablanca	Morocco	Construction of composite parts for engines	391	T
Labinal Maroc	Temara/Ain Atiq	Morocco	Production of aircraft wiring	484	FL
Safran Engineering Services Morocco	Casablanca	Morocco	Automobile and aeronautical engineering	102	FL
Sagem Sécurité Maroc	Casablanca	Morocco	Software development	153	T
Snecma Morocco Engine Services	Casablanca	Morocco	Commercial engine MRO	168	T
ASIA – OCEANIA					
Morpho Australasia Pty, Ltd	Sydney	Australia	Sale and maintenance of Morpho products	55	T
Turbomeca Australasia	Sydney	Australia	Support and production of turbine engines	117	
Messier-Dowty Suzhou Co, Ltd	Suzhou	China	Production of landing gear	361	O
Snecma Suzhou Co, Ltd	Suzhou	China	Manufacture and assembly of engine modules	256	O
Snecma Xinyi Airfoil Castings Co, Ltd	Guiyang	China	Aircraft parts foundry	72	O
Smart Chip Ltd / Syscom Corporation Ltd	Noida/New Delhi	India	Research, manufacture and sale of smart cards	884	O
Safran Engineering Services India	Bangalore	India	Automobile and aeronautical engineering	428	T
Messier Services Asia Pte, Ltd	Singapore	Singapore	Landing gear repair	333	O
Morpho Cards (Singapore) Pte, Ltd	Singapore	Singapore	Sale of smart cards	39	T
Safran Electronics Asia Pte, Ltd	Singapore	Singapore	Aircraft and electromechanical equipment maintenance center	59	T

(O: Owner – T: Tenant – FL: Finance Lease)

Environmental factors likely to influence the Group's use of its property, plant and equipment are presented in section 5.3. The Group has drafted Health, Safety and Environment (HSE) guidelines which enable it to assess the compliance of its property, plant and equipment and operations with HSE regulations. It also regularly conducts self-assessments and audits.

Presentation of the Group

REAL ESTATE AND PRODUCTION PLANTS

01

•

•

•

•

•

•

•

•

02

Review of operations in 2011 and outlook for 2012

2.1	Comments on the Group's performance in 2011 based on adjusted data	40
2.1.1	Reconciliation of consolidated data with adjusted data	40
2.1.2	Overview of the Group's performance in 2011	42
2.1.3	Adjusted key figures by business	44
2.2	Comments on the consolidated financial statements	54
2.2.1	Consolidated income statement	54
2.2.2	Simplified consolidated balance sheet at December 31, 2011	56
2.2.3	Change in net debt	56
2.3	Comments on the parent company financial statements	57
2.3.1	Safran SA income statement	57
2.3.2	Safran SA simplified balance sheet at December 31, 2011	58
2.3.3	Information concerning supplier payment periods	58
2.4	Outlook for 2012	59

BUSINESS HIGHLIGHTS IN 2011

Aerospace Propulsion

- Leap chosen by Boeing as the sole engine in its 737 re-engining program (737-MAX);
- 4.5% increase in CFM56 engines delivered, up to 1,308 units in 2011 versus 1,251 in 2010;
- 3,056 Leap engines and 1,056 CFM56 engines ordered;
- More than 9,400 CFM56 and Leap engines in the backlog, representing around seven years of production;
- 922 helicopter engines delivered, up from 830 in 2010;
- Merger of Snecma Propulsion Solide (SPS) and SNPE Matériaux Énergétiques (SME) to integrate the development and production of solid propulsion engines with the development and production of the underlying propellants.

Aircraft Equipment

- Ramp-up of production under new programs, notably the A380 program for which 104 nacelles were delivered in 2011 (74 in 2010);
- Memorandum of understanding signed with Honeywell to create a joint venture delivering an innovative new electric green taxiing system for aircraft.

Defence

- Ongoing deliveries to the French Armed Forces of Felin infantry combat protection systems, with six regiments now fitted out;
- 1,300 JIM LR infrared goggles delivered, of which almost three-quarters were exported, mainly to the US;
- Certification of the GPS Air Data Inertial Reference System (GADIRS) for the A400M.

Security

- Acquisition of US-based firm L-1 Identity Solutions in July 2011, subsequently renamed MorphoTrust;
- Large order from the US Transportation Security Administration (TSA) for 28 high-throughput CTX9800 detection devices, and renewal of the maintenance and service agreement for explosives detection equipment.

2011 ADJUSTED KEY FIGURES

	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding co. and other		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
<i>(in € millions)</i>												
Revenue	5,604	6,110	2,834	3,097	1,240	1,264	1,041	1,249	41	16	10,760	11,736
Recurring operating income (loss)	663	909	127	202	55	58	128	139	(95)	(119)	878	1,189
Profit (loss) from operations	663	931	125	202	55	51	124	116	(102)	(140)	865	1,160
Free cash flow ⁽¹⁾	620	692	163	(19)	(53)	(80)	51	(61)	153	0	934	532
Acquisitions of property, plant and equipment	102	132	61	112	67	58	28	42	13	8	271	352
Self-funded R&D	331	420	112	159	109	118	85	111	N/A	N/A	637	808
Headcount ⁽²⁾	20,499	22,065	19,401	21,543	6,747	6,587	5,899	7,530	1,710	2,080	54,256	59,805

(1) Free cash flow is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.

(2) Headcount at December 31.

2.1

COMMENTS ON THE GROUP'S PERFORMANCE
IN 2011 BASED ON ADJUSTED DATA2.1.1 RECONCILIATION OF CONSOLIDATED DATA WITH ADJUSTED DATA**Foreword**

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement alongside its consolidated financial statements.

Readers are reminded that the Safran Group:

- is the result of the May 11, 2005 merger of the Sagem and Snecma groups, accounted for in accordance with IFRS 3, Business Combinations, in its consolidated financial statements;
- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting (see section 3.1, "Accounting policies", Note 1.F).

Accordingly, Safran's consolidated income statement has been adjusted for the impact of:

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the

amortization charged against intangible assets relating to aeronautical programs that were revalued at the time of the Sagem-Snecma merger. With effect from the 2010 interim consolidated financial statements, the Group decided to restate the impact of purchase price allocations for all business combinations. In particular, this concerns the amortization of intangible assets recognized at the time of the acquisition, and amortized over extended periods due to the length of the Group's business cycles;

- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
 - revenue net of purchases denominated in foreign currencies is measured using the effective hedging rate, including the costs of the hedging strategy, and
 - all mark-to-market changes on outstanding hedging instruments at the closing date are neutralized.

Review of operations in 2011 and outlook for 2012

COMMENTS ON THE GROUP'S PERFORMANCE IN 2011 BASED ON ADJUSTED DATA

Reconciliation of the consolidated income statement with the adjusted income statement

The impact of these adjustments on income statement items is as follows:

(in € millions)	2011 consolidated data	Currency hedging		Business combinations		2011 adjusted data
		Remeasurement of revenue ⁽¹⁾	Deferred hedging gains (losses) ⁽²⁾	Amortization of intangible assets from Sagem-Snecma merger ⁽³⁾	Impact of other business combinations ⁽⁴⁾	
Revenue	11,658	78	-	-	-	11,736
Other recurring operating income and expenses	(10,794)	(2)	20	158	71	(10,547)
Recurring operating income	864	76	20	158	71	1,189
Other non-recurring operating income and expenses	(29)	-	-	-	-	(29)
Profit from operations	835	76	20	158	71	1,160
Cost of debt	(42)	-	-	-	-	(42)
Foreign exchange gains (losses)	19	(76)	11	-	-	(46)
Other financial income and expense	(127)	-	-	-	-	(127)
Financial income (loss)	(150)	(76)	11	-	-	(215)
Share in profit from associates	10	-	-	-	-	10
Income tax expense	(201)	-	(11)	(52)	(25)	(289)
Profit from continuing operations	494	0	20	106	46	666
Profit from discontinued operations	3	-	-	-	-	3
Profit (loss) for the period attributable to non-controlling interests	(19)	-	-	(3)	(3)	(25)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	478	0	20	103	43	644

(1) Remeasurement of foreign currency denominated revenue net of foreign currency purchases at the hedging rate (including premiums on unwound options) by reclassifying changes in the fair value of instruments hedging cash flows for the period.

(2) Changes in the fair value of instruments hedging future cash flows deferred until the instruments are unwound (€11 million excluding tax), and the impact of including hedges in the measurement of provisions for losses on completion (€20 million).

(3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger.

(4) Cancellation of amortization of intangible assets identified at the time of recent acquisitions.

Readers are reminded that only the consolidated financial statements set out in section 3.1 of this document are audited by the Group's statutory auditors. The consolidated financial statements include the adjusted revenue and operating profit figures set out in Note 4, "Segment information".

Adjusted financial data other than the data provided in Note 4, "Segment information" in section 3.1, are subject to the verification procedures applicable to all of the information provided in this report.

02

2.1.2 OVERVIEW OF THE GROUP'S PERFORMANCE IN 2011

Adjusted income statement

<i>(in € millions)</i>	2010 Adjusted data	2011 Adjusted data
Revenue	10,760	11,736
Other income	200	216
Profit from operations	10,960	11,952
Change in inventories of finished goods and work-in-progress	(42)	134
Capitalized production	243	371
Raw materials and consumables used	(6,218)	(6,836)
Personnel costs	(3,476)	(3,808)
Taxes	(217)	(235)
Depreciation, amortization, and increase in provisions, net of use	(387)	(342)
Asset impairment	6	(62)
Other recurring operating income and expenses	9	15
Recurring operating income	878	1,189
Other non-recurring operating income and expenses	(13)	(29)
Profit from operations	865	1,160
Cost of net debt	(36)	(42)
Foreign exchange gains (losses)	4	(46)
Other financial income and expense	(136)	(127)
Financial income (loss)	(168)	(215)
Share in profit from associates	9	10
Profit before tax	706	955
Income tax expense	(173)	(289)
Profit from continuing operations	533	666
Profit (loss) from discontinued operations	(5)	3
PROFIT FOR THE PERIOD	528	669
Attributable to:		
• owners of the parent	508	644
• non-controlling interests	20	25
Earnings per share attributable to owners of the parent <i>(in euros)</i>		
Basic earnings per share	1.27	1.59
Diluted earnings per share	1.26	1.58
Earnings per share from continuing operations attributable to owners of the parent <i>(in euros)</i>		
Basic earnings per share	1.28	1.58
Diluted earnings per share	1.27	1.57
Earnings (loss) per share from discontinued operations attributable to owners of the parent <i>(in euros)</i>		
Basic earnings (loss) per share	(0.01)	0.01
Diluted earnings (loss) per share	(0.01)	0.01

Review of operations in 2011 and outlook for 2012

COMMENTS ON THE GROUP'S PERFORMANCE IN 2011 BASED ON ADJUSTED DATA

Review of operations

Adjusted revenue

Adjusted consolidated revenue for 2011 rose 9.1% year on year, or 6.3% like-for-like, to €11,736 million from €10,760 million in 2010.

This €976 million increase in adjusted revenue chiefly reflects a strong performance from the Aerospace and Security businesses. Like-for-like, revenue increased by €681 million as a result of rising original aircraft equipment volumes, improving trends for Aerospace business services, continuing strength in the Defence business (optronics) and bullish momentum in Security (biometry, e-documents).

Adjusted recurring operating income

Adjusted recurring operating income came in at €1,189 million (10.1% of revenue), up 35% compared to €878 million in 2010 (8.2% of revenue). After taking into account the positive €138 million currency impact and the impact of acquisitions and newly consolidated activities (€26 million), adjusted recurring operating income climbed €147 million, or 17%, year on year.

This performance was primarily driven by the Aerospace Propulsion and Aircraft Equipment businesses, which enjoyed robust growth in original equipment and upbeat trends in services, while scaling back costs.

<i>(in € millions)</i>	2010	2011
Recurring operating income	878	1,189
% of revenue	8.2%	10.1%
Total non-recurring items	(13)	(29)
Capital gain (loss) on disposals	-	-
Impairment reversal (charge)	-	23
Other unusual and material non-operating items	(13)	(52)
PROFIT FROM OPERATIONS	885	1,160
% of revenue	8.0%	9.9%

Adjusted profit from operations

Adjusted profit from operations climbed 34% to €1,160 million in 2011 from €865 million in 2010. The following non-recurring items are included in adjusted profit from operations: transaction and integration costs arising primarily on the acquisition of L-1 Identity Solutions and SME (€37 million), and net additions to provisions for claims and disputes arising outside the ordinary course of business (€15 million), partly offset by the write-back of a €23 million impairment loss previously recognized against the A380 GP7200 engine program.

Adjusted financial income (loss)

The Group reported a financial loss of €215 million in 2011, compared to a loss of €168 million in 2010. The financial loss chiefly reflects the cost of net debt, which was up slightly year on year, to €42 million from €36 million in 2010, as well as the unwinding of a currency hedge relating to the acquisition of L-1 Identity Solutions, generating a loss of €28 million. The financial loss also includes

the cost of unwinding discounts on certain assets and liabilities (mainly provisions and repayable advances), as well as the impact of any changes in the discount rate used, particularly to calculate provisions. The cumulative impact of these non-cash items was an expense of €69 million in 2011 versus an expense of €74 million in 2010. The interest cost on post-employment benefit obligations amounted to €17 million in 2011 and €20 million one year earlier.

Adjusted income tax expense

The adjusted income tax expense for the year rose from €173 million in 2010 to €289 million in 2011, largely due to the increase in adjusted pre-tax profit. The effective interest rate in 2011 was 30.2%, versus 24.5% in 2010.

Adjusted profit attributable to owners of the parent

Adjusted profit attributable to owners of the parent jumped €136 million, or 26.8%, to €644 million in 2011 (€1.59 per share), versus €508 million in 2010 (€1.27 per share).

02

2.1.3 ADJUSTED KEY FIGURES BY BUSINESS

Summary of adjusted key figures by business

Orders recorded in 2011 were up 59% to €20.8 billion, compared to €13.1 billion in 2010. These orders are valued at market prices.

(in € millions)	Aerospace Propulsion		Aircraft Equipment		Defence		Security		Holding co. and other		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Backlog ⁽¹⁾	16,742	24,490	11,126	14,469	2,052	2,704	451	1,334	N/A	N/A	30,371	42,997
Orders recorded during the year ⁽²⁾	7,150	13,713	3,653	4,642	1,251	1,120	1,029	1,320	N/A	N/A	13,083	20,795
Revenue	5,604	6,110	2,834	3,097	1,240	1,264	1,041	1,249	41	16	10,760	11,736
Recurring operating income (loss)	663	909	127	202	55	58	128	139	(95)	(119)	878	1,189
Profit (loss) from operations	663	931	125	202	55	51	124	116	(102)	(140)	865	1,160
Free cash flow ⁽³⁾	620	692	163	(19)	(53)	(80)	51	(61)	153	0	934	532
Acquisitions of property, plant and equipment	102	132	61	112	67	58	28	42	13	8	271	352
Self-funded R&D	331	420	112	159	109	118	85	111	N/A	N/A	637	808
Headcount ⁽⁴⁾	20,499	22,065	19,401	21,543	6,747	6,587	5,899	7,530	1,710	2,080	54,256	59,805

(1) The backlog corresponds to orders recorded and not yet recognized in revenue.

(2) Orders recorded represent orders received during the year.

(3) Free cash flow is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.

(4) Headcount at December 31.

2.1.3.1 Aerospace Propulsion

Adjusted key figures

	2010	2011	Year-on-year change
Quantities delivered			
CFM56 engines	1,251	1,308	5%
Helicopter turbine engines	830	922	11%
(in € millions)			
Backlog	16,742	24,490	46%
Orders recorded during the year	7,150	13,713	92%
Revenue	5,604	6,110	9%
Recurring operating income	663	909	37%
Profit from operations	663	931	40%
Free cash flow	620	692	12%
Acquisitions of property, plant and equipment	102	132	29%
Research and development			
Self-funded R&D	(331)	(420)	27%
% of revenue	5.9%	6.9%	+1 pt
Research tax credit	50	47	-6%
Self-funded R&D after research tax credit	(281)	(373)	33%
Capitalized expenditure	98	161	64%
Amortization and impairment of R&D expenditure	(20)	(26)	30%
Impact on profit from operations	(203)	(238)	17%
% of revenue	3.6%	3.9%	+0.3%
Headcount ⁽¹⁾	20,499	22,065	8%

(1) Headcount at December 31.

Review of operations in 2011 and outlook for 2012

COMMENTS ON THE GROUP'S PERFORMANCE IN 2011 BASED ON ADJUSTED DATA

Aerospace Propulsion branch activities can be split into four key sectors that contribute to branch revenue as follows:

Sector	% of branch revenue	
	2010	2011
Civil aviation	59%	60%
Military aviation	12%	11%
Helicopter turbine engines	18%	17%
Ballistics and space	11%	12%

Review of Aerospace Propulsion operations in 2011

Revenue for the Aerospace Propulsion business came in at €6,110 million in 2011, up 9% (5.8% like-for-like) on 2010. Revenue growth reflects the ramp-up of service activities for CFM engines, high-thrust civil engines and helicopter turbine engines, along with the rise in original equipment deliveries. At 1,308 units, new CFM56 engine deliveries were up by 57 units compared to 2010. After an exceptional year, orders and purchase intentions for CFM56 and Leap engines represent more than 9,400 units, or around seven years of production. Excluding the contribution of SME, aerospace propulsion and missile revenue was flat in 2011.

Over the year as a whole, service revenue accounted for 49% of total Aerospace Propulsion revenue. Worldwide sales of CFM International spare parts rose steadily over the year, climbing 8% in USD terms, buoyed by second-generation engines. In the fourth quarter of 2011, revenue from CFM International spare parts was up 14% compared to the three months to September 30 (and 3% in USD terms compared to fourth-quarter 2010). The total number of estimated⁽¹⁾ CFM civil aircraft engine maintenance operations ("shop visits") increased to 2,329 from 2,131 in 2010.

Recurring operating income totaled €909 million in 2011 (14.9% of revenue), up 37% compared to €663 million in the same year-ago period (11.8% of revenue). This improvement results from upbeat activity in the civil aviation aftermarket and the ramp-up of recent Support-By-The-Hour maintenance contracts for helicopter engines, as well as from increased unit revenue on CFM56 engines. Performance was also driven by the Safran+ cost-cutting program despite higher R&D costs, chiefly for Leap engines. Currency hedging had a positive impact on profitability.

SNPE Matériaux Énergétiques (consolidated since April 5) contributed €202 million in revenue and €18 million in recurring operating income.

Commercial and industrial developments

Civil aviation

Low-thrust engines for civil aircraft (regional and business jets)

SAM146 (13,500 – 17,800 DELIVERED)

The SaM146 engine, developed in partnership with Russian engine manufacturer NPO Saturn and with the participation of Italian engine manufacturer Avio, was certified by the European Aviation Safety Agency and by its Russian counterpart in 2010. The SaM146 is used in the Sukhoi Superjet 100, which was itself certified by the Russian aviation authorities in January 2011 and by the European authorities in February 2012. At the end of 2011, five engines were brought into service by two airlines. The SaM146 engine has clocked up more than 5,800 flying hours.

A total of 84 engines were ordered in 2011 and the backlog stood at 266 units at the end of the year.

SILVERCREST (9,500 – 12,000 DELIVERED)

The Silvercrest program continued to be marketed to aircraft manufacturers during the year. The program concerns the entire propulsion system (engine, nacelle and engine control) and is now in the development phase.

GE PASSPORT

Safran's subsidiary Techspace Aero signed a memorandum of understanding to take a 7% stake in General Electric's Passport engine program.

CFM mid-thrust engines for civil aircraft (short-/medium-haul aircraft)

After having been selected by Chinese aircraft manufacturer Comac for its C919 in 2009 and by Airbus to upgrade its A320 fleet in 2010 (A320neo), Leap was chosen by Boeing as the sole engine in its 737 re-engining program known as 737 MAX. The 737 MAX is expected to be in service by 2017, and the A320neo and C919 by 2016. This third success, opening up further market opportunities for Safran, once again vindicates the strategic and technological decisions resulting from its partnership with General Electric.

Snecma recorded more orders than it expected, including almost 1,500 orders for CFM56 engines and 3,056 orders for Leap engines. The overall backlog (CFM56 + Leap) topped 9,400 engines. During the year, CFM cemented its leadership on the market for aircraft with seating capacity of more than 100. A total of 1,308 CFM56 engines were delivered in 2011, up 4.5% on 2010 (1,251). Almost 23,000 CFM56 engines have been delivered since the launch of the program. The in-service fleet of CFM56 engines has now passed the 564 million flying hours mark. They are used by more than 530 customers and operators.

In-service CFM56 engines deliver industry-leading reliability statistics.

High-thrust engines for civil aircraft (long-haul aircraft)

Production of high-thrust engines was up sharply in 2011, with 514 modules delivered compared to 288 in 2010.

GE90 FAMILY

Safran has an interest of around 24% in this General Electric program, and in 2011 delivered 166 modules (155 in 2010). Production volumes remained upbeat, with Boeing announcing a further ramp-up in production of the 777 as from 2012, following the ramp-up in mid-2011.

(1) Shop visit numbers are estimates and may be revised in the future as airlines finalize reports.

GP7200 (ENGINE FOR THE A380)

Safran delivered 63 high- and low-pressure compressor modules in 2011 compared to 31 in 2010. At the end of 2011, the GP7200 was used by three airlines and has been selected for almost 60% of the A380 aircraft for which an engine has already been chosen.

GENX

The GenX-2B engine earmarked for the B747-8 aircraft was certified in July 2011, while GenX-1B, which powers the B787 aircraft, was certified in November of the same year. In all, 122 compressors were delivered in 2011.

CF6 – LM6000 FAMILY

In all, 139 modules were billed for in 2011, compared to 102 in 2010.

Services

In 2011, after the post-2008 fall-out from the crisis, the number of “shop visits” worldwide was back to its 2007 level for the CFM engine (up 9% on 2010), or 2,329 visits in total. The CFM56 spare parts business also reported growth, delivering an 8% increase in overall USD revenue year on year. Sales of spare parts for high-thrust engines also rose, up 14% over the year.

Military aviation

In all, 19 M88 engines powering the Rafale were delivered in 2011, representing 286 engines delivered since the start of the program. The in-service fleet clocked up its 194,000th flying hour during the year, with a very good reliability performance. Operating maintenance contracts with the Ministry of Defence began to be implemented with the joint aim of optimizing the cost of ownership/availability ratio for the Rafale.

The TP400-D6 engine development program entrusted to the EPI consortium (ITP group, MTU Aero Engines, Rolls-Royce and Safran) and chosen to power the European Airbus A400M, continued to progress satisfactorily during the year. This engine was certified by the European civil aviation authorities in May 2011. At the end of 2011, the engine had clocked up some 17,700 hours of test flights, including 8,700 hours powering the A400M.

The backlog for Adour engines at end-2011 was 99 units, of which 81 have been ordered by India for its Hawk fighter plane.

Helicopter turbine engines

The number of orders taken for helicopter engines fell in 2011, due to the postponement of orders from Indian (Druhv Ardiden 1 kits) and Chinese (first WZ16/Ardiden 3) helicopter manufacturers. Net new orders totaled 777 units versus 930 in 2010. At end-2011, the backlog stood at 1,525 engines. Deliveries of new equipment rose, to 922 helicopter engines versus 830 in 2010.

Helicopter operators across the globe continued their efforts to prepare for the future, with the 10-ton helicopter segment (the successor of Super Puma, changes in the Mi17, 10-ton Chinese helicopter in development) next to be upgraded following the launch of successors on two other high-growth segments (4-6 tons and 6-8 tons).

Signs of increasing consolidation and internationalization among major helicopter operators first observed in 2010 were confirmed in 2011, with several large-scale acquisitions. A financial (non-operator) institution started up a helicopter leasing business in the year.

Other notable developments in this market included:

- continued development in emerging markets:
 - several agreements were signed with China for the transfer of the license and the supply of Arriel 2B1A engines and kits for Avicopter's range of civil and military single-engine helicopters. The development of Ardiden 3C (for the Z-15/EC175) in partnership with Dongan also continued apace,
 - in India, the prototype of HAL's Light Combat Helicopter made its maiden flight, powered by two Ardiden 1H engines,
 - in Russia, Russian Helicopters and Turbomeca signed several agreements to develop and supply the Ardiden 3G series for the latest 6-8 ton Kamov 62 helicopter;
- the brand new Arriel 2 (2D) model which will power the upgraded Écureuil AS350 B3 was certified in the year and the 10,000th Arriel engine was delivered to the US Army. Arriel engines have clocked up more than 32 million flying hours since production began in 1977;
- the first NH90 came into operation for the French Navy, the new MTR-390-Enhanced model for the Tigre engine was certified by the French, German and Spanish aviation authorities, and preparations were made for the renewal of the MCO contract to provide in-service maintenance for helicopter engines operated by the French State;
- further Support-by-the-Hour (SBH and MCO) maintenance contracts were signed, particularly with Brazil.

Safran also continued to upgrade its production facilities: its new Mantes-Buchelay plant housing Turbomeca and Hispano-Suiza's engine control systems was unveiled at the end of October 2011. The new J. Szydlowski building in Bordes came into operation at the beginning of 2010.

Ballistics and space

Five Ariane 5 satellite launches were carried out in 2011 (six in 2010).

In all, 60 Ariane 5 launches have been made. The last launch in 2011 was the 46th consecutive success, confirming Ariane's excellent reliability performance.

Six Vulcan engines and five HM7 engines were delivered in 2011.

In the industrial applications sector, a joint venture agreement was signed with a Chinese partner to create and operate a plant manufacturing propellants used for airbags in cars sold in the Chinese market.

Review of operations in 2011 and outlook for 2012

COMMENTS ON THE GROUP'S PERFORMANCE IN 2011 BASED ON ADJUSTED DATA

All of SME's operations, including its subsidiaries and affiliates and its 50% stake in Roxel, were taken over by Safran in April 2011, along with its 40% interest in Regulus (the remaining 60% of Regulus is held by Avio). The businesses acquired by Safran represent a total enterprise value of €296 million. The new solid propulsion business has around 3,000 employees and an R&D facility staffed with over 600 researchers and engineers. In 2011, Safran obtained the governmental and EU authorizations required to merge SME and Snecma Propulsion Solide within an integrated company named Herakles. The last conditions precedent to the merger should be met by the last quarter of 2012.

Techspace Aero

Techspace Aero designs, develops and manufactures modules, equipment and test cells for aerospace engines. In July 2011, Safran acquired Pratt & Whitney's 11.4% interest in the Belgian company. On completion of this transaction, Safran held 67% of Techspace Aero. The remaining shareholders are the Walloon regional authorities (31%) and the Belgian government (2%).

2.1.3.2 Aircraft Equipment

Adjusted key figures

	2010	2011	Year-on-year change
Quantities delivered			
Power transmission systems	1,717	1,815	6%
A320 thrust reversers	462	489	6%
A380 nacelles	74	104	41%
Landing gear	1,013	1,091	8%
Carbon wheels and brakes	520	620	19%
<i>(in € millions)</i>			
Backlog	11,126	14,469	30%
Orders recorded during the year	3,653	4,642	27%
Revenue	2,834	3,097	9%
Recurring operating income	127	202	59%
Profit from operations	125	202	62%
Free cash flow	163	(19)	NM
Acquisitions of property, plant and equipment	61	112	84%
Research and development			
Self-funded R&D	(112)	(159)	42%
% of revenue	4%	5.1%	+1.1 pt
Research tax credit	26	29	12%
Self-funded R&D after research tax credit	(86)	(130)	51%
Capitalized expenditure	45	81	80%
Amortization and impairment of R&D expenditure	(40)	(55)	38%
Impact on profit from operations	(81)	(104)	28%
% of revenue	2.9%	3.4%	+0.5 pt
Headcount ⁽¹⁾	19,401	21,543	11%

(1) Headcount at December 31.

Aircraft Equipment branch activities can be split into four key sectors that contribute to branch revenue as follows:

Sector	% of branch revenue	
	2010	2011
Landing and aircraft systems	50%	47%
Engine systems and equipment	25%	27%
Electrical systems and engineering	22%	24%
Other equipment	3%	2%

02

Review of Aircraft Equipment operations in 2011

The Aircraft Equipment segment reported revenue totaling €3,097 million in 2011, up 9.3%, or 8.7% like-for-like, on 2010.

Revenue gains were powered mainly by double-digit growth in nacelles, wheels and brakes, original equipment and services. Deliveries of small nacelles jumped 37%, while deliveries of nacelles for the A380 (104 units in 2011 versus 74 in 2010) also performed well. The harnessing activity put in a strong performance, driven by the ramp-up of production for all product lines.

Service revenue in 2011 advanced 8%, buoyed by civil aftermarket services, particularly concerning nacelles. However, service revenue as a proportion of total Aircraft Equipment revenue slipped to 31% from 31.3% in 2010 as a result of higher revenue growth for original equipment deliveries.

Recurring operating income came in at €202 million in 2011 (6.5% of revenue), up 59% from €127 million (4.5% of revenue) in 2010. This strong advance was driven by the expected upturn in the nacelles business, which reported a profit for the first time in many years, and by a favorable product mix and volume effect for harnesses and landing systems. The nacelles business reported a small profit, spurred by the fall in manufacturing costs for more A380 units, a pick-up in demand for small nacelles, and an upturn in services. Currency hedging had a positive impact on profitability.

In 2011, the Group also continued its efforts to try and harmonize the valuation of its subsidiaries' backlog.

Commercial and industrial developments

Landing and aircraft systems

To meet the demand for more integrated equipment offerings from both aircraft manufacturers and airlines, on June 19 Safran and Honeywell signed a memorandum of understanding to create a joint venture to develop and deliver an innovative new electric green taxiing system for aircraft. The aim is to fit both in-service and new aircraft with this system as from 2016. "Green taxiing" (taxiing without the use of planes' main engines) demonstration tests continued apace.

On May 1, 2011, Safran merged its French subsidiaries Messier-Bugatti (wheels and brakes, landing and braking systems and equipment), Messier-Dowty (landing gear) and Messier-Services (maintenance and repairs). The new company, to be known as Messier-Bugatti-Dowty, and all other entities based in the UK, Canada, the US, Mexico, China, Singapore and the Middle East, will now be managed as a single entity. The new organization will be driven by the trend towards more integrated products and services for both aircraft manufacturers and airlines. The energy-efficient taxiing system is a perfect example of this shift in business focus.

Landing gear

In July 2011, Safran renewed its agreement with Airbus to supply the nose and main landing gears and braking system equipment for the A320 aircraft family, including the A320neo. Safran continues to be the sole supplier of landing gear for all A320 aircraft.

In the business aviation sector, Safran signed an agreement with Bombardier in October 2011 for the supply of landing gear for the Global 7000 and 8000 programs.

In April 2011, the first prototype landing gear for the A350 aircraft was delivered to Airbus at its Filton site for testing.

Safran also continued to upgrade its production facilities in the year, undertaking investments in Bidos (France) and Montreal (Canada). These sites will be housing all production of parts for the 787 and A350. In March 2010, a production plant for large landing gear parts came into operation in Querétaro, Mexico.

Wheels and brakes

At December 31, 2011, nearly 5,000 aircraft with seating capacity of over 100 are equipped with Safran carbon brakes. This represents a market share of 49.2%, up 1.4 point on end-2010.

Safran brakes had been selected for 700 Boeing 737NG aircraft (cumulative basis) at December 31, 2011 (507 at end-2010), including 369 aircraft in connection with retrofit projects. A total of 220 of these 700 aircraft are already in service. The remaining 480 are expected to come into service in the near future.

A first contract was signed with Singapore Airlines to supply wheels and brakes for the A350 aircraft.

Safran was also chosen by Embraer to supply braking and landing systems for its upcoming military transport aircraft KC390. This contract covers wheels and brakes, braking systems and braking control systems, and hydraulic components for front wheel steering systems and landing gear extension-retraction.

Engine systems and equipment

Nacelles and thrust reversers

In February 2011, Safran signed a memorandum of understanding with Airbus confirming its selection for the A320neo program launched at the end of 2010 to supply nacelles for aircraft fitted with the Leap-1A engine developed by Safran and General Electric. Safran also supplies thrust reversers for A320 aircraft powered by CFM engines, albeit without access to the services market.

Savi, the joint venture with AVIC, was unveiled in September 2011 in Xian. Savi will work on the Leap-1C program for the Comac C919, first manufacturing sub-assemblies for current nacelles and later major components for the C919 nacelle.

In addition to nacelles for Leap engines developed in partnership with Middle River Aircraft Systems, a division of GE, Safran is also working on three nacelles projects in the business aviation sector: Learjet 85, Silvercrest and GE Passport for the Bombardier Global 7000/8000.

The ramp-up of the A380 nacelle program continued in 2011 with the delivery of 104 nacelles versus 74 in 2010.

Safran reported a 47% surge in aftermarket services, and signed two first Support-by-the-Hour contracts for its nacelles with airline companies.

Review of operations in 2011 and outlook for 2012

COMMENTS ON THE GROUP'S PERFORMANCE IN 2011 BASED ON ADJUSTED DATA

Power transmissions

Safran will manufacture in-house the accessory gearbox for the new Leap engines to be used in the Airbus A320neo, Boeing 737 MAX and Comax C919.

Electrical systems and engineering

Electrical wiring and engineering

Production of wiring for the A380 program is now governed by an "end-to-end" agreement negotiated with Airbus in 2010. This agreement covers all of the design, production and installation of wiring on the Toulouse and Hamburg assembly lines.

Airbus confirmed Safran as the supplier of electrical wiring throughout the life of the A320 and A330-A340 programs.

The first prototype electrical harnesses for the Airbus A350 were delivered.

In the United States, Safran stepped up the presence of teams at its Charleston site in Virginia ahead of the assembly of the first 787 on Boeing's second assembly line. In China, Safran signed an agreement with Comac for the design and production of wiring for the C919, along with a joint venture agreement for design and production to be undertaken in Shanghai. Conceptual design work with the aircraft manufacturer has already begun.

Two major industrial operations were carried out in the year:

- a new French plant was built at Villemur-sur-Tarn, just a few kilometers from the previous facility. This plant came into operation on schedule at the end of 2011;
- the Temara plant in Morocco was extended and has been in operation since August.

In the engineering business, the highlights of 2011 included:

- Safran's renewal as a preferred supplier to EADS for 2012 to 2016;
- Airbus UK's selection of Safran to provide engineering support services for the wings of the A400M aircraft in Seville;
- international client wins such as Airbus in Mobile, Alabama (US), BE Aerospace, and Heli One in Canada;
- delivery of the first test rigs to Bombardier Transport in Berlin.

Power electronics and transmission systems

Brazilian aircraft manufacturer Embraer selected Safran to supply the power transmission system (primary and secondary power distribution and emergency electrical power generation) as well as the complete power transmission system for its upcoming KC-390 military transport aircraft. This is the first time that Safran has been selected to supply the entire power system for an aircraft. The system will be prepared for certification using a derivative of the CopperBird® test rig in Colombes.

2.1.3.3 Defence

Adjusted key figures

	2010	2011	Year-on-year change
Quantities delivered			
Inertial units	381	369	-3%
AASM kits	209	226	8%
Felin systems	2,500	3,900	56%
JIM LR goggles	1,301	1,282	-1%
<i>(in € millions)</i>			
Backlog	2,052	2,704	32%
Orders recorded during the year	1,251	1,120	-10%
Revenue	1,240	1,264	2%
Recurring operating income	55	58	5%
Profit from operations	55	51	-7%
Free cash flow	(53)	(80)	NM
Acquisitions of property, plant and equipment	67	58	-13%
Research and development			
Self-funded R&D	(109)	(118)	8%
% of revenue	8.8%	9.3%	+0.5 pt
Research tax credit	36	32	-11%
Self-funded R&D after research tax credit	(73)	(86)	18%
Capitalized expenditure	18	24	33%
Amortization and impairment of R&D expenditure	(12)	(7)	-42%
Impact on profit from operations	(67)	(69)	3%
% of revenue	5.4%	5.5%	0.1 pt
Headcount ⁽¹⁾	6,747	6,587	-2%

(1) Headcount at December 31.

Defence activities can be split into three key sectors that contribute to branch revenue as follows:

Sector	% of branch revenue	
	2010	2011
Optronics	52%	55%
Avionics	41%	38%
Electronics and critical software (Safran Electronics)	7%	7%

Review of Defence operations in 2011

Revenue for the Defence business came in at €1,264 million in 2011, up 1.9%, or 2.7% like-for-like, compared to 2010. The advance was mainly driven by double-digit revenue growth in the optronics business buoyed by a robust order backlog (Felin integrated equipment suites for the French Armed Forces, long-range infrared goggles for export markets). However, this upward momentum was dampened by a slowdown in the avionics business following a fall in volumes of infrared seekers and aircraft retrofit programs.

Recurring operating income came in at €58 million (4.6% of revenue), up 5% from €55 million in 2010 (4.4% of revenue). The optronics business performed well, aided by the favorable product mix and volume effect. The avionics business reported a fall in volumes on certain long-standing programs. Safran Electronics reached operating breakeven for the first time after absorbing its start-up costs.

Commercial and industrial developments

Optronics

Modernizing infantry

In 2011, deliveries of the Felin infantry combat system to the French Army picked up pace, with six regiments equipped at the end of the year. The units outfitted with the system include mountain infantry battalions and a parachute regiment as well as infantry regiments. The sharp ramp-up of production was carried out under good conditions and the forces have so far been very satisfied with the equipment. Felin continues to attract interest outside France and its use in Afghanistan since the end of the year should further cement its reputation.

Review of operations in 2011 and outlook for 2012

COMMENTS ON THE GROUP'S PERFORMANCE IN 2011 BASED ON ADJUSTED DATA

Optronic and sight equipment

PORTABLE OPTRONIC EQUIPMENT

A host of successful projects have been completed, confirming Safran's technological leadership in multifunction goggles and particularly JIM LR. In all, around 1,300 items of portable optronic equipment were delivered in 2011, of which almost three-quarters were exported, mainly to the US. Safran also landed the JIRTANG⁽¹⁾ contract put out by the French Ministry of Defence for the supply of more than 1,000 goggles. The Group was also selected by the Ministry of Defence in the UK to supply the first series of JIM LR goggles to replace its current stocks.

ONBOARD OPTRONIC EQUIPMENT

- Sight equipment

Business remained brisk in this segment and particularly for exports of new-generation sight equipment for bullet-proof vehicles, with Savan 11 devices supplied to the Saudi Arabian army.

Safran scored a first win on the French shipbuilding market for its new EOMS NG⁽²⁾ surveillance system and electro-optical gun fire control device, which will equip surveillance vessels operated by the French Navy.

Safran was chosen by the Solas Marine shipyard to supply Vigy Observer watchtowers for the Fast Interceptor Craft (FIC) program run by the Indian Navy.

- Gyro-stabilized gimbals/periscopes

In 2011, Safran continued its work on optronic surface detection systems for Barracuda nuclear attack submarines.

Drones

The Sperwer drone is widely used in Afghanistan and has been praised by the ground forces posted in the country. Safran was notified by SIMMAD⁽³⁾ of a contract for operational maintenance of the drone covering the next three years.

Avionics

Navigation systems and sensors

2011 saw the start-up of production of inert sensors in the new Coriolis plant. This plant, which complies with the highest worldwide production standards, houses part of the production of gyrolasers and hemispherical resonators, which are a core component of Sagem's inertial units. It also integrates these units at the end of the process. Safran invests heavily in this extremely high-tech business.

For the first time, Hemispherical Resonator Gyros (HRG) technology was selected by constructor, with MBDA choosing Epsilon 20 for its multi-purpose combat vehicle (MPCV) fitted with Mistral missiles. The US Army also awarded Safran a contract to adapt HRGs to the specifications of the North Finding Module used on the FTLIP (Far Target Location Improvement Program). This helped cement Safran's position in major programs such as JETS (Joint Effects Targeting System), despite budgetary cutbacks.

The GPS Air Data Inertial Reference Systems (GADIRS) unit for the A400M was certified to aviation standard L3 during the year, with virtually all of its functions completed, including the military GPS system fitted with the tamper-resistant SAASM chip.

Further afield, Sagem, Rosoboronexport and ITT set up a Russian joint venture known as RS Alliance, which opens up the market for the gyro-based inertial navigation for planes carrying weapons in Russia.

Seekers and guidance systems

The excellent performance of AASM (Modular Air-Ground Armament) modules was confirmed in operations (Operation Harmattan in Libya), with successful high-precision firing. The Air Force and Navy are both very satisfied with AASM modules and have requested additional deliveries. A contingent order was also confirmed earlier than expected.

Flight control systems

A host of contract wins in this business were recorded in 2011. In particular, Safran was selected to supply the shutter system for a business jet and the horizontal stabilizer trim system for Embraer's KC-390 aircraft. Safran was also chosen to supply various flight control equipment for AgustaWestland's AW 169 aircraft.

Sagem launched technological research projects focusing on flight control systems, onboard electronics and an optronics program for the future X4 Eurocopter.

Electronics and critical software

In 2011, Safran signed two major memoranda of understanding. The first was signed with German engine manufacturer MTU with a view to creating a joint venture incorporating MTU's teams and resources in Munich to develop safety-critical engine controls. The joint venture will first focus on completing developments for the TP400 (A400M) and MTR390 (Tigre) aircraft. The second memorandum of understanding, also leading to a new joint venture, formalizes GE's selection of Fadec International (a joint venture between Sagem and BAE) to supply next-generation Fadec 4 (Full Authority Digital Engine Control) devices, which will be fitted to the future Leap and Passport engines.

Significant milestones were reached in a large number of in-progress projects, including the first Fadec 4 review with GE, delivery of the first Silvercrest engine control device to Snecma, and the use of the new Fadec 3 (replacing Fadec 1) on the A320 aircraft. 2011 also saw the delivery of the 2,000th Fadec 3 system for the CFM 56-7B.

As part of its tie-up with Sagem on January 1, 2012, the conversion of the Fougères plant (Sagem Industries) into a center of manufacturing excellence (aeronautical electronics and defence) was completed, with electronic activities transferred to Sagem's Poitiers site.

(1) JIRTANG: French new-generation infrared goggles for all French Armed Forces.

(2) EOMS NG: Electro-Optical Multifunction System.

(3) SIMMAD: French Ministry of Defence aircraft maintenance and procurement agency.

On January 30, 2012, Safran and Thales agreed to purchase Areva's 20% interest in Sofradir, their joint venture housing the world class center of excellence in infrared detector technology. As a result of this transaction, Thales and Safran have each raised their stake in Sofradir to 50% from 40% previously. This acquisition was carried out within the scope of the alliance between both companies in optronics. The joint venture will cover future defence systems, key drivers of modernization, for which the combined expertise of Safran and Thales will ensure superior service to customers of both companies. New systems in the pipeline include optronic components for the revamped maritime surveillance

aircraft Atlantique 2, the image chain for the future Franco-British drone MALE, certain modular optronics systems for vehicles used by ground forces, and optronics systems for state-of-the-art helicopters. A joint venture will be created out of the alliance between Thales and Safran focusing on technical, commercial and programming issues. Industrial assets will remain within the respective parent companies of each entity.

Thales and Safran will also bolster the French industry for infrared detector technology, whose performance and price are instrumental to the success of optronics systems.

2.1.3.4 Security

Adjusted key figures

	Dec. 31, 2010	Dec. 31, 2011	Year-on-year change
Quantities delivered			
Smart cards (<i>millions of units</i>)	633	833	30%
Biometric terminals	170,000	221,000	30%
<i>(in € millions)</i>			
Backlog	451	1,334	196%
Orders recorded during the year	1,029	1,320	28%
Revenue	1,041	1,249	20%
Recurring operating income	128	139	9%
Profit from operations	124	116	-6%
Free cash flow	51	(61)	NM
Acquisitions of property, plant and equipment	28	42	50%
Research and development			
Self-funded R&D	(85)	(111)	31%
<i>% of revenue</i>	8.2%	8.9%	0.7 pt
Research tax credit	12	13	8%
Self-funded R&D after research tax credit	(73)	(98)	34%
Capitalized expenditure	18	16	-11%
Amortization and impairment of R&D expenditure	-	(2)	NM
Impact on profit from operations	(55)	(84)	53%
<i>% of revenue</i>	5.3%	6.7%	1.4 pt
Headcount ⁽¹⁾	5,899	7,530	28%

(1) Headcount at December 31.

Security activities can be split into three key sectors that contribute to branch revenue as follows:

Sector	% of branch revenue	
	2010	2011
Identification systems	55%	58%
E-documents	24%	25%
Detection	21%	17%

Review of operations in 2011 and outlook for 2012

COMMENTS ON THE GROUP'S PERFORMANCE IN 2011 BASED ON ADJUSTED DATA

Review of Security operations

The Security business delivered a 20% increase in revenue year on year, at €1,249 million. Like-for-like, revenue advanced 9.6%, spurred by a bullish year for e-documents, particularly in the banking and telecommunications sectors in Latin America, and by a robust performance from the identity systems business in emerging countries.

After a sluggish performance in the first nine months of the year, the detection business rallied sharply in fourth-quarter 2011 and revenue for the year moved up 3% like-for-like compared to 2010.

Recurring operating income climbed 9% (11% like-for-like) to €139 million, or 11.1% of revenue, compared to €128 million, or 12.3% of revenue, in 2010. The rise in profitability reflects high-margin identity solution contracts as well as a favorable product and volume mix for the e-documents business. The detection business reported solid earnings, albeit slightly down on 2010 due to a negative price effect on the US market.

Commercial and industrial developments

Identification systems

In September 2010, Safran entered into an agreement with L-1 Identity Solutions, a leading identity management provider in the United States, to acquire L-1's biometric and enterprise access control solutions, secure credentialing solutions and enrollment services businesses, for a total cash amount of USD 1.1 billion. The completion of the transaction was contingent on obtaining clearance from the US government authorities.

The transaction was approved by L-1's shareholders and by the US antitrust authorities at the end of 2010.

The acquisition was finalized on July 25, 2011, after clearance from the Committee on Foreign Investment in the United States (CFIUS), and following an agreement with the US government for its security operations to be managed as a proxy structure in the United States (delivery of ID documentation, biometric enrollment services for critical-site or software access control, or highly sensitive projects carried out for the US administration).

On completion of the transaction, Safran began to integrate L-1's activities within its Security business. Operations falling within the proxy structure were renamed MorphoTrust, while subsidiaries outside the proxy are currently being merged with Morpho's existing subsidiaries in the countries concerned. The US business operating within a freely competitive and commercial environment were renamed MorphoTrak.

The new entities (consolidated since July 26) contributed €134 million in revenue and €4 million in recurring operating income in 2011.

Major identity management systems

Safran landed its first major banking contract in Brazil, having been awarded the license to manage the database containing digital fingerprints of customers of Itaú, Latin America's biggest bank. The software is designed to provide a secure platform for financial transactions.

In the identification systems and documents sector, several major contracts spanning several years were signed in Indonesia (system combining iris recognition and fingerprints), Chile (ID cards and passports), Panama (passports), and Finland (driving license, passports).

At the end of 2011, the Unique Identification Authority of India (UIDAI) – responsible for the Unique Identification Number Program (Aadhaar) – issued its one-hundred-millionth ID number using Morpho technology, representing a rate of more than one million ID numbers issued per day.

Border control

The latest-generation border control systems, including "on-the-fly" passport verification and face recognition, were unveiled at the Biometrics trade show in London in October 2011.

Given the widespread popularity among travelers of SmartGate systems using face recognition technology, customs authorities in both Australia and New Zealand put in extra orders for SmartGate systems, used for example during the Rugby World Cup.

Criminal identification

Around ten new-generation (creations or extensions of existing systems) Morpho Face Investigate™ (automated finger and palm identification solutions and face recognition) systems were sold in 2011.

For the Next Generation Identification (NGI) System to be used by the FBI (for which the core biometric identity capability was already provided by Safran), MorphoTrak was again solicited in 2011 by Lockheed Martin for its fingerprint recognition system and MorphoTrust for its face recognition devices.

In the fast-growing field of rapid DNA-based identification, Morpho signed a strategic research, development and marketing agreement with US company ZyGEM and is in the process of testing a technology demonstrator.

Biometric equipment

After talks with Morpho, the French National Commission for Data Protection and Civil Liberties (CNIL) approved the use of a first multimode biometric fingerprint and vein recognition device.

MorphoTop™, an optical sensor designed for enrollment and verification in civil applications requiring ten fingerprints, was officially certified as part of the Indian Unique Identification program and a large number of orders for the device have already been made.

Other activities

The Elite gaming terminal, currently approaching the end of the development phase for La Française des Jeux, was unveiled at the European Lottery Congress in Helsinki in June 2011.

Morpho and Selex Elsag (Finmeccanica group) signed an industrial and commercial partnership agreement in the road safety and inspection segment.

02

E-documents

The growth of the e-documents business continued to outpace the market, particularly for bank and SIM cards, which reported a rise of 20% in value terms, amid fierce international competition.

The Group's strategy of rolling this technology offering out to all geographical regions helped it win a large number of new clients and to post bullish growth in 2011, especially in Latin America, Africa and the Middle East.

Thanks to successful transactions with telecoms operators in various countries across the globe, the division has reinforced its standing with big multinationals such as Vodafone, Orange, T-Mobile, America Movil and TIM, as well as in India, where Morpho consolidated its leading position on the market.

The volume of SIM cards sold was up more than 25% against a fiercely competitive backdrop, particularly in Asia.

Vigorous growth continued in the bank cards segment, powered by the fast-paced migration from magnetic cards to smart cards compliant with EMV (Europay MasterCard Visa), particularly in Latin America and Asia.

In a bid to expand Safran's footprint in Latin America, in September 2011 Morpho Cards do Brasil acquired the bank card manufacturing and personalization centers of the Carvajal group in Colombia and Peru.

Detection

Highlights in this business during the year are described below.

Tomography detection systems

- A major new order was received from the US Transportation Security Administration (TSA) for 28 high-throughput CTX 9800 devices. TSA also renewed the maintenance agreement for its bag explosives detection systems.
- The European Civil Aviation Conference (ECAC) certified the CTX 5800 explosives detection system, and the first sales of this system were recorded for airports in Brussels and Mauritius.
- Development of X-ray diffraction technology for baggage inspections continued apace, including for cabin baggage inspections. This technology detects all types of solid or liquid explosives in compliance with EU standards due to come into force in 2013.

Spectrometry-based trace detection equipment

- 2011 saw a growing interest in devices for detecting explosives, whether fixed (EntryScan for high-risk facilities), mobile (Itemiser desktop) or portable (Mobile Trace), in checked or cabin baggage and light airfreight (express international transport of packages for businesses).
- Effective July 26, after clearance from the CFIUS, Morpho Detection, Inc. acquired the Californian start-up Syagen Technology, Inc., specializing in the high-growth market of mass spectrometry and trace detection targeting explosives and narcotics.

2.2

COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	2010	2011	Year-on-year change
Revenue	11,028	11,658	5.7%
Other operating income and expenses	(10,077)	(10,794)	
Recurring operating income	951	864	-9.1%
Other non-recurring operating income and expenses	(13)	(29)	
Profit from operations	938	835	-11%
Financial income (loss)	(703)	(150)	
Share of profit from associates	9	10	
Income tax expense	(14)	(201)	
Profit from continuing operations	230	494	
Profit (loss) from discontinued operations	(5)	3	
Profit for the period attributable to non-controlling interests	18	19	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	207	478	

Consolidated revenue

Consolidated revenue climbed 5.7% year on year, to €11,658 million from €11,028 million in 2010.

The difference between adjusted revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures. Neutralizing the impact of foreign currency hedging decreased consolidated revenue by €78 million in 2011 and increased it by €268 million in 2010. The change in the revenue impact of foreign currency hedging results from movements in average exchange rates with regard to the effective hedging rates for the period on the portion of foreign exchange denominated flows hedged by the Group. For example, the hedged EUR/USD rate in 2011 was 1.37, against an annual average rate of 1.39, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is lower than adjusted consolidated revenue. Year-on-year changes in revenue excluding the impact of adjusting items are analyzed below (see section 2.1.2).

Recurring operating income

Recurring operating income fell 9.1% to €864 million in 2011 from €951 million in 2010. The difference between recurring operating income and adjusted recurring operating income, which came in at €1,189 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem-Snecma business combination (€158 million in 2011 versus €159 million in 2010) and in other business combinations (€71 million in 2011 versus €43 million in 2010);
- a negative €96 million impact resulting from foreign currency transactions (positive impact of €275 million in 2010).

Changes in recurring operating income, excluding the impact of adjusting items, are analyzed below (see section 2.1.2).

Profit from operations

Profit from operations came in at €835 million for the year, compared to €938 million in 2010. Profit from operations includes recurring operating income of €864 million in 2011 (€951 million in 2010) and a non-recurring loss of €29 million (€13 million in 2010).

Changes in profit from operations, excluding the impact of adjusting items, are analyzed below (see section 2.1.2).

Financial income (loss)

The Group reported a financial loss of €150 million in 2011, compared to €703 million in 2010.

Two items account for the difference between the consolidated financial loss for 2011 and the adjusted financial loss analyzed previously (see section 2.1.2):

- changes in the fair value of unwound foreign currency hedging instruments which had a negative impact of €11 million in 2011 compared to a negative impact of €275 million in 2010. This amount is recognized in full in financial income (loss) in the consolidated financial statements. However, the impact of unwound foreign currency hedging instruments is neutralized in the adjusted financial statements;
- the net positive impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by the Group totaling €76 million in 2011 (negative impact of €260 million in 2010). This impact is recognized in financial income (loss) in the consolidated financial statements, but within profit from operations (mostly in revenue) in the adjusted income statement.

Income tax expense

Income tax expense amounted to €201 million in 2011 compared to €14 million in 2010. The increase in this caption chiefly results from the €451 million rise in profit before tax between 2010 and 2011. The rise in profit before tax was primarily due to significant movements in foreign exchange gains and losses, which represented a net gain of €19 million in 2011 compared to a net loss of €531 million in 2010. To a lesser extent, the higher income tax expense also reflects the rise in the income tax rate introduced by the Fourth Amending Financing Law adopted at the end of 2011.

Consolidated profit attributable to owners of the parent

This caption amounted to €478 million for 2011 and €207 million for 2010.

2.2.2 SIMPLIFIED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2011

The simplified consolidated balance sheet at December 31, 2011 presented below is taken directly from the consolidated financial statements included in section 3.1 of this document.

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Assets		
Goodwill	2,298	3,126
Property, plant and equipment and intangible assets (excl. goodwill)	5,383	5,984
Other non-current assets	657	762
Fair value of financial instruments	230	279
Inventories and work-in-progress	3,508	3,799
Trade and other receivables	4,475	5,321
Cash and cash equivalents	2,062	1,431
TOTAL ASSETS	18,613	20,702
Equity and liabilities		
Share capital	4,705	5,122
Provisions	2,424	2,438
Borrowings subject to specific conditions	701	682
Interest-bearing liabilities	2,051	2,445
Other non-current liabilities	871	917
Trade and other payables	7,861	9,098
TOTAL EQUITY AND LIABILITIES	18,613	20,702

2.2.3 CHANGE IN NET DEBT

The year-on-year change in the Group's net debt breaks down as follows:

<i>(in € millions)</i>	2010	2011
Cash flow from operations	1,142	1,185
Change in working capital requirements	317	62
Acquisitions of property, plant and equipment	(271)	(352)
Acquisitions of intangible assets	(254)	(363)
Free cash flow	934	532
Dividends paid	(161)	(317)
Divestments/acquisitions of securities and other	(251)	(1,236)
NET CHANGE IN CASH AND CASH EQUIVALENTS	522	(1,021)
Net debt at January 1	(498)	24
Net debt at December 31	24	(997)

Cash flow from operating activities is calculated by taking profit or loss before tax and adjusting for income and expenses with no cash impact, for example net charges to depreciation, amortization and provisions and changes in the fair value of hedging instruments not yet unwound at the end of the reporting period⁽¹⁾. The Group's ability to finance working capital requirements, acquisitions of property, plant and equipment and intangible assets and dividends out of operating activities rose by €43 million over the year, from

€1,142 million in 2010 to €1,185 million in 2011. Free cash flow totaling €532 million results from €1,185 million in net cash from operations, a €62 million reduction in working capital requirements, and large-scale R&D investments and capital spending totaling €715 million (€525 million in 2010).

Acquisitions of intangible assets mostly concern capitalized research and development expenditure. The sharp year-on-year increase in this caption reflects the start-up of new programs such

⁽¹⁾ See section 3.1 "Statement of cash flows".

as those related to the different versions of the Leap engine and the A350 aircraft. Acquisitions of property, plant and equipment also increased, due to ongoing efforts to upgrade industrial plants in several business sectors.

The rise in dividends paid in 2011 (€317 million including €304 million to Safran shareholders and €13 million to non-controlling interests) compared to 2010 (€161 million including €152 million to Safran shareholders and €9 million to non-controlling interests) reflects:

- the increase in the amount of dividends paid in respect of 2010 (€0.50 per share) compared to 2009 (€0.38 per share); and
- the payment of €102 million in interim dividends in respect of 2011, paid at the end of 2011.

Investments in securities chiefly relate to the acquisition of SME for €277 million and L-1 Identity Solutions for €786 million. The sale of 6.5 million treasury shares in the year generated net income of €180 million in 2011.

The Group's net debt was €997 million at December 31, 2011, compared to a surplus cash balance of €24 million at December 31, 2010. The rise in net debt chiefly reflects disbursements in connection with acquisitions in 2011.

The gearing ratio came out at 19.5% at end-2011 versus 0% one year earlier.

At December 31, 2011, Safran had €1.4 billion in cash and €2.6 billion in undrawn confirmed credit lines.

2.3

COMMENTS ON THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements of Safran SA for the year ended December 31, 2011 were prepared using the same accounting principles as those used for the 2010 parent company financial statements.

Safran decided that the assets and liabilities of its subsidiary Safran Informatique would be transferred to Safran SA with effect from

January 1, 2011. The assets and liabilities were transferred on the basis of their net carrying amount. This transaction resulted in a €3.5 million surplus shown in financial income (loss) for €1.2 million and in equity for €2.3 million. As from January 1, 2011, the operations of this former subsidiary are therefore included in Safran's financial statements.

2.3.1 SAFRAN SA INCOME STATEMENT

<i>(in € millions)</i>	2010	2011
Revenue	130	243
Other operating income and expenses	(222)	(356)
Loss from operations	(92)	(113)
Financial income	456	393
Non-recurring items	22	69
Income tax benefit	111	4
PROFIT FOR THE PERIOD	497	353

Revenue came in at €243 million in 2011 versus €130 million in 2010, and chiefly includes billings of general assistance services provided by the parent company to its subsidiaries, as well as amounts billed in respect of rent, employees, IT services (activities carried on by the former Safran Informatique) and miscellaneous services related to projects in place within the Group. The €113 million increase in revenue in 2011 results primarily from the integration of Safran Informatique (€48 million) and from the development of various projects in place within the Group (rebillings up €40 million compared to 2010).

Other operating income and expenses represented a net expense of €356 million in 2011 and €222 million in 2010. The increase in other operating expenses in 2011 stems mainly from the rollout of group-wide projects and from the rise in the number of Safran SA

employees following the implementation of certain projects to upgrade the Group's administrative and support functions and incorporate Safran Informatique.

Loss from operations totaled €113 million in 2011 and €92 million in 2010.

Safran SA reported financial income of €393 million in 2011 and €456 million in 2010. This figure mainly includes dividends received from subsidiaries for €385 million (€426 million in 2010), interest income of €5 million (€15 million in 2010), foreign exchange losses amounting to €32 million (foreign exchange gains of €62 million in 2010), and net reversals from provisions for impairment of financial assets or exchange losses totaling €35 million (net charges of €47 million in 2010).

The Company reported non-recurring income of €69 million for the year (€22 million for 2010), chiefly reflecting a €92 million capital gain on the sale of 6,500,000 Safran shares in connection with the accelerated bookbuilding procedure of July 28, 2011, and an expense of €19 million (net of rebillings to subsidiaries) relating to the delivery of Safran shares to employees under the free share plan of April 3, 2009.

The income tax line represented a benefit of €85 million under the Group's tax consolidation regime (benefit of €81 million in 2010). This

benefit is reduced by a net charge to the provision for the transfer of the tax saving relating to the French tax group from Safran SA to its loss-making subsidiaries, in an amount of €81 million. In 2010, the tax benefit had been increased by a net reversal of €30 million from this provision.

On account of the above, profit for the year came in at €353 million, compared to €497 million in 2010.

2.3.2 SAFRAN SA SIMPLIFIED BALANCE SHEET AT DECEMBER 31, 2011

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Assets		
Non-current assets	8,315	9,460
Cash and cash equivalents and marketable securities	1,892	1,198
Other current assets	1,102	1,768
TOTAL ASSETS	11,309	12,426
Equity and liabilities		
Share capital	5,215	5,266
Provisions	784	855
Borrowings	1,687	2,030
Other payables	3,623	4,275
TOTAL EQUITY AND LIABILITIES	11,309	12,426

The increase in non-current assets results chiefly from acquisitions carried out in the year either directly by Safran or indirectly by its subsidiaries. Acquisitions carried out by the Group's subsidiaries are financed by intragroup loans granted directly by Safran SA. Equity investments rose €411 million following the acquisition of SME (€327 million) and Regulus (€21 million), together with the acquisition of non-controlling interests in Techspace Aero (€37 million) and the subscription to the capital increase carried out by Safran USA Inc. in an amount of €34 million. Loans to equity investments were up

€770 million, reflecting loans granted by Safran to subsidiaries in order to finance acquisitions in the Security business, in particular L-1 Identity Solutions.

The decrease in share capital reflects 2011 profit totaling €353 million, dividends paid in 2011 in respect of 2010 for €203 million, and interim dividends for 2011 paid in December of that year for €102 million.

The rise in borrowings results from the increase in short-term borrowings, mainly commercial paper.

2.3.3 INFORMATION CONCERNING SUPPLIER PAYMENT PERIODS

<i>(in € millions)</i>	Amounts due	Amounts not yet due		Total trade payables
		Amounts due in 0-30 days	Amounts due in 30-60 days	
December 31, 2011	5.3	12.5	55.5	73.3
December 31, 2010	3.7	12.1	28.0	43.8

2.4

OUTLOOK FOR 2012

Despite the continuing unsettled economic climate, in 2012 Safran estimates:

- revenue growth of around 10% (based on an estimated average spot exchange rate of USD 1.37 for one euro);
- recurring operating income growth of around 20% (at a target hedging rate of USD 1.32 to one euro);
- free cash flow representing around one-third of recurring operating income, taking into account the forecast rise in R&D costs and investment expenditure.

The 2012 outlook is based on the following assumptions:

- a significant rise in original aircraft equipment deliveries;
- a rise of around 10% in aftermarket services for civil engines;
- a further rise in R&D expenditure of around €200 million;

- sharp profitable growth in Security operations, particularly MorphoTrust (formerly L-1 Identity Solutions);
- improved profitability for the Defence business, particularly avionics;
- the continued recovery of Aircraft Equipment;
- continued implementation of Safran+ initiatives to enhance profitability and cut overheads.

Factors with a potential impact on results

Major risk factors that could have an adverse impact on the Group's business, financial position or results of operations are described in Chapter 4.



03

Financial statements

3.1	Consolidated financial statements at December 31, 2011	62
	Consolidated income statement	62
	Consolidated statement of comprehensive income	63
	Consolidated balance sheet	64
	Consolidated statement of changes in shareholders' equity	65
	Consolidated statement of cash flows	66
	Notes to the Safran Group consolidated financial statements	67
3.2	Statutory Auditors' report on the consolidated financial statements (Year ended December 31, 2011)	130
3.3	Parent company financial statements at December 31, 2011	132
	Parent company income statement	132
	Parent company balance sheet	133
	Parent company statement of cash flows	134
	Notes to the parent company financial statements	135
3.4	Statutory Auditors' report on the financial statements (Year ended December 31, 2011)	156

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union at the date the financial statements were approved by the Board of Directors.

Simplified consolidated income statement

<i>(in € millions)</i>	2010	2011
Revenue	11,028	11,658
Recurring operating income	951	864
Profit from operations	938	835
Profit for the period attributable to owners of the parent	207	478

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

The parent company financial statements have been prepared in accordance with French generally accepted accounting principles pursuant to CRC Regulation 99-03 issued by the French Accounting Regulation Committee on April 29, 1999.

Simplified parent company income statement

<i>(in € millions)</i>	2010	2011
Revenue	130	243
Profit from ordinary activities before tax	364	280
Profit for the year	497	353

Note

In accordance with Article 28 of Regulation (EC) 809/2004, the following information is incorporated by reference in this Registration Document:

- the consolidated and parent company financial statements for the year ended December 31, 2009 and the corresponding audit reports as presented in sections 3.4.1 and 3.4.2 of the 2009 Registration Document filed with the AMF on April 23, 2010 under number D. 10-0314; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union;
- the consolidated and parent company financial statements for the year ended December 31, 2010 and the corresponding audit reports as presented in sections 3.4.1 and 3.4.2 of the 2010 Registration Document filed with the AMF on March 31, 2011 under number D. 11-0202; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Those sections of the 2009 and 2010 registration documents that are not incorporated by reference in this document are either considered no longer pertinent for investors or are dealt with in another section of the 2011 Registration Document.

3.1 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	Note	2010	2011
Revenue	5	11,028	11,658
Other income	5	200	216
Income from operations		11,228	11,874
Change in inventories of finished goods and work-in-progress		(43)	125
Capitalized production		243	371
Raw materials and consumables used	5	(6,225)	(6,834)
Personnel costs	5	(3,476)	(3,808)
Taxes		(217)	(235)
Depreciation, amortization, and increase in provisions net of use	5	(575)	(579)
Asset impairment	5	7	(65)
Other recurring operating income and expenses	5	9	15
Recurring operating income		951	864
Other non-recurring operating income and expenses	5	(13)	(29)
Profit from operations		938	835
Cost of net debt		(36)	(42)
Foreign exchange gains (losses)		(531)	19
Other financial income and expense		(136)	(127)
Financial loss	6	(703)	(150)
Share in profit from associates	15	9	10
Profit before tax		244	695
Income tax expense	7	(14)	(201)
Profit from continuing operations		230	494
Profit (loss) from discontinued operations	8	(5)	3
Profit for the period		225	497
Attributable to:			
-owners of the parent		207	478
-non-controlling interests		18	19
Earnings per share attributable to owners of the parent (in €)	9		
Basic earnings per share		0.52	1.18
Diluted earnings per share		0.51	1.18
Earnings per share of continuing operations attributable to owners of the parent (in €)	9		
Basic earnings per share		0.53	1.17
Diluted earnings per share		0.52	1.17
Earnings (loss) per share of discontinued operations attributable to owners of the parent (in €)	9		
Basic earnings (loss) per share		(0.01)	0.01
Diluted earnings (loss) per share		(0.01)	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	2010	2011
Profit for the period	225	497
Other comprehensive income		
Items to be reclassified to profit	106	80
Available-for-sale financial assets	16	(6)
Translation adjustments	114	115
Income tax related to components of other comprehensive income	(24)	(29)
Items not reclassified to profit	-	-
Other comprehensive income for the period	106	80
Total comprehensive income for the period	331	577
Attributable to:		
- owners of the parent	310	558
- non-controlling interests	21	19

At December 31, 2011, translation adjustments include exchange differences arising on long-term financing for foreign subsidiaries in an amount of €79 million in 2011 and €71 million in 2010.

This financing is considered as a net investment in a foreign operation and is treated in accordance with IAS 21 (see Note 1.F).

CONSOLIDATED BALANCE SHEET

Assets

<i>(in € millions)</i>	Note	Dec. 31, 2010	Dec. 31, 2011
Goodwill	11	2,298	3,126
Intangible assets	12	3,130	3,498
Property, plant and equipment	13	2,253	2,486
Non-current financial assets	14	215	246
Investments in associates	15	236	253
Deferred tax assets	7	194	251
Other non-current assets	18	12	12
Non-current assets		8,338	9,872
Current financial assets	14	110	101
Fair value of financial instruments and derivatives	32	230	279
Inventories and work-in-progress	16	3,508	3,799
Trade and other receivables	17	4,219	5,005
Tax assets	7	146	215
Cash and cash equivalents	19	2,062	1,431
Current assets		10,275	10,830
Assets held for sale		–	–
TOTAL ASSETS		18,613	20,702

Equity and liabilities

<i>(in € millions)</i>	Note	Dec. 31, 2010	Dec. 31, 2011
Share capital		83	83
Consolidated retained earnings	21-C	4,214	4,387
Net unrealized gains on available-for-sale financial assets		26	20
Profit for the period		207	478
Equity attributable to owners of the parent		4,530	4,968
Non-controlling interests		175	154
Total equity		4,705	5,122
Provisions for contingencies and losses	22	1,310	1,374
Borrowings subject to specific conditions	24	701	682
Interest-bearing non-current liabilities	25	1,483	1,447
Deferred tax liabilities	7	685	718
Other non-current liabilities	27	186	199
Non-current liabilities		4,365	4,420
Provisions	22	1,114	1,064
Interest-bearing current liabilities	25	568	998
Trade and other payables	26	7,236	8,348
Tax liabilities	7	72	92
Fair value of financial instruments and derivatives	31	553	658
Current liabilities		9,543	11,160
Liabilities held for sale		–	–
TOTAL EQUITY AND LIABILITIES		18,613	20,702

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in € millions)</i>	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments	Consolidated retained earnings	Profit for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At Dec. 31, 2009	83	3,360	(247)	10	(64)	558	641	12	4,353	148	4,501
Comprehensive income for the period				16	111		207	(24)	310	21	331
Acquisitions/disposals of treasury shares											
Dividends						(152)			(152)	(9)	(161)
Other movements						641	(641)	19	19	15	34
At Dec. 31, 2010	83	3,360	(247)	26	47	1,047	207	7	4,530	175	4,705
Comprehensive income for the period				(6)	115		478	(29)**	558	19	577
Acquisitions/disposals of treasury shares			135			29			164		164
Dividends						(202)			(202)	(13)	(215)
2011 interim dividend						(102)			(102)		(102)
Other movements						207	(207)	20*	20	(27)	(7)
At Dec. 31, 2011	83	3,360	(112)	20	162	979	478	(2)	4,968	154	5,122

(*) Of which €6 million in share grants (€12 million in 2010) and €8 million in relation to the leveraged fund plan (see Notes 5 and 21).

(**) A negative €29 million tax impact on foreign exchange differences relating to net investments in foreign operations (negative €24 million in 2010).

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	2010	2011
I. Cash flow from operating activities		
Profit attributable to owners of the parent	207	478
Current taxes	133	158
Deferred taxes	(119)	44
Consolidated profit before tax	221	680
Tax paid	(103)	(241)
Share in profit from associates (net of dividends received)	(9)	(10)
Income and expenses with no cash impact		
Depreciation and amortization	606	662
Asset impairment	(3)	62
Provisions	46	(29)
Fair value of financial instruments and derivatives	310	2
Expense related to share-based payment	12	14
Foreign exchange gains (losses)	(2)	13
Capital gains on asset disposals	31	16
Accrued interest	6	(3)
Other items	4	4
Profit (loss) before tax from discontinued operations	5	(4)
Profit attributable to non-controlling interests	18	19
Other income and expenses with no cash impact	1,033	756
Cash flow from operations, before changes in working capital	1,142	1,185
Change in inventories and work-in-progress	55	(134)
Change in operating receivables and payables	185	216
Change in other receivables and payables	77	(20)
Intercompany change in working capital from discontinued operations	–	–
Change in working capital	317	62
	Total I	1,459
	1,459	1,247
II. Cash flow from (used in) investing activities		
Payments for the purchase of intangible assets, net of proceeds	(254)	(363)
Payments for the purchase of property, plant and equipment, net of proceeds	(271)	(352)
Proceeds (payments) arising from the sale (acquisition) of investments	(122)	(1,176)
Proceeds (payments) arising from the sale (acquisition) of financial assets	(53)	(6)
Other movements	1	–
Cash flow from intercompany financing activities related to discontinued operations	–	–
	Total II	(699)
	(699)	(1,897)
III. Cash flow used in financing activities		
Change in share capital ^(*)	6	1
Acquisitions and disposals of treasury shares	–	180
Repayment of borrowings and long-term debt	(138)	(254)
Repayment of repayable advances	(35)	(28)
Increase in borrowings	324	32
Repayable advances received	17	13
Change in short-term borrowings	(802)	390
Cash flow from (used in) intercompany financing activities related to discontinued operations	28	11
Dividends paid to owners of the parent	(152)	(304)
Dividends paid to non-controlling interests	(9)	(13)
	Total III	(761)
	(761)	28
Cash flow used in operating activities related to discontinued operations	Total IV	(29)
	(29)	(10)
Cash flow used in investing activities related to discontinued operations	Total V	–
	–	(2)
Cash flow used in financing activities related to discontinued operations	Total VI	–
	–	–
Effect of changes in foreign exchange rates	Total VII	12
	12	3
NET DECREASE IN CASH AND CASH EQUIVALENTS	I+II+III+IV +V+VI+VII	(18)
	(18)	(631)
Cash and cash equivalents at beginning of year	2,080	2,062
Cash and cash equivalents at end of year	2,062	1,431
Change in cash and cash equivalents (A)	(18)	(631)
Cash and cash equivalents of discontinued operations and assets held for sale, at end of year (B)	–	–
Cash and cash equivalents of discontinued operations and assets held for sale, at beginning of year (C)	–	–
NET DECREASE IN CASH AND CASH EQUIVALENTS (D) = (A) + (B) - (C)	(18)	(631)
of which change in cash and cash equivalents from continuing operations	(17)	(631)
of which change in cash and cash equivalents from discontinued operations	(1)	–
of which change in cash and cash equivalents from assets held for sale	–	–

(*) Corresponding to capital increases subscribed by non-controlling interests.

NOTES TO THE SAFRAN GROUP CONSOLIDATED FINANCIAL STATEMENTS

Note 1	Accounting policies	68
Note 2	Main sources of estimates	77
Note 3	Scope of consolidation	78
Note 4	Segment information	80
Note 5	Breakdown of the main components of profit from operations	84
Note 6	Financial income (loss)	87
Note 7	Income tax	87
Note 8	Discontinued operations	89
Note 9	Earnings per share	90
Note 10	Dividend distribution	90
Note 11	Goodwill	91
Note 12	Intangible assets	92
Note 13	Property, plant and equipment	94
Note 14	Current and non-current financial assets	95
Note 15	Investments in associates	96
Note 16	Inventories and work-in-progress	96
Note 17	Trade and other receivables	97
Note 18	Other non-current assets	97
Note 19	Cash and cash equivalents	97
Note 20	Summary of financial assets	98
Note 21	Consolidated shareholders' equity	101
Note 22	Provisions	104
Note 23	Post-employment benefits	104
Note 24	Borrowings subject to specific conditions	111
Note 25	Interest-bearing liabilities	111
Note 26	Trade and other payables	114
Note 27	Other current and non-current liabilities	115
Note 28	Summary of financial liabilities	115
Note 29	Interests in joint ventures	116
Note 30	Related parties	117
Note 31	Management of market risks and financial derivatives	118
Note 32	Off-balance sheet commitments and contractual obligations	122
Note 33	Disputes and litigation	123
Note 34	Subsequent events	124
Note 35	List of consolidated companies	125

Safran SA (2, boulevard du Général Martial Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (corporation) incorporated in France and permanently listed on Compartment A of the Euronext Paris Eurolist market.

The consolidated financial statements reflect the accounting position of Safran SA and the subsidiaries it controls, directly or indirectly and jointly or exclusively, as well as entities over which it exercises a significant influence (the “Group”).

The consolidated financial statements are drawn up in euros and all amounts are rounded to the nearest million unless otherwise stated.

The Board of Directors’ meeting of February 22, 2012 adopted and authorized the publication of the 2011 consolidated financial statements.

The consolidated financial statements will be final once they have been approved by the General Shareholders’ Meeting.

NOTE 1 Accounting policies

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union (available from http://ec.europa.eu/internal_market/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

New IFRS standards, revised standards and interpretations

IFRS revisions, amendments and interpretations effective at January 1, 2011

The following revised and amended standards and interpretations effective January 1, 2011 and the annual improvements to IFRS issued in May 2010 did not have a material impact on the Group’s consolidated financial statements at December 31, 2011:

- IAS 24 (revised), Related Party Disclosures, which simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party;
- Amendment to IAS 32, Financial Instruments: Presentation – Classification of Rights Issues;
- Amendments to IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Pre-payments of a Minimum Funding Requirement;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments;
- Improvements to IFRS published in May 2010.

Amendment published by the IASB and early adopted by the Group

- Amendment to IAS 1, Presentation of Financial Statements – Presenting Comprehensive Income.

New IFRS standards, revised standards and interpretations published by the IASB but not yet applicable and not early adopted by the Group

- Amendments to IAS 12, Income Taxes – Deferred Tax: Recovery of Underlying Assets;
- Amendments to IAS 19, Employee Benefits – Defined Benefit Plans;
- Amendments to IFRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets;
- Amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities;
- IFRS 9, Financial Instruments: Classification and Measurement;
- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosures of Interests in Other Entities;
- IFRS 13, Fair Value Measurement;
- IAS 27 (revised), Separate Financial Statements;
- IAS 28 (revised), Investments in Associates and Joint Ventures;
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.

With the exception of the amendments to IFRS 7 regarding disclosures to be provided in respect of transfers of financial assets, these new standards, amendments and interpretations have not yet been adopted by the European Union and cannot therefore be early adopted even where this is permitted by the standard in question.

The Group is currently considering the impact of applying these new standards, amendments and interpretations for the first time, in particular IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements (which abolishes proportionate consolidation for joint ventures); and the amended IAS 19, “Employee Benefits”, which no longer allows use of the corridor method.

Based on a preliminary analysis, the application of IFRS 10 would not have a material impact on the consolidated financial statements. However, the analysis of the potential impact of IFRS 10 is still in progress.

The Group is currently analyzing its proportionately consolidated entities in light of IFRS 11, Joint Arrangements, to determine whether they should be classified as joint ventures or joint operations. However, as the contribution of these entities to the Group's main financial indicators is not material (see Note 29, «Interests in joint ventures»), the impact of applying this new standard on the consolidated financial statements should be limited.

Since the amended IAS 19 prohibits use of the corridor method for recognizing actuarial gains and losses through profit or loss (the current method applied by the Group), the standard will chiefly impact consolidated equity as of the date of first application. Under the amendment, all actuarial gains and losses are recognized directly in equity and not subsequently taken to profit or loss. At the present time, the Group does not consider this will have a material impact on its income statement.

On its transition to IFRS at December 31, 2005, the Group applied a number of options available under IFRS 1 and specific to first-time adopters. These options are set out in the sections below.

(A) Basis of measurement used to prepare the consolidated financial statements

The consolidated financial statements are prepared on a historical cost basis except for certain assets and liabilities, as allowed by IFRS. The categories of assets and liabilities not measured at historical cost are disclosed in the sections below.

(B) Consolidation

Basis of consolidation

Entities over which Safran directly or indirectly exercises permanent de facto or de jure control are fully consolidated.

Entities controlled jointly by Safran and another group are proportionately consolidated.

Entities over which Safran exercises significant influence, without having exclusive or joint control, are accounted for under the equity method. Significant influence is presumed to exist when the Group holds at least 20% of voting rights.

A company effectively enters into the scope of consolidation at the date on which control is acquired or significant influence is exercised.

The removal of a company from the scope of consolidation is effective as of the date control or significant influence is relinquished. If the loss of control occurs without any transfer of interest, for example due to dilution, the company's removal from the scope of consolidation is simultaneous with the event that triggers such loss of control or significant influence.

Non-controlling interests represent the portion of profit and net assets not held by owners of the parent, and are presented separately from the owners' share in the income statement and in shareholders' equity.

IAS 27 (revised) states that any changes in the ownership interest that do not result in the loss or acquisition of control are to be recognized in equity attributable to owners of the parent. This will apply to acquisitions of additional shares in a subsidiary after control has been obtained in a previous acquisition or to sales of shares that do not result in a loss of control.

Sales of shares that result in a loss of control are to be recognized in income and the gain or loss on disposal is to be calculated on the entire ownership interest at the date of the transaction. Any residual interest is to be measured at fair value through income when control is relinquished.

Intragroup transactions

All material transactions between fully or proportionately consolidated companies are eliminated, as are internally generated Group profits.

Transactions between fully and proportionately consolidated companies are eliminated to the extent of the percentage held in the jointly controlled company, regardless of whether or not they have an impact on consolidated profit. As an exception to this general rule, transactions between fully and proportionately consolidated companies are not eliminated when the jointly held company acts solely as an intermediary or renders balanced services for the benefit of, or as a direct extension of, the businesses of its various shareholders.

(C) Business combinations

The Group has applied IFRS 3 (revised) and IAS 27 (revised) since January 1, 2010. As the application of these revised standards is prospective, business combinations carried out prior to January 1, 2010 continue to be accounted for under the previous IFRS 3 and IAS 27.

Business combinations carried out after January 1, 2010

Acquisition method

Business combinations are accounted for using the acquisition method at the date on which control is obtained:

- Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value.
- Where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments). This option is available for all business combinations based on a case-by-case analysis of each transaction.
- Acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred.
- Adjustments to contingent consideration for a business combination are measured at fair value at the acquisition date, even if it is unlikely that an outflow of resources will be required to settle the obligation. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. The cost of the combination, including where appropriate the estimated fair value of any contingent consideration, is finalized within the 12 months following the transaction. Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss.

Any previously held interests in the acquiree are remeasured to fair value, with the resulting gain or loss recognized in profit or loss.

Goodwill

At the acquisition date, goodwill is measured as the difference between:

- the acquisition-date fair value of the consideration transferred, plus the amount of any non-controlling interest in the acquiree, measured based on the share in the net assets acquired (including fair value adjustments), or on the overall value of the acquiree; and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

When goodwill arises on the acquisition of fully or proportionately consolidated companies, it is carried under assets in the balance sheet under the heading "Goodwill". Negative goodwill is recorded immediately in profit or loss. However, goodwill arising on the acquisition of equity-accounted companies is recorded on the line "Investments in associates", in accordance with IAS 28.

Goodwill may be adjusted within 12 months of the acquisition (measurement period) to take into account the definitive estimate of the fair value of the assets acquired and liabilities assumed. Beyond this period, adjustments are recorded in profit or loss.

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs), as described in Note 1.L. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 1.L. Impairment charged against goodwill is taken to profit or loss and may not be reversed.

Business combinations carried out prior to January 1, 2010

The principles set out above were already applicable, except that:

- Acquisition-related costs were included in the cost of the combination.
- Non-controlling interests (previously known as minority interests) were recognized for each combination based on their share in the net identifiable assets of the acquiree (including fair value adjustments).
- Business combinations carried out in stages (step acquisitions) were recognized separately at the date of each transaction. Any additional interest acquired did not impact previously recognized goodwill, and the difference with respect to the fair value at the date control was acquired was recognized in equity.
- Partial sales led to recognition of a disposal gain or loss in proportion to the interest sold, and the assets and liabilities retained were not remeasured.
- Adjustments to contingent consideration were only recognized if they represented an obligation for the Group at the acquisition date, it was probable that an outflow of resources would be required to settle the obligation, and the obligation could be estimated reliably. Any adjustments to contingent consideration after the measurement period impacted goodwill rather than profit or loss.

Options used on the first-time adoption of IFRS

Business combinations prior to January 1, 2004 were not restated in accordance with IFRS 3, Business Combinations.

(D) Discontinued operations and assets (or disposal groups) held for sale

A non-current asset or group of non-current assets and associated liabilities are classified as held for sale if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable. Non-current assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented on separate lines of the consolidated balance sheet.

A discontinued operation represents a separate major line of business or geographic area of operations for the Group that either has been disposed of, or is classified as held for sale. The results and cash flows attributable to the activities disposed of or held for sale are presented on separate lines of the consolidated financial statements for all periods presented.

(E) Translation methods

The financial statements of subsidiaries with a different functional currency than that used by the Group are translated into euros as follows:

- assets and liabilities are translated at the year-end closing exchange rate, while income statement and cash flow items are translated at the average exchange rate for the year;
- translation gains and losses resulting from the difference between the closing exchange rate at the previous year-end and the closing exchange rate at the end of the current reporting period, and from the difference between the average and closing exchange rates for the period, are recorded in equity as translation adjustments.

On disposal of a foreign operation, cumulative foreign exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Options used on the first-time adoption of IFRS

All cumulative translation adjustments at January 1, 2004 were written off against equity. Accordingly, the gain or loss on any subsequent disposals of a foreign operation will be adjusted only by those cumulative translation differences arising after January 1, 2004.

(F) Translation of foreign currency transactions and foreign currency derivatives

Transactions denominated in currencies other than the presentation currencies of Group entities are translated into euros at the exchange rate prevailing at the transaction date.

At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Foreign exchange gains and losses arising from this translation are recognized in income or expenses for the period, under "Financial income (loss)".

Long-term monetary assets held by a Group entity on a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, represent an investment in a foreign operation. In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, exchange differences arising on these items are recorded in other comprehensive income (OCI) up to the date on which the investment is sold. If the transaction does not qualify as a net investment in a foreign operation, the corresponding exchange differences are recognized in the income statement.

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency purchases. The Group's forex hedging policy uses forward currency contracts and options. These are described in Note 33, "Management of market risks and financial derivatives".

Pursuant to IAS 39, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem-Snecma business combination, the Group decided that none of its foreign currency derivatives qualified for hedge accounting as of July 1, 2005. Accordingly, any changes in the fair value of these derivatives are recognized in "Financial income (loss)".

The amounts recorded in shareholders' equity as of June 30, 2005, corresponding to changes in the fair value of the effective portion of foreign currency derivatives documented as cash flow hedges until June 30, 2005, were transferred to profit from operations up to December 31, 2007 in line with the underlying cash flows.

(G) Revenue

The main types of contracts identified in the Safran Group are standard product sales contracts, research and development contracts, and fleet maintenance and/or support contracts.

If a payment deferral has a material impact on the calculation of the fair value of the consideration to be received, it is taken into account by discounting future payments.

Standard sales contracts

Revenue is only recognized if the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and if it is probable that the economic benefits associated with the transaction will flow to the entity. If there is a risk that the transaction will be canceled or that the receivable identified at the inception of the contract cannot be collected, no revenue is recognized. When this is no longer the case, revenue is recorded.

Service contracts (including research and development, fleet maintenance and support contracts)

Under service contracts, revenue may only be recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred in respect of the contract and the costs to complete the contract can be measured reliably.

Income from Group service contracts is recorded under the percentage-of-completion method, based on the technical objectives formally set down in such contracts.

If contract income cannot be measured reliably, revenue is only recognized to the extent of the contract costs incurred.

If revenue is representative of the contractual stage of completion, the costs to be recognized are measured on the basis of the margin set forth in the contract. If calculated costs are less than actual costs, the temporarily excess costs are maintained in inventories and work-in-progress. If calculated costs are greater than actual costs, a provision for services to be rendered is recognized for the difference.

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable.

(H) Current and deferred tax

Tax expense (tax income) is the aggregate of (i) current tax and (ii) deferred tax recorded in the income statement.

Current tax expense is the amount of income tax payable for a period, calculated in accordance with the rules established by the relevant tax authorities on the basis of taxable profit for the period. Current tax expense also includes any penalties recognized in respect of tax adjustments recorded in the period. The tax expense is recognized in profit or loss unless it relates to items recognized directly in equity, in which case the tax expense is recognized directly in equity.

Deferred tax assets and liabilities are calculated for each entity on temporary differences arising between the carrying amount of assets and liabilities and their corresponding tax base. The tax base depends on the tax regulations prevailing in the countries where the Group manages its activities. Tax losses and tax credits that can be carried forward are also taken into account.

Deferred tax assets are recognized in the balance sheet if it is more likely than not that they will be recovered in subsequent years. The value of deferred tax assets is reviewed at the end of each reporting period.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when tax is levied by the same tax authority and offsetting is permitted by the local tax authorities.

The liability method is applied and the impact of changes in tax rates is recognized in profit or loss for the period in which the corresponding tax law was enacted and the change in tax rate decided, unless the transactions concerned are recognized directly in equity.

Research tax credits in France, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development expenses incurred during the period. Accordingly, they are classified under the heading "Other income" in the income statement, and not as a decrease in income tax expense. The recognition of all or part of research tax credit received in the year as revenue can be deferred over several periods.

(I) Earnings per share

Basic earnings per share is calculated by dividing profit by the weighted average number of ordinary shares issued and outstanding during the period, less the average number of ordinary shares purchased and held as treasury stock.

Diluted earnings per share is calculated by dividing profit by the weighted average number of shares issued or to be issued at the end of the reporting period, including the impact of all potentially dilutive ordinary shares and the dilutive impact of stock options but excluding treasury shares. The dilutive impact of stock options and free share grants is calculated using the treasury stock method taking into account the average share price for the period concerned.

(J) Intangible assets

Intangible assets are recognized on the balance sheet at fair value, historical cost or production cost, depending on the method of acquisition. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset are included in the cost of that asset. The initial amount recorded on the balance sheet is reduced by accumulated amortization and impairment losses, where appropriate.

Intangible assets acquired in a business combination

These assets are recognized at fair value at the date control was acquired and are amortized on a straight-line basis, as follows:

- aircraft programs (including the concepts of technology, backlogs and customer relations) are amortized over the residual life of the programs, not to exceed 20 years;
- other programs or activities (also including technologies, customer relations and other intangible assets acquired) are amortized over the estimated useful life of each identified intangible asset (3 to 16 years);
- other aircraft brand names with a finite life are amortized over 20 years.

Indefinite-lived brands are not amortized but are tested for impairment as described in Note 1.L.

Separately acquired intangible assets

Software is recognized at acquisition cost and amortized on a straight-line basis over its useful life (between one and five years).

Patents are capitalized at acquisition cost and amortized over their useful life, i.e., the shorter of the period of legal protection and their economic life.

Contributions paid to third parties in connection with aircraft programs (participation in certification costs, etc.) are capitalized if the Group can demonstrate the existence of identified economic benefits and its ability to control those benefits.

Research and development costs

Research and development costs are recognized as expenses in the period in which they are incurred. However, internally financed development expenditures are capitalized if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset and the intention and ability (availability of technical, financial and other resources) to complete the intangible asset and use or sell it;
- the probability that future economic benefits will flow from the asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where the payment of research and development contracts is contractually guaranteed by the customer (e.g., certain development contracts whose financing is included in the selling price of the deliverables), the expenditure incurred is recognized in "Inventories and work-in-progress".

Capitalized development expenditures are stated at production cost and amortized using the straight-line method as from the initial delivery of the product, over a useful life not exceeding 20 years.

Intangible assets are tested for impairment in accordance with the methods set out in Note 1.L.

(K) Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical purchase cost or production cost less accumulated depreciation and impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are included in the cost of that item of property, plant and equipment.

Replacement and major overhaul costs are identified as components of property, plant and equipment. Other repair and maintenance costs are expensed as incurred.

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the amortization of the borrowing in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

The gross amount of items of property, plant and equipment is depreciated over the expected useful life of their main components, mainly using the straight-line method.

If the transfer of ownership at the end of a finance lease term is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the item of property, plant and equipment is depreciated over the shorter of its useful life and the term of the lease.

The main useful lives applied are as follows:

Buildings	15 – 40 years
Capitalized engines	
• Frames	20 years
• Major overhauls	based on flying hours
Technical facilities	5 – 40 years
Equipment, tooling and other	5 – 15 years

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.L.

(L) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units⁽¹⁾. Two types of CGUs are defined within the Group:

- CGUs corresponding to programs, projects, or product families associated with specific assets: development expenditures, property, plant and equipment used in production;
- CGUs corresponding to the business segments monitored by Group management and relating chiefly to the Group's main subsidiaries.

In the event of a sale or restructuring of the Group's internal operations which affects the composition of one or more of the CGUs to which goodwill has been allocated, the allocations are revised using a method based on relative value. This method takes the proportion represented by the business sold or transferred in the cash flows and terminal value of the original CGU at the date of sale or transfer.

At the end of each reporting period, the Group's entities assess whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes which in the long-term impact the economic environment (commercial prospects, procurement sources, index or cost movements, etc.) or the Group's assumptions or objectives (medium-term plan, profitability analyses, market share, backlog, regulations, disputes and litigation, etc.).

If such events or circumstances exist, the recoverable amount of the asset is estimated. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered as impaired and its carrying amount is reduced to its recoverable amount by recognizing an impairment loss under "Profit from operations".

Recoverable amount is defined as the higher of an asset's or group of assets' fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, determined using a benchmark rate that reflects the Group's weighted average cost of capital. This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

Future cash flows are calculated differently depending on the assets tested:

(i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group's operating cycles (aircraft and defense), where assets tend to have a long useful life and slow product development;

(ii) goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years five to ten, discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years five to ten, taking into account a perpetual growth rate.

Should a test on a CGU's assets indicate an impairment loss, the Group first establishes the recoverable amount of the assets considered separately. Any impairment loss is initially allocated to goodwill and then to the assets of the CGU prorata to their carrying amount.

An impairment loss recognized against goodwill may not be reversed. For other assets, indications of impairment loss are analyzed at the end of each subsequent reporting period, and if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed through profit or loss.

(M) Equity investments, loans and receivables

In accordance with IAS 39, Financial Instruments, equity investments in non-consolidated companies are classified as available-for-sale and therefore measured at fair value. For listed securities, fair value corresponds to market price. If fair value cannot be measured reliably, investments are recognized at cost. Changes in fair value are recognized directly in equity, unless there is an objective indication that the financial asset is impaired (see below). In this case, an irreversible impairment loss is recognized in profit or loss. The impairment loss is reversed through profit or loss only upon the disposal of the investments.

Loans and receivables are carried at cost and may be written down if there is an objective indication of impairment. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount, and is recognized in profit or loss. It may be reversed if the recoverable amount subsequently increases to above the carrying amount.

(1) A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

In the event of an objective indication of impairment (particularly a significant or prolonged reduction in the value of a financial asset), an impairment loss is recognized in profit or loss:

- for assets held for sale, an objective indication results from a significant drop in the estimated future cash flows associated with these assets, major difficulties of the issuer, a substantial drop in the expected return on these assets, or a significant or prolonged fall in the fair value of listed financial assets;
- for loans and receivables, an objective indication results from the Group's awareness that the debtor is in financial difficulty (payment default, liquidation, etc.).

(N) Inventories and work-in-progress

Inventories and work-in-progress are measured at the lower of cost determined using the weighted average cost formula, and net realizable value.

Cost is calculated based on normal production capacity and therefore excludes any idle capacity costs.

Net realizable value represents the estimated selling price less the costs required to complete the asset or make the sale.

(O) Cash and cash equivalents

Cash and cash equivalents include available funds (cash in hand, bank accounts, etc.), highly liquid short-term investments (less than three months) and term deposits with exit options exercisable at no penalty within less than three months that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(P) Treasury shares

All treasury shares held by the Group are deducted from consolidated shareholders' equity based on their acquisition price. Gains and losses on the disposal of treasury shares are recorded directly in equity and do not impact profit or loss for the period.

(Q) Share-based payment

The Group grants various share-based payments to its employees, including free share grants and leveraged savings plans.

In accordance with IFRS 2, Share-based Payment, free share grants and employee share issues are measured at fair value at their respective grant dates. These employee benefits are recognized as payroll costs for the Group with an offsetting entry to consolidated retained earnings. Total equity is not impacted.

Free share plan

In accordance with IFRS 2, the expense representing the fair value of these plans is recognized on a straight-line basis through profit or loss over the vesting period of the rights under the plans. The vesting period runs from the grant date to the final vesting date and spans two or four years, depending on the country. The fair value of free share grants was determined by reference to the market value

of the shares at the grant date adjusted for future dividends and the cost of the non-transferability clause, assessed using a forward purchase/sale approach.

Group leveraged savings plan

For its leveraged employee shareholding plan, the Group applies a calculation method which takes into account the cost of the five-year lock-up period for shares granted to employees and the opportunity gain which allows employees to enjoy the same market conditions as those of the Group (i.e., more attractive conditions than those they could obtain as retail investors). The cost booked in respect of this plan represents the difference between the fair value of the shares subscribed and the subscription price, and is expensed in full within profit or loss at the end of the subscription period.

Options used on the first-time adoption of IFRS

The Safran Group decided to apply the provisions of IFRS 2, Share-based Payment, solely to compensation settled in equity instruments granted after November 7, 2002 and that had not yet vested at January 1, 2004.

(R) Provisions

The Group records provisions when it recognizes a present probable or potential (in the event of a business combination) legal or constructive obligation as a result of a past event for which an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of said obligation.

Provisions for losses on completion and backlog losses

A provision for losses on completion is recognized for contracts managed on a percentage-of-completion basis, and a provision for backlog losses is recognized for standard sales contracts when:

- it is highly probable that a contract will be onerous (the unavoidable costs of meeting the obligations under the contract exceed the associated economic benefits);
- the contract, signed before the end of the reporting period, gives rise to obligations for the Group in the form of the delivery of goods, the provision of services or the payment of some form of termination indemnities;
- a reliable estimate can be made of the Group's obligation.

Unavoidable costs for which a provision is recognized represent the lower of the net cost of executing the contract (i.e., the forecast loss on the contract) and the cost of failing to execute the contract (e.g., withdrawal costs in the event of early termination).

In the aviation industry, standard sales contracts may be onerous when they do not provide for spare part sales. The Group recognizes a provision for backlog losses when the Group is firmly committed to delivering goods under an onerous contract.

The cash flows used in this analysis are discounted to take into account their spread over time.

Backlog losses under onerous contracts subject to a firm commitment are recognized primarily as a deduction from work-in-progress for the completed portion of the contract, and in provisions for work to be completed.

Provisions for financial guarantees on sales

As part of its civil engine sales campaigns, the Safran Group grants two types of guarantees to its customers:

- financial guarantees under which it provides a guarantee to the lending institutions that finance its customer;
- guarantees covering the value of assets, under which it grants the customer an option to return the aircraft at a given date for an agreed price.

These commitments are undertaken by Safran together with General Electric, and form part of financing packages proposed by aircraft manufacturers to airline companies. They correspond to the share represented by Group engines in the financing of the aircraft.

Financial commitments are generally granted on signature of the sales agreement, but do not actually take effect until the customer so requests.

These guarantees generate risks. However, the total gross amount of the guarantees does not reflect the net risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, i.e., the aircraft pledged.

A provision is recognized in respect of these guarantees, reflecting events likely to generate a future outflow of resources for the Group.

Provisions for performance warranties

These provisions are recorded to cover the Group's share of probable future expenses with respect to operating and performance warranties on deliveries of engines and equipment. They generally cover operations for a period of one to three years depending on the type of equipment delivered, and are calculated as appropriate based on technical files or statistics, particularly with respect to the return of parts covered by a warranty.

(S) Post-employment benefits

In compliance with the laws and practices of each country in which it operates, the Group grants its employees post-employment benefits (pensions, termination payments, medical cover, etc.) as well as other long-term benefits including long-service awards, jubilee benefits and loyalty premiums.

For its basic plans and other defined contribution plans, the contribution paid in the period is recognized in expenses. No provision is recorded since the Group has no obligation beyond the contributions paid into the plan.

Provisions recognized for obligations under defined benefit plans are valued using the projected unit credit method. This determines, for each employee, the present value of the benefits to which the employee's current and past services will grant entitlement on retirement. The actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial (discount rate, salary increase rate, etc.) assumptions, and are performed at least annually.

When the assets belonging to a multi-employer defined benefit plan cannot be reliably allocated to each participating employer, the plan is accounted for as a defined contribution plan, in accordance with IAS 19.30.

When plans are funded, the plan assets are placed with entities that are responsible for paying the benefits in the countries concerned. These assets are measured at fair value. Provisions are recorded to cover shortfalls in the fair value of plan assets compared with the present value of the Group's obligations, taking account of any cumulative actuarial gains and losses and any past service costs not yet recognized in profit or loss.

An asset surplus is only recognized in the balance sheet when it represents future economic benefits effectively available to the Group.

Where appropriate, the impact of changes in actuarial assumptions regarding post-employment benefits is recognized over the expected average remaining working lives of employees in accordance with the corridor method.

The service cost for the period, the amortization of actuarial gains and losses, and the impact of plan curtailments and settlements are recognized in "Profit from operations".

The interest cost and expected return on plan assets are included in "Financial income (loss)".

Options used on the first-time adoption of IFRS

All actuarial gains and losses arising on post-employment benefits and other obligations previously unrecognized as of January 1, 2004 were recognized in equity as of this date.

(T) Borrowings subject to specific terms and conditions

The Safran Group receives public financing in the form of repayable advances to develop aircraft and defense projects. These advances are repaid based on the revenue generated by future sales of engines or equipment.

Repayable advances are treated as sources of financing and are recognized in liabilities in the consolidated balance sheet under the heading "Borrowings subject to specific conditions".

At inception, they are measured at the amount of cash received or, when acquired, at the value of probable future cash flows discounted at market terms at the acquisition date. They are subsequently measured at amortized cost at the end of each reporting period, taking into account the most recent repayment estimations.

The present value of estimated repayments, based on management's best estimates, is regularly compared with the net carrying amount of repayable advances, defined as the sum of amounts received, plus interest capitalized at the end of the reporting period, if any, less repayments made. If as a result of this analysis the present value of estimated repayments is lower than the net carrying amount of repayable advances over three consecutive years, the estimated non-repayable portion of the advances is recognized in profit or loss.

For certain contracts, the Safran Group has to pay a fee based on replacement sales realized under the program once the advance has been fully repaid. This fee is not considered as repayment of an advance but as an operating expense.

(U) Borrowings

On initial recognition, borrowings are measured at the fair value of the amount received, less any directly attributable transaction costs. Borrowings are subsequently carried at amortized cost, calculated using the effective interest rate method.

(V) Commitments to purchase non-controlling interests

In accordance with IAS 32, commitments undertaken by the Group to purchase non-controlling (minority) interests in its subsidiaries as part of business combinations carried out prior to January 1, 2010 are recognized in financial liabilities for the present value of the purchase amount. The matching entry is a reduction in non-controlling interests. When the value of the commitment exceeds the amount of non-controlling interests, the Group recognizes the difference as goodwill, in the absence of any IFRS guidance. Similarly, any subsequent change in present value is recognized in financial liabilities and offset against goodwill, except for the impact of unwinding the discount, which is recognized in "Other financial income and expenses".

If the non-controlling interests have not been acquired by the time the commitment expires, the previously recognized entries are reversed. If the non-controlling interests have been purchased, the amount recognized in financial liabilities is closed out by the amount paid to purchase them.

(W) Financial instruments

The Group uses derivative financial instruments primarily to hedge its exposure to the risk of fluctuations in exchange rates. Derivatives are also used to hedge changes in interest rates and to a lesser extent, changes in commodity prices, arising on its operating and financing activities. These derivatives can include forward currency contracts and currency options or interest rate swaps. The Group's risk management policy is described in Note 31, "Management of market risks and financial derivatives".

The accounting principles applicable to foreign currency derivatives are set out in Note 1.F.

For a financial instrument to be eligible for hedge accounting, the hedging relationship must be formally designated and documented at inception and its effectiveness must be demonstrated throughout the life of the hedging instrument.

Once these criteria are met, certain financial instruments used to hedge changes in interest rates may qualify as fair value hedges. In this case, the borrowings hedged by the interest rate swaps are adjusted to reflect the change in fair value attributable to the hedged risk. Changes in fair value are taken to profit or loss for the period and offset by symmetrical changes in the fair value of the interest rate swaps (effective portion).

The Group uses financial instruments to hedge the risk of fluctuations in the price of certain listed commodities. This price risk affects its purchases of semi-finished products with a high raw material component. The Group's hedging strategy is described in Note 31, "Management of market risks and financial derivatives". Pursuant to IAS 39, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. Given the difficulty in documenting hedging relationships between these financial instruments and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

(X) Sale of receivables

Some Group subsidiaries sell their trade receivables. In the case of sales involving the transfer of substantially all of the risks and rewards associated with the asset (payment default, late-payment risk, etc.), the asset may be removed from the balance sheet.

(Y) Structure of the consolidated balance sheet

The Group is engaged in a variety of activities, most of which have long operating cycles. Consequently, assets and liabilities realized within the scope of the operating cycle (inventories and work-in-progress, receivables, advances and downpayments received from customers, trade and other payables, and hedging instruments, etc.), are presented on an aggregate basis with no separation between current and non-current portions. However, other financial assets and liabilities as well as provisions are considered as current if they mature within 12 months of the end of the reporting period. All other financial assets, liabilities and provisions are considered non-current.

(Z) Recurring operating income

To make the Group's operating performance more transparent, Safran includes an intermediate operating indicator known as "Recurring operating income" in its reporting.

This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature, such as:

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., negotiated sales agreements, changes in production processes, etc.);
- capital gains and losses on disposals of operations;
- other unusual and/or material items not directly related to the Group's ordinary operations.

NOTE 2 Main sources of estimates

The preparation of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) described above requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported at the date of preparation of the financial statements, as well as the income and expenses recognized for the period.

The Group formulates assumptions and, on this basis, regularly prepares estimates relating to its various activities. These estimates are based on past experience and factor in the economic conditions prevailing at the end of the reporting period and any information available as of the date of preparation of the financial statements. The Group regularly reviews these estimates and assumptions in light of actual experience and any other factors considered reasonable in determining the carrying amount of its assets and liabilities.

In a global economic climate which was characterized by persistently high volatility and a lack of visibility at December 31, 2011, the final amounts recorded may differ significantly from these estimates as a result of different assumptions or circumstances.

(A) Estimates relating to programs and contracts

The main estimates used by the Group to prepare its financial statements relate to forecasts of future cash flows under programs and contracts (business plans). Estimates relating to programs and contracts cover periods that are sometimes very long (up to several decades) and primarily draw on assumptions about the volumes and selling prices of products sold, associated production costs, exchange rates for foreign currency-denominated sales and purchases as well as normal uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each contract. Cash flow forecasts, which may or may not be discounted, are used to determine the following:

- **Impairment of non-current assets:** Goodwill and assets allocated to programs (aviation programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.L. The recoverable amount of goodwill, intangible assets and property, plant and equipment is generally determined using cash flow forecasts based on the key assumptions described above.
- **Capitalization of development costs:** The conditions for capitalizing development costs are set out in Note 1.J. The Group must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental

in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Group.

- **Income (loss) on completion of contracts accounted for under the percentage-of-completion method:** To estimate income (loss) on completion, the Group takes into account factors inherent to the contract by using historical and/or forecast data, as well as contractual indexes. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within losses on completion.
- **Backlog losses:** In the aviation industry, standard sales contracts may be onerous when they do not provide for spare part sales. The Group recognizes a provision for backlog losses when the Group is firmly committed to delivering goods under an onerous contract. It uses estimates, notably as regards the term of the firm commitment and the estimated production cost.
- **Repayable advances:** The forecast repayment of advances received from the State is based on income from future sales of engines, equipment and spare parts, as appropriate. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions (as regards programs and fluctuations in exchange rates, particularly the US dollar) underlying these business plans are instrumental in determining the timing of these repayments.

Any changes in estimates and assumptions underlying cash flow forecasts for programs and contracts could have a material impact on the Group's future earnings and/or the amounts reported in its balance sheet. Consequently, the sensitivity of key estimates and assumptions to such changes is systematically tested and the results of these tests reviewed by management on a regular basis.

In addition to estimates and assumptions directly related to programs and contracts, the Group uses a number of other key estimates and assumptions.

(B) Provisions

Provisions are determined using information and assumptions that reflect management's best estimates based on past experience and in some cases using estimates established by independent experts. Notably (but not solely), provisions relating to performance warranties and financial guarantees given in connection with sales take into account factors such as the estimated cost of repairs (risk based on a statistical analysis), the estimated value of the assets underlying financial guarantees, the probability that the customers concerned will default, and, where appropriate, the discount rate applied to cash flows.

The costs and penalties actually incurred or paid may differ significantly from these initial estimates, and this may have a material impact on the Group's future earnings.

At the date of this report, the Group has no information suggesting that these inputs are not appropriate taken as a whole, and is not aware of any situation that could materially impact the provisions recognized.

(C) Allocation of the cost of business combinations

Business combinations are recorded using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at fair value at the date control is acquired. One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied. The fair value of certain items acquired in a business combination can be measured reliably, for example property, plant and equipment using market price. However, the fair value of other items such as intangible assets or contingent liabilities may prove more difficult to establish. These complex measurements are usually performed

by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

(D) Disputes and litigation

Certain Group subsidiaries may be party to governmental, legal or arbitration proceedings that could have a material impact on the Group's financial position (see Note 33, "Disputes and litigation"). The Group's management regularly reviews the progress of these proceedings and decides whether to book a provision or adjust the amount of an existing provision if any events arise during the proceedings that require a reassessment of the risk involved. The Group consults legal experts both within and outside the Group in determining the costs that may be incurred.

The decision to book a provision in respect of a given risk and the amount of any such provisions are based on an assessment of the risk associated with each individual case, management's estimate of the likelihood that an unfavorable decision will be issued in the proceedings in question, and the Group's ability to estimate the amount of the provision reliably.

NOTE 3 Scope of consolidation

Main changes in the scope of consolidation in 2011

Acquisition of L-1

On July 25, 2011, following approval from L-1's shareholders, the US antitrust authorities and the Committee on Foreign Investment in the United States (CFIUS), Safran finalized the acquisition of L-1 for a total cash amount of USD 1.09 billion. This company (since renamed MorphoTrust) was listed on the NYSE and was a leading identity management provider in the United States.

Prior to the transaction, L-1 sold its government consulting business to a third party in first-half 2011 for USD 0.3 billion. This business was therefore excluded from the transaction with Safran.

L-1's biometric and enterprise access solutions, secure credentialing solutions and enrollment services businesses have been consolidated by Morpho (Security branch) with effect from the acquisition date.

A significant portion of these activities will be managed within the framework of a proxy agreement entered into with the US Department of Defense in order to ensure appropriate protection for US security purposes.

The initial allocation of the purchase price can be summarized below:

<i>(in USD millions)</i>	Provisional allocation
Acquisition price	1,094
Acquisition cost of shares	1,094
Fair value of net assets:	
Net assets at acquisition date	(42)
Fair value of technology	63
Fair value of customer relationships	255
Deferred tax assets recognized on tax losses	100
Deferred tax liabilities on remeasurements	(118)
Fair value of assets acquired and liabilities assumed	258
Goodwill	836

The definitive allocation of the purchase price to the identifiable assets and liabilities will take place within the 12-month period following the acquisition.

The contribution of the L-1 businesses acquired to the Group's performance in 2011 (based on five months of operations) was as follows:

- €134 million in revenue;
- €4 million in recurring operating income excluding depreciation and amortization charged against intangible assets and property, plant and equipment identified in connection with the provisional allocation of the purchase price. This expense totaled €7 million for 2011.

Acquisition of SME

On April 5, 2011, Safran finalized the acquisition of SNPE Matériaux Énergétiques (SME) and its subsidiaries from SNPE group. SME designs, develops and produces propelling charges and energetic equipment for the defense and aeronautical, space and automotive industries.

Its subsidiaries and their activities are as follows:

- Structil: composite materials;
- Pyroalliance: pyrotechnic equipment;
- Roxel: tactical propulsion, 50%-owned joint venture and proportionately consolidated;
- Regulus: space propulsion, 40%-owned and joint venture proportionately consolidated.

The initial allocation of the purchase price can be summarized below:

<i>(in € millions)</i>	Provisional allocation
Initial acquisition price	348
Earnout	(7)
Acquisition cost of shares	341
Fair value of net assets:	
Net assets at acquisition date including gross cash and cash equivalents	119
Fair value of technologies	62
Fair value of other intangible assets	7
Remeasurement of property, plant and equipment	9
Remeasurement of inventories	7
Deferred taxes on remeasurements	(29)
Remeasurements – non-controlling interests	(2)
Net liabilities relating to environmental risks	(23)
Fair value of assets acquired and liabilities assumed	150
Goodwill	191

The definitive allocation of the purchase price to the identifiable assets and liabilities will take place within the 12-month period following the acquisition.

SME and its subsidiaries were consolidated at the date control was acquired by the Group and their contribution to the Group's performance based on nine months of operations, was:

- €202 million in revenue;

Under the terms of the share transfer agreement, SNPE granted Safran a specific guarantee for a period of 30 to 40 years concerning environmental liabilities due to past operations at eight sites. This guarantee is capped at €240 million for 15 years and at €200 million thereafter. Safran is liable for 10% of the costs. The agreement provides for specific guarantee sublimits totaling €91 million for cleanup of plants in operation and €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. Safran will be liable for 10% of the cleanup costs and 50% of the Perchlorate Plan costs. Safran and SNPE have a period of 18 months following the acquisition date to jointly define, reduce and/or restrict the sources of ammonium perchlorate pollution and the plan must come into effect within five years. These guarantees granted by SNPE to Safran are counter-guaranteed by the French State for €216 million. In preparing the opening balance sheet and determining the amount of goodwill, an initial estimate was made of the value of these environment-related liabilities and contingent liabilities, and of the guarantees given in this respect. The estimate will be fine-tuned in the first half of 2012 once the findings of certain environmental studies are known.

The share transfer agreement also provides for other guarantees granted by the seller which are capped at €25 million and have time limits of three to ten years depending on their nature.

- €18 million in recurring operating income excluding depreciation and amortization charged against intangible assets and property, plant and equipment identified in connection with the provisional allocation of the purchase price and the impact of recognizing the inventories acquired and sold in the period at fair value. This expense totaled €12 million for 2011.

Main changes in the scope of consolidation in 2010

Acquisition of Harvard Custom Manufacturing

On November 22, 2010, Safran acquired 100% of Harvard Custom Manufacturing Inc. for an amount of USD 136 million. Contingent

consideration of USD 2 million was paid in 2011, bringing the purchase price to USD 138 million. This company, since renamed Labinal Salisbury, manufactures electrical wiring systems for major civil and military aviation firms.

The definitive calculation of goodwill and the fair value of the assets acquired and liabilities assumed was completed in 2011.

The definitive allocation of the purchase price can be summarized below:

<i>(in USD millions)</i>	
Initial acquisition price	136
Earnout	2
Acquisition cost of shares	138
Fair value of net assets:	
Net assets at acquisition date	28
Fair value of customer relationships	39
Fair value of backlog	21
Remeasurement of property, plant and equipment	2
Remeasurement of inventories	2
Fair value of assets acquired and liabilities assumed	92
Goodwill	46

Labinal Salisbury was fully consolidated as of the acquisition date. Its contribution to the Group's 2010 performance, based on one month of operations, was not material.

Its contribution to the Group's 2011 performance was:

- €79 million in revenue;

- €9 million in recurring operating income excluding depreciation and amortization charged against intangible assets and property, plant and equipment identified in connection with the provisional allocation of the purchase price and the impact of recognizing the inventories acquired and sold in the period at fair value. This expense totaled €10 million for 2011.

NOTE 4 Segment information

Segments presented

In accordance with IFRS 8, Operating Segments, segment information reflects Safran's different businesses.

The Group's operating segments reflect the organization of subsidiaries around tier-one entities ("consolidation sub-groups"). These consolidation sub-groups are organized based on the type of products and services they sell.

Four operating segments have been identified based on these criteria.

Aerospace Propulsion

The Group designs, develops, produces and markets propulsion systems for commercial aircraft, military transport, training and combat aircraft, rocket engines, civil and military helicopters, tactical missiles and drones. This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

Aircraft Equipment

The Group is also present in mechanical, hydromechanical and electromechanical equipment, including landing gear, wheels, brakes and associated systems, thrust reversers and nacelles, composite material parts, engine control systems and associated equipment, transmission systems, wiring, electrical connection systems, ventilation systems and hydraulic filters. Aircraft Equipment also includes maintenance, repair and related services and the sale of spare parts.

Defence

Defence includes all businesses serving naval, land and aviation defense industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defense applications.

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, air surveillance systems), and defense equipment and systems.

Security

The Security businesses include a suite of solutions developed by the Group to increase the safety and security of travel, critical infrastructure, electronic transactions and individuals. Its solutions meet emerging needs for the safety and security of people, companies, critical facilities and countries. The Security business offers biometric technologies for fingerprint, iris and face recognition, identity management solutions, access management and transaction security (smart cards), as well as tomographic systems for the detection of dangerous or illicit substances in baggage.

Holding company and other

In "Holding company and other", the Group includes Safran SA's activities and holding companies in various countries as well as residual activities resulting from businesses sold by the Group and not included in any of the previous segments.

Business segment performance indicators

The segment information presented in the tables below is identical to that presented to the Executive Management, which has been identified as the "Chief Operating Decision Maker" for the assessment of the performance of business segments and the allocation of resources between the different businesses. Until the

April 21, 2011 Shareholders' Meeting that approved the change in corporate governance, now comprising a structure solely based on a Board of Directors, the "Chief Operating Decision Maker" was the Executive Board. This change in corporate governance had no impact on the indicators shown or on their calculation method.

The assessment of each business segment's performance by Executive Management is based on adjusted contribution figures as explained in the Foreword (see section 2.1 of the Registration Document).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1), except for the two restatements made in respect of adjusted data (see Foreword in section 2.1 of the Registration Document).

Inter-segment sales are performed on an arm's length basis.

Free cash flow represents cash flow from operating activities less any disbursements relating to acquisitions of property, plant and equipment and intangible assets.

Working capital represents the gross balance of trade receivables, inventories and trade payables.

Segment assets represent the sum of goodwill, intangible assets, property, plant and equipment, and all current assets except cash and cash equivalents and tax assets.

Segment information

At December 31, 2011

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Amortization of intangible assets	Total conso- lidated data
Revenue	6,110	3,097	1,264	1,249	11,720	16	11,736	(78)		11,658
Recurring operating income (expense)⁽¹⁾	909	202	58	139	1,308	(119)	1,189	(96)	(229)	864
Other non-recurring operating income and expenses	22		(7)	(23)	(8)	(21)	(29)			(29)
Profit (loss) from operations	931	202	51	116	1,300	(140)	1,160	(96)	(229)	835
Free cash flow	692	(19)	(80)	(61)	532	0	532			532
Gross working capital requirement	(1,201)	854	438	280	371	715	1,086			1,086
Segment assets	9,054	4,243	1,632	2,640	17,569	737	18,306			18,306
<i>(1) of which depreciation, amortization and increase in provisions net of use</i>	(130)	(129)	(32)	(34)	(325)	(17)	(342)	(18)	(219)	(579)
<i>of which impairment</i>	(16)	(37)	(1)	(3)	(57)	(5)	(62)	(2)	(1)	(65)

At December 31, 2010

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Amortization of intangible assets	Total conso- lidated data
Revenue	5,604	2,834	1,240	1,041	10,719	41	10,760	268		11,028
Recurring operating income (expense)⁽¹⁾	663	127	55	128	973	(95)	878	275	(202)	951
Other non-recurring operating income and expenses		(2)		(4)	(6)	(7)	(13)			(13)
Profit (loss) from operations	663	125	55	124	967	(102)	865	275	(202)	938
Free cash flow	620	163	(53)	51	781	153	934			934
Gross working capital requirement	(903)	785	389	172	443	650	1,093			1,093
Segment assets	8,010	3,908	1,645	1,504	15,067	592	15,659			15,659
<i>(1) of which depreciation, amortization and increase in provisions net of use</i>	(154)	(147)	(25)	(47)	(373)	(14)	(387)	14	(202)	(575)
<i>of which impairment</i>	8	4	5	(2)	15	(9)	6	1		7

Revenue (adjusted data)

<i>(in € millions)</i>	2010	2011
Aerospace Propulsion		
Original equipment and related products and services	2,517	2,834
Services	2,809	2,992
Sales of studies	196	221
Other	82	63
Sub-total	5,604	6,110
Aircraft Equipment		
Original equipment and related products and services	1,756	1,988
Services	887	959
Sales of studies	77	70
Other	114	80
Sub-total	2,834	3,097
Defence		
Sales of equipment	852	859
Services	203	212
Sales of studies	178	183
Other	7	10
Sub-total	1,240	1,264
Security		
Sales of equipment	750	947
Services	262	280
Sales of studies	6	8
Other	23	14
Sub-total	1,041	1,249
Holding company and other		
Sales of equipment	25	12
Other	16	4
Sub-total	41	16
TOTAL	10,760	11,736

Information by geographic area

At December 31, 2011

<i>(in € millions)</i>	France	Europe (excl. France)	North America	Asia	Rest of the world	Total
Revenue by location of customers (adjusted data)	2,909	2,768	3,216	1,821	1,022	11,736
%	25%	24%	27%	15%	9%	
Segment assets by location	13,058	1,790	2,967	110	381	18,306
%	71%	10%	16%	1%	2%	

At December 31, 2010

<i>(in € millions)</i>	France	Europe (excl. France)	North America	Asia	Rest of the world	Total
Revenue by location of customers (adjusted data)	2,798	2,811	2,739	1,332	1,080	10,760
%	26%	26%	26%	12%	10%	
Segment assets by location	11,670	1,744	1,855	96	294	15,659
%	74%	11%	12%	1%	2%	

No individual customer accounted for more than 10% of Group revenue in 2011 or 2010.

NOTE 5 Breakdown of the main components of profit from operations

Revenue

<i>(in € millions)</i>	2010	2011
Original equipment and related products and services	4,409	4,879
Sales of equipment of defence and security	1,626	1,715
Services	4,279	4,415
Sales of studies	466	478
Other	248	171
TOTAL	11,028	11,658

Other income

Other income mainly comprises research tax credits and operating subsidies.

<i>(in € millions)</i>	2010	2011
Research tax credit ^(*)	124	121
Other operating subsidies	67	79
Other operating income	9	16
TOTAL	200	216

^(*) Of which €7 million in 2011 in connection with additional research tax credits in respect of 2010 (€11 million in 2010 in respect of 2009).

Raw materials and consumables used

This caption breaks down as follows for the period:

<i>(in € millions)</i>	2010	2011
Raw materials, supplies and other	(1,918)	(2,171)
Bought-in goods	(162)	(257)
Changes in inventories	(12)	9
Sub-contracting	(2,264)	(2,323)
Purchases not held in inventory	(290)	(318)
External service expenses	(1,579)	(1,774)
TOTAL	(6,225)	(6,834)

Personnel costs

<i>(in € millions)</i>	2010	2011
Wages and salaries	(2,264)	(2,432)
Social security contributions	(951)	(1,067)
Share grants and leverage plan	(12)	(14)
Statutory employee profit-sharing ^(*)	(49)	(45)
Optional employee-profit sharing	(89)	(109)
Additional contributions	(18)	(24)
Profit-sharing bonus for employees	–	(20)
Other employee costs	(93)	(97)
TOTAL	(3,476)	(3,808)

^(*) Profit-sharing expense for 2010 includes additional profit-sharing contribution in respect of 2009, in the amount of €7.5 million.

Under recent French legislation, companies paying a per-share dividend in 2011 which exceeds the average per-share dividend they paid in the previous two years are required to pay a bonus or other equivalent benefit to all employees. Pursuant to these regulations and following discussions with employee representative bodies, Safran is to pay a bonus of €500 to each employee, representing a total expense of €20 million. This expense is only representative of the benefit agreed and granted in respect of dividends paid in 2011 out of 2010 earnings, as approved by the Shareholders' Meeting on April 21, 2011.

The Group also decided to launch a new leveraged employee shareholding plan entitling employees to purchase Safran shares with the offer of a capital guarantee and large potential gains. The plan will first be open to French employees and subsequently to employees in other countries. In accordance with IFRS 2, the expense recognized in respect of this plan in 2011 was €8.2 million (see Note 21.D).

Depreciation, amortization and increase in provisions net of use

<i>(in € millions)</i>	2010	2011
Net depreciation and amortization expense		
- intangible assets	(315)	(341)
- property, plant and equipment	(291)	(321)
Total net depreciation and amortization expense^(*)	(606)	(662)
Net increase in provisions	31	83
DEPRECIATION, AMORTIZATION, AND INCREASE IN PROVISIONS, NET OF USE	(575)	(579)

^(*) Of which depreciation and amortization of assets measured at fair value on the acquisition of the Shcema group, in the amounts of €158 million in 2011 versus €159 million in 2010 and during recent acquisitions: €61 million in 2011 versus €43 million in 2010.

Asset impairment

<i>(in € millions)</i>	Impairment expense		Reversals	
	2010	2011	2010	2011
Property, plant and equipment and intangible assets	(45)	(61)	11	7
Financial assets	(5)	(2)	3	2
Inventories and work-in-progress	(334)	(309)	371	313
Receivables	(35)	(43)	41	28
TOTAL	(419)	(415)	426	350

Other recurring operating income and expenses

<i>(in € millions)</i>	2010	2011
Capital gains and losses on asset disposals	(23)	(16)
Royalties, patents and licenses	(12)	(16)
Cost of financial guarantees	(15) ^(*)	–
Losses on irrecoverable receivables	(10)	(5)
Other operating income and expenses ^(**)	69	52
TOTAL	9	15

^(*) Offset by a reversal of provisions for contingencies and losses.

^(**) Of which income relating to the review of the probability of reimbursement of borrowings subject to specific conditions in the amount of €44 million in 2011 (€31 million in 2010).

Other non-recurring operating income and expenses

<i>(in € millions)</i>	2010	2011
Impairment net of reversals on intangible assets	–	23
Other non-recurring items	(13)	(52)
TOTAL	(13)	(29)

In 2011, other non-recurring items include transaction and integration costs relating to business combinations completed in the period or currently in progress (€37 million), as well as a net charge to the provision for outstanding claims and disputes not directly linked to recurring operating activities (€15 million).

An impairment loss taken against capitalized development expenditure regarding an Aerospace Propulsion program was also written back for €23 million (see Note 12).

In 2010, other non-recurring items corresponded mainly to acquisition-related costs in connection with business combinations carried out or in progress during that period.

NOTE 6 Financial income (loss)

<i>(in € millions)</i>	2010	2011
Financial expense on interest-bearing liabilities	(60)	(71)
Financial income on cash and cash equivalents	24	29
Cost of net debt	(36)	(42)
Gain or loss on foreign currency hedging instruments	(275)	(11)
Foreign exchange gains and losses	(220)	45
Net foreign exchange gains (losses) on provisions	(36)	(15)
Financial income (expense) arising on foreign currency translation	(531)	19
Gain or loss on interest rate and commodity hedging instruments	(19)	(9)
Net expense incurred on disposal of financial assets	(1)	-
Impairment of available-for-sale financial assets	(6)	(9)
Write downs of loans and other financial receivables	(12)	-
Dividends received	3	3
Other financial provisions	(1)	(7)
Interest component of IAS 19 expense	(20)	(17)
Impact of discounting	(74)	(69)
Other	(6)	(19)
Other financial income and expense	(136)	(127)
FINANCIAL LOSS	(703)	(150)
of which financial expense	(730)	(227)
of which financial income	27	77

NOTE 7 Income tax**Income tax expense**

Income tax expense breaks down as follows:

<i>(in € millions)</i>	2010	2011
Current income tax expense	(133)	(159)
Deferred tax income (expense)	119	(42)
TOTAL TAX EXPENSE	(14)	(201)

A number of the Group's companies underwent tax inspections in France relating to the period 2007-2009. These inspections resulted in non-material tax adjustment proposals that have been disputed by the Group. As part of the inspections, the tax authorities have

signaled their intention to disallow a portion of a Group subsidiary's tax deductible research and development expenditure relating to 2007, in an amount of €20.8 million. This tax adjustment is being disputed by the company.

Effective tax rate

The effective tax rate breaks down as follows:

<i>(in € millions)</i>	2010	2011
Profit before tax	244	695
Standard tax rate applicable to the parent company	34.43%	34.43%
Tax expense at standard rate	(84)	(239)
Impact of permanent differences	(7)	(12)
Impact of research tax credit	46	42
Impact of reduced tax rates	31	15
Impact of unrecognized tax	16	(13)
Impact of tax adjustments	(16)	(1)
Impact of tax credits and other items	-	7
Current income tax expense recognized in profit or loss	(14)	(201)
EFFECTIVE TAX RATE	5.74%	28.92%

The fourth amending French Finance Law adopted at the end of 2011 established a one-off, temporary tax increase for 2011 and 2012 for French companies with revenue over €250 million.

Accordingly, the Group's companies included in the French tax consolidation group underwent an increase in current tax expenses in 2011 and an additional deferred tax expense was included in "Impact of reduced tax rates" in the tax proof. Its impact on this line item was not material.

Deferred tax assets and liabilities

Deferred tax assets (liabilities) in the balance sheet

<i>(in € millions)</i>	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2010	194	685	(491)
Deferred tax income (expense)	(20)	22	(42)
Deferred taxes recognized directly in equity	-	-	-
Reclassifications	3	-	3
Translation adjustments	2	4	(2)
Changes in scope of consolidation	72	7	65
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2011	251	718	(467)

Deferred tax asset bases

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(3,109)	(3,423)
Inventories	105	133
Current assets/liabilities	65	187
Financial assets/liabilities	466	476
Provisions	1,195	1,310
Tax adjustments	(380)	(538)
Losses carried forward and tax credits	275	576
TOTAL DEFERRED TAX ASSET BASES	(1,383)	(1,279)
Total gross deferred tax balance (a)	(448)	(405)
Total unrecognized deferred tax (b)	43	62
TOTAL NET DEFERRED TAXES RECOGNIZED (a) - (b)	(491)	(467)

Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

<i>(in € millions)</i>	Assets	Liabilities	Net
Net tax assets at December 31, 2010	146	72	74
Movements during the period ^(*)	52	10	42
Changes in scope of consolidation	15	8	7
Translation adjustments	2	2	-
NET TAX ASSETS AT DECEMBER 31, 2011	215	92	123

^(*) Of which a negative €159 million impact in the income statement.

NOTE 8 Discontinued operations

The following table presents a breakdown of discontinued operations:

<i>(in € millions)</i>	2010	2011
Revenue	-	-
Raw materials and consumables used	(14)	(7)
Personnel costs	-	-
Depreciation, amortization, impairment and provisions	12	11
Other operating income and expenses	(3)	1
Profit (loss) from operations	(5)	5
Financial loss	-	(1)
Income tax expense (benefit) on discontinued operations	-	(1)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(5)	3

In 2010 and 2011, profit (loss) from discontinued operations represents additional price considerations for the Communication sector businesses sold in 2008.

NOTE 9 Earnings per share

The Group's potentially dilutive ordinary shares correspond to free share grants.

The Executive Board approved a free share plan on April 3, 2009 (see Note 21.D).

Earnings per share break down as follows:

	Index	2010	2011
Numerator (in € millions)			
Profit for the period attributable to owners of the parent	(a)	207	478
Profit from continuing operations attributable to owners of the parent	(i)	212	475
Profit (loss) from discontinued operations attributable to owners of the parent	(j)	(5)	3
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	17,455,168	7,758,797
Number of shares excluding treasury shares	(d)=(b-c)	399,574,417	409,270,788
Weighted average number of shares (excluding treasury shares)	(d')	399,552,920	404,735,461
Potentially dilutive ordinary shares:			
Dilutive impact of share grants and the leveraged plan	(e)	3,979,642	1,604,157
Weighted average number of shares after dilution	(f)=(d' + e)	403,532,562	406,339,618
Ratio: earnings per share (in €)			
Basic earnings per share	(g)=(a*1 million)/(d')	0.52	1.18
Diluted earnings per share	(h)=(a*1 million)/(f)	0.51	1.18
Ratio: earnings per share from continuing operations (in €)			
Basic earnings per share	(k)=(i*1 million)/(d')	0.53	1.17
Diluted earnings per share	(l)=(i*1 million)/(f)	0.52	1.17
Ratio: earnings (loss) per share from discontinued operations (in €)			
Basic earnings (loss) per share	(m)=(j*1 million)/(d')	(0.01)	0.01
Diluted earnings (loss) per share	(n)=(j*1 million)/(f)	(0.01)	0.01

NOTE 10 Dividend distribution

In 2010, a dividend of €0.50 was paid in respect of first-half 2011, corresponding to a total payout of €202 million.

The Board of Directors' meeting of December 15, 2011 approved payment of an interim dividend of €0.25 per share in respect of 2011, representing a payout of €104 million which was reduced to €102 million after deducting the dividend related to treasury shares held at the ex-dividend date.

At the Shareholders' Meeting of May 31, 2012 to be called to approve the financial statements for the year ended December 31, 2011, the Board of Directors will recommend payment of a dividend of €0.62 per share in respect of 2011, representing a total payout of €258 million. Taking account of the interim dividend already paid, the amount still to be distributed totals €154 million.

NOTE 11 Goodwill

Goodwill breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2010 Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments	Dec. 31, 2011 Net
Snecma – Aircraft engines	416					1	417
Turbomeca (incl. Microturbo) – Helicopter engines	237						237
Techspace Aero – Aircraft engine components	47						47
Snecma Propulsion Solide/SME – Aerospace and strategic propulsion	66	191					257
Other	1						1
Total Propulsion	767	191	-	-	-	1	959
Aircelle – Nacelles and aerostructures	213						213
Labinal – Electrical wiring	265	4			(44)		225
Safran Engineering Services – Engineering	78						78
Messier Dowty – Landing gear	94		(94)				-
Messier Bugatti (incl. Sofrance) – Braking systems	77		(77)				-
Messier Bugatti-Dowty (incl. Sofrance) – Landing and braking systems			171				171
Technofan – Ventilation systems	10						10
Globe Motors Inc.	10						10
Total Aircraft Equipment	747	4	-	-	(44)	-	707
Sagem – Defence	102						102
Total Defence	102	-	-	-	-	-	102
Morpho – Identification	299	625				25	949
Morpho – Cards	48	4					52
Morpho – Detection	335	15			(4)	11	357
Total Security	682	644	-	-	(4)	36	1,358
TOTAL	2,298	839	-	-	(48)	37	3,126

Movements in the period

The main movements in this caption during the period under review concern:

- the acquisition of SME and its subsidiaries, which resulted in the recognition of provisional goodwill of €191 million (see Note 3);
- the definitive allocation of the purchase price for Labinal Salisbury (formerly Harvard Custom Manufacturing), which resulted in a €44 million decrease in goodwill for the “Labinal” CGU (see Note 3);
- the creation of Messier Bugatti-Dowty which combines the aircraft landing and braking businesses, and resulted in the aggregation of goodwill, with no impact on the Group’s consolidated financial statements;
- the initial purchase price allocation for L-1, which resulted in a €625 million increase in goodwill for the “Identification” CGU (see Note 3);

- the acquisition of Syagen Technology Inc., which resulted in a €15 million increase in goodwill for the “Detection systems” CGU;
- the acquisition of Valores Plásticos (Colombia and Peru), which resulted in a €4 million increase in goodwill for the “Cards” CGU.

Annual impairment tests

As from 2011, the Group carries out annual impairment tests on goodwill during the first half of the year in order to bring this procedure into line with the internal medium- and long-term forecasting timetable.

The Group performed annual impairment tests on the cash-generating units presented above, by comparing their value in use with their carrying amount.

The main assumptions used in determining the value in use of cash-generating units are described below:

- Operating forecasts take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macro-economic assumptions. Expected future cash flows are calculated based on the medium-term plans established for the next four years and standardized cash flows are based on long-term plans for years five to ten. The average USD exchange rate adopted is 1.33 for years 2012 to 2015 and 1.35 thereafter (2010: 1.36 for years 2011 to 2014 and 1.35 thereafter). These exchange rate assumptions were used for medium - and long-term forecasting during the first half of the year.
- Terminal values are based on a growth rate of 1.5%, with the exception of the Aerospace Propulsion CGUs, for which a growth rate of 2% was adopted (unchanged from 2010).
- The benchmark post-tax discount rate used is 8% (unchanged from 2010) and is applied to post-tax cash flows. However,

a post-tax discount rate of 9.5% is used for Security CGUs (unchanged from 2010).

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized further to the annual impairment tests in 2010.

A sensitivity analysis was carried out in respect of the Group's main goodwill balances, by introducing the following changes to the main assumptions:

- a 5% increase or decrease in the USD/EUR exchange rate;
- a 0.5% increase in the benchmark discount rate;
- a 0.5% decrease in the perpetual growth rate.

In 2011, as in 2010, the above changes in the main assumptions, taken individually, do not result in values lower than the carrying amounts of goodwill balances.

NOTE 12 Intangible assets

Intangible assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2010			Dec. 31, 2011		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Programs	2,670	(1,105)	1,565	2,670	(1,273)	1,397
Development expenditures	1,256	(339)	917	1,540	(402)	1,138
Commercial concessions	156	(73)	83	191	(102)	89
Software	309	(263)	46	361	(313)	48
Brands	147	(8)	139	147	(9)	138
Commercial relationships	280	(66)	214	526	(112)	414
Technology	131	(22)	109	256	(42)	214
Other	92	(35)	57	106	(46)	60
TOTAL	5,041	(1,911)	3,130	5,797	(2,299)	3,498

Brands with indefinite useful lives are valued at €119 million and comprise the Snecma (€85 million) and Turbomeca (€34 million) brands. The weighted average remaining amortization period for the programs is approximately seven years.

Movements in intangible assets break down as follows:

<i>(in € millions)</i>	Gross	Amortization/ impairment	Net
At December 31, 2010	5,041	(1,911)	3,130
Internally produced assets	318	–	316
Separate acquisitions	46	–	48
Disposals and retirements	(11)	5	(6)
Amortization	–	(341)	(341)
Impairment losses recognized in profit or loss	–	(28)	(28)
Adjustments and allocation to identifiable assets and liabilities	44	–	44
Reclassifications	(9)	(1)	(10)
Changes in scope of consolidation	342	(14)	328
Translation adjustments	26	(9)	17
AT DECEMBER 31, 2011	5,797	(2,299)	3,498

Research and development costs recognized in recurring operating income for the period totaled €616 million including amortization (€530 million in 2010).

Development expenditures capitalized in 2011 totaled €282 million (€179 million in 2010).

Amortization charged against development expenditures in the period totaled €54 million (€48 million in 2010).

Amortization was also recognized in respect of revalued assets for €219 million (allocation of the cost of the Snecma group business combination for €158 million and other recent acquisitions for €61 million).

The recoverable amount of programs, projects and product families is determined based on estimated future cash flows for the term over which the program is expected to be marketed, which may span several decades.

2011 Impairment tests

The main assumptions used to determine the recoverable amount of intangible assets relating to programs, projects and product families are as follows:

- The average USD exchange rate adopted is 1.30 for years 2012 to 2014 and 1.35 thereafter (2010: 1.36 for years 2011 to 2014 and 1.35 thereafter). These exchange rate assumptions correspond to the assumptions updated during the second half of the year.

- The benchmark discount rate used is 8% (unchanged from 2010). Depending on the intangible asset concerned, the discount rate may be increased by a specific risk premium to take account of any technological or product/market risks. Discount rates therefore range from 8% to 11%, as in 2010.

As a result of the impairment tests carried out in 2011, development expenditure for the TP400/A400M program was written down by a further €14 million, including €9 million for Aerospace Propulsion assets, €5 million for Aircraft Equipment assets, and €4 million for assets belonging to various Aircraft Equipment programs. These write-downs are included in recurring operating expenses for the period.

Impairment losses taken against the GP7200 program were reversed in the period for an amount of €23 million. This reversal is shown within non-recurring operating income (see Note 5).

2010 Impairment tests

As a result of the impairment tests carried out in 2010, the Group recognized additional impairment losses for €5.9 million against development expenditure relating to the GP7200 program in the Aerospace Propulsion branch. These impairment losses were treated as recurring operating expenses.

The Group also recognized impairment losses for €6 million against development expenditure relating to various aircraft programs in the Aircraft Equipment business, as well as €7.5 million against Defence programs.

NOTE 13 Property, plant and equipment

Property, plant and equipment break down as follows:

<i>(in € millions)</i>	Dec. 31, 2010			Dec. 31, 2011		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	223	–	223	228	–	228
Buildings	1,108	(548)	560	1,279	(663)	616
Technical facilities, equipment and tooling	3,701	(2,572)	1,129	4,108	(2,858)	1,250
Assets in progress, advances	184	(3)	181	220	(5)	215
Site development and preparation costs	34	(19)	15	46	(25)	21
Buildings on land owned by third parties	69	(24)	45	92	(42)	50
Computer hardware and other equipment	431	(331)	100	461	(355)	106
TOTAL	5,750	(3,497)	2,253	6,434	(3,948)	2,486

Movements in property, plant and equipment can be analyzed as follows:

<i>(in € millions)</i>	Gross	Depreciation/ impairment	Net
At December 31, 2010	5,750	(3,497)	2,253
Internally produced assets	53	–	53
Additions	322	–	322
Disposals and retirements	(153)	131	(22)
Depreciation	–	(321)	(321)
Impairment losses recognized in profit or loss	–	(3)	(3)
Reclassifications	(16)	8	(8)
Changes in scope of consolidation	451	(251)	200
Translation adjustments	27	(15)	12
AT DECEMBER 31, 2011	6,434	(3,948)	2,486

Assets held under finance leases and recognized in property, plant and equipment break down as follows:

<i>(in € millions)</i>	Dec. 31, 2010			Dec. 31, 2011		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	5	–	5	5	–	5
Buildings	156	(18)	138	156	(25)	131
Technical facilities, equipment and tooling	51	(31)	20	51	(33)	18
Computer hardware and other equipment	19	(18)	1	19	(18)	1
TOTAL	231	(67)	164	231	(76)	155

NOTE 14 Current and non-current financial assets

Financial assets include:

<i>(in € millions)</i>	Dec. 31, 2010			Dec. 31, 2011		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments ^(*)	313	(149)	164	316	(145)	171
Other financial assets	242	(81)	161	265	(89)	176
TOTAL	555	(230)	325	581	(234)	347

^(*) Of which listed securities for €57 million in 2010 and €50 million in 2011.

Non-consolidated investments

Non-consolidated investments include Safran Group holdings in various non-consolidated companies, notably:

<i>(in € millions)</i>	Year end	Percentage control	Shareholders' equity including profit for the period	Profit (loss)	Carrying amount at Dec. 31, 2010	Carrying amount at Dec. 31, 2011
Sichuan Snecma Aero-Engine Maintenance	Dec. 31, 2010	20.00	43.2	5.9	9.7	10.0
Messier Dowty Singapore Pte	Dec. 31, 2010	100.00	6.1	0.0	6.4	6.3
Arianespace Participation	Dec. 31, 2010	10.60	17.9	(82.5)	10.6	1.9
Embraer ^(*)	Dec. 31, 2010	1.12	NA ^(**)	NA ^(**)	44.4	40.0
SMA	Dec. 31, 2011	100.00	(22.8)	(11.3)	0.0	0.0
Myriad Group ^(*)	Dec. 31, 2010	6.46	46.7	(24.8)	12.4	9.7

^(*) Valuations of listed securities are based on market values.

^(**) Data not available.

Non-consolidated equity investments are classified as available-for-sale and measured at fair value. Changes in fair value are recognized directly in equity. If there is an indication that the investments have suffered a prolonged decline in value, an impairment loss is recognized in "Other financial income and expenses".

The Group reviewed the value of each of its available-for-sale investments in order to determine whether any impairment loss

needed to be recognized based on available information and the current market climate.

An €8.7 million impairment loss against the Group's interest in Arianespace Participation was recognized in the income statement in 2011.

No impairment loss was recognized in 2010.

Other financial assets

Other financial assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Loans to non-consolidated companies	90	85
Loans to employees	25	26
Deposits and guarantees	13	12
Sales-financing loans	1	–
Other	32	53 ^(*)
TOTAL	161	176
o/w non-current	51	75
o/w current	110	101

^(*) Of which €35 million received for warranties in relation to the recent acquisition of SME (see Note 3).

Loans and advances to non-consolidated companies correspond to revolving credit account agreements.

The table below shows movements in other financial assets:

(in € millions)

At December 31, 2010	161
Increase	71
Decrease	(12)
Impairment	(9)
Reclassifications	(3)
Changes in scope of consolidation	(32)
AT DECEMBER 31, 2011	176

NOTE 15 Investments in associates

The Group's share in the net equity and profit or loss of associates breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011			
	Net	% interest	Shareholders' equity	Share in profit from associates	Net
Ingenico ⁽¹⁾	227	22.65%	234	10	244
Other ⁽²⁾	9	N/A	9	–	9
TOTAL	236		243	10	253

(1) Due to the lack of published data for Ingenico at the date of publication of this report, the share of profit or loss for second-half 2011 was determined based on consensus forecasts provided by analysts. The stock market value totaled €328 million at December 31, 2011 (11,773,146 shares with a par value of €27.90) versus €315 million at December 31, 2010 (11,630,206 shares with a par value of €27.095). The value of the securities includes goodwill in an amount of €73 million.

(2) Deconsolidated companies whose retained earnings have been frozen.

Ingenico has been accounted for under the equity method since March 31, 2008. An assessment of impairment indicators was performed on this investment and did not result in the recognition of impairment.

Movements in this caption during the period break down as follows:

(in € millions)

At December 31, 2010	236
Share in profit from associates	10
Other movements ^(*)	7
AT DECEMBER 31, 2011	253

(*) Of which €7 million with respect to Ingenico.

NOTE 16 Inventories and work-in-progress

Inventories and work-in-progress break down as follows:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
	Net	Net
Raw materials and supplies	535	604
Finished goods	1,400	1,477
Work-in-progress	1,540	1,680
Bought-in goods	33	38
TOTAL	3,508	3,799

Movements in inventories and work-in-progress can be analyzed as follows:

<i>(in € millions)</i>	Gross	Impairment	Net
At December 31, 2010	4,024	(516)	3,508
Movements during the period	134	–	134
Net impairment expense	–	4	4
Reclassifications	18	(6)	12
Changes in scope of consolidation	142	(12)	130
Translation adjustments	14	(3)	11
AT DECEMBER 31, 2011	4,332	(533)	3,799

NOTE 17 Trade and other receivables

<i>(in € millions)</i>	Dec. 31, 2010 Net	Movements during the period	Impairment/ Reversal	Changes in scope of consolidation	Reclassifications	Translation adjustments	Dec. 31, 2011 Net
Operating receivables	3,921	422	(15)	232	(1)	7	4,566
Debit balances on trade payables/ advance payments to suppliers	246	50	–	3	2	–	301
Trade receivables	3,659	386	(15)	191	(4)	8	4,225
Current operating accounts	2	(10)	–	37	1	–	30
Employee-related receivables	14	(4)	–	1	–	(1)	10
Other receivables	298	106	–	33	2	–	439
Prepaid expenses	48	(10)	–	12	2	1	53
VAT receivables	179	94	–	18	–	(1)	290
Other State receivables	13	2	–	1	–	(1)	15
Other receivables ^(*)	58	20	–	2	–	1	81
TOTAL	4,219	528	(15)	265	1	7	5,005

(*) Of which €16 million (€4 million at December 31, 2010) in plan assets for defined benefit pension obligations (see Note 23).

NOTE 18 Other non-current assets

This caption comprises receivables on disposals of property, plant and equipment.

NOTE 19 Cash and cash equivalents

Cash and cash equivalents break down as follows at December 31, 2011:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Negotiable debt securities	21	5
Money-market funds	26	11
Short-term investments	1,575	1,009
Sight deposits	440	406
TOTAL	2,062	1,431

The table below presents changes in cash and cash equivalents:

(in € millions)

At December 31, 2010	2,062
Movements during the period	(714)
Changes in scope of consolidation	80
Translation adjustments	3
AT DECEMBER 31, 2011	1,431

NOTE 20 Summary of financial assets

Fair value of financial assets

The table below presents the carrying amount of the Group's financial assets at December 31, 2010 and December 31, 2011:

	Carrying amount				Total
	At amortized cost		At fair value		
	Loans and receivables (a)	Assets held to maturity (b)	Financial assets at fair value (through profit or loss) (c)	Financial assets available for sale (through equity) (d)	=a+b+c+d
At December 31, 2010 (in € millions)					
Non-current financial assets					
Non-consolidated investments				164	164
Other non-current financial assets	51				51
Sub-total non-current financial assets	51	-	-	164	215
Current financial assets					
Current financial assets	110				110
Derivative instruments – assets			230		230
Trade receivables	3,659				3,659
Current operating accounts and other receivables	60				60
Cash and cash equivalents	2,062				2,062
Sub-total current financial assets	5,891	-	230	-	6,121
TOTAL FINANCIAL ASSETS	5,942	-	230	164	6,336

	Carrying amount				Total = a+b+c+d
	At amortized cost		At fair value		
	Loans and receivables (a)	Assets held to maturity (b)	Financial assets at fair value (through profit or loss) (c)	Financial assets available for sale (through equity) (d)	
At December 31, 2011 <i>(in € millions)</i>					
Non-current financial assets					
Non-consolidated investments				171	171
Other non-current financial assets	75				75
Sub-total non-current financial assets	75	-	-	171	246
Current financial assets					
Current financial assets	101				101
Derivative instruments – assets			279		279
Trade receivables	4,225				4,225
Current operating accounts and other receivables	111				111
Cash and cash equivalents	1,431				1,431
Sub-total current financial assets	5,868	-	279	-	6,147
TOTAL FINANCIAL ASSETS	5,943	-	279	171	6,393

The fair value of financial assets recorded at amortized cost is close to the carrying amount.

Safran uses the following hierarchy of inputs to determine the fair value of its financial assets:

- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets;
- Level 3: unobservable inputs.

The Group's financial assets at December 31, 2010 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Non-consolidated investments	57		107	164
Derivative instruments – assets		230		230
TOTAL	57	230	107	394

The Group's financial assets at December 31, 2011 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Non-consolidated investments	50		121	171
Derivative instruments – assets		279		279
TOTAL	50	279	121	450

In 2010 and 2011, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

Maturity of financial assets

The table below provides a breakdown of financial assets by maturity:

<i>(in € millions)</i>	Carrying amount at December 31	Neither past due nor impaired	Past due but not impaired <i>(in days)</i>					Total past due but not impaired	Past due and impaired
			<30	31-90	90-180	181-360	>360		
At December 31, 2010									
Current financial assets	110	110						–	–
Non-current financial assets ⁽¹⁾	51	51						–	–
Trade receivables	3,659	3,285	116	113	44	36	60	369	5
Current operating accounts and other receivables	60	52	1	5	–	1	1	8	–
At December 31, 2011									
Current financial assets	101	101						–	–
Non-current financial assets ⁽¹⁾	75	75						–	–
Trade receivables	4,225	3,821	178	102	41	26	55	402	2
Current operating accounts and other receivables	111	72	22	–	–	–	17	39	–

(1) Excluding non-consolidated investments.

Average interest rates paid on financial assets are as follows:

<i>(in € millions)</i>	Dec. 31, 2010		Dec. 31, 2011	
	Base	Average recorded interest rate	Base	Average recorded interest rate
Non-current financial assets ⁽¹⁾	51	1.12%	75	0.67%
Current financial assets	110	2.12%	101	2.12%
Financial assets	161	1.78%	176	1.50%
Cash and cash equivalents	2,062	Euribor	1,431	Euribor
TOTAL	2,223		1,607	

(1) Excluding non-consolidated investments.

NOTE 21 Consolidated shareholders' equity**(A) Share capital**

At December 31, 2011, the share capital of Safran was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20. Safran's equity does not include any equity instruments issued other than its shares.

(B) Breakdown of share capital and voting rights

Changes in the breakdown of share capital and voting rights are as follows:

December 31, 2010 Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights
Private investors	207,034,480	49.65%	223,725,614	44.22%
French State	125,940,227	30.20%	150,752,222	29.80%
Employee shareholders	66,599,710	15.96%	131,455,955	25.98%
Treasury shares	17,455,168	4.19%	–	–
TOTAL	417,029,585	100.00%	505,933,791	100.00%

December 31, 2011 Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights
Private investors	216,692,488	51.96%	226,748,673	44.78%
French State	125,940,227	30.20%	150,752,222	29.77%
Employee shareholders	66,638,073	15.98%	128,885,557	25.45%
Treasury shares	7,758,797	1.86%	–	–
TOTAL	417,029,585	100.00%	506,386,452	100.00%

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights.

The 7,758,797 treasury shares have no voting rights.

Treasury shares

The number of treasury shares has declined since December 31, 2010, reflecting:

- the delivery of 3,502,100 shares to employees of French entities in April 2011 under the free share plan of April 3, 2009 (see Note 21.D);
- the sale of 6,500,000 shares on July 28, 2011 in connection with an accelerated book building procedure;
- the purchase of 305,729 shares under the liquidity agreement.

A total of 6,000,000 treasury shares were sold in January 2012 to settle the Group's obligations to its French employees under its leveraged employee shareholding plan launched in November 2011 (see Note 21.D).

On May 27, 2010, the Shareholders' Meeting renewed the authorization granted to the Executive Board on May 28, 2009 to buy and sell shares in the Company.

On April 21, 2011, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.

Pursuant to these authorizations, in 2011 the Company purchased 3,732,645 shares for €91 million, and sold 3,426,916 shares for €84 million. These transactions were carried out under a liquidity agreement.

In June 2011, the Group signed a new liquidity agreement with Kepler Capital Markets (replacing Rothschild & Cie), with the aim of enhancing the liquidity for the market in Safran shares. A total of €10 million was assigned to this agreement. At December 31, 2011, 305,729 shares were held in connection with the Group's liquidity agreement.

(C) Consolidated retained earnings

Movements in consolidated retained earnings are as follows:

(in € millions)

Consolidated retained earnings at December 31, 2010	4,214
Appropriation of 2010 profit to consolidated retained earnings	207
Dividend distribution	(202)
2011 interim dividend	(102)
Translation adjustment	115
Taxes on exchange differences recognized in equity (see Note 1.F)	(29)
Delivery and sale of treasury shares	180
Taxes on disposals of treasury shares recognized in equity	(16)
Free share grants	6
Shares allocated under the leveraged plan	8
OCEANE bond subscriptions	6
CONSOLIDATED RETAINED EARNINGS AT DECEMBER 31, 2011	4,387

(D) Share-based payment

Free share grants

Pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008, the Executive Board decided to implement a free share plan on April 3, 2009. The plan was intended for employees of Group companies based in the European Union and on the payroll at April 3, 2009. A total of 42,345 beneficiaries based in ten different countries each received 100 shares under the plan.

Terms and conditions of the share plan

Shares granted to employees of Group companies headquartered in France vest fully after a period of two years. The shares are also subject to a minimum two-year lock-up period, which begins on the

date the shares fully vest. Shares granted to employees of Group companies headquartered outside France vest fully after a period of four years, but are not subject to a lock-up period.

These shares are not subject to any specific performance condition other than the employee's effective presence in the company throughout the vesting period.

All shares granted by Safran under such plans are equity-settled.

Measurement of rights to share grants

Rights to shares were measured at their fair value at the grant date. The value of the shares at the grant date was reduced by (i) the estimated present value of future dividends forfeited by employees during the vesting period, and (ii) the cost to the Group's French employees of the minimum lock-up period.

	France	Other countries (excl. France)
Grant date	4/3/2009	4/3/2009
Vesting date	4/3/2011	4/3/2013
Post vesting lock-up period	2 years	none
Number of employee beneficiaries at the grant date	36,785	5,560
Number of shares granted per employee	100	100
Total number of shares granted	3,678,500	556,000
Expected dividend rate	3.17%	3.17%
Risk-free rate at the grant date	2.675%	2.675%
Market value of shares at the grant date	€7.54	€7.54
Fair value per share	€6.75	€6.64

The expense recognized in respect of these shares in 2011 was €5.6 million (€11.6 million in 2010).

Fully vested shares granted to employees of French companies were delivered at the beginning of April 2011 (3,502,100 shares).

Leveraged Group savings plan

In November 2011, the Group launched a leveraged employee shareholding plan allowing employees working in France to acquire Safran shares under preferential conditions. A total of 6 million Safran treasury shares were available for subscription under this plan.

The plan was rolled out to Group employees outside France in the first quarter of 2012.

Terms and conditions of the leveraged plan

Under this leveraged savings plan, employees can subscribe to Safran shares at a lower-than-market price (i.e., 20% less than the average of the closing share price between November 11 and December 8, 2011). These shares are subject to a five-year lock-up period.

For each share purchased by employees, a bank mandated by the Group contributes nine additional shares. Employees are guaranteed a return at least equal to the amount they invested. In addition, all amounts invested are indexed to the share price so that employees accrue a return on their investment if the share price rises above the undiscounted reference share price.

The table below shows the main terms and conditions of the 2011 leveraged plan, as well as the amounts subscribed, the valuation assumptions used, and the components of the calculation to determine the cost of the plan:

	2011	
	Value	%
Details of the plan and amounts subscribed		
Reference share price ⁽¹⁾ (in euros)	21.65	
Subscription price (in euros)	17.32	
Discount – face value		20%
Total number of shares subscribed (in millions of shares)	6	
Total amount subscribed by employees (in millions of euros)	10.4	
Total amount subscribed (in millions of euros)	103.9	
Maturity of the plan (in years)	5	
Valuation assumptions		
Borrowing rate for market participants (bullet)		3.92%
5-year risk-free interest rate		1.92%
Annual dividend rate		2.02%
Annual borrowing rate for shares (repo)		1.00%
Retail/institutional volatility spread		5.00%
Valuation of IFRS 2 expense (in millions of euros)		
Discount value (a)	26	20%
Value of the lock-up period for the market participant (b)	18.1	13.93%
Value of the opportunity gain (c)	0.3	0.29%
Overall cost for the Group (a-b+c)	8.2	6.37%

(1) The reference price is calculated based on Safran's average closing share price during the 20 trading days before the opening of the subscription period, i.e., November 11, 2011 to December 8, 2011.

NOTE 22 Provisions

Provisions break down as follows:

(in € millions)	Dec. 31, 2010	Additions	Reversale			Changes in scope of consolidation	Other	Dec. 31, 2011
			Utilizations	Reclassifications	Surplus provisions			
Performance warranties	507	228	(74)	(1)	(104)	2	12	570
Financial guarantees	47	15			(11)	1	(1)	51
Services to be rendered	482	347	(302)		(16)	2	(89) ^(*)	424
Post-employment benefits	366	64	(30)		(5)	17	6	418
Sales agreements and long-term receivables	164	43	(45)		(62)		4	104
Losses on completion and backlog losses	599	184	(117)	(146)	(13)	2	15	524
Disputes and litigation	65	8	(19)		(10)	12	(17)	39
Other	194	102	(51)		(24)	124 ^(**)	(37)	308
TOTAL	2,424	991	(638)	(147)	(245)	160	(107)	2,438
Non-current	1,310							1,374
Current	1,114							1,064

(*) Of which reclassification of a provision to working capital in the amount of €81 million.

(**) Of which a provision of €90 million for environmental liabilities and contingent liabilities subject to a specific guarantee granted by SNPE to Safran as part of the acquisition of SME and its subsidiaries (see Note 3). The value of this provision will be adjusted during the first half of 2012 following the results of environmental studies currently in progress.

The Group makes a number of reclassifications when provisions initially recognized in liabilities – namely provisions for losses on completion and on the backlog (see Note 2.A) – are subsequently recognized in assets, for example in provisions for the impairment of inventories and work-in-progress.

NOTE 23 Post-employment benefits

The Group has various commitments in respect of defined benefit pension plans, retirement termination payments and other commitments within and outside France. The accounting treatment applied to these commitments is detailed in Note 1.S.

The Group's financial position with respect to these commitments is as follows:

(in € millions)	Dec. 31, 2010	Dec. 31, 2011	France	United Kingdom	Other European	Americas	Asia
Gross obligations	828	908	427	359	82	39	1
Fair value of plan assets	335	358	2	285	43	28	
Unrecognized past service cost and actuarial gains and losses	131	149	44	89	8	8	
Provision recognized in the accounts	366	418	382	1	31	3	1
• Defined benefit retirement plans	35	36	10	1	24	1	
• Retirement termination payments	302	350	341		7	1	1
• Other employee benefits	29	32	31			1	
RECOGNIZED PLAN ASSETS^(*)	(4)	(16)		(16)			

(*) Recognized plan assets in respect of defined benefit pension obligations are recorded in "Other receivables" (see Note 17).

The cost of the Group's pension commitments in 2010 and 2011 can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Pension expense		
Current service cost	(32)	(31)
Recognized actuarial gains and losses	(1)	(8)
Plan curtailments and modifications	–	1
Recognized past service cost	(19)	(15)
Total operating component of the pension expense	(52)	(53)
Interest cost	(39)	(38)
Expected return on plan assets	19	21
Total financing component of the pension expense	(20)	(17)
TOTAL PENSION EXPENSE	(72)	(70)

Main assumptions used to calculate commitments:

<i>(in € millions)</i>		Eurozone	United Kingdom
Discount rate	Dec. 31, 2010	4.25%	5.25%
	Dec. 31, 2011	4.50%	5.00%
Inflation rate	Dec. 31, 2010	2.00%	3.20%
	Dec. 31, 2011	2.00%	3.00%
Expected return on plan assets	Dec. 31, 2010	4.00%	6.76%
	Dec. 31, 2011	4.00%	6.13%
Rate of future salary increases	Dec. 31, 2010	1.50%–5.00%	4.00%–4.20%
	Dec. 31, 2011	1.50%–5.00%	3.75%
Retirement age	Dec. 31, 2010	Managerial: 64/65 years Non-managerial: 62/65 years	65 years
	Dec. 31, 2011	Managerial: 64/65 years Non-managerial: 62/65 years	65 years

The rise in the statutory retirement age in France as a result of pension reforms introduced in 2010 was taken into account in measuring the Company's retirement benefit obligations at December 31, 2010, although the impact was not material.

The discount rates are determined by reference to the yield on investment grade bonds (AA), using the Iboxx index.

A 1% increase or decrease in discount rates (assuming all other inputs remain unchanged) would have the following impacts on the value of the projected benefit obligation at December 31, 2011:

Sensitivity (basis points)	–1%	+1%
Change in gross benefit obligation at December 31, 2011 <i>(in € millions)</i>	+123	–125

The impact of a 1% increase or decrease in the discount rates on consolidated profit for 2011 and on the provision at end-December 2011 would not have been material. The change in the value of the gross benefit obligation would have mainly affected unrecognized actuarial gains and losses.

The allocation of plan assets and the expected return on these assets are shown below:

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2011	Expected return on plan assets in 2012	% allocation at Dec. 31, 2011	Expected return on plan assets in 2012
Shares	49.45%	7.52%	16.05%	6.78%
Bonds and borrowings	35.09%	3.59%	62.83%	3.71%
Property	8.27%	6.73%	11.64%	5.76%
Cash and cash equivalents	1.62%	1.28%	1.82%	3.17%
Other	5.57%	5.75%	7.66%	4.50%

	United Kingdom		Other European countries	
	% allocation at Dec. 31, 2010	Expected return on plan assets in 2011	% allocation at Dec. 31, 2010	Expected return on plan assets in 2011
Shares	51.96%	8.22%	16.70%	6.65%
Bonds and borrowings	33.85%	4.65%	50.74%	4.16%
Property	5.62%	8.37%	2.93%	4.50%
Cash and cash equivalents	2.70%	1.14%	7.74%	1.89%
Other	5.87%	7.00%	21.89%	4.52%

The expected long-term rates of return on plan assets are determined based on past performance and on the current and long-term outlook for these assets.

A 1% increase or decrease in the expected rate of return on plan assets (assuming all other inputs remain unchanged) would have the following impacts on consolidated profit for 2011:

Sensitivity (basis points)	-1%	+1%
Increase/(decrease) in expected return on plan assets (in € millions)	-3	+4

Defined benefit pension plans

(a) Description of benefits

France

A supplemental defined benefit retirement plan was implemented by Snecma in 1985 and closed on June 30, 1995 using a step mechanism that allowed eligible employees present in the company at that date to maintain all or part of their benefits.

The plan is funded by contributions paid to the insurance company which then manages payment of the pensions. At December 31, 2011, around 230 claimants were still in active service and the last retirement is planned for 2015.

Following the closure of this plan, managerial-grade staff (*cadres*) were moved to a new supplemental defined contribution retirement plan. Group companies affected by this change were Safran (for Snecma employees), Snecma, Snecma Propulsion Solide, Hispano-Suiza, Messier-Bugatti-Dowty, Aircelle and Turbomeca. This type of plan did not exist within the Sagem group.

Other countries

United Kingdom

There are three pension funds involving Messier-Dowty/Messier Services Ltd, Aircelle Ltd and Safran UK. These pension funds have been contracted out, which means they replace the mandatory

supplemental retirement plan. The plans are managed by trusts. Employees participate in the funding through salary-based contributions. With the exception of the Safran UK pension fund, the average breakdown of contributions between the employer and the employee is 92% and 8%, respectively. The Safran UK pension fund only covers pensions for retired employees of Cinch UK, which was sold in 2009.

Other European countries

The Group's main commitments in continental Europe are in Belgium and Switzerland.

In Belgium, Techspace Aero took out a policy with an insurer in April 1997 guaranteeing employees the payment of a lump-sum or pension on death or retirement. The amount paid is based on the employee category, age, term of service and final salary. This benefit is funded in full by employer contributions.

In Switzerland, Vectronix AG set up a mutualized retirement plan with Leica, its former shareholder. This defined benefit plan was intended for retired and active employees of Vectronix AG. On June 30, 2006, Vectronix AG terminated its contract with Leica with effect from December 31, 2006. Vectronix's active employees were subsequently removed from the Leica fund, whose future had become uncertain, and transferred to another insurer, Gemini, which granted Vectronix full independence in managing its plan. At the time of the switch, Vectronix AG purchased retirement annuities from the new insurer.

Americas

The main commitments concern Canada. Two pension plans are in place within Messier-Dowty Inc. and Safran Electronics Canada (spin-off of Messier-Dowty Inc.): one plan for employees and a second plan for managerial-grade staff (*cadres*) and top management. These plans are financed by employer (88%) and employee (12%) contributions.

Five-year summary of obligations under defined benefit plans:

<i>(in € millions)</i>	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011
Gross obligations	366	280	374	442	486
Fair value of plan assets	293	195	269	335	358
Provision recognized in the accounts	86	73	47	35	36
Recognized plan assets				(4)	(16)
Experience adjustments	NA	65	(25)	(7)	13
<i>of which experience adjustments on the benefit obligation</i>		(9)	2	(3)	(5)
<i>of which experience adjustments on plan assets</i>		74	(27)	(4)	18
<i>as a % of obligations</i>		-3%	0%	-1%	-1%
<i>as a % of plan assets</i>		38%	-10%	-1%	5%

(b) Financial position

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011	o/w France	o/w other countries (excl. France)
Gross obligations	442	486	15	471
Fair value of plan assets	335	358	2	356
Provision recognized in the accounts	35	36	10	26
Recognized plan assets	(4)	(16)		(16)
Unrecognized items	76	108	3	105
• <i>Actuarial gains and losses</i>	75	108	3	105
• <i>Past service cost</i>	1	–		
• <i>Unrecognized assets</i>	–	–		

All pension plans are partially or fully funded.

<i>(in € millions)</i>	Gross obligations	Fair value of plan assets	Unrecognized items	Provisions
	(a)	(b)	(c)	=(a)-(b)-(c)
Position at January 1, 2011	442	335	76	31
A. Pension expense				
Current service cost	9			
Interest cost	21			
Expected return on plan assets		21		
Recognized actuarial gains and losses			(6)	
Plan curtailments and modifications	(1)			
Recognized past service cost				
Total pension expense	29	21	(6)	14
B. Employer expense				
Employer contributions		24		
Benefits paid	(17)	(17)		
Total employer expense	(17)	7	-	(24)
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation				
Other movements				
Translation adjustments	12	9	4	
Reclassification to assets held for sale				
Total other recognized items	12	9	4	(1)
Change in provision	24	37	(2)	(11)
D. Other unrecognized items				
Employee contributions	3	3		
Actuarial gains and losses for the period	17	(17)	34	
Past service cost for the period				
Total other unrecognized items	20	(14)	34	-
AMOUNTS RECOGNIZED AT DECEMBER 31, 2011	486	358	108	20
Provision recognized in the accounts				36
Recognized plan assets				(16)

The actual return on plan assets (the sum of the expected return on plan assets and actuarial gains and losses for the period) under defined benefit pension plans was €4 million in 2011 and €23 million in 2010.

The Group expects to pay a total of €26 million into its defined benefit pension plans in 2012 (€25 million in 2011 and €30 million in 2010).

In France, the Social Security Financing Act for 2011 abolished the exemption of the portion of annuities not exceeding one-third of the annual social security ceiling from the 16% levy on annuities paid and settled as of January 1, 2001. Employers having opted in 2004 to pay the tax on annuities were entitled to opt for an alternative regime in 2011. During the year, Safran therefore chose to be taxed on its contributions. This taxation was recognized in actuarial gains and losses at December 31, 2011.

Retirement termination payments

(a) Description of benefits

- In France, this heading includes obligations in respect of statutory termination payments due on retirement and supplementary termination payments required by the collective bargaining agreement for the metallurgy industry. It also includes obligations regarding employees eligible for the Group's 2010-2012 agreement on the employment of seniors.

On February 12, 2010, the Group signed a triennial agreement related to the employment of seniors, aimed notably at implementing measures to assist with the latter part of careers and at ensuring a smooth transition between working life and retirement. This agreement provides, inter alia, for an increase in contractual end-of-career bonuses subject to certain conditions.

As from July 31, 2010, the rates used as a basis for calculating retirement bonuses applicable under the national collective bargaining agreement for engineers and managerial-grade staff in the metallurgy industry were raised, thereby increasing the Group's commitments accordingly.

- Outside France, this heading includes obligations under early retirement plans at Morpho Cards GmbH, Snecma Services Brussels and Vectronix AG. The Group also has employee benefit obligations in respect of Mexico, Poland and India.

(b) Financial position

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011	France	Other countries (excl. France)
Gross obligations	357	390	381	9
Fair value of plan assets				
Provision recognized in the accounts	302	350	341	9
Unrecognized items	55	40	40	
• Actuarial gains and losses	3	3	3	
• Past service cost	52	37	37	
• Unrecognized assets				

<i>(in € millions)</i>	Gross obligations (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provisions =(a)-(b)-(c)
Position at January 1, 2011	357		55	302
A. Pension expense				
Current service cost	19			
Interest cost	16			
Expected return on plan assets				
Recognized actuarial gains and losses				
Plan curtailments and modifications				
Recognized past service cost			(15)	
Total pension expense	35		(15)	50
B. Employer expense				
Employer contributions				
Benefits paid	(23)			
Total employer expense	(23)			(23)
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation	21			
Other movements				
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	21			21
Change in provision	33		(15)	48
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period				
Past service cost for the period				
Total other unrecognized items				
POSITION AT DECEMBER 31, 2011	390		40	350

The €21 million change in the financial position reflects end-of-career bonuses payable by SME and its subsidiaries, companies acquired in April 2011 (see Note 3).

Other employee benefits

(a) Description of benefits

- In France, this heading mainly comprises obligations in respect of long-service awards, loyalty premiums and executive bonuses granted at Sagem, Morpho and Sagem Industries.
- Outside France, benefits include jubilee awards under plans in the Netherlands and the US.

(b) Financial position

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011	France	Other countries (excl. France)
Gross obligations	29	32	31	1
Fair value of plan assets				
Provision recognized in the accounts	29	32	31	1
Unrecognized items	N/A	N/A	N/A	N/A

<i>(in € millions)</i>	Gross obligations (a)	Fair value of plan assets (b)	Unrecognized items (c)	Provisions =(a)-(b)-(c)
Position at January 1, 2011	29			29
A. Pension expense				
Current service cost	3			
Interest cost	1			
Expected return on plan assets				
Recognized actuarial gains and losses	2			
Plan curtailments and modifications				
Recognized past service cost				
Total pension expense	6			6
B. Employer expense				
Employer contributions				
Benefits paid	(4)			
Total employer expense	(4)			(4)
C. Other recognized items				
Net unrecognized assets				
Changes in scope of consolidation	1			
Other movements				
Translation adjustments				
Reclassification to assets held for sale				
Total other recognized items	1			1
Change in provision	3			3
D. Other unrecognized items				
Employee contributions				
Actuarial gains and losses for the period				
Past service cost for the period				
Total other unrecognized items				
POSITION AT DECEMBER 31, 2011	32			32

Contributions to defined contribution plans

The expense for the year in respect of defined contribution plans amounts to €283 million (€269 million in 2010).

The expense is broken down into contributions paid into standard retirement plans and contributions paid into Art. 83 supplementary retirement plans which have been set up within the Group's main French companies. The expense for the period also includes contributions paid into a multi-employer plan in the UK (€1.4 million). The Group does not expect the contributions to be paid into this multi-employer plan to increase in the medium-term due to the net shortfall of the plan.

Individual training entitlement

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and with the industry-wide agreement of July 20, 2004, the Group's French companies grant their employees the right to individual training. Employees are entitled to at least 20 training hours per calendar year, which can be carried forward and accumulated up to a maximum total of 120 hours.

This is taken into account in the French companies' collective bargaining on in-service training and skills development.

NOTE 24 Borrowings subject to specific conditions

This caption mainly includes repayable advances granted by the French State.

Movements in this caption break down as follows:

(in € millions)

At December 31, 2010	701
New advances received	13
Advances repaid	(28)
Cost of borrowings	32
Translation adjustments	1
Other	7
Adjustments to the probability of repayment of advances	(44)
AT DECEMBER 31, 2011	682

NOTE 25 Interest-bearing liabilities

Breakdown of interest-bearing liabilities

(in € millions)

	Dec. 31, 2010	Dec. 31, 2011
Bond issue	763	763
Finance lease liabilities	175	163
Other long-term borrowings	545	521
Total interest-bearing non-current liabilities (portion maturing in more than 1 year at inception)	1,483	1,447
Finance lease liabilities	16	13
Other long-term borrowings	253	315
Accrued interest not yet due	5	4
Current interest bearing liabilities, long-term at inception	274	332
Commercial paper	201	558
Short-term bank facilities and equivalent	93	108
Current interest bearing liabilities, short-term at inception	294	666
Total interest-bearing current liabilities (less than 1 year)	568	998
TOTAL INTEREST-BEARING LIABILITIES	2,051	2,445

Movements in this caption break down as follows:

(in € millions)

At December 31, 2010	2,051
Increase in borrowings	37
Decrease in borrowings	(259)
Movements in commercial paper	401
Changes in scope of consolidation	216
Foreign exchange differences	(3)
Reclassifications and other	2
AT DECEMBER 31, 2011	2,445

Main long-term borrowings at inception:

- Safran five-year bonds: €750 million issued to French and international investors on November 26, 2009 and maturing on November 26, 2014.

The bonds' initial 4.0% fixed-rate interest came out at 2.91% after taking account of interest rate derivatives.
- European Investment Bank (EIB) borrowings: €317 million (€367 million at December 31, 2010).

EIB €300 million loan repayable in equal six-monthly installments between December 17, 2013 and December 17, 2020. This loan pays floating-rate interest indexed to 3-month Euribor plus 0.73%.

The outstanding €17 million payable on the EIB loan comprises a drawdown bearing fixed-rate interest of 2.80%, maturing at the end of July 2012 (i.e., in less than one year).
- Employee savings financing under the Group Employee Savings Plan: €394 million (€364 million at December 31, 2010).

The maximum maturity is five years and the amount falling due within one year is €209 million.

The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 2.91% for 2011 and 3.37% for 2010. The interest rate adopted for 2012 is 3.56%.
- Messier-Bugatti USA Inc. real estate lease financing contract: USD 38 million (€29.5 million) [USD 45 million (€34 million) at December 31, 2010], bearing fixed-rate interest of 5.2%.

This lease is guaranteed by the parent company, Messier-Bugatti-Dowty SA.
- Turbomeca real estate lease financing contract: €55 million (€59 million at December 31, 2010), of which €4 million was due within one year. The lease bears fixed-rate interest of 4.7% and expires in November 2021.
- Sagem real estate lease financing contract: €52 million (€56 million at December 31, 2010), bearing floating-rate interest indexed to 3-month Euribor. The lease expires in January 2022.

- L1 Identity Solutions convertible notes: €70 million (USD 91 million).

These 3.75% convertible senior notes (originally amounting to USD 175 million) and maturing on May 15, 2027, were outstanding at L-1 when it was acquired by Safran in July 2011. The debt was reduced to USD 91 million in August 2011 following the exercise by certain noteholders of their options to require L-1 to purchase their notes (in the amount of USD 84 million) as a result of the change of control of L-1.

L-1 has not provided all the necessary financial reports to the noteholders and the trustee as required under the Indenture agreement applicable to these convertible notes. Notwithstanding the absence of written notice from the noteholders and the trustee of such default, L-1 agreed to pay additional interest on the principal amount of the outstanding notes at a rate of 0.50% per annum accruing from March 17, 2012. According to the Indenture agreement, for a period of 365 days, the payment of additional interest is the sole remedy for failure to comply with the reporting obligation.

In order to definitively resolve this matter, L-1 also notified the noteholders of its intention to exercise its right under the Indenture agreement to redeem for cash all outstanding notes on May 15, 2012.

The Group's other long- and medium-term borrowings are not material taken individually.

Main short-term borrowings:

- Commercial paper: €558 million (€201 million at December 31, 2010).

This amount comprises several drawdowns made under market terms and conditions, mostly with maturities of less than three months.
- Financial current accounts with non-consolidated subsidiaries: €37 million (€33 million at December 31, 2010). Interest is indexed to Euribor.

Other short-term borrowings are not material taken individually.

Analysis by maturity

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Maturing in		
1 year or less	568	998
More than 1 year and less than 5 years	1,182	1,203
Beyond 5 years	301	244
TOTAL	2,051	2,445

Analysis by currency:

<i>(in millions of currency units)</i>	Dec. 31, 2010		Dec. 31, 2011	
	Currency	EUR	Currency	EUR
EUR	1,922	1,922	2,264	2,264
USD	132	99	199	154
CAD	1	1	4	3
GBP	1	1	1	1
Other	N/A	28	N/A	23
TOTAL		2,051		2,445

Analysis by type of interest rate (fixed/floating), before hedging:

<i>(in € millions)</i>	Non-current				Current			
	Dec. 31, 2010		Dec. 31, 2011		Dec. 31, 2010		Dec. 31, 2011	
	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	907	4.09%	884	4.08%	93	3.47%	114	3.67%
Floating rate	576	2.19%	563	2.42%	475	1.82%	884	1.81%
TOTAL	1,483	3.35%	1,447	3.44%	568	2.09%	998	2.02%

Analysis by type of interest rate (fixed/floating), after hedging:

<i>(in € millions)</i>	Non-current				Current			
	Dec. 31, 2010		Dec. 31, 2011		Dec. 31, 2010		Dec. 31, 2011	
	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	145	4.54%	884	3.14%	93	3.47%	114	3.67%
Floating rate	1,338	2.32%	563	2.42%	475	1.82%	884	1.81%
TOTAL	1,483	2.53%	1,447	2.86%	568	2.09%	998	2.02%

The Group's net debt position is as follows:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Cash and cash equivalents (A)	2,062	1,431
Interest-bearing current and non-current liabilities (B)	2,051	2,445
Fair value of interest rate derivatives hedging borrowings (C)	13	17
TOTAL (A) - (B) + (C)	24	(997)

Net debt at end-2011 does not include the following three assigned trade receivables without recourse:

- CFM Inc.:
 - confirmed 24-month facility for USD 200 million (with automatic renewal per 12-month period at the end of the first 24 months) granted in October 2009 by General Electric Capital Corp., on which USD 70.6 million (USD 35.8 million at 50%) had been drawn at the reporting date, versus USD 92.1 million (USD 46 million at 50%) at December 31, 2010;
 - confirmed 364-day facility for USD 950 million granted by a syndicate of eight banks led by Royal Bank of Scotland and renewed in December 2011, on which USD 788 million (USD 394 million at 50%) had been drawn at the reporting date, versus USD 822.2 million (USD 411 million at 50%) at December 31, 2010.
- CFM SA:
 - confirmed 24-month facility for an equivalent value of USD 110 million granted in July 2010 by Medio Factoring (Intesa San Paolo group), on which USD 39 million (USD 19.5 million at 50%) had been drawn at the reporting date, versus USD 48 million (USD 24 million at 50%) at December 31, 2010.

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Net debt	24	(997)
Total equity	4,705	5,122
GEARING	N/A	19.47%

NOTE 26 Trade and other payables

<i>(in € millions)</i>	Dec. 31, 2010	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2011
Operating payables	6,586	548	284	10	111	7,539
Credit balances on trade receivables	828	151	2	–	81	1,062
Advance payments from customers	3,215	214	131	2	–	3,562
Amounts owed to fixed asset suppliers	1,744	133	107	8	23	2,015
Current operating account	5	(13)	12	–	–	4
Employee-related liabilities	794	63	32	–	7	896
Other payables	650	120	37	2	–	809
Miscellaneous payables	110	39	(7)	–	1	143
State aid, accrued payables	18	(2)	–	–	–	16
State, other taxes and duties	123	23	25	–	–	171
Deferred income	399	60	19	2	(1)	479
TOTAL	7,236	668	321	12	111	8,348

Trade payables carry no interest and fall due in less than one year.

Deferred income primarily concerns revenue recognized under the percentage-of-completion method or revenue deferred.

Trade and other payables fall due as shown below:

<i>(in € millions)</i>	< 12 months	> 12 months
Operating payables	7,191	348
Other payables	620	189
TOTAL	7,811	537

NOTE 27 Other current and non-current liabilities

<i>(in € millions)</i>	Dec. 31, 2010	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2011
Payables on purchases of property, plant and equipment and intangible assets	39	2	4	–	–	45
Payables on purchases of investments	147	4	(1)	4	–	154
TOTAL	186	6	3	4	–	199
Non-current	186					199
Current	–					–

NOTE 28 Summary of financial liabilities

The fair value of financial liabilities is calculated based on the future cash flows associated with each borrowing, discounted at the market price at the end of the reporting period.

<i>(in € millions)</i>	Carrying amount			
	Financial liabilities at amortized cost	Financial liabilities at fair value	Total	Fair value
Borrowings subject to specific conditions	701		701	701
Interest-bearing non-current liabilities	1,483		1,483	1,483
Interest-bearing current liabilities	568		568	568
Trade and other operating payables	1,744		1,744	1,744
Minority put granted to non-controlling interests ⁽¹⁾		131	131	131
Current operating accounts	5		5	5
Derivative instruments – liabilities		553	553	553
TOTAL FINANCIAL LIABILITIES	4,501	684	5,185	5,185

(1) Included in payables on purchases of investments.

<i>(in € millions)</i>	Carrying amount			
	Financial liabilities at amortized cost	Financial liabilities at fair value	Total	Fair value
Borrowings subject to specific conditions	682		682	682
Interest-bearing non-current liabilities	1,447		1,447	1,467
Interest-bearing current liabilities	998		998	998
Trade and other operating payables	2,015		2,015	2,015
Minority put granted to non-controlling interests ⁽¹⁾		135	135	135
Current operating accounts	4		4	4
Derivative instruments – liabilities		658	658	658
TOTAL FINANCIAL LIABILITIES	5,146	793	5,939	5,959

(1) Included in payables on purchases of investments.

The Group uses the input hierarchy described in Note 20 to measure the fair value of its financial liabilities.

The Group's financial liabilities carried at fair value as of December 31, 2010 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivative instruments – liabilities		553		553
Commitments to buy out non-controlling interests			131	131
TOTAL	–	553	131	684

The Group's financial liabilities carried at fair value as of December 31, 2011 are shown below:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivative instruments – liabilities		658		658
Commitments to buy out non-controlling interests			135	135
TOTAL	–	658	135	793

In 2011 and 2010, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

NOTE 29 Interests in joint ventures

The Group has interests in a number of joint ventures which are proportionately consolidated (their contribution is recognized line-by-line in the financial statements). The joint ventures are:

- CFM International Inc. and CFM International SA: coordination of the CFM56 engine program with General Electric and program marketing;
- Shannon Engine Support Ltd: leasing of CFM56 engines, modules, equipment and tooling to airline companies;
- Famat: manufacture of large casings subcontracted by Snecma and General Electric;
- Europropulsion: research, development, testing and manufacture of solid propellant propulsion systems;
- Ullis: manufacture of uncooled infrared detectors;
- Sofradir: manufacture of cooled infrared detectors;
- SEMMB: manufacture of ejectable seating;
- Matis: manufacture of aircraft wiring;

- CFAN: production of composite fan blades for turbo engines;
- Hydrep: repair of landing gear for regional and business jets;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts.

New companies entering the scope of consolidation in 2011 following the acquisition of SME and subsidiaries (see Note 3):

- Regulus: aerospace propulsion;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles.

The sale of 1% of the Group's interest led to a change in the basis of consolidation (from full to proportionate consolidation) for the following companies in 2011:

- Propulsion Technologies International: engine repair and maintenance.

The table below shows the Group's share in the various financial indicators of these joint ventures, included in the consolidated financial statements:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Current assets	378	553
Non-current assets	368	343
Current liabilities	395	543
Non-current liabilities	47	50
Operating income	342	432
Operating expenses	(287)	(376)
Financial loss	(3)	(3)
Income tax expense	(14)	(10)
Profit for the period	38	43
Cash flows from operating activities ⁽¹⁾	102	57
Cash flows from (used in) investing activities	(2)	2
Cash flows used in financing activities ⁽¹⁾	(30)	(31)

(1) See Note 25 on the sale of trade receivables by CFM Inc.

NOTE 30 Related parties

In accordance with IAS 24, the Group's related parties are considered to be its shareholders (including the French State), companies controlled by these shareholders, proportionately consolidated and equity-accounted companies (associates), and management executives. Transactions with equity-accounted companies were not material in 2011 or 2010, and they are not therefore included in the table below.

<i>(in € millions)</i>	Dec. 31, 2010 ^(*)	Dec. 31, 2011
Sales to related parties	2,951	3,276
Purchases from related parties	(266)	(242)

<i>(in € millions)</i>	Dec. 31, 2010 ^(*)	Dec. 31, 2011
Receivables from related parties	1,418	1,670
Payables to related parties	1,890	1,904

<i>(in € millions)</i>	Dec. 31, 2010 ^(*)	Dec. 31, 2011
Guarantees granted to related parties (off-balance sheet)	729	721

^(*) After taking into account proportionally consolidated companies.

Transactions with related parties primarily concern the delivery of aviation products to Airbus and the Directorate General of the French Armed Forces.

Management compensation

In 2010 and up to the change in corporate governance on April 21, 2011, management executives comprised the members of Safran's Supervisory Board and Executive Board and its executive management team. After the change in governance, management executives comprised members of the Board of Directors and the executive management team.

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Short-term benefits ⁽¹⁾	10.6	10.7
Post-employment benefits ⁽²⁾	0.9	0.4
Other long-term benefits	–	–
Termination payments	0.6	1.2
Share-based payment	–	–

⁽¹⁾ Compensation, social security contributions, attendance fees and benefit payments, where applicable.

⁽²⁾ Accounting estimate of cost of pension obligations in accordance with IAS 19.

All compensation and benefits awarded to members of the Supervisory Board/Board of Directors and to members of the Executive Board and executive management team are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

The Group's total post-employment commitments in respect of management executives amounted to €2.1 million at December 31, 2011 and €3.4 million at December 31, 2010.

Relations between Safran and its subsidiaries

The main financial transactions between Safran and its subsidiaries are described below.

- Cash is pooled at the level of the Safran Group. Cash pooling agreements therefore exist between Safran and each of the Group companies. These govern the terms and conditions of advances and investments.
- A foreign currency risk management policy is also implemented centrally by the head company for the entire Safran Group. This policy seeks to protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly USD) and optimize the quality of the hedges implemented via a portfolio of hedging instruments.
- A commodity risk management policy is defined centrally in the same manner as the policy for managing foreign currency risk. This policy is designed to reduce uncertainty factors regarding the volatility of commodity prices (mainly nickel and platinum) affecting the economic performance of operating subsidiaries.

- In France, Safran is liable for the entire income tax charge, additional income tax contributions and the annual minimum tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, pursuant to the provisions of article 223-A of the French Tax Code (*Code général des impôts*); In accordance with the tax consolidation agreement in France, tax-consolidated subsidiaries bear their own tax charge as if they were not members of the tax group, and pay the corresponding amounts to Safran as their contribution to the Group tax payment;
- Services rendered by the holding company to its subsidiaries are generally billed to beneficiaries based on assistance agreements.

NOTE 31 Management of market risks and financial derivatives

The main risks arising on the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

The carrying amount of derivative financial instruments used to manage the risks to which the Group is exposed is shown below:

(in € millions)	Dec. 31, 2010		Dec. 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	13		22	(5)
Floating-for-fixed interest rate swaps				(5)
Fixed-for-floating interest rate swaps	13		22	
Foreign currency risk	208	(553)	257	(650)
Currency swaps				
Buy and sell forward currency contracts	101	(317)	91	(326)
Currency option contracts	107	(236)	166	(324)
Management of commodity risk	9			(3)
Forward purchases of commodities	9			(3)
TOTAL	230	(553)	279	(658)

Exposure to foreign currency risk

Most Aerospace Propulsion and Aircraft Equipment revenue is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 4.28 billion for 2011 (USD 4.01 billion in 2010).

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting profitability and allowing it to adapt its cost structure to an unfavorable monetary environment.

Hedging policy

Two basic principles underscore the foreign currency risk management policy defined by Safran SA for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance (first principle).

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a four-year timeframe.

Management policy

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and options (EUR call/USD put).

Optimization measures are also used with a view to improving the minimum exchange rate parity and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators and sales of options (USD call/EUR put).

Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

(in millions of currency units)	Dec. 31, 2010				Dec. 31, 2011			
	Fair value ⁽¹⁾	Notional amount ⁽¹⁾	Less than 1 year	1 to 5 years	Fair value ⁽¹⁾	Notional amount ⁽¹⁾	Less than 1 year	1 to 5 years
Forward exchange contracts	(216)				(235)			
Short USD position	(229)	10,737	6,467	4,270	(229)	13,374	5,872	7,502
Of which against EUR	(198)	9,938	5,748	4,190	(199)	12,500	5,188	7,312
Long USD position	5	(1,103)	(903)	(200)	14	(510)	(300)	(210)
Of which against EUR	10	(800)	(600)	(200)	13	(400)	(200)	(200)
Short GBP position against EUR	–	21	21	–	1	11	11	–
Long GBP position against EUR	–	(3)	(3)	–	–	(4)	(4)	–
Long EUR position against CHF	(11)	(83)	(56)	(27)	(11)	(81)	(39)	(42)
Long PLN position against EUR	3	(225)	(85)	(140)	(3)	(218)	(78)	(140)
Long MXN position against USD	16	(3,149)	(999)	(2,150)	(7)	(3,650)	(1,180)	(2,470)
Currency option contracts	(128)				(158)			
Puts purchased	69	1,500	1,500	–	36	1,000	–	1,000
Puts sold	(1)	(100)	(100)	–	(1)	(100)	(100)	–
Calls sold	(155)	7,222	4,174	3,048	(226)	6,798	1,774	5,024
Calls purchased	–	–	–	–	8	(250)	(250)	–
Accumulators – sell USD ⁽²⁾	(55)	9,872	6,309	3,563	(28)	12,199	4,752	7,448
Accumulators – buy USD ⁽²⁾	11	(1,702)	(1,702)	–	63	(1,891)	(1,427)	(464)
Accumulators – sell GBP ⁽²⁾	3	302	302	–	1	380	91	289
Accumulators – sell GBP ⁽²⁾	–	–	–	–	(11)	845	306	539
TOTAL	(344)				(393)			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.

(2) Notional amounts for accumulators represent the maximum cumulative amount.

The €49 million decrease in the fair value of foreign currency derivatives between December 31, 2010 and December 31, 2011 reflects the fall in the fair value of currency hedging instruments not yet settled at December 31, 2011 (€2 million) and premiums received (€51 million).

In view of the constraints resulting from the application of IAS 39, the Group decided not to apply hedge accounting and to recognize all changes in the fair value of its financial instruments in “Financial income (loss)”. Accordingly, all changes in the fair value of hedging instruments not yet settled at the end of the reporting period (€2 million) have been recognized in “Financial income (loss)”: a decrease of €11 million was recognized in “Gain or loss on foreign

currency hedging instruments” for derivatives hedging future revenue, while a negative €5 million was recognized in “Foreign exchange gains and losses” for derivatives hedging balance sheet positions and €18 million was recognized for premiums matured during the year (see Note 6).

In order to reflect the economic effects of its currency hedging policy, the Group also prepares adjusted financial statements in which gains or losses on the hedging instruments are presented for the same periods as the gains or losses on the items hedged (see Foreword in section 2.1 of the Registration Document).

Balance sheet exposure and sensitivity to foreign currency risk

The exposure of the Group's balance sheet to foreign currency risk can be summarized as follows:

<i>(in millions of currency units)</i>	Dec. 31, 2010						Dec. 31, 2011					
	USD/ EUR	USD/ GBP	USD/ CAD	TOTAL USD	GBP/ EUR	CAD/ EUR	USD/ EUR	USD/ GBP	USD/ CAD	TOTAL USD	GBP/ EUR	CAD/ EUR
Total assets excluding financial derivatives	1,232	4	21	1,257	54	86	1,404	75	39	1,518	42	70
Total liabilities excluding financial derivatives	1,581	7	17	1,605	26	1	1,757	70	38	1,865	34	4
Financial derivatives	(441)	(47)	12	(476)	1	-	(427)	(39)	(3)	(469)	-	-
Net balance sheet exposure after financial instruments	(789)	(50)	16	(824)	28	85	(780)	(34)	(2)	(816)	8	66

The above table is presented in foreign currencies.

The sensitivity of the balance sheet to a 5% increase or decrease in the EUR/USD exchange rate is as follows:

<i>(in € millions)</i>	Dec. 31, 2010		Dec. 31, 2011	
	USD		USD	
Closing rate		1.34		1.29
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.27	1.40	1.23	1.35
Net impact of exposure after financial derivatives	(776)	544	(890)	667

Interest rate risk management

The Group's exposure to fluctuations in interest rates covers two types of risk:

- price risk in respect of fixed-rate financial assets and liabilities; interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk in respect of floating-rate financial assets and liabilities. Interest rate fluctuations have a direct impact on the Group's profit or loss.

Within the framework of its interest rate risk management policy, the Group arbitrates between these two types of risk using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

The interest rate payable on the €750 million bond issue, which had been converted to a floating rate using floating-rate borrower/fixed-rate lender swaps, was converted back to a fixed rate during the year. As a result, besides the floating-rate borrower/fixed-rate lender swaps for €750 million maturing in one to three years, the Group also held fixed-rate borrowing/floating-rate lender swaps for the same maturity and amount at December 31, 2011.

Changes in the value of old and new swaps are recognized in "Gain or loss on interest rate and commodity hedging instruments" under "Financial income (loss)" (see Note 6).

<i>(in € millions)</i>	Dec. 31, 2010				Dec. 31, 2011			
	Fair value	Notional amount	Less than 1 year	1 to 5 years	Fair value	Notional amount	Less than 1 year	1 to 5 years
Interest rate swaps								
Fixed-for-floating – fair value hedge	13	750	-	750	22	750	250	500
Floating-for-fixed – fair value hedge	-	-	-	-	(5)	750	250	500
TOTAL	13				17			

Debt in respect of employee savings is at floating rates, but resets only yearly.

The Group's remaining long-term debt is mostly at fixed rates, reflecting the reconversion of the €750 million November 2009 bond issue back to a fixed rate.

A 1% rise in interest rates would therefore decrease the cost of debt by €4 million (versus an increase in the cost of debt by €8 million in 2010). The inversion of the trend is a result of interest on the €750 million bond being reconverted to a fixed rate in 2011 (floating rate in 2010).

Management of commodity risk

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five years. To hedge commodity prices, the Group uses forward sales of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2011 represented 2,598 metric tons of nickel, including contracts for 755 tons maturing in less than one year and 1,843 tons in one to five years.

The notional amount of platinum forward purchase contracts at December 31, 2011 represented 7,944 ounces of platinum, including contracts for 876 ounces maturing in less than one year and 7,068 ounces in one to five years.

The fair value of these instruments was a negative €3 million at end-2011.

Equity risk management

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, the only listed shares it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity at end-2011 (€3 million at end-2010).

Counterparty risk management

The Group is exposed to counterparty risk on the following:

- short-term investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or traded over-the-counter with investment-grade counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

The financial asset maturity schedule is set out in Note 20.

Liquidity risk management

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with, and financing requirements of subsidiaries met by, the parent company on an arm's length basis. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Since some of the Group's liquidity lines have not been used, Safran is relatively insensitive to liquidity risk.

A number of financial covenants apply to the EIB borrowings set up in 2003, 2005 and 2010 (see Note 25).

The following two ratios apply:

- Net debt/EBITDA < 2.5;
- Net debt/total equity (gearing) < 1.

Undrawn confirmed liquidity facilities at December 31, 2011 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively. These two facilities are subject to a financial covenant (net debt/EBITDA of less than 2.5).

The terms "net debt", "EBITDA" and "total equity" used in connection with EIB borrowings and syndicated credit lines are defined as follows:

- net debt: borrowings (excluding borrowings subject to specific conditions) less marketable securities and cash and cash equivalents;
- EBITDA: the sum of profit (loss) from operations and the net charge to depreciation, amortization and provisions for impairment of assets (calculated based on adjusted data);
- total equity: equity attributable to owners of the parent and non-controlling interests.

NOTE 32 Off-balance sheet commitments and contractual obligations

Endorsements, guarantees and other commitments

Commitments in respect of ordinary activities

The various commitments given by the Safran Group are as follows:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Employee-related commitments	86	84
Commitments given to customers (completion warranties, performance bonds)	275	312
Commitments given to third parties	1,096	1,173
Commitments given to customs authorities	78	84
Vendor warranties received ⁽¹⁾	110	21
Actuarial differences and unrecognized past service cost	131	149
Other commitments given	164	192
TOTAL	1,940	2,015

(1) Vendor warranties the amount of which is fixed or determinable.

The various commitments received by the Safran Group are as follows:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Commitments received from banks on behalf of suppliers	15	10
Completion warranties	19	18
Endorsements and guarantees received	53	54
Vendor warranties received ⁽¹⁾	203	162
Other commitments received	3	5
TOTAL	293	249

(1) Vendor warranties received at December 31, 2011 do not include those received as part of the acquisition of SME, which are described in Note 3.

No commitments were given or received in respect of discontinued operations.

Other contractual obligations and commitments

The Group also recognizes obligations or commitments to make future payments:

<i>(in € millions)</i>	Dec. 31, 2010 Total	Dec. 31, 2011 Total	Period to maturity		
			Less than 1 year	1 to 5 years	Beyond 5 years
Long term borrowings at inception	803	770	249	369	152
Finance lease commitments	191	176	13	71	92
Operating lease commitments	218	234	62	126	46
Bond issue	762	833	70	763	–
TOTAL	1,974	2,012	394	1,329	290

Lease payments recognized in profit or loss for the year amounted to €102 million.

Vendor warranties

Vendor warranties are given or received on the acquisition or sale of companies. In 2011, one warranty was called in relation to the recent acquisition of SME (see Note 3). At December 31, 2011, no other such warranties had been called, thus making unnecessary the recognition of a provision in the Group's consolidated financial statements.

Capital expenditure commitments

At December 31, 2011, capital expenditure commitments totaled €162 million versus €108 million at end-2010.

Financial guarantees granted on the sale of group products

These guarantees generate risks which represented a total gross amount of USD 143 million at December 31, 2011 (127 Million USD in 2010). This amount does not, however, reflect the actual risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, consisting of the aircraft pledged. Accordingly, the full amount of the net risk as calculated using the valuation model is covered by a provision in the financial statements (see Note 22).

NOTE 33 Disputes and litigation

Except for the matters described below, neither Safran nor any of its subsidiaries are, or have been, notably during the last 12 months, parties to any governmental, legal or arbitration proceedings that are likely to have, or have had, in the recent past, a significant effect on the financial position or profitability of Safran and/or the Safran Group. A provision is only booked to cover the expenses that may result from such proceedings when the expenses are probable and their amount can be either quantified or reasonably estimated. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although the occurrence of events during the proceedings can nonetheless lead to a reassessment of the risk. Safran believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.
- In a decision dated May 26, 2011, the Paris Court of Appeals upheld the ruling of the Commercial Court and ordered Sagem Défense Sécurité to pay €10 million in damages to a supplier. As the Court of Appeals' decision was enforceable, Sagem Défense Sécurité paid these damages in full. Sagem Défense Sécurité appealed this decision before the Court of Cassation. Non-recurring operating expenses recognized in 2011 in this respect amounted to €7 million, after taking into account provisions previously set aside.
- SME, which was acquired by Safran from SNPE on April 5, 2011, received a formal notice from the prefecture of Haute Garonne in July 2010 ordering the company to cease contaminating surface water supplies with perchlorate ion. SME filed an application for annulment of this order. The proceedings are ongoing. A letter from the prefecture dated March 14, 2011 stated that an offense report would be drawn up for failure to comply with this order. However, SME has not received any further information on this matter. In relation to this contamination, two reports were drawn up against SME for failure to separate networks and disclose pollution information, in addition to an offense report for the unauthorized discharge of a harmful substance.

Lyonnaise des Eaux, which holds the water management concession for the city of Bordeaux, as well as the urban community of Bordeaux (*Communauté Urbaine de Bordeaux – CUB*), have served SME with a writ of summons for summary proceedings before the Paris Large Claims Court (*Tribunal de Grande Instance*). In an order handed down on November 2, 2011, a legal expert was appointed in order to determine the original cause and impact of the perchlorate-contaminated drinking water supply.

The SME purchasing agreements include environmental guarantees given by SNPE to Safran which provide for the carrying out by SME of additional analyses and the adoption of a plan of action for perchlorate management (see Note 3), the content of which must be validated by the authorities. The implementation of these measures should have a positive impact on these proceedings.

- At the end of 2002, a group of French manufacturers, including the former Snecma Group, was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers and in which Snecma's participation was approximately 10%. All the manufacturers concerned contested this claim. An agreement was signed, whereby the manufacturers concerned by the request for arbitration waived their right to invoke the legal statute of limitations, and the claimant withdrew its request for arbitration in June 2003. However, it reserved the right to submit a new claim for a greater amount. Safran has not yet recognized a provision in this respect.
- EPI Europrop International, the joint company in which Snecma is shareholder and guarantor along with its fellow shareholders, develops engines for the A400M aircraft. Airbus Military, a client of EPI, brought a number of claims against the company in 2007 and 2008. Agreements signed in April 2011 put a definitive end to these claims.
- At the end of 2008, proceedings were brought against three employees of a Group subsidiary in connection with the alleged payment by Sagem SA of commissions to local intermediaries between 2000 and 2003. These payments were allegedly made in an attempt to corrupt employees of

the Nigerian government with the aim of being awarded the State's electronic ID card contract. Safran was also placed under judicial investigation in connection with this case in February 2009. In a written statement dated January 18, 2011, the public prosecutor of Paris requested the partial dismissal of the claim in favor of Safran and one of the three employees indicted, and referral of the case of the other two employees to the Correctional Court. In an order dated February 28, 2011, the investigating judge decided to refer the case of Safran and the two employees to the Correctional Court. The third employee was acquitted. The proceedings are ongoing. In September 2009, a tax collection notice was issued for €11.7 million, further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment was challenged and a claim was filed by Safran in 2011.

- In 2009 and 2010, Safran received several requests for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA. The activities concerned by the inquiry were sold to General Cable at the end of 2005. On July 5, 2011, Safran was served a statement of objections by the European Union. General Cable, which also received a statement of objections from the Commission in the same case, has filed a claim with Safran under the sale agreement in order to protect its rights in the event that an unfavorable decision against the entity sold is fully or partially covered by

the vendor's warranty. Safran had access to the file and replied to the objections in October 2011. Based on an analysis of all aspects of this case known to date, the Group's exposure to this risk is not considered material.

Tax litigation and contingencies

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expense between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007 before the tax authorities who rejected this claim on June 24, 2011. Safran filed a statement of claim with the Administrative Court. No provision has been set aside yet in respect of this adjustment.
- Two of the Group's subsidiaries in Brazil were served tax deficiency notices for €56.2 million and €19.3 million, respectively, chiefly in connection with unpaid import levies and duties. In light of existing legislation and case law with regard to the customs clearance for aviation products, along with information supplied by the subsidiaries, these tax adjustments have been challenged. In light of the observations made by one of these entities, at December 31, 2011, the initial amount concerned had been reduced from €19.3 million to €1.9 million.

NOTE 34 Subsequent events

On February 9, 2012, Safran issued USD 1.2 billion of senior unsecured notes on the US private placement market, which included:

- USD 155 million notes due February 2019 at a 3.70% coupon;
- USD 540 million notes due February 2022 at a 4.28 % coupon;

- USD 505 million notes due February 2024 at a 4.43% coupon.

This transaction enables Safran to diversify its financing sources at attractive conditions, to lengthen the maturity of its debt profile and to provide long term funding for the acquisitions made in the past 3 years.

NOTE 35 List of consolidated companies

	Country	2010		2011	
		Consolidation method	% interest	Consolidation method	% interest
Aerospace Propulsion					
Snecma – 75015 Paris	France	FC	100.0	FC	100.0
CFM International SA – 75105 Paris	France	PC	50.0	PC	50.0
CFM International Inc. – City of Dover, Co Kent – Delaware 19901	United States	PC	50.0	PC	50.0
Famat – 44614 Saint-Nazaire cedex	France	PC	50.0	PC	50.0
Snecma Participations SA	France	FC	100.0	FC	100.0
Fan Blade Associates	United States	FC	100.0	FC	100.0
Snecma Xinyi Airfoil Castings Co Ltd.	China	FC	90.0	FC	90.0
Snecma Suzhou	China	FC	100.0	FC	100.0
Snecma Services Brussels – 1200 Woluwé Saint Lambert	Belgium	FC	100.0	FC	100.0
Snecma Morocco Engine Services	Morocco	FC	51.0	FC	51.0
Snecma Participations Inc.	United States	FC	100.0	FC	100.0
Snecma America Engine Services	Mexico	FC	100.0	FC	100.0
Shannon Engine Support Ltd. – Shannon, Co Clare	Ireland	PC	50.0	PC	50.0
Propulsion Technologies International – Miami, Florida 33122 ⁽³⁾	United States	FC	51.0	PC	50.0
CFAN	United States	PC	50.0	PC	50.0
CFM Materials LP	United States	PC	50.0	PC	50.0
Techspace Aero – B4041 Milmort	Belgium	FC	55.78	FC	67.19
Techspace Aero Inc. – Cincinnati, Ohio 45246	United States	FC	55.78	FC	67.19
Cenco Inc. – Minnesota 55112	United States	FC	55.78	FC	67.19
Turbomeca SA – 64510 Bordes	France	FC	100.0	FC	100.0
Microturbo SA – 31200 Toulouse	France	FC	100.0	FC	100.0
Turbomeca Africa Pty. Ltd. – Bonaero Park 1622	South Africa	FC	51.0	FC	51.0
Turbomeca Australasia	Australia	FC	100.0	FC	100.0
Turbomeca Canada	Canada	FC	100.0	FC	100.0
Turbomeca do Brasil	Brazil	FC	100.0	FC	100.0
Turbomeca Germany	Germany	FC	100.0	FC	100.0
Turbomeca Asia Pacific	Singapore	FC	100.0	FC	100.0
Turbomeca Sud Americana	Uruguay	FC	100.0	FC	100.0
Turbomeca America Latina	Uruguay	FC	100.0	FC	100.0
Turbomeca Beijing Helicopter Engines Trading Cie Ltd.	China	FC	100.0	FC	100.0
Turbomeca Tianjing Helicopter Engines Trading Cie Ltd. ⁽²⁾	China	–	–	FC	100.0
Turbomeca UK	United Kingdom	FC	100.0	FC	100.0
Turbomeca USA Inc. – Wilmington/Delaware 19808	United States	FC	100.0	FC	100.0
Turbomeca Manufacturing Inc. – Monroe/North Carolina	United States	FC	100.0	FC	100.0
Snecma Propulsion Solide – 33187 Le Haillan	France	FC	100.0	FC	100.0
Europropulsion SA – 92150 Suresnes	France	PC	50.0	PC	50.0
SME – 75015 Paris ⁽¹⁾	France	–	–	FC	100.0
Roxel SAS – 92350 Le Plessis Robinson ⁽¹⁾	France	–	–	PC	50.0
Pyroalliance – 78130 Les Mureaux ⁽¹⁾	France	–	–	FC	85.0
Structil – 91710 Vert Le Petit ⁽¹⁾	France	–	–	FC	80.0
Roxel France SA – 33160 Saint Medard en Jalles ⁽¹⁾	France	–	–	PC	50.0
Roxel Ltd. ⁽¹⁾	United Kingdom	–	–	PC	50.0
Regulus – 97 372 Kourou ⁽¹⁾	France	–	–	PC	40.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method.

(1) Acquired on April 5, 2011.

(2) First-time consolidation in 2011.

(3) Change in consolidation method.

	Country	2010		2011	
		Consolidation method	% interest	Consolidation method	% interest
Aircraft Equipment					
Aircelle – Gonfreville l'Orcher – 76700 Harfleur	France	FC	100.0	FC	100.0
Aircelle Ltd. – Burnley, Lancashire	United Kingdom	FC	100.0	FC	100.0
SLCA – 57192 Floranges	France	FC	100.0	FC	100.0
Aircelle Maroc	Morocco	FC	100.0	FC	100.0
Messier-Bugatti-Dowty – 78141 Velizy (formerly Messier-Bugatti SA)	France	FC	100.0	FC	100.0
Messier-Dowty SA – 78142 Velizy ⁽¹⁾	France	FC	100.0	–	–
Messier Services International – 78140 Velizy ⁽¹⁾	France	FC	100.0	–	–
Messier Services SA – 78140 Velizy ⁽²⁾	France	FC	100.0	–	–
Messier Services Inc. – Sterling Virginia 20166-8914	United States	FC	100.0	FC	100.0
Messier Services Pte Ltd. Singapore 508985	Singapore	FC	100.0	FC	100.0
Messier Services Ltd. – Gloucester GL2 9QH	United Kingdom	FC	100.0	FC	100.0
Messier Services Americas	Mexico	FC	100.0	FC	100.0
Messier Services Mexico	Mexico	FC	100.0	FC	100.0
Sofrance SA – 87800 Nexon	France	FC	100.0	FC	100.0
Messier Services Pte. Ltd. – Singapore 508985	Singapore	FC	60.0	FC	60.0
Hydrep – 35800 Saint-Lunaire	France	PC	50.0	PC	50.0
A-Pro Inc.- Tallahassee Florida 32301	United States	PC	50.0	PC	50.0
Messier-Dowty Ltd. – Gloucester GL2 9QH	United Kingdom	FC	100.0	FC	100.0
Messier-Dowty Inc. – Ajax Ontario	Canada	FC	100.0	FC	100.0
Messier Dowty Mexico SA de CV ⁽³⁾	Mexico	–	–	FC	100.0
Suzhou II	China	FC	100.0	FC	100.0
Messier-Bugatti USA – Walton – Kentucky 41094	United States	FC	100.0	FC	100.0
Technofan SA – 31700 Blagnac	France	FC	93.91	FC	94.85
Technofan Inc. ⁽³⁾	United States	–	–	FC	100.0
Labinal – 31700 Blagnac	France	FC	100.0	FC	100.0
Labinal GmbH – 21129 Hamburg	Germany	FC	100.0	FC	100.0
Labinal Maroc	Morocco	FC	74.92	FC	74.92
Matis Aerospace	Morocco	PC	33.33	PC	50.0
Safran Engineering Services – 78990 Elancourt	France	FC	100.0	FC	100.0
Labinal Inc. – Wilmington/Delaware 19808	United States	FC	100.0	FC	100.0
Labinal de Mexico SA de CV – Chihuahua	Mexico	FC	100.0	FC	100.0
Labinal Salisbury Inc. Maryland	United States	FC	100.0	FC	100.0
Labinal de Chihuahua, SA de CV	Mexico	FC	100.0	FC	100.0
Safran Engineering Services Maroc	Morocco	FC	100.0	FC	100.0
Safran Engineering Services India	India	FC	100.0	FC	100.0
Hispano-Suiza SA – 92707 Colombes	France	FC	100.0	FC	100.0
Hispano-Suiza Polska	Poland	FC	100.0	FC	100.0
SEM MB SA – 95815 Argenteuil	France	PC	50.0	PC	50.0
Globe Motors Inc. Wilmington/Delaware 19808	United States	FC	100.0	FC	100.0
Globe Motors Portugal – Modivas Vila do Conde 4485-595	Portugal	FC	100.0	FC	100.0
Globe Motors de Mexico, SA de CV	Mexico	FC	100.0	FC	100.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method.

(1) Merged with Messier Bugatti Dowty on January 1, 2011.

(2) Merged with Messier Services International on January 1, 2011.

(3) First-time consolidation in 2011.

	Country	2010		2011	
		Consolidation method	% interest	Consolidation method	% interest
Defence					
Sagem Défense Sécurité – 75015 Paris	France	FC	100.0	FC	100.0
Sofradir	France	PC	40.0	PC	40.0
Vectronix AG	Switzerland	FC	100.0	FC	100.0
Safran Electronics Canada	Canada	FC	100.0	FC	100.0
Sagem Navigation GmbH	Germany	FC	100.0	FC	100.0
Safran Electronics Inc. ⁽¹⁾	United States	FC	100.0	–	–
Safran Electronics Asia Pte. Ltd.	Singapore	FC	51.0	FC	51.0
ULIS	France	PC	34.01	PC	34.01
Vectronix Inc.	United States	FC	100.0	FC	100.0
Optics1 Inc.	United States	FC	100.0	FC	100.0
Sagem Avionics Inc.	United States	FC	100.0	FC	100.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method.

(1) Merged with Technofan Inc.

03 | Financial statements

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

	Country	2010		2011	
		Consolidation method	% interest	Consolidation method	% interest
Security					
Morpho – 75015 Paris	France	FC	100.0	FC	100.0
Morpho USA Inc.	United States	FC	100.0	FC	100.0
Morpho Cards GmbH (formerly Sagem Orga GmbH)	Germany	FC	100.0	FC	100.0
Ingenico	France	EQ	22.58	EQ	22.65
Morpho BV (formerly Sagem Identification BV)	Netherlands	FC	100.0	FC	100.0
Morpho Australasia Pty. Ltd.	Australia	FC	100.0	FC	100.0
Sagem Sécurité Maroc	Morocco	FC	100.0	FC	100.0
Aleat	Albania	FC	75.0	FC	75.0
Morpho UK Ltd.	United Kingdom	FC	100.0	FC	100.0
Morpho South Africa (Pty) Ltd.	South Africa	FC	100.0	FC	100.0
Orga Carte et Système	France	FC	100.0	FC	100.0
Morpho Cards Pte. Ltd. (formerly Sagem Orga Pte. Ltd.)	Singapore	FC	100.0	FC	100.0
Orga Zelenograd Smart Cards and Systems	Russia	FC	100.0	FC	100.0
Morpho Cards do Brasil (formerly Sagem Orga do Brasil)	Brazil	FC	100.0	FC	100.0
Orga Smart Chip Ltd.	India	FC	100.0	FC	100.0
Quantum Magnetics Inc.	United States	FC	81.0	FC	81.0
Morpho Detection GmbH	Germany	FC	81.0	FC	81.0
Morpho Detection UK	United Kingdom	FC	81.0	FC	81.0
Morpho Detection International Inc.	United States	FC	81.0	FC	81.0
Syagen Technology Inc. ⁽²⁾	United States	–	–	FC	81.0
Morpho Detection Hong Kong	China	FC	81.0	FC	81.0
Orga Syscom Corporation Ltd.	India	FC	100.0	FC	100.0
Morpho Cards Colombia SAS ⁽²⁾	Colombia	–	–	FC	100.0
Morpho Cards USA, Inc. (formerly Sagem Orga USA, Inc.)	United States	FC	100.0	FC	100.0
Morpho Cards UK Ltd. (formerly Sagem Orga UK Ltd.)	United Kingdom	FC	100.0	FC	100.0
Morpho Cards Portugal (formerly Orga Card Portugal)	Portugal	FC	100.0	FC	100.0
Morpho Cards de Peru SAC ⁽¹⁾	Peru	–	–	FC	100.0
Morpho South Africa Pty. Ltd. (formerly Sagem Orga SA Pty. Ltd.)	South Africa	FC	100.0	FC	100.0
Sagem Orga FZ LLC	United Arab Emirates	FC	100.0	FC	100.0
Morpho Cards Romania SRL (formerly Sagem Orga SRL)	Romania	FC	100.0	FC	100.0
Sagem Orga Mexico	Mexico	FC	100.0	FC	100.0
Morpho Cards Indonesia ⁽¹⁾	Indonesia	–	–	FC	100.0
MorphoTrak Inc.	United States	FC	100.0	FC	100.0
MorphoDetection Inc.	United States	FC	81.0	FC	81.0
Morpho Trust Inc. ⁽²⁾	United States	–	–	FC	100.0
L-1 Identity Solutions Inc. ⁽²⁾	United States	–	–	FC	100.0
Integrated Biometric Technology LLC ⁽²⁾	United States	–	–	FC	100.0
Integrated Biometric Technology Services LLC ⁽²⁾	United States	–	–	FC	100.0
Bioscrypt US Inc. ⁽²⁾	United States	–	–	FC	100.0
SecuriMetrics, Inc. ⁽²⁾	United States	–	–	FC	100.0
Identix Incorporated ⁽²⁾	United States	–	–	FC	100.0
ComnetiX, Inc. ⁽²⁾	Canada	–	–	FC	100.0
Bioscrypt Canada Inc. ⁽²⁾	Canada	–	–	FC	100.0
L-1 Secure Credentialing, Inc. ⁽²⁾	United States	–	–	FC	100.0
L-1 International Inc. ⁽²⁾	United States	–	–	FC	100.0
Trans Digital Technologies LLC ⁽²⁾	United States	–	–	FC	100.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method.

(1) First-time consolidation in 2011.

(2) Acquired on July 25, 2011.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

	Country	2010		2011	
		Consolidation method	% interest	Consolidation method	% interest
Holding company and other					
Safran Informatique – 75015 Paris ⁽¹⁾	France	FC	100.0	–	–
Safran USA Inc. – Wilmington/Delaware 19808	United States	FC	100.0	FC	100.0
Etablissements Vallaroché SA – 75015 Paris	France	FC	100.0	FC	100.0
Soreval – L2633 Senningerberg	Luxembourg	FC	100.0	FC	100.0
Lexvall 2 – 75015 Paris	France	FC	100.0	FC	100.0
Lexvall 13 – 75015 Paris	France	FC	100.0	FC	100.0
Safran UK	United Kingdom	FC	100.0	FC	100.0
Safran Employment Services Inc. – Grand Prairie/Texas 75052	United States	FC	100.0	FC	100.0
Sagem Mobiles – 75015 Paris	France	FC	100.0	FC	100.0
Sagem Industries – 75015 Paris	France	FC	100.0	FC	100.0
Sagem Télécommunications – 75015 Paris	France	FC	100.0	FC	100.0
Labinal Investments Inc. – Grand Prairie/Texas 75052	United States	FC	100.0	FC	100.0

FC: Full consolidation. PC: Proportional consolidation. EQ: Equity method.

(1) Merged with Safran on January 1, 2011.

3.2

STATUTORY AUDITORS' REPORT ON THE
CONSOLIDATED FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2011)

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2011 on:

- the audit of the accompanying consolidated financial statements of Safran,
- the justification of our assessments,
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As stated in the Note 2 to the consolidated financial statements, the preparation of the group's consolidated financial statements requires Safran's management to define assumptions in order to make estimates that have an impact on the book values of the assets and liabilities and on the income and expenses recorded in the consolidated financial statements, as well as on the disclosures in the notes to the consolidated financial statements.

We consider that the matters that are the subject of significant estimates and for which our assessments require justification include fixed asset impairment tests and the valuation of certain provisions.

Fixed asset impairment tests

At least once a year and at any time if there are indications of impairment, the Group performs impairment tests on goodwill. Also, at each annual close, the Group performs impairment tests on assets allocated to programs (aerospace programs, development costs and tangible assets used in production) when occurrence of events or circumstances indicating a risk of impairment. These tests are based on the discounting of future cash flows expected from cash generating units, projects or programs to which the dedicated assets are attached, according to the conditions described in Note 1.L to the consolidated financial statements. We reviewed the conditions of implementation of these impairment tests and verified the consistency of the assumptions adopted. We also verified that the Notes 11 and 12 to the consolidated financial statements give the appropriate disclosure.

Provisions

Safran recognizes provisions for losses upon completion, losses in backlog, provisions for financial guarantees relating to sales and provisions for commercial guarantees, as described in Note 1.R to the consolidated financial statements. Our work consisted notably in assessing the assumptions, the contractual and forecast data, and the technical and statistical bases on which these estimates are based, reviewing Group's calculations by means of sampling, and examining the procedures for the management's approval of these estimates. On that basis, we assessed the reasonable nature of these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, April 11, 2012

The Statutory Auditors

French original signed by

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

3.3 PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2011

PARENT COMPANY INCOME STATEMENT

<i>(in € millions)</i>	Note	2010	2011
Revenue	13	130.0	242.7
Other operating income		14.1	6.8
Transfer of charges	14	11.2	11.4
Reversal of depreciation, amortization and provisions	9	13.0	23.3
Operating income		168.3	284.2
Purchases of commodities		–	(0.5)
Cost of goods sold		(127.7)	(205.2)
Taxes and duties other than income tax		(5.8)	(8.3)
Payroll costs		(94.8)	(163.5)
Charges to depreciation, amortization and provisions:			
Charges to depreciation and amortization	9	(3.3)	(11.8)
Charges to provisions for contingencies and losses		(26.9)	(6.4)
Other expenses		(2.1)	(1.6)
Operating expenses		(260.6)	(397.3)
Profit (loss) from operations		(92.3)	(113.1)
Dividends received from investments		426.2	384.8
Income from other marketable securities and long-term loans		38.3	47.1
Other interest and similar income		48.9	46.5
Reversal of provisions and transfer of charges		252.1	56.5
Foreign exchange gains		61.5	–
Net proceeds from sales of marketable securities		0.1	0.1
Financial income		827.1	535.0
Charges to provisions for financial items		(299.3)	(21.5)
Interest and similar expenses		(72.0)	(89.0)
Foreign exchange losses		–	(31.5)
Net losses on sales of marketable securities		–	–
Financial expenses		(371.3)	(142.0)
Net financial income	15	455.8	393.0
Profit from ordinary activities before tax		363.5	279.9
Non-recurring income from non-capital transactions		0.1	0.4
Non-recurring income from capital transactions		480.7	472.1
Reversal of provisions and transfer of charges		4.6	43.5
Non-recurring income		485.4	516.0
Non-recurring expenses on non-capital transactions		(3.6)	(0.7)
Non-recurring expenses on capital transactions		(444.1)	(426.5)
Charges to provisions for non-recurring items		(15.2)	(19.8)
Non-recurring expenses		(462.9)	(447.0)
Net non-recurring income	16	22.5	69.0
Statutory employee profit-sharing	18	–	–
Income tax benefit arising from tax consolidation	18	81.3	85.4
Provisions set aside to cover income taxes of loss-making subsidiaries	18	29.8	(81.4)
PROFIT FOR THE YEAR		497.1	352.9

PARENT COMPANY BALANCE SHEET AT DECEMBER 31, 2011

<i>(in € millions)</i>	Note	Dec. 31, 2010	Dec. 31, 2011		
			Net	Gross	Deprec., amort. and provisions
ASSETS					
Non-current assets					
Intangible assets					
• Purchased goodwill	2	3,268.2	3,268.2		3,268.2
• Other intangible assets	2	6.1	42.6	30.3	12.3
Total intangible assets		3,274.3	3,310.8	30.3	3,280.5
Property, plant and equipment	2	13.8	85.1	55.6	29.5
Financial assets					
• Equity investments	2	4,421.2	5,359.0	507.5	4,851.5
• Other financial assets	2	605.4	1,298.2	–	1,298.2
Total financial assets	2	5,026.6	6,657.2	507.5	6,149.7
Total non-current assets		8,314.7	10,053.1	593.4	9,459.7
Current assets					
• Payments on account		1.3	6.5		6.5
Accounts receivable					
• Trade receivables	3	43.2	67.0		67.0
• Other receivables	3	156.5	195.5		195.5
• Group current accounts	3	857.1	1,449.3		1,449.3
Marketable securities					
• Treasury shares	6	99.0	112.2	2.8	109.4
• Other securities	6	1,551.2	895.7		895.7
Cash at bank and in hand		241.6	193.4		193.4
Prepayments	5	3.8	6.9		6.9
Total current assets		2,953.7	2,926.5	2.8	2,923.7
Redemption premiums	7	0.2	0.1		0.1
Unrealized foreign exchange losses		40.6	43.0		43.0
TOTAL ASSETS		11,309.2	13,022.7	596.2	12,426.5

<i>(in € millions)</i>	Note	2010	2011	
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital (fully paid up)	8	83.4		83.4
Additional paid-in capital		3,288.6		3,288.6
Reserves:				
• Legal reserve		8.3		8.3
• Tax-driven reserves		302.0		302.0
• Other reserves		1,028.7		1,321.1
Retained earnings		6.5		6.5
Profit for the year		497.1		352.9
Interim dividends		–		(102.5)
Tax-driven provisions	9	0.8		5.7
Total Equity		5,215.4		5,266.0
Provisions for contingencies and losses				
Provisions for contingencies	9	11.1		12.8
Provisions for losses	9 and 10	772.9		841.8
Total Provisions for contingencies and losses		784.0		854.6
Liabilities				
Bond issue	11	750.0		750.0
Loans and borrowings		937.3		1,279.5
Payments received on account		–		1.3
Group current accounts		3,137.4		3,562.4
Trade payables		43.8		73.3
Due to suppliers of non-current assets		10.5		9.9
Other liabilities		396.5		491.5
Total Liabilities		5,275.5		6,167.9
Unrealized foreign exchange gains		34.3		138.0
TOTAL EQUITY AND LIABILITIES		11,309.2		12,426.5

PARENT COMPANY STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	2010	2011
I. Cash flows from operating activities		
Profit for the year	497.1	352.9
Elimination of non-cash items and income and expenses not relating to operations		
• Net charge to depreciation, amortization and provisions	45.2	44.5
• Capital gains/losses on asset disposals	(36.4)	(71.8)
• Surplus arising on the asset and liability transfer ("TUP")	–	(1.2)
Net cash from operations before changes in working capital	505.9	324.4
Changes in working capital (*)	977.1	(14.3)
Net cash from operating activities	1,483.0	310.1
II. Cash flows from investing activities		
Purchases of intangible assets and property, plant and equipment	(5.0)	(16.6)
Increase in financial assets	(1,741.8)	(419.7)
Loans granted	(34.9)	(973.9)
Loans repaid	807.6	206.1
Sales of intangible assets and property, plant and equipment	–	–
Sales of financial assets	100.2	122.8
Net cash used in investing activities	(873.9)	(1,081.3)
III. Cash flows from financing activities		
Dividends paid to shareholders	(153.1)	(203.2)
Interim dividends	–	(102.5)
Increase in borrowings	300.0	12.8
Decrease in borrowings	(66.7)	(59.0)
Change in share capital	–	–
Change in short-term borrowings	(791.0)	388.5
Net cash from (used in) financing activities	(710.8)	36.6
Increase (decrease) in cash and cash equivalents	(101.7)	(734.6)
Opening cash and cash equivalents	1,994.1	1,911.9
Treasury shares reclassified as marketable securities	19.5	24.0
Increase (decrease) in cash and cash equivalents	(101.7)	(734.6)
Closing cash and cash equivalents (**)	1,911.9	1,201.3

(*) In view of the nature of the Company's operations, this line includes changes in current accounts.

(**) Closing cash and cash equivalents:

	2010	2011
Treasury shares	119.1	112.2
Other	1,551.2	895.7
Cash at bank and in hand	241.6	193.4
Short-term bank facilities and bank overdrafts	–	–
Closing cash and cash equivalents	1,911.9	1,201.3
Closing cash and cash equivalents	1,911.9	1,201.3
Provisions for impairment of treasury shares	(20.1)	(2.8)
Net cash and cash equivalents recorded in the balance sheet	1,891.8	1,198.5

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Foreword	136
Note 1 Accounting policies	136
Note 2 Non-current assets, gross carrying amount, depreciation, amortization and impairment	140
Note 3 Maturities of receivables and liabilities	141
Note 4 Accrued income	142
Note 5 Prepayments and deferred income	142
Note 6 Marketable securities	142
Note 7 Redemption premiums	143
Note 8 Equity	144
Note 9 Provisions	145
Note 10 Employee benefit obligations	146
Note 11 Bond issue	147
Note 12 Accrued expenses	147
Note 13 Breakdown of revenue	147
Note 14 Transfer of charges	147
Note 15 Financial income and expenses	148
Note 16 Non-recurring items	148
Note 17 Related-party transactions	148
Note 18 Income tax and statutory employee profit-sharing	149
Note 19 Average headcount and management compensation	149
Note 20 Individual training entitlement	150
Note 21 Off-balance sheet commitments	150
Note 22 Disputes and litigation	152
Note 23 Other information	153
Note 24 Subsequent events	153
List of subsidiaries and associates	154

FOREWORD

Safran decided that the assets and liabilities of its subsidiary Safran Informatique would be transferred to Safran SA with effect from January 1, 2011. The assets and liabilities were transferred on the basis of their net carrying amount. This transaction resulted in a €3.5 million surplus shown in financial income and expenses for €1.2 million and in equity for €2.3 million.

As from January 1, 2011, the operations of this former subsidiary are therefore included in Safran's financial statements.

The main impacts of this transaction led to a €48 million increase in revenue, a €13 million increase in property, plant and equipment, and a €15 million increase in trade payables.

NOTE 1 Accounting policies

(A) Accounting rules and methods

The parent company financial statements for the year ended December 31, 2011 have been prepared in accordance with accounting rules and regulations applicable in France pursuant to CRC Regulation 99-03 issued by the French Accounting Regulation Committee on April 29, 1999 and subsequent opinions and recommendations issued by the French National Accounting Council (CNC) and the French accounting standard-setter (ANC).

(B) Intangible assets

All intangible assets are valued at purchase cost.

- The "technical" merger deficit generated by the 2005 merger of Snecma into Sagem SA based on carrying amounts was recorded as an asset. Of the total, 83.39% – based on Sagem SA's stake in Snecma following the tender offer but before the merger – corresponded to unrealized capital gains on the Snecma brand name and on the equity investments carried in Snecma's balance sheet. The capital gains were determined using the same approach as that applied to measure the fair values of the identifiable assets and liabilities of the Snecma group companies at April 1, 2005 for recognition in Safran's consolidated balance sheet. The merger deficit was therefore allocated to Snecma's various assets as explained in Note 2.A, without adjusting their carrying amounts in the accounts of Safran. The merger deficit is not amortizable and is therefore tested annually for impairment. In the event that any of the underlying assets (equity investments, brands) are sold, the portion of the deficit allocated to the assets concerned without adjusting their carrying amount will be written off to the income statement.
- Patents and licenses are amortized over the shorter of the period of legal protection and period of effective use.
- Application software is amortized on a straight-line basis over a period of one to five years.

(C) Property, plant and equipment

As required by the applicable accounting regulations, since January 1, 2005 property, plant and equipment have been depreciated over their useful lives.

Property, plant and equipment are recorded in the balance sheet at historical purchase cost less accumulated depreciation and impairment losses.

Assets purchased before December 31, 1976 which were included in the 1976 legal revaluation are stated at revalued cost.

Assets purchased after January 1, 1977 are valued at purchase cost, plus incidental acquisition expenses (necessary to bring the asset into a state of use) and any customs duties.

Assets purchased in a foreign currency are translated into euros at the exchange rate prevailing on the transaction date.

Assets produced by the Company are recorded at production cost.

In compliance with CRC Regulation 04-06, significant components of certain buildings whose useful lives differ from that of the asset as a whole are recognized and depreciated separately.

Depreciation and amortization

The main useful lives applied to property, plant and equipment are as follows:

- Buildings 15 to 40 years
- Building improvements and fixtures and fittings 10 years
- Office furniture 6 years and 8 months
- Office equipment 6 years and 8 months
- Vehicles 4 years
- Technical installations, equipment and industrial tools 3 to 10 years

Property, plant and equipment are depreciated on a straight-line or declining-balance basis.

Increases in standard depreciation rates permitted by the tax authorities to encourage investment are considered as "accelerated tax depreciation" and are recorded in tax-driven provisions in equity.

Impairment tests

If there is any evidence that an asset may be impaired at year-end, the Company performs an impairment test.

Impairment is recognized in the income statement when the recoverable amount of the asset falls below its net carrying amount. Recoverable amount is the higher of fair value and value in use.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell. Value in use is based on the present value of expected future cash flows, using a benchmark discount rate which reflects the Group's weighted average cost of capital.

(D) Financial assets

Gross carrying amount

Financial assets are recorded at purchase price.

The 2007 French Finance Act introduced a new tax treatment of equity investment acquisition expenses, requiring their capitalization (inclusion in the cost price of securities) and amortization over a period of five years by way of accelerated tax depreciation.

Therefore, in accordance with the opinion issued by the CNC Urgent Issues Taskforce on June 15, 2007, the Company elected for a change in tax option from January 1, 2007, whereby the gross carrying amount of equity investments purchased after this date corresponds to the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of five years.

Methods used to calculate the fair value of financial assets

The fair value of equity investments as defined below is compared to their carrying amount, which is calculated as the gross value of the investments plus the technical merger deficit allocated to these investments without affecting their carrying amount (see Note 1.B), less the contingency provision covering the risk of Safran SA having to redistribute the tax savings arising due to the use of tax losses of subsidiaries in the tax consolidation group (see Note 1.M).

The fair value of equity investments is calculated:

- based on their average market price for the month preceding the year-end for listed investments;
- based on their share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes;
- based on the intrinsic value of equity, reflecting the present value of the expected future cash flows (enterprise value), less debt where appropriate.

Expected future cash flows are calculated based on the medium-term plans established for the next four years and on forecast cash flows for years 5 to 10. The enterprise value of the assets is the sum of the

present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term operations for years 5 to 10, taking into account a perpetual growth rate.

These cash flows are discounted using the Group's benchmark discount rate, which reflects its weighted average cost of capital.

As from 2011, annual impairment tests are performed during the first half of the year in order to bring this procedure into line with the Group's internal medium- and long-term forecasting timetable.

A write-down is recorded when the fair value falls below the carrying amount.

Provisions are recorded in respect of loans and other financial assets when their recovery is uncertain.

(E) Receivables and payables

Receivables and payables are recorded at nominal value. A provision for impairment in value is recognized for receivables where their recoverable amount is less than their carrying amount.

Foreign-currency denominated receivables and payables

Receivables and payables in foreign currencies are translated into euros at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded under unrealized foreign exchange gains and losses in the balance sheet.

A contingency provision is set aside for any net unrealized foreign exchange losses not offset by currency hedges.

(F) Investment securities

Investment securities are recorded at purchase cost. A provision for impairment is recorded when the fair value of securities, determined based on their value in use and their probable trading value, is less than their purchase cost. The fair value of listed securities is determined based on their average stock market price for the month preceding the year-end.

Treasury shares

Treasury shares are recorded at purchase cost. Fair value is equal to the lower of purchase cost and the average stock market price for the month preceding the year-end. A provision for impairment is recorded when the purchase cost exceeds the average stock market price. However, the following specific accounting rules apply for stock option and free share plans or any other type of employee share ownership plan:

- When shares are earmarked for a specific stock option plan whose exercise is considered probable, an additional calculation is performed for each plan. A contingency provision is recorded when the option exercise price is less than the fair value.

- When shares are allocated to a specific free share plan, their carrying amount corresponds to either (i) the purchase price of the shares if they were allocated to the plan as from its inception, or (ii) the net carrying amount of the shares at the date they are reclassified if they were allocated to the plan subsequent to their acquisition. These shares are not measured at fair value due to the underlying commitment to grant them to employees, which is covered by a provision recorded under liabilities in the balance sheet.

2012 leveraged plan

No provision was recognized for shares allocated to the 2012 leveraged plan (see Note 6) as the sale price for the shares in January 2012 (known at year-end) was higher than their cost.

(G) Cash at bank and in hand

Foreign-currency denominated liquid assets and current liabilities held at year-end are translated at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded in financial income and expenses.

(H) Tax-driven provisions

Investment provisions were recorded in prior years for statutory employee profit-sharing.

Provisions for accelerated tax depreciation are also recorded.

(I) Provisions for contingencies and losses

Clearly identified contingencies and losses which are likely to materialize in the light of past or current events are covered by provisions, particularly retirement bonus obligations and top-hat retirement plans.

Employee benefit obligations

The Company has various obligations under defined benefit plans, the most important of which are described below.

The Company's obligations for end-of-career bonuses payable pursuant to the metallurgy industry collective bargaining agreement or company agreements are covered by provisions.

Depending on their age brackets, managerial-grade staff are also covered by a supplementary defined contribution plan as well as a defined benefit top-hat retirement plan. Benefit obligations under the latter plan, which was closed in 1995, are also covered by provisions.

These obligations are recognized and measured in accordance with CNC Recommendation 2003-R-01 regarding the recognition and measurement of employee benefit obligations. All obligations under defined benefit plans are measured by an independent actuary.

Where appropriate, the impact of changes in actuarial assumptions underlying the calculation of post-employment benefits (end-of-career bonuses and top-hat retirement plans) is spread over the expected average remaining working lives of employees in accordance with the corridor method. Any liabilities not covered by a provision (actuarial differences and unrecognized past service costs) are recorded in off-balance sheet commitments.

All components of the net periodic pension cost (service cost, amortization of actuarial gains and losses, impacts of plan amendments, interest cost, return on plan assets) are shown within payroll costs.

(J) Financial instruments

Foreign currency hedges

Given the high number of foreign-currency denominated transactions carried out by certain subsidiaries, Safran manages foreign currency risk on behalf of these companies by hedging forecast commercial transactions using forwards, swaps and options.

The fair value of financial instruments set up by Safran to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran foreign exchange guarantee is recorded in the balance sheet.

The fair value of financial instruments used to hedge future transactions denominated in foreign currencies is not recorded in the balance sheet.

Premiums paid and received on options are initially recorded in the balance sheet and then released to profit or loss on maturity or expiration of the options.

Foreign currency gains and losses arising on these transactions along with hedging gains and losses transferred to subsidiaries are recorded as foreign exchange gains and losses.

Interest rate hedges

Safran may use interest rate swaps to hedge its exposure to changes in interest rates.

Commodity hedges

Safran enters into forward purchases of commodities to hedge its subsidiaries' exposure to fluctuations in the prices of certain listed commodities such as nickel and platinum. All gains and losses arising on these hedging transactions are transferred to subsidiaries.

(K) Revenue

Revenue comprises sales of services and income from related activities.

Recurring IT services are billed on a monthly basis.

Research services are recognized on a percentage-of-completion basis.

(L) Non-recurring items

Safran uses the definition of non-recurring items laid down in the French General Chart of Accounts. In particular, non-recurring items include capital gains and losses arising on the sale of non-current assets.

(M) Income tax and tax consolidation

In 2005, the Company elected for the group tax consolidation regime set out in articles 223-A to 223-Q of the French Tax Code.

In fiscal 2011, the tax consolidation group included the following companies:

- Safran (head of the tax group)
- Aircelle
- Aircelle Europe Services
- Confidence
- Établissements Vallaroche
- Hispano-Suiza
- Javel
- Labinal
- Lexsa
- Lexvall 2
- Lexvall 13
- Lexvall 21
- Lexvall 22
- Lexvall 23
- Lexvall 24

- Lexvall 25
- Messier-Bugatti-Dowty
- Microturbo
- Morpho
- Positive
- Safran Consulting (formerly Safran Conseil)
- Safran Engineering Services
- Safran International Resources
- Safran Sixty
- Sagem Défense Sécurité
- Sagem Industries
- Sagem Mobiles
- Sagem Télécommunications
- Société Lorraine de Constructions Aéronautiques
- Société de Motorisations Aéronautiques
- Snecma
- Snecma Participations
- Snecma Propulsion Solide
- Snecmasat
- Sofrance
- SSI
- Turbomeca
- Vallaroche Conseil

In accordance with the tax consolidation agreements entered into between Safran and its subsidiaries, each subsidiary in the tax group records in its accounts the amount of tax that it would have paid on a stand-alone basis. Any tax savings or additional liabilities arising as a result of tax consolidation are recorded by Safran in its capacity as head of the tax group.

Any tax savings arising on the use of tax losses of subsidiaries in the tax consolidation group are recorded in Safran's income statement and neutralized by way of a provision. This provision is released to profit or loss when prior year losses are used by the consolidated subsidiary or when they become time-barred and may no longer be used by the subsidiary concerned.

NOTE 2 Non-current assets, gross carrying amount, depreciation, amortization and impairment

(A) Non-current assets

(in € millions)	Opening gross carrying amount	Safran Informatique merger	Increase	Decrease	Closing gross carrying amount
Intangible assets					
Purchased goodwill/(merger deficit) ⁽¹⁾	3,268.2				3,268.2
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	9.9	25.7	7.1	0.1	42.6
TOTAL	3,278.1	25.7	7.1	0.1	3,310.8
Property, plant and equipment					
Land	2.9	2.0			4.9
Buildings	31.4	9.1	0.8	0.2	41.1
Technical installations, equipment and industrial tools	0.1		1.2		1.3
Other property, plant and equipment	6.8	27.7	4.5	4.3	34.7
Payments on account		0.1	3.1	0.1	3.1
TOTAL	41.2	38.9	9.6	4.6	85.1
Financial assets					
Equity investments ^{(2) (3)}	4,948.0	(8.7)	799.9	380.2	5,359.0
Loans to equity investments ⁽⁴⁾	521.4		969.7	199.8	1,291.3
Loans	2.8	0.1	0.1	0.2	2.8
Other ⁽⁵⁾	81.2		4.0	81.1	4.1
TOTAL	5,553.4	(8.6)	1,773.7	661.3	6,657.2

(1) The merger deficit was allocated "off-the-books" – i.e. without adjusting the carrying amounts of the related assets – to unrealized capital gains on the Snecma brand name in the amount of €56 million and on equity investments in the amount of €3,212 million (including Aircele – €185 million; Messier Bugatti Dowty – €172 million; Sagem Défense Sécurité – €31 million; Labinal and Safran Engineering Services – €214 million; Snecma SA – €2,098 million; Techspace Aero – €164 million; Snecma Propulsion Solide – €143 million; Turbomeca and Microturbo – €205 million).

(2) Increases in this item primarily reflect (i) the acquisition of shares in SME (€327 million) and Régulus (€21 million); (ii) the acquisition of non-controlling interests in Techspace Aéro (€37 million); (iii) the capital increase carried out by Safran USA (€34 million); and (iv) the increase in Messier Bugatti (now Messier Bugatti Dowty) shares for €380 million (Messier Bugatti Dowty shares were received in exchange for shares in Messier Dowty – wholly-owned by Safran since 2010 due to the earlier merger of Messier Dowty Int. Ltd into Messier Dowty – resulting in a share exchange for the same amount).

Decreases relate to the aforementioned transactions concerning shares in Messier-Dowty for €380 million.

(3) The 1.12% stake in Embraer, considered of strategic interest and a long-term investment, has been included in equity investments for €38.4 million (gross and net).

(4) Increases in this item relate mainly to Morpho USA for €845.7 million, L-1 Identity Solutions €66 million, and Morpho Cards do Brazil for €25 million.

Decreases correspond to repayments of loans, primarily by Messier Dowty (€70 million), Turbomeca (€32 million), Morpho (€20 million) and Messier Dowty Suzhou II (€18 million).

(5) A total of 4,254,082 treasury shares representing €51.0 million were sold, while 2,001,361 treasury shares were reclassified as marketable securities in an amount of €24.0 million.

(B) Depreciation, amortization and impairment

<i>(In € millions)</i>	Accumulated opening balance	Safran Informatique merger	Charges	Reversals	Accumulated closing balance
Intangible assets					
Concessions, patents, licenses, brand names, processes, software, rights and equivalent assets and other	3.8	23.0	3.7	0.2	30.3
TOTAL	3.8	23.0	3.7	0.2	30.3
Property, plant and equipment					
Land	–	0.1			0.1
Buildings	22.6	7.2	2.4	0.1	32.1
Technical installations, equipment and industrial tools	–		0.1		0.1
Other property, plant and equipment	4.8	17.2	5.6	4.3	23.3
TOTAL	27.4	24.5	8.1	4.4	55.6

See Note 9 for details of financial assets.

NOTE 3 Maturities of receivables and liabilities

<i>(In € millions)</i>	Gross carrying amount	Maturing in		
		1 year or less	between 1 and 5 years	beyond 5 years
Receivables				
Non-current assets				
Loans to equity investments	1,291.3	930.3	361.0	
Loans	2.8		2.8	
Other non-current financial assets	4.1		4.1	
Sub-total	1,298.2	930.3	367.9	–
Current assets				
Payments on account	6.5	6.5		
Trade receivables	67.0	67.0		
Prepaid and recoverable taxes	154.3	141.9	12.4	
Other receivables	41.2	41.2		
Group current accounts	1,449.3	1,449.3		
Prepayments	6.9	6.9		
Sub-total	1,725.2	1,712.8	12.4	–
SUB-TOTAL – RECEIVABLES	3,023.4	2,643.1	380.3	–
Liabilities				
Bond issue	750.0		750.0	
Loans and borrowings	1,279.5	979.4	112.5	187.6
Payments received on account	1.3	1.3		
Group current accounts	3,562.4	3,562.4		
Trade payables	73.3 ^(*)	73.3		
Due to suppliers of non-current assets	9.9	9.8	0.1	
Other liabilities	491.5	280.8	96.7	114.0
SUB-TOTAL – LIABILITIES	6,167.9	4,907.0	959.3	301.6

(*) The balance of trade payables comprises 25% payable in 30 days and 75% payable in 60 days (contractual payment period).

NOTE 4 Accrued income

In accordance with the accruals principle, accrued income is recorded in the following asset headings:

<i>(€ millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Trade receivables	34.4	12.8
Loans to equity investments	8.4	8.5
Group current accounts	0.2	0.1
TOTAL	43.0	21.4

NOTE 5 Prepayments and deferred income

Prepayments mainly comprise financial expenses, subscriptions to professional bodies, professional fees and equipment and software maintenance contracts.

The Company did not have any deferred income at end-2011 or end-2010.

NOTE 6 Marketable securities

Treasury shares (number of shares)

Opening treasury shares	14,196,061
Acquisition of shares from indirect subsidiaries Lexvall 2 and Lexvall 13 to be allocated to the leveraged plan	2,430,825
Acquisition of shares under the liquidity agreement	3,732,645
Sale of shares under the liquidity agreement	(3,426,916)
Sale of shares in connection with the accelerated book building procedure of July 28, 2011	(6,500,000)
Delivery of free shares to employees in France under the April 3, 2009 free share plan	(3,502,100)
Closing treasury shares	6,930,515
o/w recorded in "Marketable securities" (gross: €112.2 million; net: €109.4 million)	
• Shares earmarked for employees	6,624,786
• Shares held under a liquidity agreement	305,729
	6,930,515

A total of 6,000,000 treasury shares were delivered in January 2012 to settle the Group's obligations to its French employees under its leveraged employee shareholding plan launched in November 2011.

Free share plan

Pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008, the Executive Board decided to implement a free share plan on April 3, 2009. The plan was intended for employees of Group companies based in the European Union and on the payroll at April 3, 2009. A total of 42,345 beneficiaries based in ten different countries each received 100 shares under the plan.

Terms and conditions of the free share plan

Shares granted to employees of Group companies headquartered in France vest fully after a period of two years. The shares are also subject to a minimum two-year lock-up period, which begins on the date the shares fully vest. Shares granted to employees of Group companies headquartered outside France vest fully after a period of four years, but are not subject to a lock-up period.

These shares are not subject to any specific performance condition other than the employee's effective presence in the company throughout the vesting period.

All shares granted by Safran under such plans are equity-settled.

Free shares vested by employees of French companies were delivered on April 3, 2011 (3,502,100 shares).

The free shares will be delivered to employees of European subsidiaries on April 3, 2013.

Measurement of rights to free shares

Employee rights under the free share plan were measured based on the closing share price on the grant date, i.e. €7.54 per share.

	France	Other countries
Grant date	4/3/2009	4/3/2009
Vesting date	4/3/2011	4/3/2013
Post vesting lock-up period	2 years	none
Number of employee beneficiaries at the grant date	36,785	5,560
Number of shares granted per employee		100
Total number of shares granted	3,678,500	556,000
Market value of shares at the grant date		€7.54

The expense recognized for these shares in 2011 totaled €0.2 million and only corresponded to the expense related to Safran employees.

Leveraged Group savings plan

In November 2011, the Group launched a leveraged employee shareholding plan allowing employees working in France to acquire Safran shares under preferential conditions. A total of 6 million Safran shares were available for subscription under this plan.

The plan was rolled out to Group employees outside France in the first quarter of 2012.

Terms and conditions of the leveraged plan

Under this leveraged savings plan, employees can subscribe to Safran shares at a lower-than-market price (i.e., 20% less than the average of the closing share price between November 11 and December 8, 2011). These shares are subject to a five-year lock-up period.

For each share purchased by employees, a bank mandated by the Group contributes nine additional shares. Employees are guaranteed a return at least equal to the amount they invested. In addition, all amounts invested are indexed to the share price so that employees accrue a return on their investment if the share price rises above the undiscounted reference share price.

As consideration for the bank top-up and guarantees (capital and indexation) included in this plan, employees have waived their right to the 20% discount granted by Safran and to any dividends payable on the shares over the period.

All of the shares subscribed are held in a leveraged fund set up specifically for this purpose within the Group's employee savings plan.

Other securities

Other securities include short-term (less than three months) money market investments and term deposits with liquid exit options exercisable at no cost within three months, subject to an insignificant risk of changes in value.

NOTE 7 Redemption premiums

This item comprises the redemption premiums on the Company's bonds, which are being amortized over the life of the bonds.

NOTE 8 Equity

Changes in equity were as follows in 2011:

<i>(in € millions)</i>	Opening balance	Safran Informatique merger	Appropriation of 2010 profit	Increase	Decrease	Closing balance
Share capital	83.4					83.4
Additional paid-in capital	3,288.6					3,288.6
Legal reserve	8.3					8.3
Tax-driven reserves	302.0					302.0
Other reserves ⁽¹⁾	1,028.7	(1.6)	294.0			1,321.1
Retained earnings	6.5					6.5
2010 profit	497.1		(294.0)		203.1 ⁽²⁾	–
2011 profit	–			352.9		352.9
Interim dividends	–				102.5 ⁽³⁾	(102.5)
Tax-driven provisions	0.8	3.9		2.9	1.9	5.7
TOTAL	5,215.4	2.3	0.0	355.8	307.5	5,266.0

(1) Including €112.2 million in reserves hedging treasury shares held at December 31, 2011.

(2) 2010 dividends paid in 2011.

(3) An interim dividend of €0.25 per share was paid on December 22, 2011.

Share capital

At December 31, 2011 the Company's share capital comprised 417,029,585 ordinary shares with a par value of €0.20 each, listed on the Eurolist market (Compartment A) of NYSE Euronext Paris under ISIN code FR0000073272 (SAF).

Share ownership at December 31, 2011

	Shares		Voting rights	
	Number	%	Number	%
Private investors	216,692,488	51.96	226,748,673	44.78
French State	125,940,227	30.20	150,752,222	29.77
Employee shareholders	66,638,073	15.98	128,885,557	25.45
Treasury shares	7,758,797	1.86	–	–
TOTAL	417,029,585	100.0	506,386,452	100.0

NOTE 9 Provisions

<i>(in € millions)</i>	Opening balance	Safran informatique merger	Charges	Reversals ⁽¹⁾	Closing balance
Tax-driven provisions:					
Investment provisions	–				–
Accelerated tax depreciation	0.8	3.9	2.9	1.9	5.7
Sub-total	0.8	3.9	2.9	1.9	5.7
Contingency provisions:					
Foreign exchange losses	11.1		12.8	11.1	12.8
Litigation	–				–
Sub-total	11.1		12.8	11.1	12.8
Loss provisions:					
Retirement benefits and similar obligations	9.4	1.6	5.1	1.5	14.6
Subsidiary tax losses carried forward	718.3		111.0	29.6	799.7
Other loss provisions	45.2	0.6	18.2	36.5	27.5
Sub-total	772.9	2.2	134.3	67.6	841.8
Provisions for impairment:					
Of financial assets	526.8		8.7	28.0	507.5
Of other receivables	–				–
Of marketable securities	20.1			17.3	2.8
Sub-total	546.9		8.7	45.3	510.3
TOTAL	1,331.7	6.1	158.7	125.9	1,370.6
Breakdown in the income statement:					
• operating income and expenses			6.3	23.2	
• financial income and expenses			21.5	56.4	
• non-recurring income and expenses			19.9	16.7	
• income tax			111.0	29.6	

(1) Including €32.8 million in reversals of surplus provisions (€5.4 million relating to other loss provisions, €23.6 million relating to income taxes of subsidiaries, and €3.8 million concerning financial assets).

NOTE 10 Employee benefit obligations

The main assumptions used to calculate the Company's retirement benefit obligations were as follows:

	2010	2011
Discount rate	4.25%	4.25%
Inflation rate	2.00%	2.00%
Expected return on plan assets	4.00%	4.00%
Rate of future salary increases	1.50% – 5.00%	1.50% – 5.00%
Probable retirement age of managerial-grade staff	64/65 years	64/65 years
Probable retirement age of non managerial-grade staff	62/65 years	62/65 years
Mortality tables used ⁽¹⁾	TV/TD 2004-2006	TV/TD 2004-2006

(1) Tables showing data for men and women by generation, approved in August 2006 and applicable from January 1, 2007.

The rise in the statutory retirement age in France as a result of pension reforms introduced was taken into account in measuring the Company's retirement benefit obligations at December 31, 2010 although the impact was not material.

Top-hat retirement plans

<i>(in € millions)</i>	2010	2011
Present value of obligation	6.5	5.1
Fair value of plan assets	(0.6)	(0.5)
Funding shortfall	5.9	4.6
Unrecognized actuarial gains and losses	(3.6)	(1.5)
Benefit obligations covered by a provision in the balance sheet	2.3	3.1
Contributions paid	(1.1)	(0.3)
Service cost	–	–
Other movements	–	(1.0)
Interest cost	0.1	0.2
Amortization of actuarial gains and losses	–	1.9
Expected return on plan assets	–	–
Provision charge/(reversal)	(1.0)	0.8

Retirement bonuses

<i>(in € millions)</i>	2010	2011
Vested rights	14.8	19.8
Unrecognized actuarial gains and losses and past service cost	(7.8)	(8.6)
Benefit obligations covered by a provision in the balance sheet	7.0	11.2
Service cost	3.1	2.2
Interest cost	0.8	0.7
Expense	3.9	2.9
Other movements	–	1.4
Benefits paid	(2.1)	(0.1)
Provision charge/(reversal)	1.8	4.2

This heading includes obligations in respect of statutory termination payments due on retirement and supplementary termination payments required by the collective bargaining agreement for the metallurgy industry. It also includes obligations regarding employees eligible for the Group's 2010-2012 agreement on the employment of seniors.

On February 12, 2010, the Safran Group signed a triennial agreement related to the employment of seniors, aimed notably at implementing measures to assist with the latter part of careers and at ensuring a smooth transition between working life and retirement. This agreement provides, inter alia, for an increase in contractual end-of-career bonuses subject to certain conditions.

As from July 31, 2010, the rates used as a basis for calculating retirement bonuses applicable under the national collective bargaining agreement for engineers and managerial-grade staff in the metallurgy industry were raised, thereby increasing the Group's commitments accordingly.

NOTE 11 Bond issue

On November 26, 2009 Safran issued €750 million worth of five-year bonds to French and international investors. The bonds mature on November 26, 2014 and pay fixed-rate interest of 4% (2.91% after taking account of interest rate hedging instruments). The funds raised by the bond issue allowed Safran to diversify its sources of financing and extend the average maturity of its borrowings. They have also provided the Group with the means to pursue its development going forward.

NOTE 12 Accrued expenses

Accrued expenses are included in the following headings on the liabilities side of the balance sheet:

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Loans and borrowings	3.8	3.7
Trade payables	28.0	55.4
Taxes and payroll costs (other liabilities)	29.1	45.7
TOTAL	60.9	104.8

NOTE 13 Breakdown of revenue

<i>(€ millions)</i>	2010	2011
General assistance	79.0	99.4
Real estate income	2.8	2.8
Seconded employees	12.5	13.5
Group projects	31.3	71.3
IT services ^(*)	0.0	47.8
Other	4.4	7.9
TOTAL	130.0	242.7

^(*) Operations carried out by the former Safran Informatique.

NOTE 14 Transfer of charges

Transfers of charges totaled €11.4 million in 2011 and mainly concerned the re-invoicing of expenses to Group subsidiaries.

NOTE 15 Financial income and expenses

Dividends received totaled €384.8 million for 2011 versus €426.2 million in 2010. A breakdown of dividends received is presented in the table of subsidiaries and associates.

Charges to provisions for financial items and impairment for the period (€21.5 million) related mainly to the write-down taken against shares in Arianespace Participations (€8.7 million) and to the provision for foreign exchange losses (€12.7 million).

Reversals of provisions and impairment in the period (€56.5 million) relate mainly to the reversal of the provision for foreign exchange losses (€11.1 million) and of impairment taken against Sagem Télécommunications (€24.2 million), Safran UK (€2.8 million), Etablissements Vallaroché (€0.5 million), FCPR Aérofund II (€0.5 million) and treasury shares (€17.4 million).

For the purpose of providing a meaningful comparison, foreign exchange gains and losses are presented on a single line of the income statement for the same fiscal year.

NOTE 16 Non-recurring items

Non-recurring items on non-capital transactions result mainly from additional VAT and business tax assessments for fiscal 2007 to 2009 (€0.4 million).

Non-recurring items on capital transactions

- Income: proceeds from disposals of shares in Messier Dowty within the scope of the exchange referred to in Note 2.A. (2) (€380.2 million), and disposal gains resulting from the sale of 6,500,000 Safran shares on the market as part of an accelerated book-building procedure (€91.8 million).
- Expenses: the carrying amount of shares in Messier Dowty (€380.2 million); losses resulting from the delivery of Safran shares to employees in France under the April 3, 2009 free share plan (€45.6 million); and the loss on the disposal of treasury shares within the scope of the liquidity agreement (€0.6 million).

Reclassifications of non-recurring expenses chiefly relate to the transfer to payroll costs of the loss arising on the aforementioned free share grants, which was rebilled to the French subsidiaries employing the beneficiaries in an amount of €26.4 million (3,502,100 shares x €7.54).

Movements in provisions for non-recurring items in 2011 were as follows:

(in € millions)

• Net charge to a contingency provision for tax audits	(2.2)
• Net charge to provisions for accelerated tax depreciation	(1.0)
• Net charge	(3.2)

NOTE 17 Related-party transactions

The following items concern fully consolidated companies as well as other entities in which Safran holds an equity investment.

(in € millions)

	Related-party amounts
Equity investments	5,358.8
Loans to equity investments	1,291.3
Trade receivables	66.1
Other receivables	1,468.2
Other liabilities	3,718.0
Investment income	384.8
Other financial income	71.8
Financial expenses	39.7

NOTE 18 Income tax and statutory employee profit-sharing**Income tax benefit arising from tax consolidation****2011 Group relief**

Income tax due to Safran by subsidiaries included in the tax consolidation group totaled €80.6 million after deducting tax credits (mainly research tax credits) and represented a tax benefit for Safran.

The tax consolidation group's overall income tax expense came to €113.9 million. After offsetting €120.7 million in tax credits, Safran recorded a net tax benefit of €6.8 million.

The total income tax benefit for Safran arising from group relief in 2011 therefore amounted to €87.4 million.

Other impacts

In 2011, Safran also recorded a €2.0 million tax charge due to tax audits concerning Safran as a company (€0.4 million) and as head of a tax consolidation group (€1.6 million).

Provisions set aside to cover income taxes of loss-making subsidiaries

Charges to provisions set aside to cover the risk of Safran having to redistribute the tax savings arising due to the use of tax losses of subsidiaries amounted to €93.8 million in 2011, while reversals totaled €29.6 million. Charges to provisions were also recognized in respect of the deneutralization of intragroup capital gains for €17.2 million.

No statutory employee profit-sharing expense was incurred either in 2011 or 2010.

Information regarding expenses disallowable for tax purposes

These expenses totaled €0.1 million and corresponded to the portion of depreciation and lease payments on vehicles that are not deductible for tax purposes.

NOTE 19 Average headcount and management compensation**Breakdown of average employee numbers**

	2010	2011
Supervisors	1	1
Technicians	42	85
White-collar employees	71	124
Engineers and managerial-grade staff	361	685
TOTAL	475	895

The increase in the average number of employees results chiefly from the incorporation of Safran Informatique employees.

Payroll costs

Under recent French legislation, companies paying a per-share dividend in 2011 which exceeds the average per-share dividend they paid in the previous two years are required to pay a bonus or other equivalent benefit to all employees. Pursuant to these regulations and following discussions with employee representative bodies, Safran is to pay a bonus of €500 to each employee, representing a total expense of €0.5 million. This expense is only representative of the benefit agreed and granted in respect of dividends paid in 2011 out of 2010 earnings, as approved by shareholders on April 21, 2011.

Management compensation

In 2010 and up to the change in corporate governance on April 21, 2011, management executives comprised the members of Safran's Supervisory Board and Executive Board and its executive management team. After the change in governance, management executives comprise members of the Board of Directors and the executive management team.

<i>(in € millions)</i>	2010	2011
Short-term benefits	10.6	10.7
Post-employment benefits	0.9	0.4
Other long-term benefits	–	–
Termination payments	0.6	1.2
Share-based payments	–	–

Data regarding compensation and any other benefits are provided on a gross basis and include fixed compensation costs for the current year as well as costs relating to the variable portion payable in the following year.

The Group's total post-employment commitments in respect of management executives amounted to €2.1 million at December 31, 2011 and €3.4 million at December 31, 2010.

NOTE 20 Individual training entitlement

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and with the industry-wide agreement of July 20, 2004, Safran grants its employees the right to individual training. Employees are entitled to at least 20 training hours per calendar year, which can be carried forward and accumulated up to a maximum total of 120 hours.

NOTE 21 Off-balance sheet commitments

Commitments given

<i>(in € millions)</i>	Dec. 31, 2010	Dec. 31, 2011
Commitments given to customers	890.6	922.7
Commitments given to third parties	13.3	13.2
Vendor warranties ^(*)	30.0	–
Customs bonds	66.1	74.5
Actuarial gains and losses on end-of-career bonus obligations	7.8	8.5
Other commitments	401.3	426.8
TOTAL⁽¹⁾	1,409.1	1,445.7
<i>(1) Of which related parties</i>	<i>1,158.6</i>	<i>1,233.6</i>

() Vendor warranties where the amount is fixed or determinable.*

Commitments received

Commitments received totaled €458.2 million at December 31, 2011 versus €400.2 million at end-2010 and primarily corresponded to commitments for the financing of civil programs as well as a commitment received from a Group subsidiary concerning portfolio securities.

Guarantees received from SNPE

Under the terms of the SME share transfer agreement between SNPE and Safran, SNPE granted Safran a specific guarantee for a period of 30-40 years concerning environmental liabilities due to past operations at eight SME sites. This guarantee is capped at €240 million for 15 years and at €200 million thereafter. Safran is liable for 10% of the costs. The agreement provides for specific guarantee sublimits in the amount of €91 million for cleanup during operations and in the amount of €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. Safran will be liable for 10% of the cleanup costs and 50% of the Perchlorate Plan costs. Safran and SNPE have a period of 18 months following the acquisition date to jointly define, reduce and/or restrict the sources of ammonium perchlorate pollution and the plan must come into effect within five years. These guarantees granted by SNPE to Safran are counter-guaranteed by the French State for €216 million.

The share transfer agreement also provides for other guarantees granted by SNPE which are capped at €25 million and have time limits of 3-10 years depending on their nature.

In 2011, one warranty was called in relation to the recent acquisition of SME.

Foreign currency derivatives

Safran holds derivative financial instruments including forward contracts, swaps and options which are used for the purposes of all Group companies to hedge (i) highly probable future transactions, determined on the basis of the order backlog and budget forecasts, and (ii) the net balance sheet position of foreign-currency denominated trade receivables and payables of subsidiaries.

The portfolio of foreign currency derivatives breaks down as follows:

<i>(in millions of currency units)</i>	Dec. 31, 2010				Dec. 31, 2011			
	Fair value ⁽¹⁾	Notional amount ⁽¹⁾	Less than 1 year	1 to 5 years	Fair value ⁽¹⁾	Notional amount ⁽¹⁾	Less than 1 year	1 to 5 years
Forward exchange contracts	(216)				(235)			
Short USD position	(229)	10,737	6,467	4,270	(229)	13,374	5,872	7,502
<i>Of which against EUR</i>	(198)	9,938	5,748	4,190	(199)	12,500	5,188	7,312
Long USD position	5	(1,103)	(903)	(200)	14	(510)	(300)	(210)
<i>Of which against EUR</i>	10	(800)	(600)	(200)	13	(400)	(200)	(200)
Short GBP position against EUR	–	21	21	–	1	11	11	–
Long GBP position against EUR	–	(3)	(3)	–	–	(4)	(4)	–
Long EUR position against CHF	(11)	(83)	(56)	(27)	(11)	(81)	(39)	(42)
Long PLN position against EUR	3	(225)	(85)	(140)	(3)	(218)	(78)	(140)
Long MXN position against USD	16	(3,149)	(999)	(2150)	(7)	(3,650)	(1,180)	(2,470)
Currency option contracts	(128)				(158)			
Puts purchased	69	1,500	1,500	–	36	1,000	–	1,000
Puts sold	(1)	(100)	(100)	–	(1)	(100)	(100)	–
Calls sold	(155)	7,222	4,174	3,048	(226)	6,798	1,774	5,024
Calls purchased	–	–	–	–	8	(250)	(250)	–
Accumulators – sell USD ⁽²⁾	(55)	9,872	6,309	3,563	(28)	12,199	4,752	7,448
Accumulators – buy USD ⁽²⁾	11	(1,702)	(1,702)	–	63	(1,891)	(1,427)	(464)
Accumulators – sell GBP ⁽²⁾	3	302	302	–	1	380	91	289
Accumulators – sell GBP ⁽²⁾	–	–	–	–	(11)	845	306	539
TOTAL	(344)				(393)			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.

(2) Notional amounts for accumulators represent the maximum cumulative amount.

As mentioned in Note 1, only premiums paid and received on options are recorded in Safran SA's balance sheet. Safran SA does not recognize any other instruments or the fair value of these instruments in its balance sheet, except for the fair value of financial instruments set up by Safran to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran SA foreign exchange guarantee.

Financial instruments specific to fixed income markets

The interest rate payable on the €750 million bond issue, which had been converted to a floating rate using floating-rate borrower/fixed-rate lender swaps, was converted back to a fixed rate during the year. As a result, besides the floating-rate borrower/fixed-rate lender swaps for €750 million maturing in one to three years, the Group also held fixed-rate borrowing/floating-rate lender swaps for the same maturity and amount at December 31, 2011.

Management of commodity risk

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five years. To hedge commodity prices,

the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2011 represented 2,598 metric tons of nickel, including contracts for 755 tons maturing in less than one year and 1,843 tons in one to five years.

The notional amount of platinum forward purchase contracts at December 31, 2011 represented 7,944 ounces of platinum, including contracts for 876 ounces maturing in less than one year and 7,068 ounces in one to five years.

These instruments had a negative fair value of €3 million at end-2011.

Credit lines

Undrawn confirmed liquidity facilities at December 31, 2011 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively.

NOTE 22 Disputes and litigation

Except for the matters described below, neither Safran nor any of its subsidiaries are, or have been, notably during the last 12 months, parties to any governmental, legal or arbitration proceedings that are likely to have, or have had, in the recent past, a significant effect on the financial position or profitability of Safran and/or the Safran Group. A provision is only booked to cover the expenses that may result from such proceedings when the expenses are probable and their amount can be either quantified or reasonably estimated. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although the occurrence of events during the proceedings can nonetheless lead to a reassessment of the risk. Safran believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.
- At the end of 2002, a group of French manufacturers, including the former Snecma group, was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers and in which Snecma's participation

was approximately 10%. All the manufacturers concerned contested this claim. An agreement was signed whereby the manufacturers concerned by the request for arbitration waived their right to invoke the legal statute of limitations, and the claimant withdrew its request for arbitration in June 2003. However, it reserved the right to submit a new claim for a greater amount. Safran has not recognized a provision at this stage.

- At the end of 2008, proceedings were brought against three employees of a Group subsidiary in connection with the alleged payment by Sagem SA of commissions to local intermediaries between 2000 and 2003. These payments were allegedly made in an attempt to corrupt employees of the Nigerian government with the aim of being awarded the State's electronic ID card contract. Safran was also placed under judicial investigation in connection with this case in February 2009. In a written statement dated January 18, 2011, the public prosecutor of Paris requested the partial dismissal of the claim in favor of Safran and one of the three employees indicted, and referral of the case of the other two employees to the Correctional Court. In an order dated February 28, 2011, the investigating judge decided to refer the case of Safran and the two employees to the Correctional Court. The third employee was acquitted. The proceedings are ongoing. In September 2009, a tax collection notice was issued for €11.7 million, further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment was challenged by Safran in 2011.

- In 2009 and 2010, Safran received several requests for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA. The activities concerned by the inquiry were sold to General Cable at the end of 2005. On July 5, 2011, Safran was served a statement of objections by the European Union. General Cable, which also received a statement of objections from the Commission in the same case, has filed a claim with Safran under the sale agreement in order to protect its rights in the event that an unfavorable decision against the entity sold is fully or partially covered by the vendor's warranty. Safran had access to the file and replied to the objections in October 2011. Based on an analysis of all aspects of this case known to date, the Group's exposure to this risk is not considered material.
- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expense between the parent company Snecma and its consolidated subsidiaries up to 2004 was contested in 2007 before the tax authorities who rejected this claim on June 24, 2011. Safran filed a statement of claim with the Administrative Court. No provision has been set aside yet in respect of this adjustment.

NOTE 23 Other information

In accordance with the disclosure requirement set out in Decree no. 208-1487 of December 30, 2008, fees billed by the Company's statutory auditors for their audit of the 2011 financial statements totaled €1 million and fees billed for audit-related work came to €181,000.

NOTE 24 Subsequent events

On February 9, 2012, Safran issued USD 1.2 billion of senior unsecured notes on the US private placement market, which included:

- USD 155 million notes due February 2019 at a 3.70% coupon;
- USD 540 million notes due February 2022 at a 4.28% coupon;
- USD 505 million notes due February 2024 at a 4.43% coupon.

This transaction enables Safran to diversify its financing sources at attractive conditions, to lengthen the maturity of its debt profile and to provide long-term funding for US acquisitions made in the past three years.

LIST OF SUBSIDIARIES AND ASSOCIATES

Disclosures provided in accordance with Decree 83-1020 of November 29, 1983 – Article 24-11

Company	Branch	Share capital	Equity other than share capital and profit	% voting rights	% share capital held
A. Detailed information on subsidiaries and associates whose gross carrying amount exceeds 1% of safran's share capital (i.e. €0.8 million)					
1. Subsidiaries (more than 50%-owned)					
(a) French companies					
• Lexsa (formerly Connecteurs Cinch)	Holding company	13.5	(1.6)	100.0	100.0
• Établissements Vallaroché	Holding company	15.6	1.5	100.0	100.0
• Aircelle	Aircraft equipment	56.7	99.1	88.5	88.5
• Hispano-Suiza	Aircraft equipment	36.8	34.0	100.0	100.0
• Labinal	Aircraft equipment	19.3	10.7	100.0	100.0
• Messier Bugatti Dowty	Aircraft equipment	83.7	431.4	100.0	100.0
• Régulus	Propulsion	0.6	7.9	40.0	40.0
• Sagem Télécommunications	Communications	46.7	(38.7)	100.0	100.0
• Sagem Défense Sécurité	Defence Security	372.9	65.1	95.5	95.5
• Snecma	Propulsion	154.1	160.9	97.4	97.4
• Snecma Propulsion Solide	Propulsion	20.0	15.2	100.0	100.0
• SnecmaSat	Holding company	0.2	0.0	100.0	100.0
• SNPE Matériaux Energétiques	Propulsion	159.0	1.2	100.0	100.0
• Turbomeca	Propulsion	38.8	147.4	100.0	100.0
• Technofan	Aircraft equipment	1.4	37.7	94.8	86.9
(b) French companies					
• Safran UK Ltd	Holding company	19.4	(2.3)	100.0	100.0
• Safran USA Inc.	Holding company	472.5	56.2	100.0	100.0
• Morpho USA	Security	578.2	(23.1)	97.6	97.6
• Techspace Aero (Belgium)	Propulsion	54.9	123.9	67.2	67.2

2. Associates (10% to 50%-owned)

(a) French companies

• Arianespace Participation ⁽²⁾	Holding company	3.9	65.3	10.6	10.6
• Corse Composites Aeronautiques ⁽²⁾	Aircraft equipment	1.7	4.3	24.8	24.8
• Eurotradia International ⁽²⁾	Aircraft equipment	3.0	30.3	11.2	11.2
• FCPR Aerofund II	Investment fund	75.0		16.6	16.6

B. Summary information concerning other subsidiaries and associates

1. Subsidiaries (more than 50%-owned)

(a) French companies

(b) Foreign companies

2. Associates (10% to 50%-owned)

(a) French companies

(b) Foreign companies

For foreign companies, share capital, equity, revenue and profit amounts were translated into euros at the official exchange rate prevailing at December 31, 2011.

(1) Taking into account the €218.5 million contingency provision recorded to cover the risk of Safran SA having to pay back the tax benefit generated from the use of the tax losses of this company and its subsidiaries, the net "adjusted" carrying amount of the Company's investment in Sagem Télécommunications shares amounts to €13.6 million.

(2) As at December 31, 2010.

(3) Dividends received in associates less than 10%-owned by the Company: €1.5 million.

(4) Data for the last nine months of 2011, as from the acquisition date.

Carrying amount of investments		Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2011 revenue	2011 profit (loss)	Dividends received by Safran in 2011 ⁽³⁾	Receivables	Liabilities
gross	net							
11.3	11.3			0.7	0.3			
62.8	17.4			0.0	0.3		0.1	8.6
924.2	924.2		263.9	781.1	(17.9)		226.5	11.8
163.8	163.8		42.9	204.8	8.3		2.4	27.6
185.6	185.6		375.2	324.3	4.8	4.8	20.6	2.7
560.5	560.5		3.0	1,079.1	45.9	13.6	184.2	93.5
20.6	20.6			37.6	3.4	0.6		
625.0	232.1 ⁽¹⁾			0.7	5.6		5.0	0.0
595.0	595.0			1,204.7	36.9	11.9	87.9	72.7
199.4	199.4		52.0	4,543.8	381.1	294.8	19.8	2,536.2
23.9	23.9			288.6	23.4	29.8	3.2	133.5
9.3	0.2			0.0	0.0		0.0	0.2
327.3	327.3		1.5	124.1 ⁽⁴⁾	(67.0) ⁽⁴⁾		0.3	83.0
539.0	539.0		12.7	889.8	42.0		6.4	74.8
33.5	33.5			51.9	0.6		0.1	25.9
40.0	18.9			0.1	0.3		0.0	6.7
507.6	507.6		443.6	3.1	13.7		0.4	1.1
315.5	315.5	845.9		0.0	(2.3)	17.7	32.8	0.0
115.6	115.6			364.2	22.6	4.2	2.1	170.6
40.1	1.9			0.0	(56.5)			
1.0	1.0			26.1	(1.1)			
2.1	2.1			58.4	2.7	0.3		
15.0	15.0							
0.5	0.5		37.3			5.6	0.0	27.7
1.4	0.6							
0.5	0.5							

3.4

STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2011)

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2011 on:

- the audit of the accompanying financial statements of Safran,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As indicated in Note 1.D to the financial statements, the book value of financial fixed assets is determined either:

- on basis on the average market price of the last month before the closing, for listed companies;
- depending on the proportionate share of net equity, adjusted where applicable for significant unrealized capital gains net of taxes;
- depending on the intrinsic value of equity, corresponding to the present value of expected future cash-flows (enterprise value), less, if any, debt.

Our work consisted in assessing the data and assumptions on which the estimates are based and in reviewing the calculations made by the Company. As part of our assessment of the estimates used for the account closing, we have assured ourselves of the reasonableness of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, April 11, 2012

The Statutory Auditors

French original signed by

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

04

Risk factors

4.1	Identified risk factors	160
4.1.1	Risks relating to Group business sectors	160
4.1.2	Technological risks	161
4.1.3	Partnership and supplier risks	161
4.1.4	Commodity risks	162
4.1.5	Acquisition and restructuring risks	162
4.1.6	Human resources risks	162
4.1.7	Market and derivative risks	162
4.1.8	Legal risks	165
4.1.9	Environmental risks	165
4.2	General risk management policy	166
4.2.1	Group Risk Committee	166
4.2.2	Risk and Insurance Department	166
4.3	Insurance	167

IDENTIFIED RISK FACTORS

The following section presents the major risks identified as of the date the Registration Document was filed.

Other risks not yet identified, or not currently considered material for the Group, could have a negative impact on Safran's activities, financial position or results.

Risks relating to Group business sectors

- Changes in economic conditions
- Impact of the aviation cycle
- Uncertainty regarding returns on investments
- Changes in military orders
- Competition, program delays and development
- Political uncertainties
- Aircraft accidents
- Defective products (excluding Aerospace)

Technological risks

Partnership and supplier risks

Commodity risks

Acquisition and restructuring risks

Human resources risks

Market and derivative risks

Legal risks

Environmental risks

GENERAL RISK MANAGEMENT POLICY

Safran adopts a "Comprehensive Risk Management" approach which has been validated by the Group Risk Committee composed of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers. Its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;
- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk Department.

INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

4.1 IDENTIFIED RISK FACTORS

The following section presents the major risks identified as of the date the Registration Document was filed.

Other risks not yet identified, or not currently considered material for the Group, could have a negative impact on Safran's activities, financial position or results.

4.1.1 RISKS RELATING TO GROUP BUSINESS SECTORS

The risks relating to Group business sectors arise from a series of complex, interdependent factors which could impact Group results in the medium term.

Changes in economic conditions

The macroeconomic and aeronautical program assumptions determined by the Group take into consideration the economic conditions observed as of the date of the Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

The scenarios built on these assumptions are derived from action plans supervised by Executive Management, functional departments and the Group Risk Committee.

Should the economic climate deteriorate, the assumptions and action plans would be adjusted accordingly in line with a defined process. Specific steering committees have been set up covering customers, suppliers and the market. These committees meet regularly and constantly reassess the action plans in light of the prevailing economic climate.

A difficult economic climate would have a negative impact on the level of Group business. Changes in global GDP (gross domestic product) have a direct impact on passenger demand for air transport, which in turn determines market demand for commercial aircraft intended for passenger transport. Manufacturers may adjust their output rates in line with changes in demand for aircraft by airline companies, which would have a direct impact on the OEM business of aircraft equipment and engine suppliers such as Safran. The decrease in air traffic as a result of the decline in the economic environment could also impact the volume of Group services, including maintenance and repair activities and spare part sales.

Impact of the aviation cycle

Aircraft orders tend to be cyclical in nature and linked to passenger traffic, which is itself affected by changes in the economic climate, as well as the rate of ageing and renewal of aircraft fleets and the investment decisions and financial capacity of airline companies. Safran believes that these cycles could impact business levels and therefore its future revenue.

Exceptional events such as terrorism, pandemics, aviation disasters and adverse weather conditions could cause a sharp temporary drop in air traffic and hence impact the civil aircraft engine and equipment market.

In 2011, over 60% of adjusted consolidated revenue was generated by civil aviation activities. Safran has a large fleet of engines in service, including more than 22,000 CFM56 engines which have equipped most of the single-aisle aircraft with over 100 seats delivered to airline companies for more than 30 years. The increase in the age of the fleet enables the Group to generate service revenue amounting to 43% of Aerospace revenue.

Uncertainty regarding returns on investments

Safran's Aerospace businesses require considerable investment, in particular in research and development and contributions to aircraft manufacturers' costs. These investments only produce returns in the long term. The market and profitability assumptions determined by the Group may not prove accurate, and the products for which the investments are made may not enjoy sufficient commercial success to ensure a return on the initial investment. Capitalized R&D assets (excluding goodwill and programs) recognized in the balance sheet at December 31, 2011 total approximately €1.1 billion after amortization.

Changes in military orders

Government spending, especially on defence budgets, is determined according to the geopolitical environment and budgetary constraints. An adverse change in economic and political conditions could result in a change in priorities for government spending.

Military spending cuts or delays in certain programs could impact Safran's business.

In 2011, approximately 20% of adjusted consolidated revenue was derived from military activities, of which more than 50% is exported.

Competition, program delays and development

Safran faces intense competition in all markets where it operates, both from international players and specialized competitors in certain markets. This competitive pressure could impact the Group's leadership in its business sectors. To manage this risk, Safran seeks to maintain and sharpen its technological edge at all times, thanks to sustained R&D spending with a particular focus on markets where the product development cycle is unusually long.

Aircraft manufacturers may encounter difficulties in meeting their program schedules. Delays in production schedules for new aircraft may lead to the postponement of Safran equipment deliveries and impact the Group Aerospace revenue. In certain cases, this may cause Safran to incur penalties, notably where the Group accepts responsibility for the delays. Delays can also distort cash collection forecasts, therefore impacting cash flows and even profitability at Group level. In this event, the Group writes down the value of the assets corresponding to the delayed programs. Safran supplies Airbus with equipment for the A350, A380 and A400M aircraft, and it supplies Boeing with equipment for the B787.

In December 2009, Safran became a partner of Comac (Commercial Aircraft Corporation of China) for its C919 aircraft and particularly for the LEAP-1C engine and related nacelle. Comac expects the C919 to be brought into service in 2016.

On December 1, 2010, Airbus selected the new-generation CFM engine, the LEAP-1A, as a new option for the A320neo. This partnership should begin production in 2016.

In August 2011, Boeing chose the LEAP-1B as the sole engine for its new 737 MAX aircraft and this partnership should begin production in 2017.

4.1.2 TECHNOLOGICAL RISKS

Aerospace, defence and security markets typically undergo swift, far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their innovative and technological superiority. The Group is exposed to the risk

Political uncertainties

Certain aerospace, defence and security contracts are closed to foreign competition or are awarded based on national security and independence considerations. These may limit access to certain markets. If these restrictions continue to prevail in the future, Safran may not be able to penetrate some of these markets, which would reduce the Group's revenue and profit growth potential.

The development of Safran's activities and sites worldwide sometimes exposes the Group to political risks specific to certain countries. These may impact its activities and results.

Aircraft accidents

Safran products are integrated in high-tech equipment with a high unit price, especially civil and military aircraft, satellites and helicopters. Safran may be held liable for the loss or accident of an aircraft, the death of passengers, or the loss of operating capability by an airline or helicopter operator.

Defective products (excluding Aerospace)

The Group applies stringent quality and safety standards in the design and manufacture of its products and services. Nonetheless, certain products may not meet the expected level of performance or may prove defective.

This could generate additional costs (product recalls, upgrade campaigns or retrofits) resulting in lost revenue for Safran, or could adversely affect its commercial position.

04

4.1.3 PARTNERSHIP AND SUPPLIER RISKS

Generally speaking, Safran works in cooperation with partners and suppliers in the majority of its businesses. Events likely to affect these partnerships could have an impact on Safran's business activities.

Supplier difficulties or defaults prompted by the global economic crisis could impact the worldwide supply chain, resulting in additional costs or production delays that would affect the Safran Group.

Production will have to increase over the next few years based on the structure of the current backlog and Safran's ability to ramp up its future production will depend on both internal and external factors. Problems related to any one of these factors could trigger production delays or cost overruns for a given program.

of competitors developing products that offer a better technical performance, are more competitive or are marketed earlier than those developed by the Group. This could affect Safran's activities or financial position (see section 1.4).

A substantial proportion of Safran's revenue – particularly in the aviation sector – depends on certain key products developed and produced in cooperation with General Electric. Safran estimates that these programs (CFM and turbo engines) account for between 25% and 30% of its consolidated revenue.

In July 2008, GE and Safran signed an agreement to extend their civil aerospace propulsion partnership until 2040. They also entered into an agreement for the development, production and support of engine nacelles for future single-aisle jets.

Safran is also involved in a number of partnerships (Powerjet, 50/50 owned by Snecma and NPO Saturn [Russia]; Rolls Royce Turbomeca, AVIC [China] and Honeywell). If these programs were suspended or if Safran's partners ceased to fulfill their role

in the development or marketing of the products in question, the Group's Aerospace business revenue could be affected.

The Group's other partnerships have no material impact.

4.1.4 COMMODITY RISKS

The Group is exposed to commodity risks, notably in respect of titanium, nickel alloys, composite fibers and ammonium perchlorate (at the SME facility in Toulouse). The Group manages commodity

risks by negotiating medium-term procurement contracts with suppliers, building up its inventories or hedging exposure to changes in the price of certain listed commodities (see section 4.1.7).

4.1.5 ACQUISITION AND RESTRUCTURING RISKS

As part of its growth strategy, Safran may acquire, merge and/or set up companies. Although a stringent procedure exists for monitoring such transactions, they may have a negative impact on the Group's business, expected results or its image, should Safran fail to consolidate the operations and employees of the acquired entities, unlock the expected synergies and cost savings,

or maintain good commercial or labor relations within the acquired entities following changes in management or control.

The Group risk map is currently being reviewed in the wake of the recent acquisition of L-1 Identity Solutions, now known as Morpho Trust.

4.1.6 HUMAN RESOURCES RISKS

The Group's different activities harness a wide range of employee expertise and skills across many different sectors. The Group may experience difficulties in finding the appropriate skills at the right time and in the right place that it needs to deploy its strategy and carry out its new programs effectively. In order to limit this risk, it continually strives to acquire, hold onto, redeploy and renew the skills that it will need in the future. Safran has developed

partnerships with top business and engineering schools and scientific universities to recruit employees for its core businesses. In addition, programs to promote cross-functional mobility, systems that confer appropriate recognition, training, monitoring and career development are all used to boost the Group's attractiveness as an employer.

4.1.7 MARKET AND DERIVATIVE RISKS

The main risks arising on the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 4.28 billion for 2011 (USD 4.01 billion in 2010).

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting profitability and allowing it to adapt its cost structure to an unfavorable monetary environment.

Foreign currency risk management

Most Aerospace Propulsion and Aircraft Equipment revenue is denominated in US dollars, which is virtually the sole currency

Hedging policy

Two basic principles underscore the foreign currency risk management policy defined by Safran for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance.

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a four-year timeframe.

Hedging management

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and options.

Optimization measures are also used with a view to improving the minimum exchange rate parity and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

This strategy chiefly involves the use of forward purchases, accumulators and sales of options.

Hedging portfolio

The Group has hedged its entire USD exposure for 2012 and 2013 at 1.32 and 1.29, respectively, and has also launched portfolio optimization measures for these years designed to improve the minimum exchange rate parity.

The Group has continued its progressive hedging strategy for its 2014 exposure. At February 23, 2012, on top of an existing portfolio of USD 4.2 billion in forward hedges at an average rate of 1.29, the Group set up USD 0.6 billion in accumulators for 2014, enabling it to supplement its day-to-day hedging operations at an average

rate of 1.26, provided that the EUR/USD exchange rate remains below 1.52 in 2012. If the EUR/USD exchange rate were to climb above 1.52, the positions contracted at 1.26 would be maintained, but the accumulators would stop working until the spot exchange rate fell back below this threshold. Conversely, if the spot exchange rate were to fall below 1.26 (accumulator rate), the Group would not benefit from the improvement in the exchange rate and would be obliged to sell the USD at 1.26 (only for these products and only for the remaining hedging balance/term).

Based on the performance of these products, and given that the level at which accumulators are no longer effective (set at 1.52) is significantly above the current market exchange rate, the Group considers that it can reasonably expect to achieve a hedging rate of 1.28 in 2014.

In early 2011, the Group began hedging its projected 2015 exposure. On top of an existing portfolio of USD 1.5 billion in forward hedges at an average rate of 1.30, the Group set up USD 1.1 billion in accumulators for 2015, enabling it to supplement its day-to-day hedging operations at an average rate of 1.28, provided that the EUR/USD exchange rate parity remains below 1.52 in 2012 and for a part of 2013. If the EUR/USD exchange rate were to climb above 1.52, the positions contracted at 1.28 would be maintained, but the accumulators would stop working until the spot exchange rate fell back below this threshold. Conversely, if the spot exchange rate were to fall below 1.28 (accumulator rate), the Group would not benefit from the improvement in the exchange rate and would be obliged to sell the USD at 1.28 (for these products only). Based on the performance of these products, and given that the level at which accumulators are no longer effective (set at 1.52) is significantly above the current market exchange rate, the Group considers that it can reasonably expect to achieve a hedging rate of less than 1.30 in 2015 on total exposure of USD 2.6 billion.

For the record, the estimated annual exposure of approximately USD 4.8 billion depends on budgeted sales figures, and is regularly reviewed for each year covered by the foreign currency risk management policy.

A one-cent change in the EUR/USD exchange rate parity on the hedging rate has an impact of €27 million on adjusted profit from operations.

IDENTIFIED RISK FACTORS

The following tables present the sensitivity of the main income statement aggregates to a 5% increase or decrease in the EUR/USD exchange rate (average and closing exchange rates). The first table shows adjusted data, the second consolidated data. The sensitivity analysis takes account of:

- the translation effect, i.e., the impact of changes in the EUR/USD exchange rate on the translation into euros of the results of entities whose functional currency is the US dollar;
- the transaction effect, i.e., the impact of changes in the EUR/USD exchange rate on USD transactions conducted by entities whose functional currency is not the US dollar, and on the value of the EUR/USD hedging portfolio.

Adjusted data (in € millions)	2010		2011	
	-5%	+5%	-5%	+5%
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate		1.33		1.39
Average exchange rate used for sensitivity analysis	1.26	1.40	1.32	1.46
Closing rate		1.34		1.29
Closing exchange rate used for sensitivity analysis	1.27	1.40	1.23	1.35
Revenue	197	(178)	218	(197)
Profit (loss) from operations	7	(6)	6	(6)
Financial income (loss)	(18)	17	(14)	13
Profit (loss) before tax	(11)	11	(7)	7

Non-adjusted consolidated data (in € millions)	2010		2011	
	-5%	+5%	-5%	+5%
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate		1.33		1.39
Average exchange rate used for sensitivity analysis	1.26	1.40	1.32	1.46
Closing rate		1.34		1.29
Closing exchange rate used for sensitivity analysis	1.27	1.40	1.23	1.35
Revenue	359	(324)	386	(349)
Profit (loss) from operations	167	(151)	172	(155)
Financial income (loss)	(937)	690	(1,058)	819
Profit (loss) before tax	(770)	539	(886)	663

Interest rate risk management

The Group's exposure to fluctuations in interest rates covers two types of risk:

- price risk in respect of fixed-rate financial assets and liabilities; interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk in respect of floating-rate financial assets and liabilities. Interest rate fluctuations have a direct impact on the Group's profit or loss.

Within the framework of its interest rate risk management policy, the Group arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

The interest rate payable on the €750 million bond issue, which had been converted to a floating rate using floating-rate borrower/fixed-rate lender swaps, was converted back to a fixed rate during the year. As a result, in addition to the floating-rate borrower/fixed-rate lender swaps for €750 million maturing in one to three years, the Group also held fixed-rate borrower/floating-rate lender swaps for the same maturity and amount at December 31, 2011.

Debt in respect of employee savings is at floating rates, but resets only yearly.

The Group's remaining long-term debt is mostly at fixed rates, reflecting the reconversion of the €750 million November 2009 bond issue back to a fixed rate.

A 1% rise in interest rates would therefore decrease the cost of debt by €4 million (versus an increase in the cost of debt by €8 million in 2010). The inversion of the trend is a result of interest on the €750 million bond being reconverted to a fixed rate in 2011 (floating rate in 2010).

Management of commodity risk

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2011 represents 2,598 metric tons of nickel, including contracts for 755 tons maturing in less than one year and 1,843 tons in one to five years.

The notional amount of platinum forward purchase contracts at December 31, 2011 represented 7,944 ounces of platinum, including contracts for 876 ounces maturing in less than one year and 7,068 ounces in one to five years.

The fair value of these instruments was a negative €3 million at end-2011.

Equity risk management

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, which are the only listed securities classified as available-for-sale financial assets that it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity at end-2011, on a par with end-2010.

Counterparty risk management

The Group is exposed to counterparty risk on the following:

- short-term investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or over-the-counter with investment-grade counterparties.

4.1.8 LEGAL RISKS

In the same way as other industrial groups, Safran is exposed to technical and commercial risks as a result of its activities. From a legal standpoint, Safran is particularly exposed to the risk of non-compliance with commercial regulations and anti-trust law.

4.1.9 ENVIRONMENTAL RISKS

All industrial activities generate risks, particularly Health, Safety and Environment (HSE) risks. Safran's HSE policy is implemented within the framework of an improvement drive which aims to bolster its

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

Liquidity risk management

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with and financing requirements of subsidiaries are met by Safran on an arm's length basis. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Since some of the Group's liquidity lines have not been used, Safran is relatively insensitive to liquidity risk.

A number of financial covenants apply to the EIB borrowings set up in 2003, 2005 and 2010.

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

Undrawn confirmed liquidity facilities at December 31, 2011 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively. These two facilities are subject to a financial ratio (net debt/EBITDA of less than 2.5).

The terms "net debt", "EBITDA" and "total equity" used in connection with EIB borrowings and syndicated credit lines are defined as follows:

- net debt: borrowings (excluding borrowings subject to specific conditions) less marketable securities and cash and cash equivalents;
- EBITDA: the sum of profit (loss) from operations and the net charge to depreciation, amortization and provisions for impairment of assets (calculated based on adjusted data);
- total equity: equity attributable to owners of the parent and non-controlling interests.

The main risks identified in this respect are disclosed in the litigation section of this document (see section 3.1, Note 33). Based on an analysis of the legal risks to which the Group is exposed, no other probable or material risks were identified.

4.2 GENERAL RISK MANAGEMENT POLICY

The Group adopts a “Comprehensive Risk Management” approach which has been validated by the Group Risk Committee.

4.2.1 GROUP RISK COMMITTEE

The Group Risk Committee is made up of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers.

Its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;
- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk Department.

The Risk Committee met on two occasions in 2011.

4.2.2 RISK AND INSURANCE DEPARTMENT

The Group Risk and Insurance Department reports to the Deputy Chief Executive Officer, Finance. This department is responsible for implementing the Group’s risk management policy. Its duties include:

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk Department (major risk map and the corresponding degree of control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

1) Mapping Group risks

The Risk and Insurance Department summarizes risk appraisal results at Group level and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Determining the degree of control is also essential in characterizing risk.

The Risk and Insurance Department coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved annually by the Group Risk Committee.

The Risk and Insurance Department ensures that action plans are put in place to improve risk management and recommends to the Group Risk Committee a compromise between the risk exposure retained by the Group and the exposure transferred to the insurance and/or reinsurance markets as appropriate.

Functional departments and processes

The Risk Department prepares a mapping of major risks by functional department based on interviews. These maps are then approved by functional departments. For each identified risk, a risk owner is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

2) Rolling out the risk management policy

In order to achieve optimal risk coverage, the risk management policy is based on:

Risk management is also supported by the Internal Audit and Control departments.

First-tier entities

Each first-tier entity appoints a Risk Manager, who prepares a risk map for his/her entity that is subsequently reviewed during the entity Risk Committee meetings. In all instances, risk management draws on a common methodology using risk analysis as the starting point. A risk owner is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

3) Developing risk management guidance, analyzing and recommending improvements to the risk management system

The Risk and Insurance Department develops methodological techniques to ensure consistent handling of risks between companies, assists with their use and encourages the sharing of best practices. The Group has a risk manual organized by process, level of impact, frequency or probability and control. Detailed guidance is also prepared for the analysis of certain risks.

4) Promoting risk awareness and a strong risk culture across the Group

A training course launched in 2007 and organized jointly by the Risk Department and Group Risk Managers in liaison with Safran University has promoted risk awareness among more than 700 managers within the Group.

5) Implementing the crisis prevention and management system

This system is based on the implementation of coordinated procedures for managing warnings and crises, at the level of the Group, companies or individual sites.

6) Implementing the Products & Services Integrity Program (PSIP)

The aim of this program is to help manage documentation and legal liability risks resulting from the Group's products and/or services. The program is also designed to protect employees from the consequences of an accident due partly or wholly to the Group's products and/or services.

7) Taking out insurance coverage

The Risk and Insurance Department identifies the accident risks to which Group entities are exposed and takes out the necessary insurance coverage using either insurers in the market or a Group self-insurance arrangement.

It coordinates all Group insurance-related matters for damage caused either to or by the Group, with the exception of personal insurance and loan insurance.

4.3 INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies, including:

- A "comprehensive industrial risks" policy covering all Group entities for damage to industrial installations (buildings, machines, inventories, etc.). The maximum payout under the policy is €300 million, or up to €800 million for certain claims, excluding market-imposed sub-limits for certain risks such as flooding, earthquakes and natural catastrophes.
- "Product third-party liability" policies covering the financial consequences of product failure in the event of an accident following delivery to a third party:
 - Aviation products

The policies provide coverage totaling USD 2 billion per annum that can be used during the year for aviation products. Coverage for helicopter products is capped at USD 1 billion, while coverage for terrorism totals USD 1 billion.

- "Land" products (excluding aviation businesses)

The policies provide coverage of €235 million per annum that can be used during the year.

Total premiums paid by the Group under all policies in 2011 represented 0.18% of adjusted consolidated revenue for that year.

Soreval, a captive reinsurance company based in Luxembourg, participates in the risk coverage scheme.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

05

Corporate Social Responsibility

5.1	The Safran Group's CSR policy	170
5.2	Human resources	170
5.2.1	Presentation of strategic focuses	170
5.2.2	Headcount	172
5.2.3	HR policies	174
5.2.4	Compensation and benefits	176
5.2.5	Labor relations	177
5.2.6	Diversity and equal opportunities	177
5.2.7	Summary of labor indicators	179
5.3	Health, Safety and Environment (HSE)	180
5.3.1	Occupational Health and Safety and Environmental policy	180
5.3.2	Occupational health and safety	182
5.3.3	Environment	184
5.3.4	Conclusions	187
5.4	Ethical and social engagement	187
5.4.1	Group ethics: Ethical Guidelines	187
5.4.2	Ethical Guidelines in business activities	189
5.4.3	Corporate social responsibility to suppliers and sub-contractors	191
5.4.4	Corporate sponsorship policy	192
5.5	CSR reporting methodology and statutory auditors' report	193
5.5.1	Methodology Document on Labor and Health, Safety and Environmental (HSE) reporting	193
5.5.2	Statutory Auditors' report on the review of selected social and Health, Safety and Environment indicators	195

59,805

**employees worldwide
At December 31, 2011**

12%

**fewer occupational accidents
in 2011 compared to 2010**

More than 1,200

**employees trained
in corruption prevention
since 2010**

CORPORATE SOCIAL RESPONSIBILITY

Civic responsibility, people development and recognition, meeting commitments and teamwork are core values in Safran's corporate ethics and culture, which guide the Group's commitment to society.

THE GROUP'S HUMAN RESOURCES POLICY

The Safran Group's human resources policy focuses on four strategic areas:

- accompanying changes in the Group and anticipating the skills needed to remain at the forefront of innovation;
- strengthening social cohesion, preserving the health of employees and promoting diversity;
- attracting and retaining talent and developing career prospects;
- partnering the Group's international development.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

As an international leader in technology, Safran ambitiously aims for excellence in the field of occupational health and safety and the environment, as well as for its products and services. This reflects the Group's own values and is consistent with its sustainable development commitments.

ETHICAL AND SOCIAL ENGAGEMENT

Safran has a set of values and ethical standards that are espoused by all of its employees. It is corporate policy to ensure that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

CSR REPORTING METHODOLOGY AND STATUTORY AUDITORS' REPORT

Safran has elected to have a selection of its social and CSR indicators reviewed by the statutory auditors, Ernst & Young Audit and Mazars. These indicators are marked with a or in this section, depending on the degree of assurance. The statutory auditors obtained reasonable assurance for five of the indicators, and limited assurance for a selection of 18 HSE indicators and 1 social indicator, as well as reviewing five themes.

The nature and scope of the work of the statutory auditors, and their conclusions, are presented in the statutory auditors' report in section 5.5.

5.1 THE SAFRAN GROUP'S CSR POLICY

The Group's development in the global economy is driven by its commitment to social responsibility as a leading corporate player.

Civic responsibility, people development and recognition, meeting commitments and teamwork are core values in Safran's corporate ethics and culture, which guide the Group's commitment to society.

Air transport brings people together, bolsters and promotes social and economic development. People need solutions that guarantee their safety. Safran fulfills these aspirations while working to meet the expectations of its stakeholders: employees, partners, customers, shareholders, suppliers and all the communities affected by its business.

Safran's corporate responsibility shows in its commitments:

- developing a strong human resources policy focused on anticipating needed expertise, preserving the health of employees and fostering sound employer-employee relations;
- implementing ambitious projects that promote diversity: Safran advocates integrating and maintaining employees with disabilities in the workforce, capitalizes on the experience of seniors, champions the integration of young people from underprivileged neighborhoods and encourages equality between men and women;

- rolling out the Group's far-reaching health, safety and environmental policy designed to develop a culture of anticipation and prevention in managing risks for all of its stakeholders;
- establishing a sponsorship policy through two foundations and solidarity initiatives led with major partners.

Group ethics reflect its social responsibility engagement: in 2005, Safran introduced Ethical Guidelines setting forth the principles and standards common to the Group as a whole, to be used as a basis for employee conduct under all circumstances.

This year, the Group has consolidated all social and environmental information into a single section in its Registration Document. In doing so, Safran aims to highlight the consistency of its initiatives and incorporate social responsibility as a strategic focus for the Group's future and growth.

Most of the information set out below covers the Group worldwide. However, for greater reliability and due to some legislative requirements, some human resources information is restricted to a smaller scope, encompassing only France or Europe⁽¹⁾.

5.2 HUMAN RESOURCES

5.2.1 PRESENTATION OF STRATEGIC FOCUSES

The Safran Group's human resources (HR) policy focuses on four strategic areas:

- accompanying changes in the Group and anticipating the skills needed to remain at the forefront of innovation;
- strengthening social cohesion, preserving the health of employees and promoting diversity;
- attracting and retaining talent and developing career prospects;
- accompanying the Group's international development.

Accompanying changes in the Group and anticipating the skills needed to remain on the forefront of innovation

- In a Group that is constantly evolving, accompanying organizational changes represents a major challenge for HR teams, which need to:

- provide the necessary legal support to strengthen the required procedures,
- define and negotiate the status of employees affected by these changes,
- organize, coordinate and monitor staff mobility related to these changes.

Accompanying the Group's organizational changes also requires a good understanding of Safran's medium needs with regards to its businesses and expertise;

- In 2009, the Group embarked on large-scale initiatives to upgrade its management techniques and processes. These initiatives are designed to install more efficient operating procedures and to accompany the creation of a consolidated group, within which the different companies share common procedures.

(1) See reporting methodology for social indicators and Health, Safety and Environment (HSE) data in section 5.5.1.

One of their successes is the creation of a Shared Services Center (Payroll, Non-Production Purchasing, Accounting, IT, etc.), which by end-2011 provided payroll and administrative services for 35,000 employees, representing virtually all Group employees in France.

The human resources function is also fully involved in this move to create a unified group and is working to adapt its own organizational structure through the creation of three new departments focused on (i) HR development, (ii) training and managerial development and (iii) employee relations.

A unified human resources management application is currently being rolled out in France and in North America eventually to establish a cohesive, global system for human resources management;

- Research and innovation represent a strategic priority for Safran.

To keep up with this innovation, the Group must anticipate its teams' changing requirements in terms of expertise.

The HR function devotes significant resources into acquiring, maintaining and renewing the expertise needed to underpin the Group's development. The tools used include an analysis of the quantitative and qualitative developments needed in the business sectors that helps to define necessary actions, in particular in the areas of recruitment, training and mobility. The business committees have also been reinforced and rolled out to better account for changes in business sectors.

Strengthening social cohesion, preserving the health of employees and promoting diversity

- Social cohesion is a major stake underpinning the harmonious growth of the Group.
This objective is based on the application of Group-wide management methods, namely:
 - employee profit-sharing plans adapted to the specific context of the country,
 - employee shareholding plans associating employees with Group targets,
 - processes designed to develop employer-employee relations internationally with the setting up of a European Works Council.
- More specifically in France, over the last few months, the Group has been developing several key areas: (i) preserving the health of its employees, (ii) developing the career and skills management program and (iii) promoting diversity and equal opportunity.
 - The prevention of accidents in the workplace and the preservation of the physical and mental health of employees feature among Safran's ethical commitments. This took concrete form with:
 - › an agreement on occupational stress prevention signed in January 2011, which will continue to be rolled out to

Group companies in 2012. The agreement upholds the Group recommendation to assess psychosocial risks, whose application continued in 2011,

- › the integration of a comprehensive monthly report of accidents resulting in lost worktime into the reporting submitted to Executive Management,
- › a growing focus within Group companies on preventing dangerous and arduous work, in accordance with the new requirements stipulated under the French law of November 9, 2010 and its implementing decree of July 7, 2011,
- › Group-wide negotiations initiated at the end of 2011 on the prevention of harassment and violence in the workplace.
- Similarly, the promotion and management of diversity and equal opportunity are considered factors that bolster Group cohesion and performance. At the end of 2011, these factors led to negotiations on a Group-wide agreement on disabled workers and discussions on developing gender equality at Group companies.

Attracting and retaining talent

Recruiting the best profiles and offering them attractive career paths is the focus of Safran's HR policy.

In 2011, Safran stepped up its communication campaign aimed both at new graduates and more experienced candidates. The objective of this campaign was to raise awareness of Safran's business lines and of internships and careers within the Group. A total of 1,834 students carried out internships in 2011.

Accompanying the Group's international development

The international nature of the Group requires the implementation of an appropriate HR policy.

This involves:

- including international managers in the executive management scheme, with career committees and manager reviews to identify high potential candidates extended to international subsidiaries. Developing international Safran Corporate University programs enables culture-sharing and a better understanding by managers of the true international nature of the Group;
- enhancing international mobility, with the creation of a Group mobility charter and an international job pool;
- improving and harmonizing assistance provided to expatriates and developing other ways of working abroad;
- implementing health and welfare plans to accompany all forms of international mobility;

- rolling out new employee shareholding plans abroad: the International Group employee savings plan, free share plans, etc.

The Group's many sites across the globe and the diversity of its businesses and products offer vast opportunities for geographic mobility.

With operations in over 50 countries, the Group gives its employees the option of gaining professional experience abroad. It will continue enriching the international dimension of its teams by employing a growing number of international employees at its French companies, developing career opportunities at its subsidiaries worldwide and promoting intercultural exchange in implementing strategic projects.

5.2.2 HEADCOUNT

Breakdown by business

The Group had 59,805 employees at December 31, 2011.

The following table presents a breakdown of employees by business at that date:

	France	Outside France	2011 Total
Aerospace Propulsion	18,163	3,902	22,065
Aircraft Equipment	9,405	12,138	21,543
Defence	5,845	742	6,587
Security	1,292	6,238	7,530
Holding company and other	1,721	359	2,080
SAFRAN GROUP	36,426	23,379	59,805

Data reviewed by the statutory auditors with reasonable assurance (see statutory auditors' report in section 5.5.2).

Breakdown by country

The Group's expansion continued apace both in France and abroad. The Group acquired the French company SNPE Matériaux Énergétiques (SME) and its subsidiaries (just over 1,200 employees) and US company L-1 Identity Solutions Inc., now MorphoTrust (nearly 1,400 employees). At end-2011, the Group's workforce had grown by 10.2% compared with 2010 and represented more than 23,000 employees working outside France in more than 57 countries.

The following table presents a breakdown of employees by geographic area at December 31, 2011:

		At Dec. 31, 2011	% of total
Europe	France	36,426	60.9%
	United Kingdom	2,056	3.4%
	Belgium	1,448	2.4%
	Germany	1,047	1.8%
	Other European countries*	1,531	2.6%
	Russia	272	0.5%
North America	Mexico	3,601	6.0%
	United States	5,718	9.6%
	Canada	1,085	1.8%
South America	Brazil	920	1.5%
	South America (Uruguay, Colombia, Chile)	335	0.6%
Africa and the Middle East	Morocco	1,898	3.2%
	South Africa	251	0.4%
	Other (UAE, Lebanon, Bahrain, etc.)	129	0.2%
Asia	China	838	1.4%
	Singapore	507	0.8%
	India	1,488	2.5%
	Other (Japan, Taiwan, Vietnam, Philippines, Malaysia, Hong Kong, Thailand, South Korea)	74	0.1%
Oceania	Australia	181	0.3%
TOTAL		59,805	100%

* Albania, Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey, Ukraine.

Other information on the headcount

At December 31, 2011, 35.4% of Group employees were engineers or managers. In France, the breakdown of employees by professional category shifted in favor of managers: 38% managerial-grade staff (cadres), 30% technicians, 4% supervisors, 7% office staff and 21% line workers.

More than 25% of Group employees worldwide are women, with 20% among engineers and managers. More than 20% of French engineering and managerial-grade staff are women.

Over 20% of employees are involved in research and development activities.

Excluding acquisitions, the Group boasts net job creation for 2011, thanks to brisk external recruitment and fewer departures. Over 12 months, 7,166 jobs were created Group-wide. Safran hired over 1.7 employees for each departure. In France, one-third of new hires were for newly created positions.

More specifically in France:

The use of fixed-term contracts remains very limited and concerned less than 1% of employees at the end of 2011.

Temporary staff represented about 5% of the workforce in 2011, primarily in the Aircraft Equipment and Defence segments, which make use of this type of labor due to significant fluctuations in business levels.

Data reviewed by the statutory auditors with reasonable assurance (see statutory auditors' report in section 5.5.2).

5.2.3 HR POLICIES

Recruitment and integration

Safran continued to recruit in 2011 in order to bring in the fresh skills needed to maintain its leading position in the innovation of new generations of aircraft and new technologies, with 2,358 new hires in France. Among the new hires, 71% were for managerial-grade positions and more than 23% were women. Young graduates accounted for approximately 45% of our managerial-level hires. Safran recruited 4,808 employees abroad, of which nearly 22% were managers.

More than 70% of managerial-level new hires had a scientific or technical background, mainly in the following areas:

- mechanical engineering;
- materials;
- aerodynamics, energy, thermal sciences;
- electronics and automation;
- software development (onboard software);
- systems architecture;
- methods;
- development testing.

In pursuing its innovation policy, the Group is seeking to diversify its recruitment channels. While a large portion of its intake in the scientific sector is made up of engineers, it also targets academics with a master's degree or PhD.

Recruiting the best profiles and offering them attractive career paths is the focus of Safran's HR policy.

Aligned with its development, the Group puts forth extensive resources to apply this policy, furthering its communication campaign aimed both at new graduates and more experienced candidates in 2011.

Safran continued to step up its presence at target schools and universities in France and abroad, through career conferences, yacht sponsorship events, visits to industrial sites, forums, the setting up of Chairs and by strengthening its partnerships with and its participation in the target schools' management bodies. The Group also rolled out a network of Safran ambassadors within certain schools.

In China, the Group is the historic partner of the *École Centrale de Pékin* (French engineering school in Beijing), set up in 2005 (following the agreement with Beihang University in 2004). It is the first selective higher-education establishment for French-speaking engineers in China and currently has around 672 students. The first graduating class completed the program in January 2012.

The Group also supported the inauguration of the new offices of Sorbonne-Abu Dhabi, the first French-speaking university in the Gulf states. This partnership builds on the strong economic, industrial and cultural development of the United Arab Emirates and deepens the ties between the two countries.

A Safran team was implemented to manage upstream recruitment operations. Working with the departments seeking to hire, it handles the sourcing and preselection of candidates on behalf of Group companies.

Developing career prospects

To expand career prospects, the Group's career committees encourage mobility, training and retraining opportunities. Safran Corporate University is also involved, through courses preparing managers to take over new responsibilities.

The roll out of the new "career review" mechanism, set up by the Group in 2009 to assist employees, continued throughout the year. This involves an interview with a Safran career development counselor at significant milestones (30, 40 and 50 years with the Group) to plan any potential training or retraining initiatives.

Tools to enhance talent detection and to monitor specific or strategic populations are also being rolled out. The Group adopts a centralized system to optimize the management of its senior executives and high-potential managers. The aim is to identify, train and retain internal talent for succession planning purposes.

Mobility

In 2011, over 550 employees benefited from an internal transfer between two Group companies in France.

To improve the mobility process, a centralized team of mobility and career advisors monitors developments in business lines, through business committees. It offers employees career opportunities by coordinating mobility offers and requests from company career committees. The Group's job exchange platform (*Bourse des Emplois*), which allows employees to submit applications online or to send a mobility request specifying the sector and employment pool, was extended to the United States.

At December 31, 2011, the international mobility program covered 402 French expatriates (including 148 expatriations and 112 repatriations during the year) and 87 other international transfers. These employees worked in 51 countries, primarily in Europe (27%), North America (27%) and Asia (24%), mainly providing customers with commercial and technical services.

The Group also employs over 74 young interns under the French VIE (International Volunteer) program.

Standard contractual arrangements and expatriation packages have been defined at Group level and deployed in all entities to facilitate mobility. International mobility expertise will also be coordinated to ensure compliance with the Group's international mobility policy (employment contract, taxation and pay) and support for the implementation of international career management and repatriation programs.

Career and skills management program

The analysis of the quantitative and qualitative developments needed in the business sectors to accompany strategic developments within the Group helps to define the actions to be put in place, in particular in the areas of recruitment, training and mobility.

Data reviewed by the statutory auditors with limited assurance (see statutory auditors' report in section 5.5.2).

Data reviewed by the statutory auditors with reasonable assurance (see statutory auditors' report in section 5.5.2).

A Group-level career and skills management program (*Gestion Prévisionnelle des Emplois et des Compétences* – GPEC) agreement was signed in November 2011 between Executive Management and four trade union organizations representing Group employees.

It will round out existing or future agreements in certain subsidiaries by providing for:

- **ways to inform** those involved on the Group's mid- to long-term strategy and outlook and on Safran's employment and skills policies;
- **an analysis of current resources and likely changes** in requirements in terms of businesses and skills-sets (review performed by the joint Group career and skills management program committee, which met for the first time in December 2011);
- **the identification of growing or declining businesses** and businesses that are undergoing change, and the implementation of specific training and mobility measures;
- **the development and stability** of career paths;
- **a plan of action for the future** as part of the Group's commitment to social responsibility and solidarity.

Executive Management and participating trade unions hope that the career and skills management program will play a key part in the Group's HR policy, providing all employees with a clear view of the development of the Group's business lines and the possibility of planning their development and career in line with the future needs of the Group.

Training – Safran Corporate University

Safran's university, Safran Corporate University, aims to accompany the Group's transformation in every aspect: cultural, technological, organizational, international, etc.

Safran Corporate University runs training courses for all Group employees, positioning itself as an institution with something for everyone. Its aim is to provide relevant training to:

- support the Group's changing needs;
- maintain the Group's competitive edge by nurturing skills and providing career and mobility opportunities for employees throughout their professional lives;
- ensure that all staff are highly employable by teaching them the skills they need. Safran invests an average 4% of payroll costs in training.

Nearly 70% of French employees receive training at least once a year. Safran Corporate University offers training in 14 different areas, representing a total of more than one million training hours.

A substantial portion of training efforts is focused on developing the technological skills required by major projects.

The development of managerial skills in an international context represents a second major priority.

The quest for customer satisfaction and enhanced economic and industrial performance are the growth drivers that underpin the training program.

In line with the Group's international expansion, Safran Corporate University is active on the three continents where Safran has the strongest foothold (Europe, North America and Asia), offering bilingual programs in the local language and English.

Through the local campuses, training is adapted to these region's cultural aspects and relevant needs at the Group sites. This diversity also provides an opportunity to integrate local experience into the programs taught worldwide and enhance the Group's knowledge of its markets.

The campuses represent an important force in the local response to the training needs of Safran's companies and partners.

At the Dallas campus, covering North America and Mexico, over 9,000 interns were trained in 2011.

Safran Corporate University is also a vector for disseminating Group culture, identity and values throughout all of its companies and countries.

With the building of a Campus, Safran will provide a proper base for the university, which has been a cultural melting-pot since its creation.

The University's goal is to implement an ambitious Group training policy and to use the resources and efforts involved to meet strategic challenges in order to support the development of the Group's business, technology and international presence. One of the keys to the success of this new training system is the commitment of Group executives, managers and experts to designing and leading these programs.

Safran Corporate University addresses three major challenges that apply to the Group:

- **Improving employee skills and professionalism in all of the Group's sectors**

Business programs allow employees to develop their skills in relation to a particular business throughout their professional career. Safran Corporate University provides this skills development for all employees and contributes to building the Group's human capital, adapting it to tomorrow's businesses and ensuring its continued growth.

The University aims to set up career training programs in line with these needs. Such programs have already been developed, or are in the process of being developed, in areas such as Purchasing, R&D, Economy and Management, Manufacturing, and so on.

Some of the courses offered by Safran Corporate University will allow employees to obtain a certificate or a diploma. These courses are common to all Group companies in order to encourage the sharing of ideas and best practices.

- **Aiming for excellence in management and leadership**

The Leadership programs provide the necessary career training for senior executives and more generally, for all Group leaders and managers. These programs are designed to help develop common management practices within the Group and to offer managers every chance of success in their assignments, as they manage change and build the Group of tomorrow.

Safran's Leadership guidelines lay the groundwork for all programs and reflect five managerial priorities: mobilizing employees based on a shared vision, setting the example, daring to innovate, fostering team benefits and promoting individual responsibility.

- **Enhancing the employability of workers**

Transitional programs aim to assist employees whose jobs are likely to change considerably in order to help them develop new skills or change career paths.

Additional specially adapted training programs and specific procedures, involving the assessment of skills, the validation of professional experience, etc., will be put in place to accompany these career changes and developments and prepare employees for tomorrow's jobs.

These programs represent a key component of the career and skills management program, bolstering the Group's transformation and modernization projects.

5.2.4 COMPENSATION AND BENEFITS

Compensation trends

For the first time since the Group was created in 2005, all French companies signed salary agreements in 2011. These agreements provided for an average increase in compensation of between 3% and 3.2% of payroll, depending on the company, and comprised general and individual increases for employees, and specific increases for managerial-grade staff.

In addition, several Group companies set aside budgets for promoting compensation equality between men and women as part of their annual compensation policy.

Involving employees in Group performance

Statutory employee profit-sharing

In France, statutory profit-sharing is paid under the terms of the Group statutory employee profit-sharing agreement signed on June 30, 2005. The agreement, which is based on the principle of solidarity, provides for the pooling of statutory profit-sharing reserves generated by each Group company in France. This enables an identical percentage of salary to be paid to all personnel.

In addition to this agreement, Executive Management distributed a larger portion of earnings for 2009 and 2010 through a supplementary profit-sharing contribution in 2010 and 2011.

Total statutory profit-sharing expense recorded in the consolidated financial statements for the last two years is as follows:

<i>(In € millions)</i>	Statutory employee profit-sharing
2010	49.1
2011	45.3

The statutory profit-sharing expense for 2010 includes a supplementary profit-sharing contribution of €7.5 million for 2009 and €10 million for 2010.

Optional employee-profit sharing

All French entities have optional profit-sharing plans based primarily on economic performance criteria supplemented, where appropriate, by other company performance indicators.

The total amount of optional profit-sharing payments may not exceed 5% of payroll, although this percentage may be increased to 7% in the event of exceptional company performance.

Total optional profit-sharing payments recorded in the consolidated financial statements for the last two years are as follows:

<i>(In € millions)</i>	Optional employee-profit sharing
2010	88.6
2011	109

Employee profit-sharing bonus and shareholding plans

In accordance with the recently enacted French legislation on profit-sharing, a Group agreement was signed to allocate a flat bonus of €500 (gross) to each employee. The resulting €20 million expense was recognized in the 2011 consolidated financial statements.

In order to motivate employees further to contribute to its targets and future success and performance, the Group set up an employee shareholding plan in France, in which employees could invest all or part of their profit-sharing bonus.

The plan was in the form of an offer to purchase Safran treasury shares reserved for employees through a fund within the Group Savings Plan. The capital will be guaranteed and the employees will benefit from a possible increase in the Safran security along with a leveraged component and thresholds guaranteeing gains when the security price reaches certain levels.

The plan was highly successful, registering 16,000 employees (representing more than half of the eligible beneficiaries), who subscribed all 6 million shares allocated to the plan by Safran.

The plan was rolled out to Group employees outside France in the first quarter of 2012.

Furthermore, 100 free shares granted to employees of the Group's European companies in 2009 were delivered in 2011 to the 35,000 French employees that met the terms required at the end of the two-year vesting period. Shares will be delivered to beneficiaries outside France in 2013, as the vesting period is four years.

French and International Group employee savings plans

The Group employee savings plan, implemented by a Group agreement in 2006, allows employees to contribute to a company savings plan. They can access several investment vehicles with diverse profiles, via five corporate mutual funds (FCPE) with different management strategies.

The Group employee savings plan endorses employee share ownership in particular, by allocating company contributions to a corporate mutual fund invested in Safran shares.

The 2006 agreement creating an international Group employee savings plan brought an international dimension to employee share

ownership. It provides employer financial support to employees of foreign subsidiaries who wish to contribute to a savings plan based on Safran shares.

In 2011, over 12,000 employees in some 40 Group companies in Belgium, Canada, Germany, Mexico, the UK and the US had access to this plan, which will be progressively rolled out to other countries.

5.2.5 LABOR RELATIONS

Employer-employee relations*

Main events in this area in 2011 for the Safran Group in France and in Europe were:

- the signature of Group-wide agreements on:
 - occupational stress prevention, in January,
 - the profit-sharing bonus for employees combined with an employee shareholding plan allowing employees to acquire Safran shares under preferential conditions, in October,
 - the career and skills management program, in November,
 - the integration of SME and its subsidiaries Structil and Pyroalliance into the scope of Group agreements, in the second half of the year;
- continued negotiations on the collective retirement savings plan (PERCO) and employee profit-sharing;
- the launch of negotiations on the prevention of harassment and violence in the workplace and on disabled workers;
- meetings with the Group's union representatives to discuss various issues (statutory bargaining round, upgrading management procedures, etc.);
- meetings of the Group and European Works Councils in ordinary and extraordinary sessions.

Each Group company also pursues a dynamic contract negotiation policy based on its economic and social profile.

Relations with the local community

The Group's entities maintain close relations with their local and regional communities and help to raise the Group's profile through active participation in social and economic initiatives at the local level.

The Group devotes considerable resources to taking on young people under work-study or apprenticeship programs and internships at various levels of qualification.

In line with changing obligations and the commitments made when it signed up to the Apprenticeship Charter in June 2005 in France, Safran welcomed over 1,956 young people under work-study contracts in 2011 (apprenticeship and professional training contracts), representing 5.3% of the French workforce.

The Safran Group pools the payment of apprenticeship tax for qualification levels of "Bac+5" (five years' post-secondary education) and above across all companies, given the national dimension of these qualifications, in order to ensure overall consistency with the Group's strategic focus. The payment of this tax for other qualification levels is entrusted to each company, as their better understanding of the local environment enables them to support the establishments that train individuals whose expertise matches recruitment profiles within their employment pool.

Safran has developed partnership initiatives with French public research institutes (CEA, CNRS) in scientific and technology sectors, with engineering and business schools, as well as with scientific universities both in France and abroad. In 2011, 125 industrial agreements for training through research (*Conventions Industrielles de Formation par la Recherche – CIFRE*) and Diplomas of Technology Research (*Diplôme de Recherche Technologique – DRT*) were put in place.

Employee-related activities managed by the Works Council

In France, the contribution paid by Group companies to their Works Councils for employee-related activities varies between 1% and 5% of the total payroll, depending on the company and the site.

5.2.6 DIVERSITY AND EQUAL OPPORTUNITIES

Safran has engaged in a policy of combating discrimination and promoting equal opportunities for several years, instituting its Diversity Charter, applicable to all Group companies in November 2010.

In 2011, the Group pressed ahead with its commitment to diversity, broken down into the following four areas:

- integrating and maintaining employees with disabilities in the workforce;
- promoting professional equality between men and women;
- integrating young people from underprivileged neighborhoods;
- developing opportunities for seniors within the Group.

Awareness-raising and communication initiatives, along with the specific targets in place, reflect Safran's determination to boost its social responsibility in this area and report on advances made.

Integrating and maintaining employees with disabilities in the workforce

In application of the specific requirements governing the employment of disabled workers in France, the Group pursued its proactive policy for integrating and maintaining employees with disabilities within the Group. In 2010, its commitment

* Data reviewed by the statutory auditors (see statutory auditors' report in section 5.5.2).

was enshrined in a two-year agreement signed with Agefiph, a French association promoting the employment of people with disabilities. As a result, the proportion of disabled workers was raised from 3.7% to 4.4%, including both disabled Group employees and its collaboration with companies that employ only disabled people and provide them with special facilities and support.

Safran intends to further its partnership with Agefiph through a Group agreement. Negotiations were initiated in the last quarter of 2011 towards an agreement to be signed in the first half of 2012 that would enable the Group to move forward with an active policy of hiring, training and maintaining employees with disabilities.

The measures specified in the Group's policy of employing disabled workers include:

- developing recruitment procedures for people with disabilities by becoming members of various associations and participating in employment forums;
- boosting communication initiatives for disabled persons and employees.

Promoting professional equality between men and women

Promoting gender equality – a driving force for social cohesion and the Group's own development – is one of the overriding aims of Safran's policy to sponsor diversity.

Initiatives focus mainly on ensuring equal compensation, a discrimination-free recruitment policy and career opportunities at all levels of the hierarchy, more specifically in France. The Group has signed equal pay agreements in its main subsidiaries that include objectives, progress indicators and progress reviews. The Group's French companies began a new focus in 2011 on preventing dangerous and arduous work, in accordance with the new requirements stipulated under the French law of November 9, 2010 and its implementing order of July 7, 2011.

Several initiatives illustrate the Group's efforts to promote gender equality in the workplace and in recruitment, especially when hiring for engineering or managerial-level positions. Safran is a member of the association "Elles bougent" (Women on the move), which aims to promote industrial professions among female high school and university students enrolled in a "Bac+2" (two years' post-secondary education) technical program and encourage them to pursue their studies in these fields.

In 2011, Safran took part in a number of the association's initiatives, including its headline event at the Paris Air Show attended by dozens of young women.

Since 2008, Safran has been a partner to the Women's Forum, an international event bringing together influential men and women. This partnership advanced in 2011, when Safran held a workshop on the role of women in innovation, inviting about 30 women from Group companies to join in debates and conferences.

Policy of integrating young people from underprivileged neighborhoods

In 2011, the Group cemented its action initiated in 2008 with the "Plan Espoir Banlieues" (Hope for the Suburbs Plan) to offer young people from underprivileged neighborhoods real opportunities to discover the world of business and provide them with career guidance, professional training and employment.

Safran continued partnerships with locally active associations, namely "IMS – Entreprendre pour la Cité", a network of 200 companies supporting corporate responsibility.

Safran also furthered the partnership forged by the Safran Foundation for Integration with the Frateli Association, which develops mentoring programs between high-potential students from disadvantaged backgrounds and young professionals. Safran promotes mentoring among Group employees while offering the association's members activities such as on-site visits, coaching and speed interviews with Group recruitment specialists.

Prolonging the working lives of seniors

The Group has developed a proactive career management policy for seniors.

Close to 30% of the Group's employees are aged 50 or over. Holding onto these employees, capitalizing on their vast professional experience and giving them confidence in their professional future is a major priority for the Group.

More specifically in France, Safran's three-year Group agreement signed in February 2010 puts concrete measures in place that favor jobs for senior employees and includes quantitative and qualitative objectives and performance indicators.

Safran continued to roll out the measures stipulated in the agreement in 2011, which include:

- a commitment to avoid age discrimination in the fields of recruitment, training, compensation and career development;
- the creation of special leave for employees aged 50 and over to carry out a professional project or work in the voluntary sector. The special leave is granted for up to six months and is subsidized by the Company. The employee is entitled to return to the Company after this period;
- introduction of subsidized part time allowing any willing employees with ten years' service in the Company to work 80% of the time and be paid for 90%;
- measures aimed at preventing dangerous or arduous work and improving working conditions and health of seniors in the workplace (medical check-ups, remote working arrangements, etc.);
- other measures also in place aimed at refreshing and capitalizing on the skills of seniors and improving their career management opportunities.

5.2.7 SUMMARY OF LABOR INDICATORS

Data (Headcount at December 31, 2011, Work-study, Absenteeism and Training for 2011)

Breakdown of headcount by country <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Permanent contract	Fixed-term contract	Men	Women	Managerial	Non-managerial	Total
Europe	42,165	615	34,075	8,705	16,210	26,570	42,780
France	36,234	192	28,935	7,491	13,965	22,461	36,426
United Kingdom	2,042	14	1,790	266	536	1,520	2,056
Belgium	1,402	46	1,284	164	422	1,026	1,448
Germany	995	52	815	232	599	448	1,047
Other European countries*	1,268	263	1,083	448	504	1,027	1,531
Russia	224	48	168	104	184	88	272
North America	10,211	193	6,318	4,086	2,812	7,592	10,404
Mexico	3,478	123	1,577	2,024	435	3,166	3,601
United States	5,704	14	3,909	1,809	2,121	3,597	5,718
Canada	1,029	56	832	253	256	829	1,085
South America	1,133	122	707	548	201	1,054	1,255
Brazil	872	48	524	396	96	824	920
South America (Uruguay, Colombia, Chile)	261	74	183	152	105	230	335
Africa and the Middle East	1,661	617	1,164	1,114	439	1,839	2,278
Morocco	1,301	597	828	1,070	305	1,593	1,898
South Africa	244	7	225	26	59	192	251
Other (UAE, Lebanon, Bahrain, etc.)	116	13	111	18	75	54	129
Asia	2,709	198	2,384	523	1,464	1,443	2,907
China	726	112	640	198	213	625	838
Singapore	504	3	408	99	118	389	507
India	1,405	83	1,277	211	1,104	384	1,488
Other (Japan, Taiwan, Vietnam, Philippines, Malaysia, Hong Kong, Thailand, South Korea)	74	0	59	15	29	45	74
Oceania	173	8	150	31	61	120	181
Australia	173	8	150	31	61	120	181
TOTAL	58,052	1,753	44,798	15,007	21,187	38,618	59,805
Recruitment and departures <input checked="" type="checkbox"/><input checked="" type="checkbox"/>							
Number of external new hires	–	–	4,525	2,641	2,766	4,400	7,166
Percentage of women hired	–	–	–	36.3%	–	–	36.9%
Number of permanent departures	–	–	–	–	1,439	2,816	4,255
Replacement rate for permanent departures (For 1 departure, Safran hired X people)	–	–	–	–	1.9	1.6	1.7
Work-study (France)							
Number of professional training contracts	–	–	–	–	–	–	146
Number of apprenticeships	–	–	–	–	–	–	1,810
Total number of work-study contracts	–	–	–	–	–	–	1,956
% Work-study contracts/Headcount	–	–	–	–	–	–	5.3%
Internships (France)							
Number of internships	–	–	–	–	–	–	1,834
Seniors							
Proportion of employees aged 50 to 54	–	–	16.7%	11.6%	–	–	15.6%
Proportion of employees aged 55 to 59	–	–	12.6%	8.5%	–	–	11.7%
Proportion of employees aged 60 and over	–	–	2.8%	1.8%	–	–	2.6%
Disabled workers (France)							
Percentage of disabled workers	–	–	–	–	–	–	3.9%
Absenteeism (France)							
Absenteeism	–	–	–	–	–	–	3.8%
Training (France)							
Percentage of total headcount that received training	–	–	–	–	–	–	69%
Percentage of payroll allocated to training	–	–	–	–	–	–	4%

* Albania, Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey, Ukraine.

Data reviewed by the statutory auditors with limited assurance (see statutory auditors' report in section 5.5.2).

5.3 HEALTH, SAFETY AND ENVIRONMENT (HSE)

5.3.1 OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL POLICY

As an international leader in technology, the Safran Group aims for excellence in the field of occupational health and safety and the environment, as well as for its products and services. This reflects the Group's own values and is consistent with its sustainable development commitments.

In line with one of its seven values – civic responsibility – Safran is committed to developing a culture of anticipation and prevention for managing occupational health and safety and environmental risks that benefits its employees, partners, suppliers and customers as well as all communities affected by its operations wherever Safran is present. Safran is dedicated to strengthening relations with all of its stakeholders while upholding transparency and reliability.

The objectives defined in this policy, put forward by the Sustainable Development Department and validated by the Chairman and Chief Executive Officer, are in line with a continual improvement drive that seeks to:

- preserve the health and safety of the men and women who contribute to the Group's activities;
- guarantee the safety of industrial installations and protect the environment;
- design and provide products and services that take into account occupational health and safety and environmental imperatives throughout their life cycle.

In 2011, the Group's Sustainable Development Department continued to spearhead the occupational health and safety and environmental policy and the policy fundamentals defined in 2008. These cover:

- management of risks and their impacts;
- compliance with Group HSE requirements;
- integration of HSE into day-to-day actions;
- demonstration of HSE leadership;
- consideration of HSE issues in any changes made;
- measurement of HSE performance;
- experience sharing;
- shared supervision.

GROUP POLICY

HEALTH, SAFETY AND ENVIRONMENT

AS AN INTERNATIONAL TECHNOLOGY LEADER, AND ALREADY AT THE FOREFRONT FOR ITS PRODUCTS AND SERVICES, SAFRAN NOW AIMS TO ACHIEVE THE SAME LEVEL OF EXCELLENCE IN THE AREA OF HEALTH, SAFETY, AND ENVIRONMENT IN KEEPING WITH ITS VALUES AND IN LINE WITH ITS SUSTAINABLE DEVELOPMENT GOALS.

SAFRAN IS COMMITTED TO STRENGTHENING ITS CULTURE OF ANTICIPATION AND PREVENTION so it can better manage risks in these areas and protect its staff, partners, suppliers, customers, and all communities its activities impact on. Safran is committed to open dialogue with all its stakeholders in the spirit of transparency and honesty.

THE SET OBJECTIVES that make up this policy are part of an effort to continually improve performances in order to:

- >Protect the health and safety of the women and men who take part in the Group's activities, by drastically reducing the risk of occupational illnesses and accidents,
- >Guarantee the reliability of its facilities and protect their surroundings,
- >Develop and distribute products and services that take Health, Safety and Environment into account all throughout their life cycle.

EACH GROUP ENTITY IS COMMITTED to complying with all local applicable Health, Safety and Environment laws and regulations, regardless of the part of the world it operates out of. Entities are additionally committed to making the Group's objectives their own and applying the standards so that the level of performance aimed for in these areas can be achieved.

THE SUSTAINABLE DEVELOPMENT DEPARTMENT, part of the Group Human Resources Department, is in charge of establishing and coordinating this policy. It works in collaboration with the Safran HSE centres and all impacted Departments to ensure smooth and even implementation - driven by management - throughout all operational and functional processes.

ALL CHAIRMEN & C.E.O. of the Group companies are personally committed to making this policy known, and actively implementing it amongst their staff, their partners, the community and other stakeholders.

ALL MANAGERS, at every level, are committed to implementing prevention programmes within their activities, ensuring their staff members remain informed and play an active role in contributing to HSE development, and seeing that all actions taken help to achieve improvement objectives.

WHEN IT COMES TO HEALTH, SAFETY AND ENVIRONMENT, THE PERFORMANCE OF EVERY EMPLOYEE IS A KEY ASSESSMENT CRITERION.



JEAN-PAUL BEITZEL
Safran Chairman and Chief Executive Officer

COMMUNICATION INTERNE



5.3.1.1 Organization

In 2011, the Group restructured its Sustainable Development Department into two major units:

- a Steering unit consisting of three regions (Americas; Europe–North Africa; Asia–Oceania–Middle East–Sub-Saharan Africa), thus encompassing all of Safran's sites and facilities worldwide. In order to develop local synergies, each region is broken down into divisions covering several geographic sites that may belong to different companies;

- a Segments/Programs unit providing assistance to all Group programs and applications and for external requests from its partners and stakeholders.

The Sustainable Development Department also calls on local division coordinators, site prevention officers, occupational health services and a network of decentralized experts.

The Department's health advisor covers the entire Group to coordinate occupational health services and prevention programs.

At Group level, the Sustainable Development Department liaises with other departments in coordinating overall HSE policy. At division level, the prevention officers, in conjunction with the local HSE departments, ensure that improvement programs are implemented to reduce HSE risks, and also oversee employee training and awareness-raising programs. Each company appoints an HSE specialist in charge of guiding and assisting its management executives.

Set up in 2008, a "REACH group" project team (Registration, Evaluation, Authorisation and restriction of Chemical substances) draws on the Product Environment Correspondent network to coordinate all the Group initiatives in this area. This Group-wide project is overseen by the Group's Sustainable Development Department and Industrial Management Department. This dual supervision gives the project greater operational scope. The role of the Product Environment Correspondents is to facilitate the implementation of measures in response to growing environmental imperatives applicable primarily to products.

5.3.1.2 Objectives

The Group's HSE policy is underpinned by the international rollout of Safran HSE risk management programs and guidelines:

- implementing common HSE objectives for all entities aimed at reducing risks and reinforcing operational control;
- coordinating and improving HSE synergies, which requires the commitment and involvement of Group and company departments: each Chairman adapts the Group's HSE policy and is involved in its implementation, each manager initiates prevention programs adapted to his or her business in order to achieve the progress objectives.

The Group's HSE objectives are rolled out across Group entities by the operating divisions, advised and assisted by the relevant HSE prevention officers. The 2011 objectives focused mainly on:

- Consolidating and perpetuating the Group's prior-year HSE objectives by:
 - launching additional campaigns in 2010 and 2011 to measure the carbon footprint of all the Group's major sites, which will be used to increase the reliability of data and stabilize requests. These campaigns are an extension of the campaign launched in 2009, which served as the basis for the action plan for the following three years;

- continuing to roll out across the Group in France an application known as CORP (Customized Regulatory Compliance) that supervises and checks compliance with applicable regulations;

- continuing to roll out across all sites TESSE, the Group's IT tool for monitoring HSE risk exposure and improving the methods used to identify and mitigate employees' exposure to hazardous substances;

- continuing to roll out the HSE risk assessment (ergonomic analyses of all workstations, assessment of chemical risks, environmental analysis, accident analysis and prevention, etc.);

- continuing to assess psychosocial risks at all sites based on a four-step approach: commitment, training, diagnostic review and action plan. In France, an agreement was signed with the trade unions that rounds out the Group's recommended approach;

- applying the EVREST (Assessment of Occupational Health) health observatory program at 34 sites in France and Belgium, representing 90% of Safran's total employees in these countries;

- continuing to reduce the consumption of non-renewable energy and the production of industrial waste.

- Structuring risk management and enhancing performance by applying the Safran HSE guidelines:

- the guidelines were consolidated in 2011 and currently include a manual and 27 HSE standards. Any Group site can use the manual and apply it to its business to evaluate each standard in terms of the maturity of its risk management process on a 1-to-4 scale. The Safran HSE guidelines were validated by a third party, demonstrating its equivalence to the ISO 14001⁽¹⁾ and OHSAS 18001⁽²⁾ standards. Safran's guidelines are designed to eventually substitute the ISO 14001 and OHSAS 18001 standards in order to strengthen the improvement drive at sites;

- each company organizes an annual HSE review, during which its Chairman and the head of the Sustainable Development Department review the objectives met and the progress of improvement strategies. These reviews are based on a presentation of the situation of each company by its Chief Operating Officer;

- the Sustainable Development Department submits a quarterly HSE management report, based on data provided by Group sites or entities, to the Management Committee, company Chairman and managers.

Several initiatives were also undertaken in 2011:

- nine sessions provided training to 105 managers on the ongoing HSE improvement drive;
- a two-day forum brought over 100 HSE prevention officers together to pool their experiences.

(1) ISO 14001: Environmental management systems: requirements with guidance for use.

(2) OHSAS 18001: Occupational Health and Safety Assessment Series: Implementation guidance.

5.3.1.3 Certifications

At December 31, 2011, 54 Group facilities were ISO 14001 certified (requirements and guidelines for its environmental management system), representing 63% of total Group employees.

Twenty-two facilities – mainly focused on research and development – whose environmental management systems had already been certified, have also been ISO 14001 certified for their design processes.

At the end of 2011, ten facilities had been OHSAS 18001 certified for their health and safety management systems, in addition to their ISO 14001 certification.

Forty-five inter-company internal audits were carried out in 2011 based on ISO 14001 and/or OHSAS 18001, along with some of Safran's HSE standards. These internal audits enabled the facilities to correct and enhance their HSE management systems.

Forty-seven HSE auditors, whose internal certification is kept up to date and validated by the Sustainable Development Department, conduct reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year. All auditors received training in 2011 for dual qualification expertise in both the ISO 14001 and OHSAS 18001 standards. Starting in 2012, the Safran HSE guidelines will be rolled out to all Group sites.

In addition to ISO 14001 and OHSAS 18001, the policy also covers specific requirements. It must be applied in Group facilities in all countries and each standard is evaluated in terms of the maturity of its risk management process and used to set specific improvement targets.

The Group is aiming for maturity level 3 (on a scale of 1 to 4) for all standards at all sites within three years.

Following the acquisition of SME, nine more of the Group's facilities are ISO 14001 certified.

5.3.1.4 Scope

In 2011, the scope of HSE reporting included all sites whose businesses and products may present HSE risks. It was virtually identical to the scope adopted in 2010. The data on occupational health and safety covers some 54,483 employees spread throughout the world, or nearly 91% of the Group's total headcount, and on the environment, 49,813 employees, or 83% of total headcount. SCORE (Safran COrporate REporting) has been the reporting database since 2005.

In the first half of 2011, the Safran Group acquired SME and a 40% stake in Regulus.

5.3.2 OCCUPATIONAL HEALTH AND SAFETY

5.3.2.1 Health: "preserve the health of the men and women who contribute to the Group's activities"

Based on a reporting scope of 113 sites⁽¹⁾, the total number of occupational illnesses reported in 2011 stood at 142 . Based on employee numbers, the number of occupational illnesses was 2.7 per thousand employees in 2011 (2.2 in 2010, 1.7 in 2009 and 1.4 in 2008). Most of the reported occupational illnesses were attributed to musculoskeletal symptoms (MSS), representing 70% of the cases reported in 2011. This level is in line with the nationwide statistics published for France. The number of illnesses linked to prior exposure to asbestos remained stable (16 in 2011).

With the Group's increasingly international dimension, expatriate employees benefit from especially close health monitoring.

Following the different pandemic alerts (bird flu, swine flu), Safran devised a health crisis management plan that is updated on a regular basis. Company crisis manuals and Business Continuity Plans (BCP) were also created. Campaigns are regularly organized to raise awareness about crisis management.

Wherever possible, occupational health services roll out the EVREST health observatory program. This observatory is currently applied at 34 Group facilities. Widely used in France, EVREST allows the Group to compile data on employee occupational health over time and determine areas for improvement.

For several years, the Group has worked actively to prevent psychosocial risks in general and occupational stress in particular.

In a number of entities it has rolled out a stress prevention policy based on a diagnostic review followed by an action plan.

In 2004, the Group introduced a four-step approach to analyzing psychosocial risks (stress) consisting of:

- 1/ Setting up an analysis of ways to prevent psychosocial risks, securing the involvement of site and line managers as well as trade unions and setting up a steering committee to supervise this initiative.
- 2/ Training the steering committee members in psychosocial risks and raising employee awareness.
- 3/ Performing diagnostic reviews of psychosocial risks using the Working Conditions and Control Questionnaire® (WOCCQ). A framework agreement was signed with the University of Liege, a pioneering figure in this area and the brains behind the WOCCQ. Sites with few staff that do not have the resources to roll out such tools can draw on internal questionnaires or the EVREST health observatory for their diagnostic reviews.
- 4/ Performing analyses and implementing action plans. These may be global, cross-functional or by sector and result from the work of sector-based focus groups.

On January 19, 2011, the Group signed an agreement on stress prevention in the workplace with five trade unions representing the Group's employees in France. This agreement plans to:

- roll out the occupational stress prevention program to all Group facilities;

Data reviewed by the statutory auditors with limited assurance (see statutory auditors' report in section 5.5.2).

(1) See reporting methodology for social indicators and Health, Safety and Environment (HSE) data in section 5.5.1.

- round out the approach with:
 - awareness-raising and/or training for all those involved as well as managers,
 - initiatives to detect and care for employees suffering from stress.

This agreement also provides for an extension of existing measures to protect employee health and assistance with changes in the organization as part of a change enablement program.

In 2010 and 2011, 55 sites used the WOCCQ, covering over 34,000 employees. Approximately 3,000 managers benefited from awareness-raising campaigns or training on handling occupational stress.

5.3.2.2 Safety: “preserve the safety of the men and women who contribute to the Group’s activities”

Accident analysis and prevention

Based on a safety reporting scope of 113 sites⁽¹⁾, the number of occupational accidents resulting in lost worktime (451 recorded in 2011) fell considerably compared with figures for 2008, 2009 and 2010, dropping 12% on 2010. Since 2005, the proportion of accidents resulting in lost worktime had remained relatively stable, between 6% and 7%, but saw a significant drop (20%) in 2011. A detailed monthly report on accidents resulting in lost worktime that occurred during the month was added to the regular reporting submitted to Executive Management in 2011. These reports will be submitted on a weekly basis in 2012.

The Group aims to halve the proportion of accidents resulting in lost worktime over the period 2009-2013. The Chairman and Chief Executive Officer gave each company a target for this indicator for 2012. Safran regrets one off-site fatal accident in 2011, classified as an occupational accident in the absence of proof of any other cause.

	2010	2011
Frequency rate	6.2	5.0 <input checked="" type="checkbox"/>
Severity rate	0.19	0.18 <input checked="" type="checkbox"/>

Frequency rate: Number of accidents resulting in more than 24 hours of lost worktime per million hours worked.

Severity rate: Number of days' sick leave as a result of occupational accidents per thousand hours worked.

The Group target frequency rate is less than 4.5 for 2012.

Risk assessment*

In 2007, the Safran Group approved TESSE, a tool to appraise workstations risk and track employee exposure. In 2010 and 2011, this application was rolled out to all French sites, bringing the total number of sites using the application in France, Belgium and Morocco to 53 at the end of the year. This represents an important approach towards improving the understanding, analysis, use and traceability of HSE data.

Data reviewed by the statutory auditors with limited assurance (see statutory auditors' report in section 5.5.2).

(1) See reporting methodology for social indicators and Health, Safety and Environment (HSE) data in section 5.5.1.

* Data reviewed by the statutory auditors (see statutory auditors' report in section 5.5.2).

In 2011, an English version of the application went live at Group sites in the UK and Canada. The Burnley, Safran Engineering Services and Buchelay sites implemented the TESSE system.

Ergonomics

After implementing tools to analyze the ergonomics of workstations, the Group offers the sites the training necessary to their rollout, in order to increase the focus placed on ergonomics in the analysis of workstation risks and reduce any arduousness or danger at workstations as much as possible. Ergonomics is covered in the Safran HSE guidelines and will be the focus of a Group-wide program in 2012.

Fire protection and prevention

Since 2007, the Sustainable Development Department has been responsible for updating the Group's fire risk map in conjunction with an international fire protection and prevention firm. The contract with this firm has been renewed for the 2010 to 2012 period.

Since 2007, 153 audits have been scheduled throughout Safran sites under this multi-annual plan. Every year, 30 audits are carried out on Safran sites that receive technical assistance from the Group in terms of fire prevention. The Group has addressed more than 475 site requests for assistance since 2007, of which 95 in 2011. These include 122 reviews of fire protection and prevention initiatives, of which 19 in 2011, based on investment in new buildings or facilities equipped with automatic sprinklers.

Since 2007, 901 recommendations have been issued, of which 96 in 2011.

The IT application for managing this risk allows each site, company and the Group via consolidation, to:

- identify, assess and understand potential risks and damage;
- identify and assess the remedial and preventive measures taken to manage these risks;
- address any recommendations made;
- manage improvements;
- define the strategy for mitigating identified risks.

Seveso facilities (high-hazard threshold)

Seven of Safran's facilities in France fell within the high-hazard threshold of the Seveso Directive in 2011: Snecma Vernon, Messier-Bugatti-Dowty Molsheim, SME Saint-Médard-en-Jalles (Toulouse) and the Bouchet Research Center in mainland France, and Europropulsion and Regulus in Kourou, French Guiana.

Training

A number of general and/or technical training programs are dispensed in all areas of HSE and available to all categories of employees. In 2011, nearly 8,000 employees took HSE training. About a hundred Group-wide programs will be available through Safran Corporate University in 2012.

5.3.3 ENVIRONMENT

5.3.3.1 Products and processes

Safran handles all environmental and health risks as part of its ongoing HSE improvement drive. These include risks related to industrial production as well as risks resulting from the use of its products on the market. Risks are assessed at every stage of the products' lifecycle from design to end-of-use and/or decommissioning. Safran enforces a continuous improvement policy to protect the environment and manage environmental risks.

Rules governing the choice and use of chemical substances are defined in Group procedures and are being sent to all Group suppliers. Since 2009, the Group has been harmonizing its procedures in line with its guidelines on the selection of chemical substances in order to devise a list of processes applicable to any new program. The most recent Group HSE standard involved

eco-design, an approach that integrates safety requirements and product reliability along with the development of eco-friendly products.

As part of its multi-annual HSE objectives, the Group defined the following three-year environmental goals in 2008 (taking 2008 as the reference year):

- 5% reduction in energy consumption or replacement with renewable energies;
- 10% reduction in waste, excluding metallic chips;
- 10% reduction in waste sent to landfill;
- 15% reduction in greenhouse gas emissions.

These objectives are still being pursued and the time horizon may be extended beyond the initial three-year period to account for the increase in the Group's business volumes over the period.

5.3.3.2 Greenhouse gas emissions

Four Group companies, classified as combustion facilities (boilers for industrial use and heating installations, cracking furnaces) with a rated thermal input exceeding 20 MW, were concerned by the allocation of greenhouse gas emissions allowances for the 2008 to 2012 period.

Company	Location	Activity	CO ₂ emissions reported in 2010 (metric tons)	2008-2012 annual allowance (metric tons)
Snecma	Villaroche (France)	Manufacture of engines	9,820	27,918
Messier-Bugatti-Dowty	Villeurbanne (France)	Manufacture of carbon brakes	11,271	22,722
SME	Saint-Médard-en-Jalles (France)	Manufacture of propellants	17,042	17,370
Roxel	Summerfield (UK)	Manufacture of tactical missile propellants	5,700	19,489
TOTAL			43,883	87,499

The decline in emissions at Villaroche (France) reflects the reduced use of its co-generation facility. Messier-Bugatti-Dowty's direct CO₂ emissions relate directly to its carbon-based materials manufacturing processes and not chiefly to combustion processes. The greenhouse gas emissions produced by SME Saint-Médard-en-Jalles and Roxel Summerfield come from the industrial heating systems used in utility processes.

In accordance with its aim of fighting global warming, Safran measures its carbon footprint and energy consumption in scopes 1 and 2.

In 2009, the Group measured the carbon footprint of 65 key facilities. The results are used as a basis for the three-year action plan (2009 to 2011). The materials purchased to manufacture Group products represented 50% of greenhouse gas emissions. As for the remaining 50%, the Group activities that leave the largest carbon footprint are energy consumption, freight and employee travel (in decreasing order of importance).

In 2010, an initiative was launched to reduce greenhouse gas emissions at key facilities and each site was asked to propose

action plans. The Group's Sustainable Development Department selected proposals submitted by 16 sites covering a total of 47 action plans, including 14 energy saving plans, 12 freight impact reduction plans and 12 industrial waste treatment plans.

In 2010, four additional sites were added to the 65 sites already committed to carbon footprint reduction: Fougères (France) for Sagem Industries, Osny (France), Flintbek (Germany) and Taubate (India) for Morpho.

A new carbon footprint campaign covering 69 sites was launched in 2011 to improve data management and prepare the Group to meet France's Grenelle 2 environmental requirements. The results will be available in 2012.

5.3.3.3 Asbestos

The Group is concerned by asbestos legislation, in terms of both the protection of users of its products and the protection of employees and service providers.

Replacement solutions have been implemented for products containing asbestos that are marketed by Group companies.

With respect to the presence of materials containing asbestos in buildings, since 1997 several specialized firms have investigated and assessed asbestos risks, according to the nature and condition of such materials. These investigations covered non-friable materials, thereby anticipating future legal requirements.

Additional investigations on equipment were carried out to check for asbestos-based materials. Any necessary replacement is handled in accordance with current legislation and standards. All risks identified have either been treated by direct removal or are subject to monitoring programs, in accordance with regulations in the countries in which the facilities are located.

This issue is tracked in the Safran HSE guidelines that have been rolled out across the Group.

5.3.3.4 Condition of soil and groundwater

The Group has enlisted independent experts to perform systematic studies and analyses to assess any potential risk of soil and groundwater pollution at its industrial facilities. Preventive or rehabilitation measures are implemented wherever necessary.

In connection with the acquisition of SME, Safran entered into an environmental guarantee agreement with SNPE for the treatment of pollution resulting from past operations at the Bouchet Research Center, Saint-Médard-en-Jalles and Toulouse facilities (all France). The agreement provides for two scoping and analysis phases over 18 months, and a five-year work phase. The French Directorate General for Health (*Direction générale de la santé* – DGS) and French Agency for Food, Environmental and Occupational Health and Safety (*Agence nationale de sécurité sanitaire de l'alimentation, de l'environnement et du travail* – ANSES) issued a recommendation setting the threshold for ammonium perchlorate in water at 4ppb/liter. To remain below the threshold, some water supply sources around the Saint-Médard-en-Jalles site were shut down.

The Sustainable Development Department carries out environmental reviews of buildings, activities, soil and groundwater at each site and contributes to the due diligence for disposals and acquisitions of assets. These reviews also encompass the HSE risk appraisal procedure.

5.3.3.5 PCB (polychlorinated biphenyl) pollution

In 2002, the Group launched a program to replace electric transformers containing PCB for ten of its companies in France. At the end of 2010, all 199 transformers had been replaced by specialized companies and the plan was completed on time.

5.3.3.6 Hazardous substances

For several years, the reduction and elimination of hazardous substances in the products and processes implemented in Group companies has been a key area for progress in the Group's

HSE policy. A specific structure and resources were deployed in 2008 to ensure compliance with new regulations relating to dangerous substances.

In 2010, in addition to work on compliance with REACH regulations, the measures taken included:

- designing and deploying guidelines on the use of dangerous chemical substances that incorporate different regulations and techniques in the aerospace, defence and security sectors;
- preparing the standard relating to the most critical substances from a Group perspective, using original, rigorous methodology;
- consolidating the database (REACHING) for all substances used by the Group;
- requesting information from suppliers on the chemical content of products they deliver to Safran;
- developing and rolling out replacement solutions for substances deemed as critical in liaison with the different departments involved: the Materials and Procedures, Purchasing, Quality and Technical departments, etc.

European CLP (Classification Labelling Packaging) regulations concerning dangerous substances and mixtures also came into force in 2010, and the Group prepared a multi-annual action plan for training employees and raising their awareness of chemical hazards. Applications have been updated, communication initiatives have been stepped up and the necessary changes have been identified and implemented. The different Group companies also notified the European Chemicals Agency (ECHA) of substances placed on the market pursuant to regulatory requirements. In 2011, Safran focused on consolidating all of the measures initiated in 2010.

5.3.3.7 Atmospheric emissions

(metric tons)	2010*	2011
Carbon dioxide**	192,980	182,040 <input checked="" type="checkbox"/>
Nitrogen oxides**	200	189
Sulfur oxides	78	72

* The figure published in the 2010 Registration Document was adjusted based on actual 2010 data.

** Gas and fuel only (mainly for heating and engine test beds). See reporting methodology for social indicators and Health, Safety and Environment (HSE) data in section 5.5.1.

These emission levels reflect gas and hydrocarbons used to heat and operate engine testcells.

Each Group facility has an emissions monitoring plan which ensures optimum performance and tracks emissions from boilers used in heating installations and manufacturing.

Other emissions relate mainly to solvents and arise from industrial activities. The facilities have drawn up plans to manage solvents as part of Group-wide efforts to reduce emissions of volatile organic compounds.

Data reviewed by the statutory auditors with limited assurance (see statutory auditors' report in section 5.5.2).

5.3.3.8 Waste

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary non-hazardous industrial waste and hazardous industrial waste. Waste may be recycled and transformed, stored or incinerated. Metal shavings are transformed.

Waste (metric tons/employee)	2010*	2011
Ordinary waste	0.41	0.37 <input checked="" type="checkbox"/>
Hazardous industrial waste excluding metallic chips	0.41	0.40 <input checked="" type="checkbox"/>
Transformed metallic chips	0.15	0.15 <input checked="" type="checkbox"/>
Transformed ordinary waste	0.16	0.17 <input checked="" type="checkbox"/>
Transformed hazardous industrial waste	0.05	0.07 <input checked="" type="checkbox"/>
Incinerated ordinary waste	0.09	0.09 <input checked="" type="checkbox"/>
Incinerated hazardous industrial waste	0.19	0.19 <input checked="" type="checkbox"/>

* The figure published in the 2010 Registration Document was adjusted based on actual 2010 data.

Waste (% of total processed)	2010	2011
Percentage recycled	34	38
Percentage transformed into energy	50	44
Percentage sent to landfill	16	18

5.3.3.9 Water consumption, measures for improvement and aqueous discharges

The majority of Safran industrial processes have little or no impact on water quality. Processing effluents that could represent a risk are discharged into surface water via treatment plants that are constantly monitored. In the absence of a treatment plant, they are collected and treated as industrial waste. Several French sites are governed by legislation and covered by local regulations concerning the discharge of hazardous substances into water.

Most of the Group's facilities mainly use drinking water. Total water consumption is declining regularly (down 8% in 2011):

(cu.m/employee)	2010*	2011
Water supply network	28	26 <input checked="" type="checkbox"/>
Surface water	28	26 <input checked="" type="checkbox"/>
Groundwater	34	32 <input checked="" type="checkbox"/>
TOTAL GROUPE SAFRAN	90	84

* The figure published in the 2010 Registration Document was adjusted based on actual 2010 data.

Large volumes of water are used to produce carbon-carbon brake disks and pads, resulting in high ratios for Messier-Bugatti-Dowty in Villeurbanne (France) and Messier-Bugatti USA in Walton (United States).

In 2011, Turbomeca Bordes remained the Group's largest water user at more than 1.3 million cubic meters, some of which was surface water extracted from the Baniou canal and used mainly for cooling engine test cells.

5.3.3.10 Energy consumption, measures for improvement and energy efficiency

Electricity is the prime energy source, representing 46% of total energy consumption, followed by natural gas (43%). Premises are mainly heated by natural gas. Hydrocarbons are used less and less for heating and are now reserved for engine testing and backup equipment.

The following table does not include the energy impact of transporting goods.

(metric tons of oil equivalent/employee)	2010*	2011
Electricity	1.45	1.38 <input checked="" type="checkbox"/>
Gas	1.39	1.16 <input checked="" type="checkbox"/>
Fuel**	0.42	0.34 <input checked="" type="checkbox"/>
TOTAL SAFRAN GROUP	3.27	2.88

* The figure published in the 2010 Registration Document was adjusted based on actual 2010 data.

** Not including transport.

The conversion factor used for electricity consumption (1 MWh = 0.082 metric tons of oil equivalent) is taken from "The new methodology for preparing energy consumption reports in France" published in February 2002.

The Safran Group's per-employee energy intensity was down in 2011 compared with 2010, despite higher business volumes.

Environmental parameters remained stable or decreased in spite of inventory reductions for some products in previous years and higher industrial activity in 2011 (9% rise in revenue).

5.3.4 CONCLUSIONS

In 2011, the Safran Group improved its results in accident analysis and prevention, reducing the frequency rate of accidents resulting in lost worktime by 20% compared with 2010.

The Safran Group did not record any significant environmental accidents with an impact on health or the environment in 2011.

Safran is involved in several major initiatives outside the Group:

- Safran is a founding member of the IAEG (International Aerospace Environmental Group), whose prime objectives include setting shared environmental standards for the aviation industry and heightening the reliability of the logistics chain;
- Safran participates in a number of European programs (Clean Sky, among others) that aim to substantially improve the environmental performance of air transport.

The Safran Group is also a stalwart member of the French aerospace industries association (GIFAS) which provides a forum for various professional associations and public institutions to:

- focus on the implementation and consequences of EU regulations such as REACh and CLP;
- draft professional guides (namely on performing assessments of greenhouse gas emissions that cover radiation protection);
- find substitutes for chemicals;
- promote occupational safety (radiation protection, dangerous or arduous work, etc.).

5.4 ETHICAL AND SOCIAL ENGAGEMENT

5.4.1 GROUP ETHICS: ETHICAL GUIDELINES

Safran has a set of values and ethical standards that are espoused by all of its employees. It is corporate policy to ensure that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

Group values

Safran operates according to seven core values, which provide the foundation of its identity and its image in the eyes of its stakeholders.

These values, promoted at each Group site, are:

- focus on customers;
- meeting the commitments set out in the Ethical Guidelines;
- innovation;
- responsiveness;
- teamwork;
- people development and recognition;
- corporate citizenship.

Group ethics

ETHICAL GUIDELINES

In 2005, Safran introduced Ethical Guidelines setting forth the principles and standards common to the Group as a whole, to be used as a basis for employee conduct under all circumstances. The guidelines, which are summarized below, are not intended to replace or revise the laws and regulations in force, but to provide points of reference and guidance for the conduct of professional activities.

Behavior outside the Group

Upholding the law

In all the countries in which the Group operates, its personnel must uphold the law. Care should be taken, as it may be difficult to understand the law in a legal and cultural environment that is very different than that in which the employee has previously worked. When there is a question or there is any doubt, the employee should immediately consult with a superior or the Legal Department.

Personnel working in a subsidiary jointly owned by a Group company and a foreign company must uphold the law of the country in which the subsidiary is based, and the country or countries in which it operates and where its shareholders are based.

Integrity, honesty and transparency should guide each of the Group's employees in their work. Employees are expected to deal with customers, suppliers and other business partners in the Group's interest and in compliance with laws and regulations.

All personnel must take particular care to uphold laws on anti-corruption, competition, export and re-export control, labor and employment, safety, health and environmental protection.

Engaging in proper business practices

ZERO TOLERANCE OF CORRUPTION

Safran, its companies and employees do not tolerate any form of corrupt practices, be they active or passive, direct or indirect, for the benefit of those in the public or private sector.

The Group's companies apply all international conventions on combating corruption and the anti-corruption laws in force in the countries where they do business.

The Group, its companies and its employees never use a third party to perform any task that they are ethically or legally forbidden to perform themselves. Engaging a third party for the purpose of bribing a person or a legal entity violates anti-corruption laws. Prior to entering any contractual relationship with a business partner, the Group's companies must follow a methodical and documented procedure.

GIFTS AND HOSPITALITY

Business courtesies, such as gifts and hospitality, given to or received from customers, suppliers and other partners are commonly used to build goodwill and acknowledge appreciation in business relationships. However, these courtesies must not exceed a nominal value and may not influence, or give the appearance of influencing, any business decision. Good judgment, discretion and prudence should always guide the Group in these situations. Business courtesies are prohibited by law under certain circumstances and in certain countries. The Group's personnel must comply with the policies and laws that apply in each country where Safran does business.

COMPLYING WITH EXPORT LAWS

As a global company, Safran purchases goods and services from a diverse group of suppliers. The Group also provides goods and services to customers all over the world. It is therefore critical that the Group strictly complies with all applicable regulations that govern its export activities.

Before engaging in any export activity, Group employees must verify the eligibility of both the delivery location and the recipient.

They must also obtain, when applicable, all required licenses and permits, including government authorizations and approvals for government-controlled products or technologies. These authorizations can be obtained from the relevant management in cooperation with Safran's export control organization.

Import activities are also subject to various laws and regulations, and it is the responsibility of the Group's employees to comply with all of the applicable standards. Any breach of these regulations on imports and exports has serious consequences for the Group. It is the Group's responsibility to know and comply with the laws and regulations that apply to the Group's activities.

COMPETING FAIRLY

As part of its commitment to fair competition, the Group must strictly comply with applicable competition laws in the countries where it does business. In general, these laws prohibit agreements or practices likely to restrain or alter competition or trade. Examples of prohibited agreements include: price fixing, abusive behavior, bid rigging, allocating markets, territories or customers amongst competitors, or boycotting or discriminating among certain customers or suppliers unless legally justified.

The exchange or disclosure of commercially sensitive information relating to competitors, customers or suppliers may also violate applicable laws.

Behavior towards customers

Each employee must uphold the principles of fairness and integrity in his or her dealings with customers.

The business of the Group, to a large extent, concerns air transport safety; no compromise can be tolerated for any reason; any situation that may seem questionable to an employee must immediately be referred to a superior or the Quality manager.

Relations with shareholders

The Group ensures that its shareholders receive, on a timely basis, and in an effective manner, complete, relevant, accurate and precise information that is consistent with previous published information. It takes particular care to implement international corporate governance standards and principles.

Relations with suppliers

The Group selects suppliers on the basis of objective criteria and demands high performance from them, in order to ensure that the Group's expectations and those of its customers are fully met. Under no circumstances will the Group use suppliers that make use of child or forced labor. In 2010, the Group signed a charter governing relations between major contractors and SMEs, drawn up on the initiative of the French Ministry of Economic Affairs, Industry and Employment.

Integrity

Under no circumstances may employees damage the reputation of the Group or compromise the integrity of its assets or its information systems.

Paid work of any kind that employees may perform outside the scope of their employment with the Group must not cause conflicts of interest with their duties within the Group.

Similarly, considerable caution is required when purchasing shares, directly or via an intermediary, in companies doing business with the Group. Such restrictions do not apply to listed companies, unless confidential information is used which may be construed as insider trading.

Sustainable development

Today more than ever, protecting the environment is a critical concern for all Group employees, starting with product design and running through to the industrial process as a whole.

Political and religious activities

The Group does not finance any political parties and any political activities must be carried out exclusively outside the workplace and working hours.

Any religious practices in which employees may be involved must be practiced exclusively outside the workplace and working hours, except in the case of a legal obligation.

Behavior inside the Group

Information control

Employees must ensure the protection of information acquired in the course of or in connection with the performance of his or her duties. Employees are to pay particular attention to respect the internal rules of protection and applicable requirements during both written and oral communication.

Protecting the confidential nature of certain information

In the course of their duties, all employees have access to confidential information, which represents a key asset of

the Group. Confidential or classified information is sensitive information which must not be disclosed or communicated outside of the Group. Similarly, Group employees may have information concerning the national security of the country in which the Group company is located. Care must therefore be taken to ensure that such information is protected from third parties.

Any information that could influence the value of the Group's stock price must remain confidential, until it has been communicated by the Group to the public. Any personal use of such information would constitute insider trading and could expose the employee to both civil and criminal liability.

Respect for other people

The safety and health of individuals are prime objectives for the Group.

The Group is an equal opportunity employer. Recruitment and promotion are based exclusively on professional qualities and performance. The Group respects the dignity and private life of each of its employees. Furthermore, one of the Group's key values is to create the necessary conditions for all employees to achieve fulfillment in their chosen profession. All Group companies comply with the rules of protection of personal data known as the "Binding Corporate Rules" (BCR), applicable to the treatment and transfer of data outside of the European Union.

Compliance with the Ethical Guidelines

Each employee is required to review, understand and comply with these Ethical Guidelines.

In the event of a question or any doubt regarding appropriate conduct, it is the responsibility of the employee to immediately contact a superior or the Group's Legal Department.

Each employee has an affirmative obligation to comply with these Ethical Guidelines.

5.4.2 ETHICAL GUIDELINES IN BUSINESS ACTIVITIES

One of the principles of Safran's Ethical Guidelines is strict compliance with the applicable laws in force, in particular regarding international trade.

In order to ensure the application of the Ethical Guidelines, Safran has defined common requirements in the form of business-compliance related procedures applicable to all Group companies. These requirements are broken down into a series of specific operational procedures for each Group subsidiary, and are adjusted to take

account of the regulations applicable to each subsidiary's specific organization, products and markets.

As part of its ongoing improvement drive, Safran regularly audits the application of these procedures together with the departments concerned, i.e., International Affairs, Internal Audit and Internal Control.

The Group's procedures apply to the two following areas in particular:

Prevention of corruption**Definition**

Safran defines corruption as offering, promising or giving any undue pecuniary or other advantage, whether directly or through intermediaries, to a third party, in order that said third party act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of business.

In line with its commitment to combat all forms of corruption, Safran and all Group companies have signed the Common Industry Standards developed by the Aerospace and Defence Industries Association of Europe (ASD), which promote and reinforce integrity among its members.

The Chairman and Chief Executive Officer of Safran has also signed the Global Principles on Business Ethics adopted by the ASD and the Aerospace Industries Association of America (AIA). This text aims to strengthen cooperation between industrial, institutional and State players in the sector, to contribute to the development of equality rules in terms of competition.

These documents lay down principles enabling companies (i) to draw up exacting common standards in order to comply with all international conventions and applicable national legislation on ethics and anti-corruption, (ii) develop and promote best practices and, more generally, (iii) establish consistent definitions of these points for European industry.

Preventing corruption in its business activities is a fundamental priority for the Group. Safran has set up a business compliance program, which aims at making employees and management aware of their responsibilities and safeguard the Group and its companies.

This compliance program has been developed under the responsibility of the Group's International Executive Management (IEM), with the assistance of the Business Compliance Department. The program is coordinated by a Group Trade Compliance Officer.

This program includes:

Training and awareness-raising

- More than 1,200 Group employees have been trained on-site since 2010.
- All employees, both directly and indirectly concerned, receive regular, adapted information: a trade compliance report every two months, an information bulletin twice a month on ethical trade, a country regulation guide, dedicated intranet, etc.

Procedure and organization

- The Group has defined strict rules and related procedures on selecting and validating contractual relations with the business partners of Group companies. The procedure is updated each year following a review in order to improve and take account of any changes to anti-corruption regulations and disseminate best practices identified throughout the Group.

- A procedure on the choice and management of international consultants describes rigorous standards applied by the Group worldwide with respect to the selection, evaluation, tracking and payment of consultants. This ensures that consultants proposed by the companies are validated independently and without business pressure and that any related draft agreements meet business integrity requirements;

- A procedure was defined on gifts, hospitality and travel given to or received from customers, suppliers and other partners, which are commonly used to build goodwill and acknowledge appreciation in business relationships;

- A clause on ethics is included in the Safran Group's general purchasing terms and conditions.

- A network of 25 Trade Compliance Officers (TCO) within the Group's companies, delegated by their Chairman and Chief Executive Officer or Director, are personally responsible for guaranteeing the strict compliance of business transactions with Group procedure and instructions in relation to anti-corruption. The TCOs report to the Group Trade Compliance Officer. The TCOs must also appoint Trade Compliance Correspondents (TCCs) in their companies or divisions, if those companies have an independent business activity. At end-2011, there were 40 TCCs.

- The TCOs and TCCs must ensure that the persons exposed to and concerned by such risk within their companies have received or will receive information and training on Safran's business compliance program and carry out any necessary reviews to ensure that procedures are complied with.

- The IEM is responsible for providing the TCOs and TCCs with any useful information in relation to their work. The IEM meets with the TCOs and TCCs each year during a work seminar in order to harmonize their knowledge levels and exchange good practices developed by Group companies.

Control

All of the international consultants (involved in direct or indirect business development) working for the Group, as well as some other business partners (namely service providers and distributors), are subject to due diligence audits by a company outside of the Group.

Monitoring Group companies' implementation of and compliance with current procedures is carried out by means of regular reviews by the IEM relating to the compliance of consultants' files, and audits carried out by the Group's Audit and Internal Control Department. These audits aim to ensure that accounting procedures are being complied with (in particular that bills issued by the consultants are properly checked), that all payments made to consultants correspond to a completed service and that the amounts paid do not exceed market rates.

Export control*

Group companies purchase goods and services from different suppliers. They also provide goods and services to customers all over the world. It is therefore critical that the Group complies, without exception, with all applicable regulations that govern its export activities.

* Data reviewed by the statutory auditors (see statutory auditors' report in section 5.5.2).

Training and awareness-raising

International Executive Management notifies all Group employees exposed to and concerned by exports of any regulatory developments.

Safran organizes targeted training sessions for project managers and buyers and provides its companies with training materials that they can adapt to the regulations applicable to their company structure, products and market. More than 1,150 employees in France and the US have received this training since 2010.

Safran has developed a unique “Export Control” intranet to help raise employee awareness, bring practical assistance to employees worldwide and ensure that they comply with French, European and international regulations regarding the export of military and dual-use goods. This site provides users with information on the Group’s compliance structure, as well as with the relevant legal requirements, Group procedures and instructions, reference guides on applicable regulations, training tools, and rapid access to lists of countries subject to embargoes and persons or entities with whom trade is forbidden.

Procedure and organization

A Safran Compliance Standard sets out the Group’s requirements with regard to the control of exports and re-exports to third countries. It is structured around nine key compliance issues, namely (i) implementation of a dedicated organizational structure; (ii) development of an internal export control program by each Group company; (iii) training and awareness-raising; (iv) identification of export restrictions; (v) establishment of license/agreement application; (vi) compliance with the terms and conditions of approved licenses; (vii) monitoring and audit of the export control program; (viii) monitoring of technology transfers (data and software); and (ix) treatment of any cases of non-compliance. This Compliance Standard prepares the companies for obtaining “certification” from the French authorities as of the application of the transposition law of the European Directive on intra-Community transfers of defence equipment (June 30, 2012).

Commitment by the Group’s Executive Management to complying with the laws in force has enabled Safran to implement a dedicated compliance structure. This structure includes:

- a Group Export Control Department, under the responsibility of the Executive Vice-President for International Development, which defines overall policy, ensures that each company is

applying Group standards, assists Group companies in their transactions, and represents the Group before the relevant government and professional bodies;

- an Empowered Official (member of the Management Committee), in all of the Group’s entities that import or export products, who, by delegation of the Chairman and Chief Executive Officer of his/her company, is personally liable for the compliance of his/her company’s exports with the company’s commitments in this respect;
- an Export Control Officer (ECO) appointed in each company by the Chairman and Chief Executive Officer to assist the Empowered Official. This person is assisted by a network of Export Control Managers (ECM) in the main operational departments concerned;
- a “Group Export Compliance Committee”, responsible for recommending to the Executive Management team any actions, organizational methods and directives that would enable it to ensure the Group’s compliance with the relevant national and international laws and regulations. The Committee also keeps Executive Management up to date on the progress of the actions in place and of any risks or problems that have arisen;
- there are now over 200 Export Control Officers and Export Control Managers worldwide.

Control

The Audit and Internal Control Department performs frequent audits of Group companies to obtain evidence that the compliance standard is being applied. In certain crucial cases, Safran calls on independent firms to carry out additional audits. All of the Group’s main companies were audited in late 2010 and improvement plans are currently being put in place.

In complex cases, Safran also ensures that its companies detect, assess and account for any cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future.

The Group’s companies or Safran informs the related authorities in each case of non-conformity. Up until present, none of the cases brought to the attention of the authorities have been subject to penalties, which demonstrates their faith in the control system put in place by Safran.

5.4.3 CORPORATE SOCIAL RESPONSIBILITY TO SUPPLIERS AND SUB-CONTRACTORS

5.4.3.1 Socially responsible purchasing*

The Group’s purchasing policy is perfectly in line with its CSR policy. Among the measures taken by the Group’s Purchasing Department is the charter signed by the Group in 2010 governing relations between major contractors and SMEs, drawn up on the initiative of the French Ministry of the Economy, Finance and Industry.

The Group’s Purchasing Department applies Safran’s policy on disabled workers by developing purchasing segments to work with companies that employ exclusively and provide assistance to disabled people.

A working group was formed to develop Safran’s recycling policy focused on the watchwords: “reduce, repair, reuse and recycle”.

The purchasing policy also applies the European REACH directive by restructuring its suppliers that handle special processes for articles produced by the Group.

A project was initiated in late 2011 to step up the rollout of the Group’s socially responsible purchasing policy and will be implemented in 2012 and 2013.

* Data reviewed by the statutory auditors (see statutory auditors’ report in section 5.5.2).

The project focuses on three areas:

- **organization**, to develop the Group's purchasing practices and adapt its strategies by purchase category, and to train buyers and other Group departments (decision-makers, users) and raise their awareness about CSR issues;
- **communication**, with buyers, suppliers and customers to promote the Group's purchasing policy with suppliers using effective argumentation (based on a charter) while meeting regulatory requirements;
- **assessment**, to initiate supplier reviews on their engagement in CSR and develop an indicator to measure the "CSR dimension of our purchasing policy".

5.4.3.2 Sub-contracting

Like other industrial groups, Safran uses sub-contractors. Sub-contracting generally falls into one of three categories:

- cooperation sub-contracting, consisting of activities entrusted to major partners at the request of the customer;
- specialty sub-contracting of activities for which the Group does not possess the necessary expertise, for technical or economic reasons;
- capacity sub-contracting, corresponding to maximum sizing of Group production and development and based around cyclical activities.

5.4.4 CORPORATE SPONSORSHIP POLICY

Safran boasts an active corporate sponsorship policy that is implemented:

- either through one of its two corporate foundations;
- or directly by the Group, through solidarity initiatives led with prestigious public and private partners.

Since 2005, Safran has supported over 250 projects through its solidarity sponsorship policy.

All of its sponsorship programs champion two major issues: social cohesion and equal opportunities.

5.4.4.1 Safran Corporate Foundation for Integration

Set up in 2005, the Foundation is devoted to the social and professional integration of young adults with a physical, mental or social disability.

The Foundation's Board of Directors places the long-term benefits for those who benefit from initiatives as the prime focus in its choice of programs.

Initiatives led abroad are targeted, but the projects sponsored in Brazil, India and Morocco have strong leverage for extremely underprivileged groups. International programs will continue in 2012, with a special focus on North America.

Safran employees are increasingly encouraged to further their involvement in the Foundation through projects implemented in collaboration with Group and company HR departments. Three significant examples include:

- the "Elan" program, which takes on about 30 young people with disabilities every year for work-study training and qualification;
- mentoring programs gradually stepped up in partnership with the Frateli Association. The purpose of these programs is to offer increasingly operational and diversified guidance to high-potential students from underprivileged backgrounds through program mentors, who are highly experienced Safran employees;

- a multi-year project to design innovative wheelchairs, launched in the summer of 2011 in partnership with the Fondation Garches and different engineering and design schools (Centrale Lyon, ISTY, Strate College), with the involvement of Safran engineers and support function staff. The short-term goal is to design one or more prototypes, after which the project's partners plan to produce and market one of the models.

5.4.4.2 Safran Corporate Foundation for Music

The Foundation supports young, particularly promising musicians in their training and professional development, sponsoring the venues and events where they are most likely to perform, such as the Auditorium of the Musée du Louvre (young talent program) and reputed festivals (notably Prades, Périgord Noir, Gerberoy, Belle-Île in France).

It also organizes music events and competitions, including the Safran Corporate Foundation for Music award given every year to a musician as part of the program it supports, "Jeunes Talents – Premières armes" (Young Talent – First Arms), at the Musée de l'Armée.

As music provides a means of promoting integration and solidarity, the Foundation works with young people in disadvantaged neighborhoods to introduce them to the appreciation and practice of classical music. The "Musique de chambre dans les quartiers" (Chamber music in the suburbs) project launched in 2009 culminates every year in a major concert for program participants at the Salle Pleyel. This initiative for underprivileged population segments will be continued in 2012 and extended overseas to disadvantaged areas in Washington.

The Foundation supported 78 projects between 2005 and 2011.

5.4.4.3 Solidarity sponsorship*

Since 2008, the Group has lent its support to a number of solidarity programs that are jointly implemented with the Sponsorship Department.

* Data reviewed by the statutory auditors (see statutory auditors' report in section 5.5.2).

These programs feature two fundamental dimensions:

- combining both social and cultural aspects;
- encouraging sound, long-term partnerships with prestigious public and private establishments, such as:
 - the Ministry of National Education: annual concerts at the Salle Gaveau for students from disadvantaged neighborhoods (the Minister of Education, Luc Chatel, attended one of these concerts);
 - the “Orchestre de l’Alliance” (Alliance Orchestra): support for major national causes as part of the “Saisons de la Solidarité” (Seasons of Solidarity) program, with concerts at the Salle Gaveau; all proceeds are donated;
 - the French Embassy in the United States: a multi-year partnership formed in 2011 with the embassy’s cultural departments to organize concerts with exceptional young

musicians both at prestigious Washington venues and on tours at US universities;

- the French Senate and the French Ministry for Urban Affairs: the “Talents des Cités” (Inner-city Talent) initiative since 2011, which Safran will continue to support.

Each initiative is promoted internally and externally through Safran’s intranet and website, as well as other communication media.

A brochure in French and English is published annually, and updates on initiatives are provided several times a year in an electronic newsletter (in French and English), which is sent to the Group’s staff and main external contacts.

Safran employees are increasingly involved in these programs, as reflected in their high participation in the solidarity concerts organized by the Sponsorship Department on a regular basis.

5.5

CSR REPORTING METHODOLOGY AND STATUTORY AUDITORS' REPORT

5.5.1 METHODOLOGY DOCUMENT ON LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) REPORTING

The labor and HSE indicators in this chapter have been defined by experts from the Group’s support functions and businesses.

As part of its ongoing improvement drive, Safran is gradually introducing a set of labor and HSE indicators that meet legal obligations and follow the changes in the Group and its businesses.

The indicators and reporting period presented herein cover the 2011 calendar year, from January 1 to December 31.

Safran has elected to have a selection of its labor and HSE indicators reviewed by the statutory auditors, Ernst & Young Audit and Mazars. These indicators are marked with a or in this section, depending on the degree of assurance. The statutory auditors obtained reasonable assurance for five of the indicators, and limited assurance for a selection of 18 HSE indicators and 1 social indicator, as well as reviewing five themes.

The nature and scope of the work of the statutory auditors, and their conclusions, are presented in the statutory auditors’ report in section 5.5.2.

1. Reporting scope

Labor indicators

The labor reporting scope covers Safran and all of its subsidiaries in which the Group has more than 50% direct or indirect control, excluding joint ventures (companies controlled jointly by Safran and another group).

The headcount at December 31, 2011 covers all subsidiaries from all business lines included in the reporting scope. Employees are counted in terms of individuals and at the end of the month.

Most of the labor indicators cover all Group employees. Indicators on training, work-study programs, internships, disabled workers and absenteeism only pertain to France, but the Group is working to expand the reporting scope of these indicators.

HSE indicators

The HSE reporting scope encompasses Safran and some of its subsidiaries in which the Group has more than 50% direct or indirect control, along with joint ventures operated by Safran. The scope covers the health and safety issues of 113 entities (including the SME, Structil and Pyroalliance sites), representing 91% of all Group employees. The scope for environmental data covers 95 entities (excluding the SME, Structil and Pyroalliance sites), or 83% of all Group employees.

Changes in scope

Changes in scope are due to the set-up of new companies, acquisitions, disposals, liquidations or changes in subsidiary investments.

The following rules were defined for labor and HSE indicators:

- acquisition: data on the acquired entity are included in the consolidation scope at the date on which control is acquired by the Group;
- set-up: data on the new entity are included in the scope as of the inception date;
- disposal/liquidation: data on the entity sold or liquidated are excluded from the consolidation scope at the actual disposal or liquidation date;

2. Data collection

Labor and HSE indicators are based on several data collection systems used by the Group. Each system falls under the responsibility of a specific department.

Employee data is reported on a quarterly basis, with the exception of data on absenteeism and training, which is reported annually.

Employee data are collected at each subsidiary controlled directly by Safran (tier-one entities). These tier-one entities are responsible for collecting the employee data from their respective subsidiaries in which they have over 50% control. Reported data generally come from subsidiary payroll systems. The Human Resources Department at each subsidiary then runs consistency checks and validates data prior to publication. The Group's Human Resources Department consolidates employee data based on the information reported by tier-one entities.

Safety indicators are reported on a monthly basis, while health and environmental indicators are reported on an annual basis. 2010 data were adjusted based on the actual data reported for the period. For 2011, reporting is based on data available or estimated at March 19, 2012.

Data are entered by representatives appointed at each entity, with the Group's Sustainable Development Department responsible for consolidating data. The response rate for safety and environmental indicators was virtually 100%. SME was included in the reporting scope in 2011 and had a response rate of approximately 55%.

Indicators are defined in the reporting system but may be interpreted differently depending on the entity or the country. Reporting is improved continuously thanks to feedback, increasing clarity in definitions and a better understanding of the system.

3. Details on certain indicators

Headcount

The headcount includes all employees under permanent or fixed-term employment contracts covered in the scope. It excludes other types of contracts such as industrial agreements for training through research (*Conventions Industrielles de Formation par la Recherche – CIFRE*), Diplomas of Technology Research (*Diplôme de Recherche Technologique – DRT*), seasonal employment contracts and work-study contracts.

Managerial grade staff (managers and engineers)/ Employees

Employees identified as managerial grade staff (managers and engineers):

- coordinate a set of resources (equipment, human, financial) placed under their charge, with the degree of independence and responsibility required to achieve targets. Management may oversee a team, projects, a process, a technique or a customer or supplier portfolio;
- and/or hold an engineering degree from a university or specialized selective higher-education establishment. Engineers are essentially responsible for solving technological issues related to the design, manufacture or application of products, systems or services, primarily in R&D and production.

All other employees who are not identified as managers or engineers fall into the "Employees" category.

External recruitment

External recruitment refers to hiring new employees from outside the Group on fixed-term or permanent employment contracts. It does not include acquisitions or work-study contracts.

Permanent departures

A permanent departure refers to any employee who leaves the Group scope, excluding disposals of businesses and the termination of work-study contracts.

Absenteeism

Absenteeism is the total number of paid or unpaid hours absent (illness, occupational accidents, work-related travel accidents, maternity leave, authorized leave for family events, parental leave, leave for sick children, absence due to other causes, strikes, etc.) divided by the theoretical number of hours worked (as defined by the social performance assessment).

Disabled workers

This indicator includes employees declared as disabled workers in France as defined by article L.5212-13 of the French Labor Code and articles 394 and 395 of the French Code of Military Pensions.

Accident analysis and prevention

The frequency rate of occupational accidents equals the number of accidents resulting in the equivalent of one day or more of lost worktime per million hours worked.

The severity rate corresponds to the number of days' sick leave as a result of occupational accidents per thousand hours worked.

The hours worked used for the calculation correspond to actual hours worked.

CO₂ emissions

CO₂ emissions cover gas and fuels (mainly for heating and engine test beds).

Training on occupational stress

The figure of 3,000 managers trained on handling occupational stress in 2011 was estimated based on the number of conferences, each attended by 50 to 80 participants, and the number of training sessions, each attended by 10 to 15 participants.

Evrest

Sites involved in the program for more than one year were included in the indicator.

Waste

The definitions of waste are complex and gave rise to a number of different interpretations at sites. Definitions must be clarified, notably that of chippings.

5.5.2 STATUTORY AUDITORS' REPORT ON THE REVIEW OF SELECTED SOCIAL AND HEALTH, SAFETY AND ENVIRONMENT INDICATORS

This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English speaking readers).

At the request of SAFRAN and in our capacity as the company's statutory auditors, we performed a review in the aim of providing assurance on the social and health, safety and environment indicators selected by SAFRAN and identified by the symbols*, ☑ or ☑☑ in section 5 of the Reference Document for fiscal year 2011 and at the Group level (the "Data").

The Data, which is the responsibility of SAFRAN management, has been prepared in accordance with the following internal reporting criteria:

- set of procedures relating to social data reporting,
- set of procedures relating to health, safety and environment data reporting,

available for consultation at the Health, Safety and Environment (HSE) Department and the Group Human Resources (HR) Department, as summarized in section 5.5.1 of the Reference Document (hereinafter the "Reporting Criteria"). It is our responsibility, based on the work performed, to express a conclusion on this Data. The conclusions expressed below relate solely to this Data and not to the entire Reference Document.

Nature and scope of our work

We conducted our procedures in accordance with the applicable professional guidelines.

Limited assurance on selected assertions

We conducted the following procedures on the assertions⁽¹⁾ identified by the symbol*:

- review of the assertions' content to identify the Group's achievements regarding selected themes;

- interviews with management involved in the implementation of corresponding processes: Health, Safety and Environment Department, the Group's HR Department, the Global Development Department, the Procurement Department;
- search for evidence supporting these assertions.

Limited assurance on selected indicators

We conducted the following procedures in order to provide limited assurance that the selected Data⁽²⁾, identified by the symbol ☑, did not contain any material anomaly. A higher level of assurance would have required more extensive work.

- We have assessed the Reporting Criteria with respect to its relevance, reliability, objectivity, clarity and its completeness.
- We met with the persons responsible for the application of the Reporting Criteria at the HSE and HR Departments.
- We selected 7 sites⁽³⁾ for which the following procedures were carried out: substantive tests, analytical reviews and consistency tests.
- We examined, on a sampling basis, the calculations and verified the Data reporting at different consolidation levels.

Reasonable assurance

For the social data⁽⁴⁾ identified by the symbol ☑☑, the degree of precision applied to the measurement and the more extensive nature of our work than that previously described, particularly regarding the extent of samplings, enable us to express reasonable assurance. We performed our procedures at 9 selected entities⁽⁵⁾.

To assist us in conducting our work, we referred to the environment and sustainable development experts of our firms under the responsibility of Mr. Eric Duvaud for Ernst & Young and Mrs. Emmanuelle Rigaudias for Mazars.

(1) These assertions are: Implementation of the TESSE program; Social dialog; Surveillance of exportations – corruption; Responsible purchases policy; Sponsorship initiatives.

(2) The Data is as follows [the contribution to Group data from the entities selected for our work is mentioned between parentheses. It includes the procedures carried out during our on-site visits and also additional work carried out at the entity level]: Electricity consumption (30%); Natural gas and LGP consumption (36%); Network water consumption (19%); Surface water consumption (4%); Underground water consumption (45%); Quantity of non-hazardous industrial waste generated (16%); Quantity of hazardous industrial waste generated (21%); Quantity of valorized metal scraps (7%); Quantity of non-hazardous industrial waste recycled (19%); Quantity of hazardous industrial waste recycled (48%); Quantity of non-hazardous industrial waste incinerated (11%); Quantity of hazardous industrial waste incinerated (31%); CO₂ emissions (24%); Frequency rate of work accidents (11% of total headcount); Severity rate of accidents (11% of total headcount); Number of work-related diseases declared during the year (11% of total headcount); Number of employees that participated in the stress awareness campaign (100%); Number and percentage of recruited women (entities covering 62% total headcount).

(3) SAGEM (Montluçon facility), Aircelle (Casablanca and Le Havre facilities), Messier Bugatti Dowty (Villeurbanne facility), Messier Dowty Ltd (Gloucester facility), SNECMA (Gennevilliers facility), SPS (Le Haillan facility).

(4) This Data is as follows [contribution to Group data from the entities selected for our work is mentioned between parentheses. It includes the procedures carried out at the entity level]: Total headcount (62%); Headcount by country (62% of total headcount); Headcount by gender (62% of total headcount); Breakdown by total number of managers and other employees (62% of total headcount); Recruitments and leaves (entities covering 62% of total headcount).

(5) SAGEM (France), Turbomeca (France), Messier Bugatti Dowty (France), Messier Dowty Ltd (United Kingdom), SNECMA (France), SAFRAN Engineering Services (France), SNECMA Propulsion Solide (France), Morpho (France), Aircelle (France).

Comments on the procedures

We have the following comments on the reporting process:

The indicators' definitions mentioned within the Reporting Criteria should be clarified and harmonized at Group level. Regarding complex indicators such as waste production, the lack of harmonization could lead to uncertainty regarding the homogeneity of reported data. Regarding the reporting of social data, procedures and tools should also be harmonized between the French and International scopes.

At last, consolidation procedures should include controls aiming to reinforce reported data's reliability.

Conclusion

Limited assurance

We express a qualification on the following Data:

The indicators related to the quantity of waste produced result in an uncertainty, due to the anomalies that were identified and corrected at the selected sites included in the scope of our work.

Based on our review and subject to the above-mentioned qualification, we did not identify any anomaly likely to call into question the fact that the Data identified by the symbol was prepared, in all material aspects, in accordance with the above-mentioned Reporting Criteria.

Reasonable assurance

In our opinion, the Data identified by the symbol was prepared, in all material aspects, in accordance with the above-mentioned Reporting Criteria.

Signed in Courbevoie and Paris-La Défense, April 11, 2012.

The statutory auditors

Ernst & Young et Autres

Jean-Roch Varon

Eric Duvaud

Mazars

Gaël Lamant

Emmanuelle Rigaudias



Corporate governance

6.1	Board of Directors and Executive Management	200
6.1.1	Board of Directors	200
6.1.2	Board committees	221
6.1.3	Executive Management	221
6.2	Corporate officer and management compensation	225
6.2.1	Principles and rules for determining the compensation of Executive Management (previously the Executive Board)	225
6.2.2	Principles and rules for determining the compensation of members of the Board of Directors	230
6.3	Share transactions performed by corporate officers and other managers	233
6.4	Audit fees	234
6.5	Report of the Chairman of the Board of Directors	236
	Report of the Chairman of the Board of Directors to the Annual General Meeting of May 31, 2012, pursuant to the provisions of article L.225-37 of the French Commercial Code (<i>Code de commerce</i>)	
6.5.1	Composition, organization and work of the Board of Directors	236
6.5.2	Principles and rules for determining the compensation of corporate officers	242
6.5.3	Application of the AFEP-MEDEF Corporate Governance Code	243
6.5.4	Participation of shareholders in General Meetings – information referred to under article L.225-100-3 of the French Commercial Code	243
6.5.5	Internal control and risk management procedures	244
6.6	Statutory Auditors' report on the Chairman of the Board of Directors' report	249

15
members

including

4
representatives
of the French
State

5
independent
members

2
employee
shareholder
representatives

At the Company's Annual General Meeting of April 21, 2011, a new corporate governance structure was adopted, whereby the existing structure, composed of a Supervisory Board and an Executive Board, was replaced by a Board of Directors.

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

Since April 21, 2011, the Board of Directors of Safran has consisted of fifteen members.

Since July 2011, the Board has been comprised of the following members:

- **Jean-Paul Herteman**, Chairman and Chief Executive Officer;
- **Francis Mer**, Vice-Chairman of the Board of Directors;
- **Marc Aubry**, Director representing employee shareholders;
- **Giovanni Bisignani**, Director (independent);
- **Christophe Burg**, Director representing the French State;
- **Jean-Lou Chameau**, Director (independent);
- **Odile Desforges**, Director (independent);
- **Jean-Marc Forneri**, Director (independent);
- **Christian Halary**, Director representing employee shareholders;
- **Xavier Lagarde**, Director;
- **Michel Lucas**, Director;
- **Elisabeth Lulin**, Director (independent);
- **Astrid Milsan**, Director representing the French State;
- **Laure Reinhart**, Director representing the French State;
- **Michèle Rousseau**, Director representing the French State.

Board advisor

- **Caroline Grégoire-Sainte Marie**.

REFERENCE CORPORATE GOVERNANCE CODE

Safran abides by the “Corporate Governance Code of Listed Corporations”, drawn up jointly by the French employers’ associations, AFEP⁽¹⁾ and MEDEF⁽²⁾, with reference to the consolidated version of April 2010. The French version of the code can be consulted at www.code-afep-medef.com.

Where certain recommendations included in this code, or guidelines adopted subsequently for its enforcement, could not be implemented, this is justified in the Report of the Chairman of the Board of Directors (see section 6.5.3 – Application of the AFEP-MEDEF Corporate Governance Code).

6.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

At the Company’s Annual General Meeting of April 21, 2011, a new corporate governance structure was adopted, whereby the existing structure, composed of a Supervisory Board and an Executive Board, was replaced by a Board of Directors. This new governance structure was considered to be better suited to the Company’s economic, financial and competitive environment which calls for increasingly swift responses, particularly in terms of decision making. It enables the Group to respond better to the new challenges it faces.

6.1.1 BOARD OF DIRECTORS

Members of the Board of Directors

Since April 21, 2011, the Board of Directors of Safran has consisted of fifteen members – including four representatives of the French State and two employee shareholder representatives – appointed by the Ordinary Shareholders’ Meeting.

Since July 2011, Board membership has been as follows:

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Jean-Paul Herteman 61 years	Chairman of the Board of Directors and CEO	April 21, 2011 2015 AGM	19,720 ⁽³⁾	Chairman and CEO of Safran 2, bd du Général Martial Valin, 75015 Paris, France
Francis Mer 72 years	Vice-Chairman of the Board of Directors Chairman of the Strategy and Major Projects Committee and member of the Appointments and Compensation Committee	April 21, 2011 2013 AGM	1,500	Vice-Chairman of the Board of Directors of Safran, 2, bd du Général Martial Valin 75015 Paris, France
Marc Aubry 49 years	Director representing employee shareholders	April 21, 2011 2016 AGM	3,100 ⁽⁴⁾	Design engineer for space engine turbopumps at Snecma’s Vernon site, Forêt de Vernon, BP 802 27208, Vernon Cedex, France

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

(3) Indirectly via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of February 29, 2012).

(4) Including 3,060 shares via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of February 29, 2012).

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Giovanni Bisignani 65 years	Director <i>(independent)</i> Member of the Appointments and Compensation Committee and the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	500	De Vere Gardens 12 14 London W8 5AE, UK
Christophe Burg 48 years	Director representing the French State Member of the Strategy and Major Projects Committee and the Appointments and Compensation Committee	April 21, 2011 2013 AGM	None	Director, Department of Industrial Affairs and Economic Intelligence at the French Defence Procurement Agency (DGA), 7-9, rue des Mathurins, 92220 Bagneux, France
Jean-Lou Chameau 59 years	Director <i>(independent)</i>	April 21, 2011 2015 AGM	1,000	Chairman of Caltech, 1200 East, California Blvd, M/C 204 – 31, Pasadena, CA 91125 – United States
Odile Desforges 62 years	Director <i>(independent)</i> Member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	500	Director, Engineering and Quality, Renault Group, 13-15, quai le Gallo, 92100 Boulogne- Billancourt, France
Jean-Marc Forneri 52 years	Director <i>(independent)</i> Chairman of the Audit and Risk Committee	April 21, 2011 2013 AGM	1,512	Chairman of Bucéphale Finance, 17, avenue George V, 75008 Paris, France
Christian Halary 58 years	Director representing employee shareholders	April 21, 2011 2016 AGM	16,154 ⁽⁵⁾	Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité, 21, av. du Gros Chêne, 95610 Éragny-sur-Oise, France
Xavier Lagarde 64 years	Director Member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	139,740 ⁽⁶⁾	Chairman of Club Sagem, 77, rue Leblanc, 75015 Paris, France
Michel Lucas 72 years	Director Chairman of the Appointments and Compensation Committee	April 21, 2011 2013 AGM	1,500	Chairman and CEO of Banque Fédérative du Crédit Mutuel, 34, rue du Wacken, 67000 Strasbourg, France
Elisabeth Lulin 45 years	Director <i>(independent)</i> Member of the Audit and Risk Committee	April 21, 2011 2017 AGM	501	Chief Executive Officer of Paradigmes et cætera, 23, rue Lecourbe, 75015 Paris, France

(5) Including 3,704 via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of February 29, 2012).

(6) Including 34,152 via Club Sagem and via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of February 29, 2012).

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Astrid Milsan 40 years	Director representing the French State Member of the Audit and Risk Committee, the Appointments and Compensation Committee, and the Strategy and Major Projects Committee	July 27, 2011 2013 AGM	None	Deputy Director, Services, Aerospace and Defence Investments at the State Investments Agency (APE), French Ministry of Economic Affairs, Finance and Employment, 139, rue de Bercy, 75012 Paris, France
Laure Reinhart 56 years	Director representing the French State Member of the Strategy and Major Projects Committee	April 21, 2011 2013 AGM	400	Deputy CEO of OSEO Innovation, 27-31, avenue du Général Leclerc, 94710 Maisons-Alfort, France
Michèle Rousseau 54 years	Director representing the French State Member of the Audit and Risk Committee	April 21, 2011 2013 AGM	None	Chief Executive Officer Seine Normandy Water Agency, 51, rue Salvador Allende, 92000 Nanterre, France

Under the twentieth resolution of the Extraordinary General Meeting of April 21, 2011, the shareholders appointed Caroline Grégoire-Sainte Marie as a Board advisor for a four-year term.

The role of the Board advisor is to monitor the strict application of the bylaws, attend Board meetings and take part in decision making in a consultative capacity. The Board advisor is also invited to all Audit and Risk Committee meetings.

Information on members of the Board of Directors

JEAN-PAUL HERTEMAN CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF SAFRAN	
Expertise and experience	<p>Born in 1950, Jean-Paul Herteman is a graduate of <i>École Polytechnique</i> and <i>École Nationale Supérieure de l'Aéronautique et de l'Espace</i>.</p> <p>He began his career with the French Defence Procurement Agency (DGA) in 1975, where he was first a test engineer, then head of the Materials department in the Toulouse Aviation Testing Center.</p> <p>In 1984, he joined Snecma as head of the Materials and Process research programs. He was appointed Assistant Director of Quality at Snecma in 1987, then Director of Quality two years later. On this basis he chaired the Quality commission of the French Aerospace Industries Association (GIFAS) from 1990 to 1993.</p> <p>Head of the technical design office at Snecma in 1993, he became Deputy Technical Director the following year. In 1995 and 1996, he was CFM56 Program Director and Vice-President of CFM International. In mid-1996, he became Technical Director at Snecma, and then took over as CEO of the Rocket Engine Division (formerly Société Européenne de Propulsion) in 1999. He was appointed as Chairman and CEO of Snecma Moteurs (now Snecma) in 2002.</p> <p>In 2004, Jean-Paul Herteman was appointed Executive Vice-President of the Snecma Group and Executive Vice-President of the Aerospace Propulsion branch. Upon the creation of the Safran Group in 2005, he was confirmed in his duties. In 2006, he became Executive Vice-President, responsible for the Defence Security branch.</p> <p>He was appointed Chairman of the Safran Executive Board in July 2007 and carried out the duties of this position between September 2007 and the change of the Company's governance structure in 2011.</p> <p>In 2009, he was elected President of GIFAS and in that capacity, acted as Chairman of the French Defence Industries Advisory Council (CIDEF) from the beginning of 2010 to the end of 2011.</p> <p>In November 2009, he was appointed as a member of the Board of Directors of the French Center for Scientific Research (CNRS).</p> <p>Chief weapons engineer (reserve corps) and former pilot of the technical corps, Jean-Paul Herteman is a member of the Steering Board of the Civil Aviation Research Council (CORAC) created in 2008 by the French Minister of Ecology, Energy, Sustainable Development and Territorial Development and of the European Security Research and Innovation Forum (ESRIF).</p> <p>He has been Vice-Chairman of the advisory authority on French Defence Agency issues (<i>Conseil général de l'armement</i>) since March 2010.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman and CEO: Safran, since April 2011 • Director: Snecma <p>Non-Group:</p> <ul style="list-style-type: none"> • Vice-Chairman: Conseil général de l'armement • Chairman: GIFAS • Director: CNRS
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman of the Executive Board: Safran, up to April 2011 • Chairman and CEO: Sagem Défense Sécurité, up to September 2007 • Director and Chairman of the Board: Sagem Avionics, Inc. (United States), up to December 2007; Safran Sixty, up to September 2007 • Director: Sagem Sécurité, up to October 2009; Sagem Morpho, Inc. (United States), up to May 2008; Snecma Propulsion Solide, up to September 2007; Snecma Services, up to February 2007; Techspace Aero (Belgium), up to February 2007 • Member of the Supervisory Board: Sagem Orga GmbH (Germany), up to July 2007 • Permanent representative of Safran on the Board of Directors of: Sagem Défense Sécurité, up to February 2010; Europropulsion SA, up to March 2007; Snecma Propulsion Solide, up to February 2007; Turbomeca, up to January 2007 • Permanent representative of Sagem Défense Sécurité on the Board of Directors of: Sagem Sécurité, up to September 2007 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: CIDEF, up to December 2011

FRANCIS MER DIRECTOR VICE-CHAIRMAN OF THE BOARD OF DIRECTORS, MEMBER AND CHAIRMAN OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE, MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE	
Expertise and experience	<p>Born in 1939, Francis Mer is a graduate of <i>École Polytechnique</i> and the <i>Corps des Mines</i> engineering school. He joined the Saint-Gobain Pont-à-Mousson group in 1970 and was head of Corporate Planning for Saint-Gobain Industries in 1971, before becoming Director of Corporate Planning for Compagnie Saint-Gobain Pont-à-Mousson in 1973. He became CEO of Saint-Gobain Industries in 1974. In 1978, he was appointed as Executive Vice-President of Saint-Gobain and was responsible for industrial policy. In 1982, he went on to become Chairman and CEO of Pont-à-Mousson SA and Director of the Pipe and Mechanics Division of Saint-Gobain.</p> <p>In 1986, the French government, acting as shareholder, decided to merge Usinor and Sacilor and appointed Francis Mer as Chairman of the new steel group. In 1995, Usinor Sacilor was privatized and Francis Mer was again appointed Chairman by the new Board of Directors. In 2002, he was appointed co-Chairman of the Arcelor group.</p> <p>Between May 2002 and March 2004, Francis Mer was French Minister of Economy, Finance and Industry. Francis Mer was also Chairman of the French Steel Federation (FFA), from 1988 to 2002, Eurofer (Association of European Steel Manufacturers), from 1990 to 1997, the International Iron and Steel Institute, from 1997 to 1998, and the National Association of Technical Research (ANRT) from 1991 to 2002. In 2004, he was Chairman of the Foundation for Political Innovation.</p> <p>Francis Mer was Chairman of the Supervisory Board of Safran between 2007 and the change in the corporate governance structure in 2011.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Vice-Chairman of the Board of Directors: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: LFB SA; Borusan Holding (Turkey)
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman of the Supervisory Board: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Supervisory Board: Oenoholding, up to April 2008 • Director: Rhodia⁽¹⁾, up to October 2011; Adecco⁽¹⁾ (Switzerland), up to April 2011

(1) Listed company.

MARC AUBRY DIRECTOR - REPRESENTING EMPLOYEE SHAREHOLDERS	
Expertise and experience	<p>Born in 1963, Marc Aubry is an engineer from <i>École Nationale Supérieure d'Hydraulique et de Mécanique de Grenoble</i> (ENSHMG) (major in water resources and planning) and has a post-graduate degree (DEA) in environment and engineering geophysics (major in hydrology).</p> <p>Marc Aubry has worked with the Group for 22 years. Since 1990, he has occupied the position of Design Engineer in charge of the development of dynamic sealing for space engine turbopumps.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing employee shareholders: Safran, since April 2011 • Vice-Chairman of the Supervisory Board of the corporate mutual fund: Safran Investissement <p>Non-Group:</p> <p>None</p>
Offices that expired in the last five years	<p>None</p>

GIOVANNI BISIGNANI**DIRECTOR****MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE, AND THE APPOINTMENTS AND COMPENSATION COMMITTEE****Expertise and experience**

Born in 1946, Giovanni Bisignani graduated from the Sapienza University of Rome (Law, Economics and Business) where he later became assistant professor. He also attended the International Teachers Program at the Harvard Business School in Boston, United States.

Giovanni Bisignani started his career at First National Citibank. He then returned to Italy and, from 1976 to 1989, held several high-level positions at the energy company ENI and with the Italian industrial conglomerate IRI. From 1994 to 1998, he was President of Tirrenia di Navigazione, and from 1998 to 2001, he was CEO of SM Logistics – a member of the Serra Merzerio group, partially owned by GE.

He subsequently served as Administrative Director, then CEO and Managing Director, of Alitalia from 1989 to 1994, Chairman of the Association of European Airlines (AEA) in 1992 and Chairman of Galileo International from 1993 to 1994. In 2001, he launched OPODO, the first European travel portal, owned by Air France, British Airways and Lufthansa.

Giovanni Bisignani was Director General and CEO of IATA between 2002 and 2011. During his term of office, Mr. Bisignani made a series of structural reforms which led to profound changes in the air transport sector. In 2004, he launched the “Simplifying the Business” initiative which led to the elimination of paper tickets. He also introduced the first global standard for airline safety management – since 2006, all IATA members have had to comply with IOSA certification (IATA Operational Safety Audit). He thus reinforced security in relation to the management of funds processed annually by IATA’s financial systems amounting to USD 315 billion. Also under his guidance, IATA was able to reach a consensus on environmental issues within the air transport industry, which remains the only sector to have set firm targets to achieve a significant reduction in its carbon emissions by 2050.

Giovanni Bisignani is a visiting Professor at the Cranfield University School of Engineering (UK) where he received the “*Doctor honoris causa*” degree.

Current offices**Safran Group:**

- Director: Safran, since April 2011

Non-Group:

- Director: UK NATS

Offices that expired in the last five years**Safran Group:**

None

Non-Group:

- Director General and CEO: IATA, until June 2011

CHRISTOPHE BURG
DIRECTOR – REPRESENTING THE FRENCH STATE
MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE, AND THE APPOINTMENTS
AND COMPENSATION COMMITTEE

<p>Expertise and experience</p>	<p>Born in 1963, Christophe Burg is a graduate of <i>École Polytechnique</i> and <i>École Nationale Supérieure de l’Aéronautique et de l’Espace</i>.</p> <p>He began his career as a Research Engineer for the Aircraft Manufacturing Division in 1987. In 1989, he became manager of “Front Sector Optronics” equipment for the Rafale, then head of the Rafale Weapons Systems unit at the Aircraft Manufacturing Division in 1992.</p> <p>In 1996, he moved to the French Embassy in London to take up the post of Deputy Armament Attaché.</p> <p>In 1999, he started working for the French Defence Procurement Agency (DGA), first as Assistant Deputy Director and Head of the Electronics Bureau (1999-2002), then as Deputy Director for the “Aeronautics-Missiles-Space” sector (2002-2004). In 2004, he became implementation manager and, as of February 2005, Head of the European Cooperation and Development subdivision, at the DGA. Since 2006, Christophe Burg has been Head of Industrial Affairs and Economic Intelligence at the DGA.</p>
<p>Current offices</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director representing the French State: DCNS; Nexter; SNPE; Société de Gestion de Participations Aéronautiques (Sogepa); Sogéade Gérance SAS
<p>Offices that expired in the last five years</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board representing the French State: Safran, up to April 2011 <p>Non-Group:</p> <p>None</p>

JEAN-LOU CHAMEAU DIRECTOR	
Expertise and experience	<p>Born in 1953, Jean-Lou Chameau obtained an engineering diploma at <i>École Nationale Supérieure d'Arts et Métiers</i> in 1976, and then continued his studies at Stanford University, where he graduated with a Master's in civil engineering in 1977, followed by a PhD in seismic engineering.</p> <p>Jean-Lou Chameau started his teaching career at Purdue University, where he taught from 1980 to 1991, before joining Georgia Tech as professor and head of the School of Civil and Environmental Engineering. He left this position in 1994 to become Chairman of the international geotechnical engineering company, Golder Associates Inc. He returned to teach at Georgia Tech two years later, where he became dean of the College of Engineering, the largest of its kind in the United States. In 2001, he was promoted to the position of provost, which he occupied up to 2006.</p> <p>In 2006, he was appointed President of the California Institute of Technology (Caltech), one of the largest scientific and engineering institutions in the world. Caltech is recognized for the exceptional standard of its research, teachers and students. Caltech boasts 32 Nobel Prize winners and is also renowned for the management of its large laboratories, in particular the Jet Propulsion Laboratory; NASA's center for robotic exploration of the solar system.</p> <p>Jean-Lou Chameau is a member of the National Academy of Engineering, a great honor for an engineer in the United States, and of the <i>Académie des Technologies</i> in France.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • President: California Institute of Technology (Caltech) • Director: Caltech; MTS Systems Corporation; John Wiley & Sons⁽¹⁾ • Other offices: Interwest Advisory Committee; Council on Competitiveness; Academic Research Council of Singapore
Offices that expired in the last five years	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • <i>École Polytechnique</i>, Internet2 • Prime Engineering Inc.

(1) Listed company.

ODILE DESFORGES
DIRECTOR
MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE

<p>Expertise and experience</p>	<p>Born in 1950, Odilie Desforges graduated with an engineering diploma from <i>École Centrale de Paris</i>.</p> <p>She began her career as a Research Analyst at the French Transport Research Institute (<i>Institut de recherche des transports</i>). In 1981, she joined the Renault Group as planning officer for the Automobile Planning Department before becoming product engineer on the R19, then M1 segment (1984-1986). In 1986, she moved to the Purchasing Department as Head of the Exterior Equipment department. She was later appointed Director of Body Hardware Purchasing for the joint Renault Volvo Purchasing Organization in 1992, and for Renault alone in 1994. In March 1999, she became Executive Vice-President of the Renault VI-Mack Group, in charge of 3P (Product Planning, Product Development, Purchasing Project). In 2001, she was appointed President of Volvo Trucks' 3P Business Unit.</p> <p>In 2003, Odile Desforges became Senior Vice-President, Renault Purchasing, Chair and CEO of the Renault Nissan Purchasing Organization (RNPO) and member of the Renault Management Committee.</p> <p>In 2009, she became Director of Engineering and Quality, and a member of Renault's Executive Committee.</p>
<p>Current offices</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: GIE REGIENOV; RNTBCI; Renault España SA; Renault Nissan BV
<p>Offices that expired in the last five years</p>	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Chair: Renault Nissan Purchasing Organization (RNPO), up to February 2009

JEAN-MARC FORNERI DIRECTOR MEMBER AND CHAIRMAN OF THE AUDIT AND RISK COMMITTEE	
Expertise and experience	<p>Born in 1959, Jean-Marc Forneri graduated from <i>École Nationale d'Administration</i> (ENA), before obtaining a Master's in Business Law and completing the French bar (CAPA) exam, at the Aix-en-Provence School of Political Science (IEP).</p> <p>He began his career at the General Finance Inspectorate in 1984. Then in 1987, he became an Advisor to the Minister of Finance and rapporteur for the Commission on Estate Taxes (French Ministry of Finance). Between 1988 and 1994, he was Director and CEO of Skis Rossignol.</p> <p>He was then appointed Managing Partner of Worms et Cie, where he was responsible for the investment bank.</p> <p>In 1996, he was appointed Chairman of Credit Suisse First Boston France and Vice-Chairman of Credit Suisse First Boston Europe, where he was an advisor on major mergers and acquisitions projects. In 2004, he founded Bucéphale Finance where he became Chairman.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman: Bucéphale Finance SAS • Member of the Supervisory Board: Grand Port Maritime de Marseille (GPMM); Société Casino Municipal d'Aix Thermal • Director: Balmain; Intercontinental Exchange, Inc. (United States)⁽¹⁾ • Manager: Perseus Participations
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Bonnasse Lyonnaise de Banque, up to May 2008

⁽¹⁾ Listed company.

**CHRISTIAN HALARY
DIRECTOR – REPRESENTING EMPLOYEE SHAREHOLDERS**

<p>Expertise and experience</p>	<p>Born in 1953, Christian Halary holds a post-graduate degree (DEA) in microwave frequency technology. He began his career in 1980, first as a Research Engineer, then as Engineer responsible for product development, at Sagem SA.</p> <p>In 2005 he was appointed Engineer responsible for product development at Sagem Défense Sécurité. Since 2009 he has been Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité.</p>
<p>Current offices</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing employee shareholders: Safran, since April 2011 • Chairman of the Supervisory Boards of the corporate mutual funds: Partifond; Interfond; Avenir; Safran Investissement <p>Non-Group: None</p>
<p>Offices that expired in the last five years</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board representing employee shareholders: Safran, up to April 2011 <p>Non-Group: None</p>

XAVIER LAGARDE DIRECTOR MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE

Expertise and experience

Born in 1948, Xavier Lagarde is an engineer from *École Nationale Supérieure d'Ingénieurs de Constructions Aéronautiques* (ENSICA), which became *Institut Supérieur de l'Aéronautique et de l'Espace* (ISAE) in 2007 following its link-up with SUPAÉRO. He also obtained a Master of Sciences in Aeronautics from the California Institute of Technology (Caltech).

He joined Sagem in 1974 as a Research Engineer at the Avionics R&D Unit at the Pontoise Center. He later became Head of development for new generation inertial navigation systems. In 1981, he became the Head of this unit which is responsible not only for development of inertial navigation systems and equipment but also the preparation of fighter aircraft missions and weapon systems.

In 1987, Xavier Lagarde became Deputy Director of the Sagem R&D Center in Argenteuil, specialized in inertial technologies and optronics, navigation, observation and weapon aiming equipment and systems primarily dedicated to naval and ground applications. In 1989, he became Director of the R&D Center in Éragny dedicated to missile guidance systems and equipment, disk memories for civil applications and bubble memories for military and space applications. From 1989 to 2001, he was Director of Human Resources of the Sagem group and, from 1999 to 2000, also Executive Director of *Société de Fabrication d'Instruments de Mesure* (SFIM).

In 2001, Xavier Lagarde was appointed Industrial and Quality Director of Sagem. In 2005, he held the position of Quality Director at Safran. The following year, he became Executive Vice-President of the Communications branch of Safran, which was sold in 2008. Then, from 2009 to 2011, he was Executive Vice-President of the Group's Quality, Audit and Risk Department. He was a member of Safran's Executive Board from 2007 to 2011.

Xavier Lagarde has also served on the Labor Relations Tribunal in Paris since 2005.

Current offices

Safran Groupe:

- Director: Safran, since April 2011
- Chairman and CEO: Sagem Télécommunications; Sagem Mobiles, since September 2011
- Chairman of the Board of Directors: Soreval (Luxembourg)
- Director: Safran Consulting (formerly Safran Conseil)

Non-Group:

- Member of the Management Committee: Club Sagem
- Chairman: Club Sagem, since May 2011

Offices that expired in the last five years

Safran Group:

- Member of the Executive Board: Safran, up to April 2011
- Chairman of the Board of Directors: Safran Conseil, up to May 2008
- Director: Aircelle, up to April 2011; Sagem Communications, up to January 2008
- Permanent representative of Sagem Télécommunications on the Board of Directors of: Sagem Industries

Non-Group:

- Chairman: Club Sagem, up to June 2007
- Member of the Supervisory Board: Gores Broadband SA, up to January 2010

MICHEL LUCAS DIRECTOR MEMBER AND CHAIRMAN OF THE APPOINTMENTS AND COMPENSATION COMMITTEE	
Expertise and experience	<p>Born in 1939, Michel Lucas obtained an engineering diploma from <i>École Centrale de Lille</i>, then a degree in mathematical and physical science, before becoming a certified member of the French Institute of Actuaries in Paris and then graduating from the <i>Institut des Hautes Finances</i>, also in Paris.</p> <p>He joined Crédit Mutuel de Strasbourg in 1971. Between 1971 and 1985, he worked as Advisor to the Chairman of Crédit Mutuel and, between 1973 and 1998, as Head of the IT Department of Crédit Mutuel. In 1998, Michel Lucas became CEO of the Crédit Mutuel Group, while retaining his existing functions.</p> <p>That same year, he was also appointed Chairman of the Executive Board of CIC, and subsequently Chairman and CEO in 2011, following a change in the corporate governance system.</p> <p>Michel Lucas is also Chairman of the Confédération Nationale du Crédit Mutuel, Chairman of the Fédération du Crédit Mutuel Centre Est Europe, Chairman of the Caisse Fédérale de Crédit Mutuel and Chairman and CEO of the Banque Fédérative du Crédit Mutuel.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman and CEO: Crédit Industriel et Commercial⁽¹⁾ • Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel; Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale de Crédit Mutuel; Groupe des Assurances du Crédit Mutuel; Assurances du Crédit Mutuel Vie SA; Assurances du Crédit Mutuel IARD SA; Assurances du Crédit Mutuel Vie SAM; Banque du Crédit Mutuel Ile-de-France; International Information Developments; Direct Phone Services; Républicain Lorrain; Est Républicain⁽¹⁾; Dernières Nouvelles d'Alsace • Chairman of the Supervisory Board: Banque de l'Économie du Commerce et de la Monétique; Euro Information Production (EIG); CM-CIC Capital Finance; Fonds de Garantie des Dépôts. • Vice-Chairman of the Supervisory Board: CIC Iberbanco; Banque de Luxembourg (Luxembourg) • Member of the Board of Directors: ACMN Iard; Astrée (Tunisia); Assurances Générales des Caisses Desjardins (Quebec); Banque de Tunisie (Tunisia); Banque Marocaine du Commerce Extérieur; CIC Banque Transatlantique; Banque Transatlantique Belgium (Brussels); Caisse de Crédit Mutuel "Grand Cronembourg"; CRCM Midi-Atlantique; Crédit Mutuel Paiements Électroniques; CIC Lyonnaise de Banque; Sofedis; Dauphiné Libéré • Member of the Supervisory Board: CM-CIC Asset Management; Manufacture Beauvillé; CM-CIC Services (EIG) • Member of the Management Committee: Euro Information; Euro Information Développement; EBRA
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> • Vice-Chairman of the Supervisory Board: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Executive Board: CIC, up to May 2011 • Chief Executive Officer: Confédération Nationale du Crédit Mutuel • Member of the Supervisory Board: CIC Investissements; Société Alsacienne de Publications "L'Alsace" • Vice-Chairman of the Supervisory Board: Mastercard Europe Région (Belgium) • Chief Executive Officer: Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale de Crédit Mutuel • Member of the Board of Directors: CIC Information

(1) Listed company.

ELISABETH LULIN DIRECTOR MEMBER OF THE AUDIT AND RISK COMMITTEE

<p>Expertise and experience</p>	<p>Born in 1966, Elisabeth Lulin is a graduate of <i>École Nationale d'Administration</i> and <i>École Normale Supérieure</i> and the <i>Institut d'Études Politiques</i> in Paris. She also holds a degree in literature.</p> <p>Elisabeth Lulin began her career at the General Finance Inspectorate (1991-1994) before joining the Prime Minister's office as Research Analyst, then Technical Advisor.</p> <p>From 1996 to 1998, she served as Head of the Marketing and External Communication Unit at France's National Institute of Statistics and Economic Studies (INSEE).</p> <p>Alongside these duties, Elisabeth Lulin has also held various teaching posts. She taught at <i>École Supérieure de Commerce de Paris</i>, and was a lecturer at the <i>Institut d'Études Politiques de Paris</i> (1998-1999) and at the <i>Conservatoire des Arts et Métiers</i> (1995-1999). She is also a member of the editorial committee of <i>Sociétal</i>, a quarterly economic and social review.</p> <p>In 2009, she was elected member of the Board of Directors of the <i>Institut Français des Administrateurs</i>.</p> <p>Elisabeth Lulin is currently Chief Executive Officer of Paradigmes et caetera, a research and consulting firm dedicated to benchmarking and innovation, which she founded in 1998. In September 2010, she also became senior advisor of the Monitor Group strategy consulting firm.</p>
<p>Current offices</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chief Executive Officer: Paradigmes et caetera • Director: Société Générale⁽¹⁾; Bongrain SA⁽¹⁾
<p>Offices that expired in the last five years</p>	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Executive Board: Institut Aspen France, up to May 2010

(1) Listed company.

ASTRID MILSAN
DIRECTOR – REPRESENTING THE FRENCH STATE
MEMBER OF THE AUDIT AND RISK COMMITTEE, THE STRATEGY AND MAJOR PROJECTS
COMMITTEE, AND THE APPOINTMENTS AND COMPENSATION COMMITTEE

<p>Expertise and experience</p>	<p>Born in 1971, Astrid Milsan studied at <i>École Nationale d'Administration</i>, before graduating from the <i>Institut d'Études Politiques de Paris</i> and obtaining a Master's in Law from the <i>Université de Droit de Paris II – Assas</i>.</p> <p>She began her career as reporting counselor (<i>conseiller rapporteur</i>) at the Versailles Administrative Court of Appeal between 1996 and 1998.</p> <p>Between 1998 and 2001, she worked as Project Finance and Privatization manager at Bankgesellschaft in Berlin, and then in London and Berlin. In 2003, she moved to HSBC in London where she worked in Corporate Finance, Mergers & Acquisitions (Europe and Asia) and in the Transport & Logistics team.</p> <p>Later, in 2003, she joined the Finance division (legal and financial engineering for State market transactions) of the French State Investment Agency (APE).</p> <p>In 2006, she was appointed Head of Corporate Finance and Development and Secretary General of the Interministerial Committee on Industrial Restructuring (CIRI) at the Treasury, within the French Ministry of Economic Affairs, Finance and Employment. The following year she became Deputy Director of Corporate Finance and Competitiveness (financial market regulation, Replacement Government Commissioner to the collegium of the French financial markets authority – AMF) at the Treasury.</p> <p>She was appointed Deputy Director of Energy and other investments at the State Investment Agency (APE) in 2009, and then Deputy Director of the Services, Aerospace and Defence sub-division of APE in 2011.</p>
<p>Current offices</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Safran, since July 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director representing the French State: DCNS, since November 2011; Établissement Public de Financement et de Restructuration (EPFR), since July 2011; Imprimerie nationale, since July 2011; SNPE, since October 2011; Société de gestion de Participations Aéronautiques (Sogepa), since November 2011; Sogead
<p>Offices that expired in the last five years</p>	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board representing the French State: RTE up to 2011; OSEO Finance up to 2009 • Director representing the French State: Areva NC, up to 2011; la Française des Jeux, up to 2011; Eramet⁽¹⁾, in 2011; Laboratoire français de fractionnement et de biotechnologies, up to 2011; OSEO up to 2009; IDES, up to 2009; OSEO Innovation, up to 2009; OSEO Garantie, up to 2007; and Corsabail, up to 2007.

(1) Listed company.

LAURE REINHART DIRECTOR – REPRESENTING THE FRENCH STATE MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE

<p>Expertise and experience</p>	<p>Born in 1955, Laure Reinhart studied at <i>École Normale Supérieure</i>. She obtained a degree in mathematics and a doctorate in applied mathematics from <i>Université de Paris VI</i>.</p> <p>She began her career in 1979 at Inria (French Research Institute for Computer Science and Automation) where she successively held the posts of Researcher in scientific computing, Head of industrial relations, and Director of industrial relations and technology transfer. In 1992, she became Director at the Rocquencourt research center where she was responsible for managing the center's research, research orientation and technology transfer activities.</p> <p>In 1999, Laure Reinhart joined Thales as Head of operations at the central research and development laboratory, then Head of public research partnerships in France and Europe and of technical cooperation with companies in the R&D domain. She was also responsible for coordinating the company's actions in the areas of competitiveness and technical communication.</p> <p>In 2006, she was appointed Director of Strategy within the Directorate-General of Research and Innovation in the French Ministry for Higher Education and Research where she implemented the new strategy.</p> <p>She then joined Oseo in 2008 as Deputy Chief Executive Officer in charge of Innovation.</p> <p>Between 2007 and 2008, she participated in the committee working on France's White Paper on Defence and National Security.</p>
<p>Current offices</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: INPI (Institut National de la Propriété Industrielle); INRIA (Institut National de Recherche en Informatique et en Automatique); IHEST (Institut des Hautes Études pour la Science et la Technologie) • President of two associations: Ile de Science and the Sciencepole Initiative
<p>Offices that expired in the last five years</p>	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Agence pour la diffusion de l'information technologique, up to October 2008

MICHÈLE ROUSSEAU
DIRECTOR – REPRESENTING THE FRENCH STATE
MEMBER OF THE AUDIT AND RISK COMMITTEE

<p>Expertise and experience</p>	<p>Born in 1957, Michèle Rousseau graduated with an engineering diploma from <i>École des Mines de Paris</i>. She began her career in 1983 as Head of the Environment Division at DRIRE, Nord-Pas de Calais. Subsequently, she worked as Head of the industrial environment division at the French Ministry for the Environment between 1987 and 1990, before moving to the General Directorate of Industrial Strategies at the French Ministry for Industry, where she was Deputy Head of industrial IT and professional electronics between 1990 and 1995. In 1995, she was appointed Assistant Director of Safety of Nuclear Installations and was responsible for supervising EDF's network of nuclear plants.</p> <p>In 1999, she joined the French innovation agency, ANVAR (<i>Agence Nationale pour la Valorisation de la Recherche</i>), as Deputy Director General, responsible for conducting policy on assisting innovative projects set up by SMEs.</p> <p>In 2001, Michèle Rousseau was appointed Head of gas, electricity and coal at the General Directorate of Energy and Raw Materials within the French Ministry of Economic Affairs, Finance and Industry.</p> <p>In the same year she went on to become Head of demand and energy markets and the General Directorate of Energy and Raw Materials. She was also appointed as Government Commissioner for EDF and GDF. In 2004, she represented the French State on the independent commission charged with evaluating EDF's financing needs.</p> <p>In 2005, she was appointed Secretary General of the Ministry for Ecology, Energy and Sustainable Development, then in 2008, Assistant Director to the Commissioner General for Sustainable Development. Since 2011, she has served as Chief Executive Officer at Agence de l'Eau Seine-Normandie.</p>
<p>Current offices</p>	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Safran, since April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Director representing the French State: Aéroports de Paris⁽¹⁾, Institut français du pétrole
<p>Offices that expired in the last five years</p>	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Agence Européenne de l'Environnement, up to 2011

(1) Listed company.

Information relating to the Board Advisor

CAROLINE GREGOIRE SAINTE MARIE ADVISOR TO THE BOARD OF DIRECTORS AND THE AUDIT AND RISK COMMITTEE

Expertise and experience

Born in 1957, Caroline Grégoire-Sainte Marie is a graduate of *Institut d'Etudes Politiques de Paris* and of the *Université de Droit de Paris I*. She also took part in the international management programs (INSEAD – IMD) organized by Hoechst/Roussel and Lafarge.

She began her career in 1981 at Rank Xerox France as Management Controller.

In 1987, she joined pharmaceutical company Hoechst where she occupied various financial/management positions, before being made Financial Director and member of the Executive Board of Albert Roussel Pharma GmbH in 1994.

In 1996, Caroline Grégoire-Sainte Marie was appointed Director of Finance and IT at Volkswagen France where she became a member of the Management Committee.

She then joined the Lafarge Group in 1997, as Financial, Legal and Development Officer and a member of the Management Committee of Lafarge Specialty Products. In 2000, she became Head of the Mergers & Acquisitions department, a member of the Management Board of Lafarge Cement, a member of the International Operating Committee and a member of the Boards of Directors of Materis SA and Lafarge India. In 2004, she was appointed Chair and CEO of Lafarge Cement in Germany and the Czech Republic, and she became a member of the Board of Directors of Präsidium BDZ/VDZ.

From 2007 to 2009, she was Chair and CEO of Tarmac France and Belgium, part of the Anglo-American Plc. group. She is also Vice-President and a member of the Executive Committee of the Fédération de l'Industrie du Béton (FIB).

Between 2009 and 2011, Caroline Grégoire-Sainte Marie was Chairwoman of FransBonhomme, the French leading distributor of plastic pipes and fittings.

She has been an independant Director of Groupama since 2011.

Director whose term of office expired during 2011

PIERRE AUBOUIN DIRECTOR – REPRESENTING THE FRENCH STATE MEMBER OF THE AUDIT AND RISK COMMITTEE, THE STRATEGY AND MAJOR PROJECTS COMMITTEE, AND THE APPOINTMENTS AND COMPENSATION COMMITTEE	
Expertise and experience	<p>Born in 1970, Pierre Aubouin graduated from the ESSEC Business School and holds a diploma in further accounting and finance studies (DESCF).</p> <p>He began his career in 1992 at the Fiduciaire de France department of KPMG Audit.</p> <p>In 1994, he joined the Audit Office of the Air Commission Headquarters.</p> <p>Between 1995 and 2000, he served as Senior Financial Auditor and then Manager at KPMG Audit France.</p> <p>In 2000, he joined McKinsey & Company Inc. France as Consultant, Project Manager, and then Manager from 2004. He is a member of the global High Technology, Media and Corporate Finance divisions.</p> <p>In 2006, he was appointed Head of Aerospace and Defence at the State Investments Agency, where he went on to become Head of Services, Aerospace and Defence Investments in 2008.</p>
Current offices	<p>Safran Group:</p> <p>None</p> <p>Non-Group:</p> <ul style="list-style-type: none"> Member of the Executive Board: Areva⁽¹⁾, since July 2011
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> Director representing the French State: Safran, from April to July 2011 Member of the Supervisory Board representing the French State: Safran, up to April 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> Head of Services, Aerospace and Defence Investments at the State Investments Agency Director representing the French State: DCNS, up to July 2011; Établissement Public de Financement et de Restructuration (EPFR), up to July 2011; Imprimerie nationale, up to July 2011; SNPE, up to July 2011; Société de Gestion de Participations Aéronautiques (Sogepa), up to July 2011; Sogead Gérance SAS, up to July 2011; La Monnaie de Paris, up to October 2008; Civi. Pol Conseil, Nexter, TSA (formerly Thomson SA), up to July 2008.

(1) Listed company.

Roles and responsibilities of the Board of Directors

The roles and responsibilities of the Board of Directors are described in sections 6.5.1 and 7.1.2.1.

Board of Directors' Internal Rules

The Board of Directors' meeting of April 21, 2011 approved the Internal Rules that govern the operating procedures and organization of the Board of Directors.

These Internal Rules are available on the Company's website (www.safran-group.com).

Other information

Information on service contracts between the members of the Board of Directors or Executive Management and the Company or one of its subsidiaries

There are no service contracts between the members of the Board of Directors or Executive Management and Safran or any of its subsidiaries providing for the award of benefits.

Disclosure of family ties and the absence of convictions involving members of the Board of Directors or Executive Management

To the best of the Company's knowledge:

- there are no family ties between members of the Board of Directors or Executive Management;
- no member of the Board of Directors or Executive Management:
 - has been convicted of fraud,
 - has been a manager in a company when it filed for bankruptcy or was placed in receivership or liquidation,
 - has been officially charged and/or received sanctions from a legal or regulatory authority,
 - has been prohibited by a court of law from being a member of an administrative, management or supervisory body, or from participating in the management or performance of a company's business.

Conflicts of interest at Board of Directors and Executive Management level

To the best of the Company's knowledge:

- there are no potential conflicts of interest between the duties, with respect to Safran, of any of the members of the Board of Directors or Executive Management and their private interests and/or other duties;

- no members of the Board of Directors or Executive Management were appointed based on arrangements or agreements with the principal shareholders, customers, suppliers or other parties.

However, believing that a potential or actual conflict of interests could arise, the Directors representing the French State abstained from taking part in Board resolutions relating to the protocol of intentions concluded with Thales as described in section 1.3.3.1 by virtue of the stipulations set out in the Board of Directors' Internal Rules.

The management of conflicts of interest within the Board of Directors is organized as follows (articles 7.2 to 7.5 of the Board of Directors' Internal Rules):

- All members of the Board of Directors must inform the Board of Directors of any actual or potential conflicts of interest between themselves (or any other individual or corporation with which they have a business relationship) and the Company, or any of the companies in which the Company invests, or any of the companies with which the Company is planning to conclude an agreement of any sort.
- In the event that a member of the Board of Directors suspects the existence of a conflict of interests, or a potential conflict of interests, he/she must immediately inform the Chairman of the Board of Directors whose responsibility it is to decide whether or not to inform the Board of Directors and thus to instigate the conflicts of interest management process.
- In the event that the member of the Board of Directors discussed in the previous paragraph is the Chairman of the Board of Directors him/herself, then he/she should inform the Vice-Chairman of the Board of Directors or, failing that, the Board of Directors.
- Assuming that the conflict does not relate to an existing agreement concluded under normal conditions, the member of the Board of Directors concerned must abstain from voting on decisions relating to the conclusion of the agreement in question and from taking part in any discussions preceding the vote.
- In addition, the Chairman of the Board of Directors, the members of the Board of Directors, the CEO and, where appropriate, the Deputy CEO(s) will not be obliged to transmit, to any member(s) of the Board of Directors whom they have serious reason to suspect may be subject to conflicts of interest, information or documents relating to the agreement or operation causing the conflict of interest in question, and they will inform the Board of Directors of the non-transmission.

6.1.2 BOARD COMMITTEES

In their meeting of April 21, 2011, the Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The Board of Directors may set up further Board committees, if necessary.

The role, organization, operating procedures and work of each committee are set out in section 6.5.1.

6.1.3 EXECUTIVE MANAGEMENT

Following the change in Safran's corporate governance structure on April 21, 2011 and, in accordance with the conditions specified in article L. 225-51-1 of the French Commercial Code and Article 21 of the Company's bylaws, at its first meeting on April 21, 2011, the Board of Directors opted to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and appointed Jean-Paul Herteman to take on these functions and thus assume the title of Chairman and Chief Executive Officer for the duration of his term as Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2014.

The Board of Directors decided that combining the positions of Chairman of the Board of Directors and Chief Executive Officer would create an organizational structure that would be better adapted to the issues and challenges faced by Safran and, at the same time, provide the level of responsiveness needed to manage and develop the Group.

At this same meeting, the Board of Directors appointed Francis Mer as Vice-Chairman of the Board of Directors for the duration of his term as Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2012.

This appointment was made in accordance with Article 15.3 of the bylaws which states that a Vice-Chairman must be appointed if the same person holds the positions of Chairman and Chief Executive Officer.

Finally, during its meeting of April 21, 2011, the Board of Directors appointed the following members of staff as non-Director Deputy Chief Executive Officers:

- Dominique-Jean Chertier,
- Ross McInnes,
- Marc Ventre,

with immediate effect and until the close of the Annual General Meeting to be held to approve the financial statements for the previous year ending December 31, 2014.

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer.

More specifically, Dominique-Jean Chertier, Deputy Chief Executive Officer, Corporate Office, is responsible for the Corporate Office, which deals with: Social Affairs, Human Resources, Property and Legal Affairs, Institutional and European Affairs, Corporate Communication (excluding financial communication), Health & Safety, Sustainable Development and Industrial Protection. He is also responsible for Audit affairs.

Ross McInnes, Deputy Chief Executive Officer, Finance, is in charge of Economic and Financial Affairs, the Finance Department: Management Control and Accounting, Financial Communication, Cash Management, Tax Issues, Insurance and Risk Management, Marc Ventre, Deputy Chief Executive Officer, Operations, is responsible for managing the Group's operations, i.e., its industrial, commercial and after-sales support activities and its programs.

Members of Executive Management	Functions	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Jean-Paul Herteman 61 years old	Chief Executive Officer	April 21, 2011 AGM 2015	19,720*	Chairman and Chief Executive Officer of Safran, 2, bd du Général Martial Valin, 75015 Paris
Dominique-Jean Chertier 61 years old	Deputy Chief Executive Officer, Corporate Office	April 21, 2011 AGM 2015	5,207*	Deputy Chief Executive Officer of Safran, 2, bd du Général Martial Valin, 75015 Paris
Ross McInnes 58 years old	Deputy Chief Executive Officer, Finance	April 21, 2011 AGM 2015	2,324*	Deputy Chief Executive Officer of Safran, 2, bd du Général Martial Valin, 75015 Paris
Marc Ventre 61 years old	Deputy Chief Executive Officer, Operations	April 21, 2011 AGM 2015	9,189*	Deputy Chief Executive Officer of Safran, 2, bd du Général Martial Valin, 75015 Paris

* Indirectly via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of February 29, 2012).

Information on the Deputy Chief Executive Officers

DOMINIQUE-JEAN CHERTIER	
Expertise and experience	<p>Born in 1950, Dominique-Jean Chertier has a post-graduate degree (DEA) in the arts and is a graduate of the School of Information Sciences and Communication (Celsa). He started his professional career in 1976 as Assistant to the Director of Administration Services and Personnel at Renault International, where his duties included conducting audit assignments in the subsidiaries outside France and assignments regarding the establishment of Renault in the United States and Portugal.</p> <p>In 1982, he joined Sacilor as Head of Employee Management Relations in the Group, to negotiate and implement personnel restructurings related to the French Steel Plan. He became Director of Human Resources at Air Inter in 1986. He was responsible, in particular, for personnel management related to the renewal of the aircraft fleet and the launch of the Airbus A320, a complete overhaul of the employee classification grid, as well as the development of contractual policy. During the period between 1992 and 2002, as Director General of the French national association for employment in trade and industry (Unedic), Dominique-Jean Chertier managed a large number of transformations including reforms of the unemployment insurance information systems and the treasury system, the implementation of statutory audits of the accounts and launching the reorganization of the unemployment authorities' (Assedic) networks.</p> <p>In March 2002, he joined the Snecma group as Vice-President, Human Resources but left this position in May to become an advisor to the French Prime Minister on social affairs. He returned to Snecma in October 2003 as Executive Vice-President, responsible for Social and Institutional Affairs, where he coordinated the definition of the employment policy and internal and external communications for the whole group. He also developed the group's relations with public institutions. In May 2005, when the Safran Group was created, he became Executive Vice-President, responsible for Social and Institutional Affairs. He was also a member of the Executive Board between 2007 and April 2011.</p> <p>He was a member of the Economic and Social Council (CES) up to September 2010 and also Chairman of the Board of Directors of Pôle Emploi (the French unemployment agency). He is a member of the Employment Policy Council (COE). He has been on the Board of Directors of Air France since September 15, 2004 and a member of Air France's Audit and Accounting Committee since November 23, 2004.</p> <p>On April 21, 2011 he was appointed Deputy Chief Executive Officer, Corporate Office.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Chairman and CEO: Établissements Vallaroché • Director: Safran Human Resources Support, Inc. (United States) • Permanent representative of Établissements Vallaroché on the Board of Directors of: Vallaroché Conseil; Safran Consulting (formerly Safran Conseil) <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Air France
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Executive Board: Safran, up to April 2011 • Chairman of the Board of Directors: Safran Human Resources Support, Inc. (United States), up to October 2010 • Director and Chairman of the Board: Safran Employment Services, Inc. (United States), up to December 2011 • Director: Safran Conseil, up to November 2009; Messier-Dowty International Ltd (UK), up to November 2007 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Board of Directors: Pôle Emploi, up to December 2011

ROSS MCINNES	
Expertise and experience	<p>Born in 1954, Ross McInnes has dual French and Australian nationality and is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson bank, first in London, then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America) in which he held several positions as Vice-President in the corporate finance arm, in Chicago and then in Paris.</p> <p>In 1989, he chose to move to a large multinational corporation and became Chief Financial Officer of Ferruzzi Corporation of America. This group owned, in particular, Eridania Beghin Say, of which he was appointed Chief Financial Officer in 1991, then a member of the Board of Directors in 1999. The following year, Ross McInnes joined Thomson-CSF (now Thales) as Executive Vice-President and Chief Financial Officer and assisted in the group's transformation up to 2005. He then moved to PPR (Pinault-Printemps-La Redoute) as Senior Vice-President for Finance and Strategy, before joining the Supervisory Board of Générale de Santé in 2006. At the request of the Supervisory Board, he served as acting Chairman of the Management Board from March to June 2007. He then held the position of Vice-Chairman of Macquarie Capital Europe, specialized in particular in infrastructure investments.</p> <p>In March 2009, Ross McInnes joined Safran as special Advisor to the Chairman of the Executive Board, before becoming Executive Vice-President, Economic and Financial Affairs in June of that year. He was a member of the Executive Board between July 2009 and April 2011.</p> <p>On April 21, 2011, he was appointed Deputy Chief Executive Officer, Finance.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Aircelle; Turbomeca; Messier-Bugatti-Dowty (formerly Messier-Bugatti); Sagem Défense Sécurité; Morpho (formerly Sagem Sécurité); Snecma; Vallaroché Conseil; Safran USA, Inc. (United States) • Permanent representative of Safran on the Board of Directors of: Établissements Vallaroché • Permanent representative of Établissements Vallaroché on the Board of Directors of: Soreval (Luxembourg) <p>Non-Group:</p> <ul style="list-style-type: none"> • Director: Faurecia⁽¹⁾; Financière du Planier; Limoni SpA (Italy) • Permanent representative of Santé Europe Investissements Sarl on the Board of Directors of: Générale de Santé⁽¹⁾ since June 2011; Santé SA (Luxembourg), since July 2011
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Executive Board: Safran, up to April 2011 • Permanent representative of Safran on the Board of Directors of: Messier-Dowty SA, from January to April 2011 • Director: Messier-Dowty SA, up to January 2011; SME, from April to September 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Chairman of the Executive Board: Générale de Santé SA, up to June 2007 • Chairman: Chartreuse & Mont-Blanc SAS, up to May 2009 • Vice-President: Macquarie Capital Europe Ltd (UK), up to May 2009 • Director: Santé SA (Luxembourg), up to May 2010; Macquarie Autoroutes de France SAS, up to May 2009; Eiffarie SAS, up to June 2009; Société des Autoroutes Paris-Rhin-Rhône, up to June 2009; AREA – Société des Autoroutes Rhône-Alpes, up to June 2009; Adelaç SAS, up to June 2009; Chartreuse & Mont-Blanc Global Holdings SCA (Luxembourg), Chartreuse & Mont-Blanc GP Sarl (Luxembourg), Chartreuse & Mont-Blanc Holdings Sarl (Luxembourg), up to May 2009; Bienfaisance Holding, up to June 2009; Électro Banque, up to February 2007 • Member of the Supervisory Board: Générale de Santé SA, up to May 2010; Pisto SAS, up to May 2009 • Permanent representative of Établissements Vallaroché on the Board of Directors of: La Financière de Brienne, up to January 2010 • Permanent representative of Santé Sarl on the Supervisory Board of: Générale de Santé SA, up to March 2007 • Board advisor: Générale de Santé SA, up to June 2011

(1) Listed company.

MARC VENTRE	
Expertise and experience	<p>Born in 1950, Marc Ventre is a graduate of <i>École Centrale de Paris</i> and holds a Master of Science from the Massachusetts Institute of Technology. He joined Snecma in 1976, where he held various positions related to materials science, in the Quality department at the Corbeil site. From 1979 to 1980, he worked at General Electric Aircraft Engines in Cincinnati in the United States, where he represented Snecma in connection with the development of the CFM56 engine, produced jointly by the two joint venture partners. From 1981 to 1988, after an assignment at the site in Villaroche, Marc Ventre became head of the Quality department at the Snecma plant in Gennevilliers.</p> <p>He was Deputy Director of Production at Snecma from 1988 until 1991 when he was appointed as Director of the Snecma plant in Gennevilliers. In 1994, he took up the position of Director of Production and Procurement at Snecma thus covering all the industrial sites and procurement of all supplies by Snecma during the ramp-up of CFM56 engine production.</p> <p>In 1998, he became Chairman and Chief Executive Officer of Hispano-Suiza, then of Snecma Services from 2000 to 2004, before becoming Chairman and Chief Executive Officer of Snecma. In 2006, he joined the head office of Safran as Executive Vice-President of the Aerospace Propulsion branch including the activities of Snecma, Turbomeca, Microturbo, Snecma Propulsion Solide and Techspace Aero.</p> <p>He was a member of the Executive Board of Safran between July 2009 and April 2011. Marc Ventre is also a member of the Board of the French Aerospace Industries Association (GIFAS) and in January 2011 was appointed head of the Civil Aviation Research Council (CORAC). He was Chairman of the Governing Board of Clean Sky up to December 31, 2010. He has also served as President of the Alumni Association and remains a director of <i>École Centrale de Paris</i>.</p> <p>On April 21, 2011, he was appointed Deputy Chief Executive Officer, Operations.</p>
Current offices	<p>Safran Group:</p> <ul style="list-style-type: none"> • Director: Techspace Aero (Belgium) • Permanent representative of Safran on the Board of Directors of: Snecma; Snecma Propulsion Solide; Turbomeca; Aircelle since July 2011; SME since April 2011; Labinal since July 2011; Hispano-Suiza since September 2011 and Messier-Bugatti-Dowty since July 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Member of the Supervisory Board: Radiall⁽¹⁾ • Director: Nexcelle, LLC (United States)
Offices that expired in the last five years	<p>Safran Group:</p> <ul style="list-style-type: none"> • Member of the Executive Board: Safran, up to April 2011 • Director: Snecma Services, up to February 2009; Société de Motorisations Aéronautiques (SMA), up to November 2007; Turbomeca, up to February 2007 • Permanent representative of Safran on the Board of Directors of: Europropulsion, up to July 2011 <p>Non-Group:</p> <ul style="list-style-type: none"> • Permanent representative of Safran on the Board of Directors of: Ariespace Participation and Ariespace SA, up to September 2011 • Permanent representative of Snecma on the Board of Directors of: EPI, up to February 2007

(1) Listed company.

6.2

CORPORATE OFFICER AND MANAGEMENT COMPENSATION

6.2.1 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF EXECUTIVE MANAGEMENT (PREVIOUSLY THE EXECUTIVE BOARD)

Fixed and variable compensation, benefits-in-kind

From January 1 to April 21, 2011, the principles and rules for determining the compensation of corporate officers and management executives were identical to those for the 2010 fiscal year as set out in the 2010 Registration Document (section 5.4.1).

At its meeting of April 21, 2011, following the appointment of Jean-Paul Herteman as Chairman and Chief Executive Officer and Dominique-Jean Chertier, Ross McInnes and Marc Ventre as Deputy Chief Executive Officers, the Board of Directors decided that they would receive the same compensation in April 2011 as that paid to them in March 2011, as a transitional measure, pending the Board's determination of new terms and conditions of their compensation, upon consultation with the Appointments and Compensation Committee.

Since May 1, 2011, the compensation of the Chief Executive Officer and Deputy Chief Executive Officers, set by the Board of Directors, upon the recommendations of the Appointments and Compensation Committee has been comprised of a fixed and a variable component. These management executives also receive a company car as a benefit-in-kind.

With regard to the variable component, a third of this component is determined on the basis of individual objectives (around five explicitly documented criteria) and two-thirds on economic objectives. At the beginning of the year the Appointments and Compensation Committee proposes these objectives to the Board of Directors.

The amount of the variable compensation corresponding to full achievement of objectives set is 100% of fixed compensation. This percentage may be increased, if objectives are exceeded, under conditions left to the discretion of the Appointments and Compensation Committee.

The Appointments and Compensation Committee keeps itself regularly informed of the compensation practices for management executives in groups in a comparable situation and asks specialist firms to carry out studies where required.

The executive corporate officers receive compensation exclusively from Safran and do not receive any compensation from other Group companies.

For the 2011 fiscal year, half of the economic objectives were based on Group EBIT⁽¹⁾ and half on Group WCR⁽²⁾.

For the 2012 fiscal year, the principles and rules for determining the compensation of executive corporate officers will be set by the Board of Directors on the recommendation of its Appointments and Compensation Committee.

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously covered by supplementary defined contribution pension plans for managerial-grade staff.

At its meeting of July 27, 2011, the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by these supplementary pension plans in accordance with the provisions of article L.225-42-1 of the French Commercial Code (*Code de commerce*). The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

Pension plans

No specific supplementary pension plan has been set up for Executive Management.

In the event that a supplementary pension plan is set up for all Group senior executives, the Chairman and Chief Executive Officer will be covered by this plan provided the performance conditions, identical to those governing the removal from office, are met, in accordance with the Board of Directors' decision of April 21, 2011.

Compensation or benefits paid in respect of the termination of office or a change of duties

According to the Board of Directors decision of April 21, 2011, taken pursuant to article L.225-42-1 of the French Commercial Code, in the case of early termination of the term of office of Jean-Paul Herteman as Chairman and Chief Executive Officer, for any reason whatsoever, save serious or gross misconduct (including the consequences of a merger with another company or absorption by another company, a health incident or strategic differences with the other Board members), he will be entitled to a termination payment equal to two years of fixed and variable compensation.

The reference compensation will be equal to the average fixed and variable compensation received during the three years preceding his termination.

This payment will be made only if the variable compensation received over the three fiscal years preceding his termination is equal to or higher than 80% of the target variable compensation.

Otherwise, the amount of the termination payment will be reduced or eliminated as decided by the Board of Directors.

(1) Recurring operating income.

(2) Working capital requirements.

Summary tables showing the individual compensation of Executive Management (previously Executive Board members)

JEAN-PAUL HERTEMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CHAIRMAN OF THE EXECUTIVE BOARD UNTIL APRIL 21, 2011)

Summary of compensation, stock options and shares granted	2010	2011
Compensation due for the year (broken down in the table below)	€1,406,294 incl. a fixed component of €700,000	€1,472,136 incl. a fixed component of €730,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€700,000	€700,000	€730,000	€730,000
Variable compensation	€700,000	€800,000 ⁽¹⁾	€708,100	€700,000 ⁽²⁾
Extraordinary compensation	None	None	None	None
Attendance fees	None	None	€28,293 ⁽³⁾	None
Benefits-in-kind ⁽⁴⁾	€6,294	€6,294	€5,743	€5,743
TOTAL	€1,406,294 incl. a fixed component of €700,000	€1,506,294 incl. a fixed component of €700,000	€1,472,136 incl. a fixed component of €730,000	€1,435,743 incl. a fixed component of €730,000

(1) For 2009.

(2) For 2010.

(3) For his terms of office as Director and Chairman of the Board of Directors since April 21, 2011.

(4) Company car.

DOMINIQUE-JEAN CHERTIER, DEPUTY CHIEF EXECUTIVE OFFICER (EXECUTIVE BOARD MEMBER UNTIL APRIL 21, 2011)

Summary of compensation, stock options and shares granted	2010	2011
Compensation due for the year (broken down in the table below)	€936,996 incl. a fixed component of €460,000	€959,502 incl. a fixed component of €480,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€460,000	€460,000	€480,000	€480,000
Variable compensation	€449,400	€460,000 ⁽¹⁾	€465,600	€449,400 ⁽²⁾
Extraordinary compensation	€22,676 ⁽³⁾	€21,988 ⁽⁴⁾	€9,056 ⁽⁵⁾	€22,676 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁶⁾	€4,920	€4,920	€4,846	€4,846
TOTAL	€936,996 incl. a fixed component of €460,000	€946,908 incl. a fixed component of €460,000	€959,502 incl. a fixed component of €480,000	€956,922 incl. a fixed component of €480,000

NB: From January 1 to April 21, 2011, this compensation was paid to Dominique-Jean Chertier for his duties as Executive Vice-President, Social, Institutional and Legal Affairs; he did not receive any compensation as a member of the Executive Board.

(1) For 2009.

(2) For 2010.

(3) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(4) Payments for 2009 under statutory and optional profit-sharing schemes; 2010 Company contribution.

(5) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(6) Company car.

ROSS MCINNES, DEPUTY CHIEF EXECUTIVE OFFICER (EXECUTIVE BOARD MEMBER UNTIL APRIL 21, 2011)

Summary of compensation, stock options and shares granted	2010	2011
Compensation due for the year (broken down in the table below)	€866,759 incl. a fixed component of €420,000	€901,745 incl. a fixed component of €428,333
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€420,000	€420,000	€428,333	€428,333
Variable compensation	€417,200	€265,000 ⁽¹⁾	€459,583	€417,200 ⁽²⁾
Extraordinary compensation	€22,676 ⁽³⁾	€21,413 ⁽⁴⁾	€9,056 ⁽⁵⁾	€22,676 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁶⁾	€6,883	€6,883	€4,773	€4,773
TOTAL	€866,759 incl. a fixed component of €420,000	€713,296 incl. a fixed component of €420,000	€901,745 incl. a fixed component of €428,333	€872,982 incl. a fixed component of €428,333

NB: From January 1 to April 21, 2011, this compensation was paid to Ross McInnes for his duties as Executive Vice-President, Economic and Financial Affairs; he did not receive any compensation as a member of the Executive Board.

(1) For 2009 (from March 15, 2009 to December 31, 2009).

(2) For 2010.

(3) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(4) Payments for 2009 under statutory and optional profit-sharing schemes; 2010 Company contribution.

(5) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(6) Company car: €5,245 in 2010 and €4,091 in 2011.

MARC VENTRE, DEPUTY CHIEF EXECUTIVE OFFICER (EXECUTIVE BOARD MEMBER UNTIL APRIL 21, 2011)

Summary of compensation, stock options and shares granted	2010	2011
Compensation due for the year (broken down in the table below)	€859,224 incl. a fixed component of €400,000	€871,747 incl. a fixed component of €412,500
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€400,000	€400,000	€412,500	€412,500
Variable compensation	€432,500	€400,000 ⁽¹⁾	€447,500	€432,500 ⁽²⁾
Extraordinary compensation	€20,676 ⁽³⁾	€19,988 ⁽⁴⁾	€7,056 ⁽⁵⁾	€20,676 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁶⁾	€6,048	€6,048	€4,691	€4,691
TOTAL	€859,224 incl. a fixed component of €400,000	€826,036 incl. a fixed component of €400,000	€871,747 incl. a fixed component of €412,500	€870,367 incl. a fixed component of €412,500

NB: From January 1 to April 21, 2011, this compensation was paid to Marc Ventre for his duties as Executive Vice-President, Aerospace Propulsion branch; he did not receive any compensation as a member of the Executive Board.

(1) For 2009.

(2) For 2010.

(3) Payments for 2010 under statutory and optional profit-sharing schemes.

(4) Payments for 2009 under statutory and optional profit-sharing schemes.

(5) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes.

(6) Company car: €5,976 in 2010 and €4,661 in 2011.

OLIVIER ANDRIÈS, EXECUTIVE BOARD MEMBER FROM JANUARY 1 TO APRIL 21, 2011**Summary of compensation, stock options and shares granted during his term of office**

	2010	2011
Compensation due for the year (broken down in the table below)	€620,018 incl. a fixed component of €315,000	€243,080 incl. a fixed component of €111,667
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€315,000	€315,000	€111,667	€111,667
Variable compensation	€275,600	€267,000 ⁽¹⁾	€120,110	€275,600 ⁽²⁾
Extraordinary compensation	€22,676 ⁽³⁾	€21,988 ⁽⁴⁾	€9,056 ⁽⁵⁾	€22,676 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁶⁾	€6,742	€6,742	€2,247	€2,247
TOTAL	€620,018 incl. a fixed component of €315,000	€610,730 incl. a fixed component of €315,000	€243,080 incl. a fixed component of €111,667	€412,190 incl. a fixed component of €111,667

NB: From January 1 to April 21, 2011, this compensation was paid to Olivier Andriès for his duties as Executive Vice-President, Defence Security branch; he did not receive any compensation as a member of the Executive Board.

(1) For 2009.

(2) For 2010.

(3) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(4) Payments for 2009 under statutory and optional profit-sharing schemes; 2010 Company contribution.

(5) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(6) Company car: €5,533 in 2010 and €1,844 in 2011 (from January 1 to April 21, 2011).

XAVIER LAGARDE, EXECUTIVE BOARD MEMBER FROM JANUARY 1 TO APRIL 21, 2011 AND DIRECTOR SINCE APRIL 21, 2011**Summary of compensation, stock options and shares granted**

	2010	2011
Compensation payable for the year (broken down in the table below)	€832,340 incl. a fixed component of €410,000	€775,717 incl. a fixed component of €380,417
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€410,000	€410,000	€380,417 ⁽¹⁾	€380,417 ⁽¹⁾
Variable compensation	€393,700	€398,000 ⁽²⁾	€324,253 ^(1bis)	€393,700 ⁽³⁾
Extraordinary compensation	€22,676 ⁽⁴⁾	€21,988 ⁽⁵⁾	€19,904 ⁽⁶⁾	€1,470,702 ⁽⁷⁾
Attendance fees	None	None	€27,697 ⁽⁸⁾	None
Benefits-in-kind ⁽⁹⁾	€5,964	€5,964	€5,446	€5,446
TOTAL	€832,340 incl. a fixed component of €410,000	€835,952 incl. a fixed component of €410,000	€757,717 incl. a fixed component of €380,417	€2,250,265 incl. a fixed component of €380,417

NB: From January 1 to April 21, 2011, this compensation was paid to Xavier Lagarde for his duties as Executive Vice-President, Quality, Audit and Risk; he did not receive any compensation as a member of the Executive Board.

As Director, he was paid attendance fees as from April 21, 2011.

(1) In which €138,333 from January 1 to April 21, 2011 and €242,084 from April 22 to November 30, 2011 (date of termination of his employment contract).

(1bis) In which €135,428 from January 1 to April 21, 2011 and €188,825 from April 22 to November 30, 2011 (date of termination of his employment contract).

(2) For 2009.

(3) For 2010.

(4) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(5) Payments for 2009 under statutory and optional profit-sharing schemes; 2010 Company contribution.

(6) Payments for the period from January 1 to November 30, 2011 under statutory and optional profit-sharing schemes.

(7) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution; severance pay; paid vacation indemnities; adjustment of the amounts due for statutory and optional profit-sharing in respect of 2007.

(8) For his term of office since April 21, 2011.

(9) Company car: €4,755 in 2010 and €4,338 in 2011.

YVES LECLÈRE, EXECUTIVE BOARD MEMBER FROM JANUARY 1 TO APRIL 21, 2011

Summary of compensation, stock options and shares granted during his term of office

	2010	2011
Compensation payable for the year (broken down in the table below)	€642,492 incl. a fixed component of €315,000	€249,172 incl. a fixed component of €110,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€315,000	€315,000	€110,000	€110,000
Variable compensation	€298,700	€170,000 ⁽¹⁾	€128,425	€298,700 ⁽²⁾
Extraordinary compensation	€22,676 ⁽³⁾	€21,988 ⁽⁴⁾	€9,056 ⁽⁵⁾	€22,676 ⁽³⁾
Attendance fees	None	None	None	None
Benefits-in-kind ⁽⁶⁾	€6,116	€6,116	€1,691 ⁽⁷⁾	€1,691
TOTAL	€642,492 incl. a fixed component of €315,000	€513,104 incl. a fixed component of €315,000	€249,172 incl. a fixed component of €110,000	€433,067 incl. a fixed component of €110,000

NB: From January 1 to April 21, 2011, this compensation was paid to Yves Leclère for his duties as Executive Vice-President, Aircraft Equipment branch; he did not receive any compensation as a member of the Executive Board.

(1) For 2009.

(2) For 2010.

(3) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(4) Payments for 2009 under statutory and optional profit-sharing schemes; 2010 Company contribution.

(5) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(6) Company car.

(7) Period from January 1 to April 21, 2011.

Summary table of employment contracts, supplementary pension plans, compensation for termination and non-competition agreements of the Executive Management team

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits liable to be due for termination of office, change in duties, or non-competition agreements
Jean-Paul Herteman	Chairman and CEO	No ⁽¹⁾	No	Yes ⁽²⁾
Dominique-Jean Chertier	Deputy Chief Executive Officer	Suspended ⁽³⁾	No	No
Ross McInnes	Deputy Chief Executive Officer	Suspended ⁽³⁾	No	No
Marc Ventre	Deputy Chief Executive Officer	Suspended ⁽³⁾	No	No
Olivier Andriès	Executive Board member ⁽⁴⁾	Yes	No	No
Xavier Lagarde	Executive Board member ⁽⁴⁾	Yes ⁽⁵⁾	No	No
Yves Leclère	Executive Board member ⁽⁴⁾	Yes	No	No

(1) His employment contract terminated on April 21, 2011.

(2) Commitment in respect of the termination of the duties of Chief Executive Officer (see section 6.2.1 – Principles and rules for determining the compensation of Executive Management).

(3) Employment contract suspended since April 21, 2011.

(4) Until April 21, 2011.

(5) His employment contract terminated on November 30, 2011.

6.2.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

Compensation, attendance fees

Francis Mer received compensation for his term of office as Chairman of the Supervisory Board from January 1 to April 11, 2011, as set out below.

Only the two Directors representing employee shareholders have an employment contract with the Company and their salaries, received under their employment contracts with Safran, are not required to be disclosed.

The compensation (salary) received by Xavier Lagarde until November 30, 2011 (date of termination of his employment contract) is provided in section 6.2.1.

The other members of the Board of Directors only receive attendance fees as compensation.

The attendance fees are provided for in Article 17 of the Company's bylaws. The total amount of attendance fees was set at €670,000 by the Shareholders' Meeting of December 20, 2004, with effect from March 17, 2005, and until the next decision. This amount has not been changed since that date.

In light of the change in corporate governance decided by the Shareholders' Meeting of April 21, 2011, the shareholders set the amount of attendance fees, in the 21st resolution, as follows:

- the amount of attendance fees allocated to the Supervisory Board for the first part of 2011, up until the date of the Shareholders' Meeting was set at €203,700; and
- the amount of attendance fees allocated to the Board of Directors for the second part of 2011, starting on the date of the Shareholders' Meeting was set at €466,300.

The methods of allocation of the total amount of attendance fees are set by the Board of Directors' Internal Rules. Directors waive the right to a portion of these fees in favor of the Board advisors (*censeurs*), representing 4.5% of the total amount. A fixed portion

of these fees, representing half of the balance (total amount minus the Board advisors' portion), is split among Directors based on the number of shares they own, the Chairman and Vice-Chairman having each one share and a half and the Directors one share. The remaining half of the balance is allocated according to (i) committee membership and (ii) the rate of attendance by members at Board of Directors' meetings and the meetings of the committees to which they belong. In accordance with legal provisions, attendance fees allocated to representatives of the French State are paid to the French Treasury.

Stock options

None.

Performance shares

None.

Free share grants

Among the members of the Board of Directors, only the representatives of the employee shareholders benefited, in their capacity as employees of the Company, from the grant of 100 existing Safran shares free of consideration, in relation to the share grant plans set up by the Executive Board on April 3, 2009 to employees of Group companies within the scope of the European Works Council.

Compensation paid to Francis Mer, as Chairman of the Supervisory Board from January 1 to April 21, 2011 and as Vice-Chairman of the Board of Directors from April 21, 2011

Francis Mer received compensation as Chairman of the Supervisory Board of Safran from January 1 to April 21, 2011, determined by the Supervisory Board on the recommendation of the Appointments and Compensation Committee. He received fixed compensation, attendance fees and the use of a company car with a driver.

Summary of compensation, stock options and shares granted	2010	2011
Compensation payable for the year (broken down in the table below)	€447,978	€192,462
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (net)	2010		2011	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation ⁽¹⁾	€400,000	€400,000	€133,333 ⁽²⁾	€133,333
Variable compensation	None	None	None	None
Extraordinary compensation	None	None	None	None
Attendance fees	€47,978	€34,050	€59,129 ⁽³⁾	€47,978
Benefits-in-kind	None	None	None	None
TOTAL	€447,978	€434,050	€192,462	€181,311

(1) In respect of his functions as Chairman of the Supervisory Board.

(2) From January 1, 2011 to April 21, 2011.

(3) Including €14,934 in respect of his term of office as member of the Supervisory Board from January 1, 2011 and €44,195 in respect of his term of office as Director as of April 21, 2011.

Summary table of attendance fees paid to members of the Board of Directors from April 21 to December 31, 2011

Members of the Board of Directors (excluding representatives of the French State)	Amount of attendance fees	
	2010 (paid in 2011)	2011 (paid in 2012)
Jean-Paul Herteman	-	€28,293
Francis Mer	-	€44,195
Marc Aubry	-	€21,336
Giovanni Bisignani	-	€34,058
Jean-Lou Chameau	-	€21,336
Odile Desforges	-	€27,697
Jean-Marc Forneri	-	€30,877
Christian Halary	-	€21,336
Xavier Lagarde	-	€27,697
Michel Lucas	-	€30,877
Elisabeth Lulin	-	€27,697
TOTAL ATTENDANCE FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS	-	€315,399
To the French Treasury for State representatives	-	€129,870
To the Board advisor (Caroline Grégoire-Sainte Marie)	-	€20,984
Total attendance fees paid	-	€466,253

Summary table of attendance fees paid to Supervisory Board members from January 1 to April 21, 2011

Members of the Supervisory Board (excluding representatives of the French State) until April 21, 2011	Amount of attendance fees	
	2010 (paid in 2011)	2011 (paid in 2012)
Francis Mer	€47,978	€14,934
Luc Oursel representing Areva (term of office started on April 15, 2009)	€32,726	€8,665
Mario Colaiacovo (term of office ended on April 14, 2010)	€10,043	-
François de Combret	€33,563	€9,710
Armand Dupuy	€33,563	€10,755
Jean-Marc Forneri	€32,290	€9,710
Yves Guéna	€32,726	€10,755
Christian Halary	€33,563	€10,755
Shemaya Levy	€45,393	€12,844
Michel Lucas	€31,852	€12,844
Michèle Monavon	€33,563	€9,710
Jean Rannou	€45,830	€13,889
Michel Toussan	€39,897	€11,799
Bernard Vatier	€35,674	€10,755
TOTAL ATTENDANCE FEES PAID TO SUPERVISORY BOARD MEMBERS	€342,978	€147,125
Total attendance fees paid	€670,000⁽¹⁾	€203,756⁽²⁾

(1) Including attendance fees for 2010 paid to:
 - the French Treasury for State representatives: €150,781;
 - Board advisors: €30,558 (Georges Chodron de Courcel: €16,001; Pierre Moraillon: €14,557).

(2) Including attendance fees for 2011 paid to:
 - the French Treasury for State representatives: €47,198;
 - Board advisors: €9,433 (Pierre Moraillon: €5,660; Georges Chodron de Courcel: €3,773).

Summary table of shares granted to members of the Board of Directors (or previously Supervisory Board members)

Members	Date of share grant plan	Total number of free shares granted (due to their status as Safran employees)	Share value	Vesting date	Availability date
Marc Aubry	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013
Christian Halary	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013
Michèle Monavon ⁽¹⁾	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013

(1) Supervisory Board member from January 1 to April 21, 2011.

6.3

SHARE TRANSACTIONS PERFORMED BY CORPORATE OFFICERS AND OTHER MANAGERS

The transactions performed in 2011 in Safran shares and related financial instruments disclosed to the French financial markets authority (*Autorité des marchés financiers* — AMF) by Safran's corporate officers, management executives, other managers and persons having close personal links with them, referred to in a) to c) of article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), and of which the Company is aware, are as follows:

Person making the disclosure	Nature of the transaction	Value date	Number of shares	Price per share
Dominique-Jean Chertier	Acquisition ⁽¹⁾	February 25, 2011	286 ⁽²⁾	€25.105
Xavier Lagarde	Acquisition ⁽¹⁾	February 25, 2011	286 ⁽²⁾	€25.105
Yves Leclère	Acquisition ⁽¹⁾	February 25, 2011	286 ⁽²⁾	€25.105
Ross McInnes	Acquisition ⁽¹⁾	February 25, 2011	286 ⁽²⁾	€25.105
Dominique-Jean Chertier	Acquisition ⁽³⁾	March 31, 2011	125 ⁽²⁾	€24.94
Xavier Lagarde	Acquisition ⁽³⁾	March 31, 2011	124 ⁽²⁾	€24.94
Yves Leclère	Acquisition ⁽³⁾	March 31, 2011	124 ⁽²⁾	€24.94
Ross McInnes	Acquisition ⁽³⁾	March 31, 2011	124 ⁽²⁾	€24.94
Elisabeth Lulin	Acquisition	April 21, 2011	501	€24.33
Dominique-Jean Chertier	Acquisition ⁽⁶⁾	April 29, 2011	88 ⁽²⁾	€26.20
Jean-Pierre Cojan	Acquisition ⁽⁶⁾	April 29, 2011	74 ⁽²⁾	€26.20
Bruno Cotté	Acquisition ⁽⁶⁾	April 29, 2011	14 ⁽²⁾	€26.20
Jean-Paul Herteman	Acquisition ⁽⁶⁾	April 29, 2011	354 ⁽²⁾	€26.20
Xavier Lagarde	Acquisition ⁽⁶⁾	April 29, 2011	108 ⁽²⁾	€26.20
Yves Leclère	Acquisition ⁽⁶⁾	April 29, 2011	366 ⁽²⁾	€26.20
Ross McInnes	Acquisition ⁽⁶⁾	April 29, 2011	34 ⁽²⁾	€26.20
Philippe Petitcolin	Acquisition ⁽⁶⁾	April 29, 2011	227 ⁽²⁾	€26.20
Marc Ventre	Acquisition ⁽⁶⁾	April 29, 2011	171 ⁽²⁾	€26.20
Odile Desforges	Acquisition	May 10, 2011	506	€26.035
Marc Aubry	Acquisition ⁽¹⁾	June 10, 2011	58 ⁽²⁾	€28.11
Dominique-Jean Chertier	Acquisition ⁽¹⁾	June 10, 2011	312 ⁽²⁾	€28.11
Jean-Pierre Cojan	Acquisition ⁽¹⁾	June 10, 2011	156 ⁽²⁾	€28.11
Bruno Cotté	Acquisition ⁽¹⁾	June 10, 2011	156 ⁽²⁾	€28.11
Xavier Lagarde	Acquisition ⁽¹⁾	June 10, 2011	312 ⁽²⁾	€28.11
Yves Leclère	Acquisition ⁽¹⁾	June 10, 2011	312 ⁽²⁾	€28.11
Ross McInnes	Acquisition ⁽¹⁾	June 10, 2011	312 ⁽²⁾	€28.11
Philippe Petitcolin	Acquisition ⁽¹⁾	June 10, 2011	156 ⁽²⁾	€28.11
Marc Aubry	Acquisition ⁽⁴⁾	June 30, 2011	63 ⁽²⁾	€29.45
Dominique-Jean Chertier	Acquisition ⁽⁴⁾	June 30, 2011	63	€29.45
Bruno Cotté	Acquisition ⁽⁴⁾	June 30, 2011	63 ⁽²⁾	€29.45
Jean-Pierre Cojan	Acquisition ⁽⁴⁾	June 30, 2011	63 ⁽²⁾	€29.45
Yves Leclère	Acquisition ⁽⁴⁾	June 30, 2011	63 ⁽²⁾	€29.45
Philippe Petitcolin	Acquisition ⁽⁴⁾	June 30, 2011	63 ⁽²⁾	€29.45
Xavier Lagarde	Acquisition ⁽⁴⁾	June 30, 2011	63 ⁽²⁾	€29.45
Ross McInnes	Acquisition ⁽⁴⁾	June 30, 2011	63 ⁽²⁾	€29.45
Person having close links with Ch. Halary ⁽⁵⁾	Sale	August 10, 2011	357	€25.90
Person having close links with L. Reinhart ⁽⁵⁾	Acquisition	August 24, 2011	190	€26.12
Laure Reinhart	Acquisition	September 9, 2011	204	€26.12
Person having close links with L. Reinhart ⁽⁵⁾	Acquisition	September 9, 2011	204	€26.12
Laure Reinhart	Acquisition	October 26, 2011	200	€22.61
Person having close links with L. Reinhart ⁽⁵⁾	Acquisition	October 26, 2011	200	€22.61

(1) Optional employee profit-sharing.

(2) Number of subscribed shares corresponding to units in the Safran Group corporate mutual fund.

(3) Statutory employee profit-sharing.

(4) Company contribution.

(5) Within the meaning of article R.621-43-1 of the French Monetary and Financial Code.

(6) Investment of dividend in the Group employee savings plan.

Person making the disclosure former member of the Supervisory Board or Executive Board	Nature of the transaction	Value date	Number of shares	Price per share
Olivier Andriès	Acquisition ⁽¹⁾	February 25, 2011	143 ⁽²⁾	€25.105
Michèle Monavon	Acquisition ⁽¹⁾	February 25, 2011	90 ⁽²⁾	€25.0972
Olivier Andriès	Acquisition ⁽³⁾	March 31, 2011	62 ⁽²⁾	€24.94
Michèle Monavon	Acquisition ⁽³⁾	March 31, 2011	70 ⁽²⁾	€24.93078

(1) Optional employee profit-sharing.

(2) Number of subscribed shares corresponding to units in the Safran Group corporate mutual fund.

(3) Statutory employee profit-sharing.

6.4 AUDIT FEES

Pursuant to article R.233-14, paragraph 17 of the French Commercial Code, the following table shows the amount of the fees paid to the Group's statutory auditors as included on the consolidated income statement for the fiscal year, a distinction being made between fees charged for the statutory audit of the consolidated financial statements and those charged for advice and services falling within the scope of assistance directly related to the statutory audit engagement with regard to the consolidated financial statements. The fees shown for subsidiaries are those consolidated according to the full consolidation method.

	Ernst & Young				Mazars				TOTAL				
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%		
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	
<i>(in € millions)</i>													
Audit													
1)	Statutory audit, certification, review of parent company and consolidated financial statements												
1.a)	Safran (issuer)	0.50	0.50	11%	14%	0.50	0.50	14%	11%	1.00	1.00	13%	12%
1.b)	Subsidiaries	2.29	2.78	52%	77%	2.85	3.69	79%	78%	5.14	6.47	64%	78%
2)	Other engagements and services directly related to the statutory audit engagement												
2.a)	Safran (issuer)	0.00	0.09	0%	2%	0.00	0.09	0%	2%	0.00	0.18	0%	2%
2.b)	Subsidiaries	0.39	0.07	9%	2%	0.24	0.42	7%	9%	0.63	0.49	8%	6%
	Sub-total	3.18	3.44	72%	95%	3.59	4.70	100%	100%	6.77	8.14	85%	98%
Other services rendered by the network to fully and proportionally consolidated subsidiaries													
3.a)	Legal, tax, employee-related	0.76 ⁽¹⁾	0.02	18%	1%	-	-	0%	0%	0.76	0.02	10%	0%
3.b)	Other (provide details if >10% of audit fees)	0.45 ⁽¹⁾	0.13	10%	4%	-	-	0%	0%	0.45	0.13	5%	2%
	Sub-total	1.21	0.15	28%	5%	-	0.0	0%	0%	1.21	0.15	15%	2%
	TOTAL	4.39	3.59	100%	100%	3.59	4.70	100%	100%	7.98	8.29	100%	100%

(1) Tax services essentially refer to companies outside of France. These services respect the independence rules applicable in France.

Following the outcome of the invitation to tender whereby Ernst & Young were designated the Group's statutory auditors, these services were for the most part transferred to other service providers during the fiscal year ended December 31, 2010. "Other services" refer to assistance for expatriate relocation (tax and immigration regulations).

NOTE 1 – STATUTORY AUDIT, CERTIFICATION, REVIEW OF PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

These services include, but are not limited to, the engagements defined by applicable laws and regulations and set out in sections 2, 5 and 6 of the manual of professional standards drafted by the French institute of statutory auditors (*Compagnie nationale des commissaires aux comptes* – CNCC).

They mainly concern the professional services rendered by the statutory auditors and other persons responsible for audits, members of their networks, certifying the parent company and consolidated financial statements of the parent company and fully consolidated subsidiaries in France and other countries.

NOTE 2 – OTHER ENGAGEMENTS AND SERVICES DIRECTLY RELATED TO THE STATUTORY AUDIT ENGAGEMENT

Other engagements and services directly related to the audit engagement and rendered by the statutory auditor or a member of its network concern services entering into the scope of services usually rendered in conjunction with the statutory audit engagement (drafting of specific reports and statements, due diligence procedures on the acquisition or divestment of an activity or of companies to be included in or removed from the scope of consolidation).

NOTE 3 – LEGAL AND TAX SERVICES

The services concerned are assignments for the provision of legal or tax assistance in general on a non-recurring basis and by agreement. These engagements mainly concern assistance with fulfilling tax requirements not related to the statutory audit engagement; no services of this type were rendered in France.

NOTE 4 – OTHER SERVICES

These services cover all other specific assignments in general on a non-recurring basis and by agreement.

6.5 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF MAY 31, 2012, PURSUANT TO THE PROVISIONS OF ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*)

To prepare this report, the Chairman of the Board of Directors consulted the Audit and Internal Control Department and the Group Risk and Insurance Department. This report was reviewed by the Audit and Risk Committee on April 4, 2012 before being submitted to the Board of Directors, which approved it at its meeting on April 11, 2012.

6.5.1 COMPOSITION, ORGANIZATION AND WORK OF THE BOARD OF DIRECTORS

The Company's corporate governance structure

When Sagem merged with Snecma, which led to the privatization of Snecma and the formation of Safran in May 2005, the managers of the two companies chose to ensure continuity in terms of governance by maintaining the two-tier structure of an Executive Board and a Supervisory Board, the structure originally in place in the absorbing entity.

At the time this was the most appropriate structure for ensuring the successful merger of the two companies and the integration of their various subsidiaries.

The terms of office of all the members of Safran's Supervisory Board and Executive Board expired at the Group's Annual General Meeting in 2011. This led the members of the Supervisory Board and the Appointments and Compensation Committee to consider which form of corporate governance would be most appropriate for the Group's future development, and to then share their views with the members of the Executive Board.

As a result of this process, a recentralized corporate governance structure has been chosen with a view to streamlining the investment and development decision-making processes and enabling the Group to respond better to the new challenges it faces in a changing economic, financial and competitive environment.

Subsequently, on February 23, 2011, following the consultation process conducted by the employee representative bodies and in accordance with the proposals of the Appointments and Compensation Committee, the Supervisory Board has, with the agreement of the Executive Board, decided to recommend to shareholders the adoption of a corporate governance structure with a Board of Directors.

Shareholders at the Ordinary and Extraordinary Shareholders' Meeting on April 21, 2011 approved this change of corporate governance structure, set up a Board of Directors and appointed its members.

Reference Corporate Governance Code

Safran refers to the "Corporate Governance Code of Listed Corporations", drawn up jointly by two French employers' associations, AFEP⁽¹⁾ and MEDEF⁽²⁾, and last updated in April 2010.

Where certain recommendations included in this code are not implemented, this is justified in section 6.5.3 "Application of the AFEP-MEDEF Corporate Governance Code" of this report.

Members of the Board of Directors

Composition of the Board of Directors

The composition of the Safran Board of Directors is subject to the provisions of French ordinary law applicable to *sociétés anonymes* (corporations). However, since the French State owns more than 10% of the share capital, pursuant to article 12 of French Law 49-985 of July 25, 1949, a number of seats are reserved for the French State in proportion to its stake.

There are 15 members on the Board of Directors. They include four representatives of the French State appointed by Ministerial Decree and then put to the vote at the Ordinary General Meeting, and two representatives of employee shareholders.

One Board advisor appointed by shareholders in a General Shareholders' Meeting also attends Board of Directors' meetings in an advisory capacity, along with a Government Commissioner appointed by decision of the Ministry of Defence in accordance with the regulations applicable in the Company's activities, and two representatives of the Works Council in accordance with the French Labor Code (*Code du travail*).

The statutory auditors are invited to the Board meetings during which the annual and interim financial statements and the documents prepared for General Shareholders' Meetings are reviewed. They may also be invited to any other Board meeting.

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

In accordance with the Board of Directors' Internal Rules, depending on the matters discussed, the Chairman of the Board of Directors may invite any person to attend Board of Directors' meetings that he deems may be able to provide Board members with helpful information on an agenda item.

As of December 31, 2011, the Board of Directors was composed of the following members:

- Jean-Paul Herteman (Chairman);
- Francis Mer (Vice-Chairman);
- Marc Aubry (representative of employee shareholders);
- Giovanni Bisignani (independent Director);
- Christophe Burg (French State representative);
- Jean-Lou Chameau (independent Director);
- Odile Desforges (independent Director);
- Jean-Marc Forneri (independent Director);
- Christian Halary (representative of employee shareholders);
- Xavier Lagarde;
- Michel Lucas;
- Elisabeth Lulin (independent Director);
- Astrid Milsan (French State representative);
- Michèle Rousseau (French State representative);
- Laure Reinhart (French State representative).

One change has taken place in the membership of the Board of Directors since it was set up on April 21, 2011: Astrid Milsan replaced Pierre Aubouin as a French State representative, following a decree from the French Ministry of Economic Affairs, Finance and Industry dated July 8, 2011.

No other changes in the composition of the Board of Directors have taken place since it was set up.

Female representation on the Board of Directors

The Board of Directors has five female members. The proportion of women on the Board of Directors is one-third of the members. This is higher than the proportion recommended by the AFEP-MEDEF Code, which sets a target of at least 20% for female board members by 2013.

The AFEP-MEDEF Code also recommends increasing this percentage to 40% by 2016, and the Company will strive to follow this recommendation with the staggered re-election of its Directors.

Duration of the terms of office of the members of the Board of Directors

The members of the Board of Directors are appointed by the Ordinary General Meeting for five-year terms.

By way of exception to the five-year term, the terms of office of the Company's first Directors, appointed by the Annual General Meeting held on April 21, 2011 (other than Directors representing employee shareholders whose term of office is five years) are set for different periods in order to make the staggered re-election of Directors possible in the future. Directors who were members of the Supervisory Board during the 12 months preceding their appointment as Directors (in particular representatives of the French State) were appointed for two-year terms. Two-thirds of Directors who were not members of the Supervisory Board during the 12 months preceding their appointment as Directors were

appointed for a six-year term, and the remaining third of these Directors were appointed for a four-year term. Lots were drawn to decide which term would apply to these Directors.

Compulsory shareholdings

In accordance with Article 14.5 of the Company's bylaws, each Director – other than the representatives of the French State and Directors representing employee shareholders – shall be required to own a certain number of shares in the Company in accordance with the terms and conditions set down in the Board of Directors' Internal Rules.

Article 11.1 of the Board of Directors' Internal Rules established a shareholding obligation of at least 500 shares.

Confidentiality – Transactions in the Company's shares

Members of the Board of Directors and all individuals who attend Board meetings are under obligations of confidentiality and discretion with respect to information provided to them in this context.

Independence of the members of the Board of Directors

In accordance with the provisions of Article 2.3 of the Board of Directors' Internal Rules and based on the recommendations from Article 8.2 of the AFEP-MEDEF Corporate Governance Code, five of the Company's Directors (i.e. one-third of the Directors in office) are independent Directors.

Independent Directors are those who do not have any relationship whatsoever with the Company, the Group or its Management that may compromise their freedom of opinion.

A Director is deemed independent when he meets all of the following conditions (Article 2.4 of the Board of Directors' Internal Rules and Article 8.4 of the AFEP-MEDEF Code); thus a Director cannot:

- have been during the five years preceding his first appointment as a Director of the Company, an employee or corporate officer of the Company or one of the Group's companies, and be, at the time of his appointment, an employee of the Company or an employee or corporate officer of one of the Group's companies;
- be a corporate officer of a company in which the Company holds, directly or indirectly, a directorship or serves as a member of the Supervisory Board;
- be a corporate officer of a company in which an employee appointed as such or a corporate officer of the Company (currently or within the last five years) holds a directorship or serves as a member of the Supervisory Board;
- be a significant client, supplier, investment bank, or financing bank of the Company or the Group, or for which the Company or the Group represents a significant portion of the activity;
- participate, for Directors who have duties in one or more banks, in (i) preparing or soliciting offers for services from one or more of these banks with the Company or one of the Group's companies, (ii) the work of one of these banks in event of the performance of a mandate entrusted to this bank by the Company or one of the Group's companies or (iii) voting on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity;

- have any close family tie with a corporate officer of the Company or one of the Group's companies;
- have been the statutory auditor of the Company in the past five years;
- be a member of the Board of Directors or have been a member of the Company's Supervisory Board for over twelve years. However, members only lose their status as independent Directors at the end of the term of office during which they have exceeded the 12-year term;
- be the reference shareholder of the Company.

Based on these criteria, five of the fifteen members of the Board of Directors are classified as independent members. These members are Giovanni Bisignani, Jean-Lou Chameau, Odile Desforges, Jean-Marc Forneri and Elisabeth Lulin, i.e., one-third of the Directors in office, in accordance with Article 2.3 of the Internal Rules.

Every year, the independence of each Director is debated by the Appointments and Compensation Committee and reviewed on a case-by-case basis by the Board of Directors based on the criteria listed above.

Organization and work of the Board of Directors

Internal Rules of the Board of Directors

In addition to the provisions of the law and the bylaws that govern its functioning, the Board of Directors has a set of Internal Rules that clarify certain conditions relating to its meetings, list the operations that require its prior approval, define the duties and the operating rules of its special committees and set out the rules for the allocation of attendance fees to Board members, based on the budget previously set by the Annual General Meeting.

These Internal Rules are available on the Company's website (www.safran-group.com).

Powers of the Board of Directors – Limits imposed on the powers of Executive Management

The Board of Directors exercises the rights granted by law and regulations, summarized in particular in section 7.2.1.2.

In addition, in accordance with Article 19.3 of the bylaws and Article 4 of the Board of Directors' Internal Rules, the following transactions have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures of the Company and Group:

- decisions related to significant operations in France or abroad;
- decisions to withdraw from such operations in France or abroad;
- material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.

The Board of Directors is always called upon to approve, in advance, each of the following transactions or decisions, if such transaction or decision leads to an investment, divestment or commitment for an amount equal to or more than €50 million, for the Company or one of the Group's companies:

- acquisition or disposal of property;
- acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issues of shares, partnership shares, or bonds, excluding ordinary treasury management transactions;
- any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding ordinary treasury management transactions;
- in the event of litigation, signature of any agreement and transaction, acceptance of any settlement;
- creation of collateral on company assets.

The Board of Directors is always called upon to approve, in advance, each of the following transactions or decisions for an amount equal to or more than €150 million, for the Company or one of the Group's companies:

- granting or contracting of any loan, credit or advance;
- acquiring or disposing of any receivable by any means.

The Board of Directors is called upon to approve in advance any industrial or commercial project deemed significant by the Chief Executive Officer and presented as such by the Strategy and Major Projects Committee.

Furthermore, the following transactions will require prior authorization from the Board of Directors with at least one Director representing the French State voting in favor, provided that the French State owns more than 10% of the Company's share capital:

- any disposal by the Group of strategic military and aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any sale by the Company of securities of Snecma Propulsion Solide, SME, Microturbo, Europropulsion and Sagem Défense Sécurité;
- any decision to grant to a third party special management rights or rights to information over strategic military or aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any decision to grant to a third party rights to be represented on the management bodies of Snecma Propulsion Solide, SME, Microturbo, Europropulsion and Sagem Défense Sécurité.

Furthermore, in accordance with legal provisions, prior authorization must be given by the Board of Directors for guarantees, endorsements and sureties granted in the Company's name.

Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Chairman and Chief Executive Officer; any commitment exceeding this ceiling must be specifically authorized by the Board.

For 2011, the blanket ceiling was set at €500 million (with no ceiling for the guarantees, endorsements and sureties for tax and customers authorities).

On December 15, 2011, the Board of Directors decided to renew the €500 million blanket ceiling for 2012 (with no ceiling for the guarantees, endorsements and sureties for tax and customers authorities).

Information on the Board of Directors

The agenda for Board of Directors' meetings is put forward by the Secretary to the Chairman and takes account of the work of the Board's special committees and proposals made by members of the Board of Directors.

Before each meeting and approximately one week prior to the meeting date, members of the Board of Directors receive the agenda and all documents necessary to inform them on the matters to be discussed during the meeting, as well as the draft minutes of the previous meeting.

Prior to the meeting, they may request any additional documents they consider useful.

In addition, the Chairman continually keeps the Board of Directors informed, by any means, of all significant events concerning the Group. Its members receive a copy of the Company's press releases and a press review, as well as a monthly stock market performance report on the Safran share.

Board of Directors' meetings

A provisional timetable of meetings is approved at the end of each year for the following year.

The Board of Directors meets at least once every quarter.

Meetings may be convened by any means. The Board of Director's Internal Rules state that Directors may participate in meetings by videoconference or other means of telecommunications.

The effective presence of at least half of the members is necessary in order to validate majority decisions. Decisions are voted by the majority of members present or their representatives; in the event of a split decision, the Chairman shall have the casting vote.

Under their responsibility, the members of the Board of Directors may be represented by another Board member, by means of a proxy, each member having only one such proxy.

Minutes are drawn up for each Board of Directors' meeting and forwarded to all members of the Board of Directors with a view to their adoption at the next meeting.

Activities of the Board of Directors in 2011

Prior to the change in the Company's corporate governance structure, the Supervisory Board in place until April 21, 2011, met on February 23, 2011, March 4, 2011 and March 30, 2011, with an average attendance rate of 78.43%.

The Board of Directors met seven times in between April 21, 2011 and December 31, 2011, with an average attendance rate of 90.48%.

In accordance with the provisions of the Internal Rules, certain deliberations of the Board of Directors were prepared based on

recommendations and proposals of special Board committees, within the scope of their remit. These committees reported on their findings and submitted their opinions and proposals to the Board.

The main activities of the Board of Directors since it was created in 2011 were as follows:

In the area of corporate governance

At its first meeting on April 21, 2011, the Board of Directors in particular selected the Company's management structure and opted to combine the functions of Chairman of the Board of Directors and Chief Executive Officer, for the reasons set out in section 6.1.3, appointed the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers, selected the members of its special committees, approved the terms of its Internal Rules and authorized a related-party commitment given to the Chairman and Chief Executive Officer concerning a termination benefit payable in the event he is removed from office.

At its meeting on May 26, 2011, the Board in particular established the principles and rules for determining management compensation upon consultation with the Appointments and Compensation Committee.

In the area of preventing insider misconduct

The Board meeting on July 27, 2011 in particular adopted a new Code of Ethics, covering securities transactions and preventing insider trading and misconduct, that applies to Directors, management executives and other permanent insiders.

Based on this Code of Ethics, an internal Group procedure was made available to all employees on the Group's intranet.

In terms of industrial and commercial matters

At each Board meeting, an update is provided on industrial and commercial matters as well as the progress on programs under development.

In terms of strategy

At every Board of Directors' meeting, the Chairman provides an update on significant projects and programs being launched, progress made with regard to external growth plans, ongoing negotiations and the difficulties encountered.

Detailed presentations were given by the members of management involved in the specific acquisition projects at their various stages of development. These were then followed by discussions among the Board members, and where application, decisions, after the Chairman of the Strategy Committee reported on the work of this Committee and its recommendations.

In terms of economic and financial matters

Throughout the year, the Board was briefed by the Chairman and the managers, notably at the quarterly business report presentations, on the business highlights, business conditions in the aviation industry, business trends, the Group's financial position, the financial guarantees granted to clients, and disputes and outstanding cases.

Currency hedging was reported on regularly.

The Board approved the half-year financial statements and the half-year financial report, the provisional budget documents and authorized the Deputy Chief Executive Officer, Finance to implement the new share buyback program authorized by the Annual General Meeting.

The Board of Directors sets out the Company's financial communication policy and, in particular, is called to validate the financial press releases proposed by the Audit and Risk Committee.

At its meetings on October 20, 2011 and December 15, 2011, the Board addressed the Company's and the Group's short- and medium-term financing.

The Board also reviewed the Group's quality improvement program and the areas in which progress could be made, the status of the main indicators relating to the 2011 budget, the assumptions retained for the 2012 budget and the detailed review of this budget, as well as the medium-term plan and the audit plans.

Information sessions were organized for Directors, in particular regarding the accounting policies and standards applied by the Company, as well as the foreign currency risk hedging policy.

In terms of employee policy

The Deputy Chief Executive Officer, Corporate Office, in charge of social affairs in particular, regularly kept the Board of Directors up-to-date on progress made with various projects to modernize the running of the Group and the Group's employee policy.

At its meeting on October 20, 2011, the Board was called, in particular, to address the new legal requirements regarding profit-sharing bonuses and a leveraged employee shareholding plan.

Committees of the Board of Directors

The Internal Rules of the Board of Directors provide for the Board's decisions regarding certain matters to be prepared by special committees that review matters within their remit and submit their opinions and proposals to the Board.

The Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The role, organization and operating procedures of each committee are set out in the Board of Directors' Internal Rules.

In its area of expertise, each committee carries out in-depth work and analysis prior to the Board of Directors' discussions and is used to prepare the Board's decisions. It makes proposals and recommendations to the Board, and gives its opinion on the matters under review.

As such, each committee may propose to the Board of Directors to conduct internal or external studies that may be able to provide the Board of Directors with helpful information for its decisions.

Each committee may also call on one or more members of the Company's Executive Management, in particular the Chief Executive Officer or, where appropriate, the Deputy Chief Executive Officer(s).

At each Board of Directors' meeting, the chairman of each committee reports – or any other committee member designated if the chairman is unable to do so – to the Board on its work, proposals and recommendations.

AUDIT AND RISK COMMITTEE

Composition

The Audit and Risk Committee has at least three members, including its Chairman. These members are selected from among the Directors, other than the Chairman of the Board of Directors, who do not have management duties with the Company.

The majority of members on this Committee, including its Chairman, must be independent Directors.

In addition, at least one of the Committee's independent members has specific financial or accounting skills.

The Audit and Risk Committee meets at least four times a year, and the statutory auditors are always invited to its meetings.

At December 31, 2011, the Audit and Risk Committee had four members: Jean-Marc Forneri, Chairman, Elisabeth Lulin, Astrid Milsan and Michèle Rousseau. The Board advisor attends all of the Audit and Risk Committee's meetings in an advisory capacity.

Duties and main activities in 2011

The Audit and Risk Committee's main duties involve reviewing the accounts and monitoring issues related to preparing or controlling accounting and financial information.

The Audit and Risk Committee is responsible for:

- reviewing the draft half-year and annual parent company and consolidated financial statements before they are submitted to the Board of Directors, and in particular:
 - ensuring that the accounting policies adopted to prepare the parent company and consolidated financial statements are relevant and are applied continuously, and
 - examining any problems encountered related to applying accounting policies;
- reviewing the financial documents issued by the Company in connection with the end of the annual and half-year reporting periods;
- reviewing draft financial statements prepared for the requirements of special transactions, such as contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain transactions proposed by the Chief Executive Officer, such as:
 - capital increases,
 - investments,
 - acquisitions or divestments,
 - and submitted to the Board of Directors (certain of which for prior authorization);
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of decisions taken to handle major transactions;

- ensuring the auditing of the full-year and consolidated financial statements, by the statutory auditors;
- reviewing the methods and procedures used for reporting purposes and for the restatement of accounting information from the Group's foreign companies.

The Audit and Risk Committee is also tasked with verifying the effectiveness of the Company's external audit.

The Audit and Risk Committee is responsible for:

- issuing a recommendation on the statutory auditors proposed for appointment by the Company's Annual General Meeting;
- ensuring that the Company's statutory auditors are independent;
- reviewing the compensation of the Company's statutory auditors – which should not call into question their independence or objectiveness;
- reviewing each year with the statutory auditors:
 - the audit plans and their findings,
 - their recommendations and the follow-up thereof.

The Audit and Risk Committee reports to the Board of Directors on a regular basis on its work and immediately informs the Board of any problems that may arise. These reports are added to the minutes of the relevant Board of Directors' meetings or are included in an appendix to these minutes.

Prior to the change in the Company's corporate governance structure, the Audit Committee put in place by the Supervisory Board met on February 21, 2011.

Since April 21, 2011, the Audit and Risk Committee has met six times: on May 23, June 14, July 25, September 22, November 22 and December 12, to address all the topics mentioned above. The statutory auditors and the Head of Audit and Internal Control attended each of these meetings. The Committee focused on monitoring key topics for Safran:

- preparing the annual and half-year accounts, and proposing the appropriation of profit;
- preparing the medium-term plan;
- preparing forecast financial statements for the parent company (*comptes prévisionnels*);
- preparing the budget;
- preparing the Group's financing plans;
- preparing, monitoring and carrying out strategic projects, particularly acquisitions;
- foreign currency hedging;
- guarantees, endorsements and sureties;
- risk management;
- monitoring Internal Control and Internal Audit work, and directing their future work;
- monitoring the statutory auditors' work;
- preparing financial communications, in particular draft press releases.

APPOINTMENTS AND COMPENSATION COMMITTEE

Composition

The Appointments and Compensation Committee has at least three members, including its Chairman.

The majority of members on the Appointments and Compensation Committee, including its Chairman, must be independent Directors.

At December 31, 2011, the Appointments and Compensation had five members: Michel Lucas, Chairman, Astrid Milsan, Giovanni Bisignani, Christophe Burg and Francis Mer.

Duties and main activities in 2011

WITH RESPECT TO APPOINTMENTS

The Appointments and Compensation Committee has the following role:

- assisting the Board of Directors in its choice of:
 - members of the Board of Directors,
 - members of the committees of the Board of Directors,
 - the Chief Executive Officer, as well as the Deputy Chief Executive Officer(s), where applicable;
- selecting potential members of the Board of Directors who meet the independence criteria and submitting the list of potential members to the Board of Directors;
- preparing succession plans for:
 - members of the Company's Executive Management,
 - and the Chairman and Vice-Chairman of the Board, the Chief Executive Officer, as well as the Deputy Chief Executive Officer(s), where applicable.

WITH RESPECT TO COMPENSATION

The Appointments and Compensation Committee is also responsible for making recommendations and proposals to the Board of Directors, for Board members concerned, as regards:

- the allocation of attendance fees;
- all other components of compensation, including the conditions applying at the end of their terms of office;
- possible compensation for Board advisors;
- any modifications or changes to pension and welfare plans;
- benefits-in-kind and various financial benefits; and
- where appropriate:
 - granting of stock subscription options or purchase options, and
 - free share grants.

More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors as regards:

- the compensation policy for senior executives; and
- profit-sharing provisions, by any means, for the Company's employees and more generally the Group's companies, including:
 - employee savings plans,
 - supplementary pension systems,
 - the issue of securities carrying rights to shares reserved for employees,
 - granting of stock subscription options or purchase options, and
 - free share grants.

The Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors on the performance criteria to be used, where appropriate, when granting any stock subscription options or purchase options, as well as for any free share grants.

Prior to the change in the Company's corporate governance structure, the Appointments and Compensation Committee put in place by the Supervisory Board met on February 23, 2011.

Since April 21, 2011, the Appointments and Compensation Committee has met three times: on May 24, July 27 and October 18, to address all the topics mentioned above.

STRATEGY AND MAJOR PROJECTS COMMITTEE

Composition

The Strategy and Major Projects Committee has at least three members, including its Chairman.

At December 31, 2011, the Strategy and Major Projects Committee had seven members: Francis Mer, Chairman, Astrid Milsan, Giovanni Bisignani, Christophe Burg, Odile Desforges, Xavier Lagarde and Laure Reinhart.

Duties and main activities in 2011

The Strategy and Major Projects Committee analyzes and expresses its opinion on:

- the Company's and the Group's major strategic orientations (including the medium-term business plan);
- the Group's development policy;
- and the major industrial product development projects or programs that are planned to be carried out by the Company or one of the Group's companies;

presented by Executive Management to the Board of Directors.

The Strategy and Major Projects Committee examines and reviews:

- the proposed strategic and partnership agreements;
- the external growth transactions and transactions that impact Group structure;
- and more generally, any significant project of any kind whatsoever.

In addition, the Strategy and Major Projects Committee gives its opinion on any strategic issue that it is asked to address by the Board of Directors.

Since April 21, 2011, the Strategy and Major Projects Committee has met six times: on May 12, May 26, June 16, September 7, October 17 and December 12, to address all the topics mentioned above.

The Strategy Committee formerly put in place by the Supervisory Board met on February 19 and March 11, 2011.

Assessment of the work of the Board of Directors

The Board of Directors was set up on April 21, 2011, and a self-assessment – by its members – will be conducted on the Company's corporate governance structure as of the Board's first anniversary. The goal of this self-assessment is to enable the members of the Board of Directors and its three committees to assess the composition, operating procedures, and work of these corporate bodies.

In accordance with the recommendations of the AFEP-MEDEF Code and the *Institut Français des Administrateurs*, this analysis will focus on three main areas: assessing the composition and operating procedures of the Board of Directors and its three committees, verifying that important issues are properly prepared and discussed, and assessing each member's actual contribution to the Board's work based on his skills and involvement in the discussions, recommendations and decisions.

A simple, concise questionnaire will be sent to each Board member, who will give ratings for each question and, where applicable, provide additional assessments. The Secretary of the Board of Directors, with the support of the Company's Audit and Internal Control Department, will ensure that this assessment is carried out properly. If necessary, he may conduct individual interviews. He will collect the responses to the questionnaire, which is anonymous. A report will be drawn up, and corrective action plans will be proposed if applicable. This information will be presented at a Board meeting, and the action plans will be debated and validated. There will be another follow-up at a Board meeting at the end of 2012.

6.5.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF CORPORATE OFFICERS

Members of Executive Management

The principles and rules for determining the compensation of members of Executive Management are described in section 6.2.1 of this Registration Document, along with information concerning their pension plans and other benefits, and finally the related-party commitment that determines the termination benefit payable to Jean-Paul Herteman in the event he is removed from office.

Having considered the advice and recommendations drawn up by the Appointments and Compensation Committee at its meeting of February 20, 2012, the Board of Directors met on February 22, 2012 to conduct a detailed review of the individual performances of the executive corporate officers in 2011 (including the performances of the former members of the Executive Board between January 1, and April 21, 2011).

On this basis, and bearing in mind the Group's economic performance, the Board then proceeded to allocate variable

compensation, and thus set the total amount of variable compensation to be awarded to each of the executive corporate officers in respect of 2011, as indicated in section 6.2.1.

In the same meeting of February 22, 2012, the Board of Directors also determined individual targets for the members of Executive Management for 2012.

Members of the Board of Directors

With the exception of Xavier Lagarde and the Directors representing employee shareholders, who were linked to the Company by way of an employment contract in 2011, the members of the Board of Directors received only attendance fees as compensation, as described in greater detail in section 6.2.2 of this Registration Document.

6.5.3 APPLICATION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

Safran abides by the "Corporate Governance Code of Listed Corporations", drawn up jointly by two French employers' associations, AFEP⁽¹⁾ and MEDEF⁽²⁾, with reference to the consolidated version of April 2010. The French version of the code can be consulted at www.code-afep-medef.com.

Where code recommendations, or directives issued subsequently for application thereof, have not been implemented, reasons are given in the following table.

AFEP-MEDEF code recommendations	Safran practices – Reasons
<p>Proportion of independent members on the Board of Directors The independent Directors should account for half the members of the Board in widely-held corporations and without controlling shareholders.</p>	Of the 15 members of the Board of Directors, five are deemed to be independent, representing one-third, taking account of the fact that four seats are reserved for the French State and two for the representatives of employee shareholders, pursuant to the legal provisions in effect and the bylaws (see sections 6.5.1 and 7.1.2.1 – Composition, organization and work of the Board of Directors – of this Registration Document).
<p>Periodic review of the independent status of members of the Board of Directors Qualification as an independent member should be discussed by the Appointments and Compensation Committee and reviewed annually by the Board of Directors before publication of the annual report.</p>	Given that the members of the Board of Directors were appointed less than a year ago and that no change in the status of the five independent members has occurred since they were appointed, the independent status of the members has not been reviewed since the Board of Directors was established.
<p>Duration of terms of office of members of the Board of Directors The duration of the Board members' terms of office, set by the bylaws, should not exceed four years.</p>	The terms of office of the members of the Board of Directors are set by the current bylaws at five years. Preference has been given to a five-year term over the four-year term recommended by the AFEP-MEDEF code as this is more in line with the nature of Safran's activities, the majority of which have a long cycle.
<p>Evaluation of the Board of Directors Once a year, the Board should dedicate one of the points on its agenda to a debate concerning its operation.</p>	Given that the Board was only established in April 2011, a self-evaluation of its operation is due to be carried out as of April 2012 (refer to section 6.5.1).
<p>Proportion of independent members in the Audit and Risk Committee The proportion of independent Directors on this Committee should be at least equal to two-thirds.</p>	Due to the specificities governing the composition of the Board of Directors as described above, two out of four members, i.e., one-half of the Committee, have independent status. Under these conditions, it has been decided that the Board advisor will attend and take part in every meeting of this Committee, in a consultative capacity.
<p>Proportion of independent members in the Appointments and Compensation Committee The Appointments and Compensation Committee should have a majority of independent Directors</p>	Due to the specificities governing the composition of the Board of Directors as described above, one out of five members, i.e., 20%, is an independent Director.

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

6.5.4 PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS INFORMATION REFERRED TO UNDER ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

Participation of shareholders in General Meetings

The conditions for the participation of shareholders in General Meetings are governed by the legal provisions and regulations in effect and by Articles 30 *et seq.* of the Company's bylaws.

Any shareholder, regardless of the number of shares held, is entitled to attend General Meetings, on proof of identity and of his capacity as a shareholder, provided that the shareholder's shares are registered in his name in the Company's share register managed

by BNP Paribas, or in the securities accounts managed by the authorized intermediary, no later than midnight (CET) on the third business day preceding the Meeting.

As regards voting rights, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or the provisions concerning double voting rights stipulated in Article 31.8 of the bylaws. Fully-paid up shares that have been registered in the name of the same holders for at least two years as of the date of the General Meeting shall carry double voting rights.

Under Article 31.12 of the bylaws, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself and in the capacity as proxy for another shareholder that are attached to shares (i) that he holds directly or indirectly and (ii) that are owned by another shareholder for which he is acting as proxy. The conditions for applying this limit in the number of voting rights to which each shareholder is entitled are described in section 7.1.2.2.

The bylaws permit shareholders to use the e-voting system to vote at any shareholders' meeting (Article 30, section 30.2), by decision of the Board of Directors published in the notice of meeting, sent by electronic mail.

Information referred to under article L. 225-100-3 of the French Commercial Code

Information referred to under article L.225-100-3 of the French Commercial Code concerns material that could have an effect in the

event of public offering, which should be stated in the management report.

The 2011 management report drawn up by Safran's Board of Directors, which is included in this Registration Document, meets this legal obligation. The required information can be found under the following headings in the Registration Document:

- agreement with the French State (section 7.1.4.2);
- breakdown of share capital and details of buyback program (sections 7.2.6 and 7.2.7);
- capping of voting rights (section 7.1.2.2);
- authorization, given at the Annual General Meeting of April 21, 2011 (thirty-sixth resolution), for the Board of Directors to issue free stock warrants in the event of a tender offer for the Company (section 7.2.2.1).

6.5.5 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The Group's various branches of business have to face certain risks that may have a negative impact on the attainment of set targets. These risks are set out in section 4.1.1 of this Registration Document.

By assisting in managing the Group's activities, internal control and risk management contribute jointly to the prevention and mitigation of risk. Internal control and risk management measures aim to:

- identify and assess the Group's major risks;
- reduce critical risks to a level deemed acceptable through the implementation of appropriate measures or actions.

Internal control reference framework and targets

The Safran Group implements its internal control system on the basis of general principles advocated by the AMF.

The Group defines internal control as a process implemented by its Board of Directors, management and personnel, to provide reasonable assurance as to the realization of the following objectives:

- compliance with applicable laws and regulations;
- application of instructions and strategies set by Executive Management;
- proper functioning of the Company's internal processes, particularly those contributing to the protection of its assets;
- reliability of financial information.

Internal control thus contributes to the safeguarding of the Company's assets, the management of its activities, the effectiveness of its operations, the efficient use of its resources and the prevention of any organizational dysfunctions. Nevertheless, as with all control systems, it can only provide a reasonable assurance that the objectives described above are fully achieved.

Components of internal control and risk management

Internal control environment

Ethical Guidelines

The Group's Ethical Guidelines have been distributed to employees worldwide. They are part of the Group's procedure manual, and each company is responsible for their implementation in day-to-day operations.

Safran is built around values shared by all of its employees. These values serve as a guide for all the Group's activities, providing high standards for honesty, integrity and professionalism, and compliance with applicable laws and regulations.

They ensure the Group remains worthy of the trust placed in it by customers, employees, shareholders, suppliers, and other partners.

The Group emphasizes the importance of complying with applicable rules concerning:

- exports of military and dual-use goods;
- management of consultants;
- security of protected sites and activities;
- corporate social responsibility;
- safeguarding privacy.

For each of these facets, the Group has implemented specific procedures and arrangements.

Prevention and detection of internal fraud

The Group has a prevention, detection and assessment program for cases of potential internal fraud. A system for the centralizing of information on fraud or attempted fraud identified within companies is in place. This information is acted upon by the Industrial Protection and the Audit and Internal Control Departments.

Training

A training course on internal control was set up within the framework of the Safran Corporate University in 2011, with a view to raising awareness of internal control issues among financial and operating managers. Numerous training sessions, in both French and English, are scheduled for 2012.

Standards and regulations

Standards and regulations are monitored and followed up by specialist central departments which, within their respective areas of expertise, lead and coordinate a network of counterparts in the various Group companies.

ISO 9000-compliant quality management systems in the industrial companies provide valuable support to the internal control system.

For most of its activities, in France and in other countries, the Group is subject to controls imposed by civil and military authorities as well as by its customers. These controls round out the Group's own arrangements in this area.

Group organizational structure

Safran is a decentralized industrial group. Each subsidiary directly manages the operational side of its business activity and assumes responsibility for the internal control system to be implemented in accordance with Group procedures and Internal Rules.

The organizational structure is based on:

- a parent company responsible for the Group's strategic management, organization and development. This company has adopted a governance structure with a Board of Directors;
- companies operating by business line. Within the guidelines defined by the Board of Directors of the parent company and under its control, each company assumes the tasks and responsibilities of an individual company with respect to legal, commercial, technical, industrial, economic, financial and social issues.

First-tier entities are responsible for overseeing the second-tier entities with which they have operational ties.

Under the authority of the Board of Directors, the primary duties of the parent company are to:

- devise and pursue the Group's strategy;
- assure the governance and control of Group companies. A certain number of rules laid down in procedures have been adopted by the Board of Directors concerning, in particular:
 - corporate governance in Group companies,
 - relations between subsidiaries and the parent company;
- provide services on behalf of all Group companies;
- lead or coordinate actions to develop the Group's reputation and increase effectiveness.

Control activities

Procedures relating to Group operations

The main procedures governing Group operations are collated in a documentation system, accessible via the Group intranet. This manual is organized by major process.

It primarily includes:

- with respect to the management process:
 - corporate governance rules: delegation of authority, governance of Group companies, internal control principles and Ethical Guidelines,
 - risk management rules: risk management, crisis management, industrial protection, HSE, legal, and information systems,
 - quality management rules;
- with respect to the operational process: sales-related rules;
- with respect to the support process: rules on procurement and asset management.

Every month, a list of updates to the manual is published. Companies have a duty to keep their own manual up-to-date so that it complies with Group rules.

Financial and accounting procedures

Financial and accounting principles are grouped together in four manuals:

- the Group IFRS accounting manual;
- rules for the preparation of consolidated financial statements and rules concerning inter-company transactions;
- quarterly consolidation instructions issued to all companies concerned;
- the consolidation package user guide. This package contains the controls necessary for ensuring consistency between the items used to draw up consolidated financial statements.

In terms of accounting standards, the Group applies IFRS as adopted in the European Union.

Reporting and management control arrangements

Each week, Safran's Executive Management receives a report from each company summarizing the main events concerning its activity.

The companies prepare monthly budget and financial reports on their activities (overview and comments). The Group's Economic and Financial Affairs Department provides Executive Management with an economic and financial overview.

Budget and planning meetings are organized regularly by the Economic and Financial Affairs Department and the management team of the company concerned:

- final quarter review and validation of the budget;
- current-year budget forecast updates three times per year;
- second quarter review and validation of the medium-term business development plan.

In addition, performance-level meetings are held regularly with representatives from the Group's principal first-tier entities.

Organization and management of internal control

The internal control system is managed by the Audit and Internal Control Department.

Internal control framework

The Safran Group has devised an internal control framework for key accounting and reporting processes on the one hand, and the security of such information on the other.

As a result, the internal control framework is built around:

- one process relating to the control environment;
- ten operating processes;
- two IT processes (general IT and IT system security checks).

The Group has also set up specific processes to control risks relating to Shared Services Centers (payroll management and management of non-production purchases).

All these processes directly serve to ensure the integrity of the financial and accounting information, with the IT processes contributing more specifically to the security of this information.

The check points contained in this internal control framework have been defined using an analysis of risks inherent in the accounting and reporting processes and with support from Group specialists in each of these areas. For all these processes combined, around 200 check points have been defined, enabling each company to gauge:

- how closely its procedures and control activities are aligned with the framework's requirements;
- the operational effectiveness of these procedures.

Appraisal principle

The Group has upheld the principle whereby each company appraises its own internal control arrangements in relation to the framework. A testing program is devised annually; it investigates all of the processes over two years in first-tier entities and over four years in second-tier entities.

The Group can order internal audits to verify that the appraisals carried out by the subsidiaries comply with the rules and principles it has put in place.

Any disparity relative to the requirements of the internal control framework in the evaluation of the appropriateness and effectiveness of procedures generates an action plan, with a project leader designated and a deadline established. The progress of such action plans is monitored monthly within the reporting system described below.

The internal control system covers virtually the whole Group. In 2011, it was up and running in 89 companies, representing 95% of consolidated revenue. This percentage does not take into account companies acquired in 2011 and which were subject to a post-acquisition audit and/or a specific internal control audit. When these companies are included, the percentage rises to 98% and the number of entities covered reaches 97.

As such, the Group has a comprehensive view of the system's level of control and can decide on particular courses of action in the areas and/or entities in which weaknesses have been pinpointed.

Management

The central team that manages the internal control system is assisted by a network of internal control managers in each first-tier entity, with each manager supported by counterparts situated in second-tier entities.

Every month, the central team and internal control managers communicate important news. Methodological insights into the internal control system are also sent by the central team to internal control managers.

Each first-tier entity has an Internal Control Committee, comprising members of its Management Committee, to review progress made in evaluations and analyze results, including for the related second-tier entities.

Each year, the central team brings together internal control managers to conduct a review of obstacles encountered, suggest enhancements to the framework and define areas in which progress can still be made. The meeting also serves as a forum for exchanging best practices in terms of the organization of internal control. Additionally, in 2011, the central team set up a working day for the internal control managers and the Group IT services department on the division of tasks and the correct implementation in the IT systems used to prepare and treat financial and accounting information.

For 2012, Safran has identified the main area for development as the continued adaptation of the internal control frameworks to the changes in the Group's organization and structure.

The reporting tool

All Group companies use the same reporting system to document the results and conclusions of their individual internal control evaluations. Using this software, companies have direct access to the Group framework, methodology and the procedures to follow. All rectifications resulting from recognized disparities in relation to the framework are monitored in this system.

This reporting tool enables nearly 400 stakeholders, hailing from financial as well as operational departments, to be documented in the system.

Risk management and organization

The Group Risk Committee – made up of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers – approves the risk management policy, the Group's risk mapping and risk mitigation, and the cross-sector action plans of the Risk and Insurance Department, and makes sure that the risk management process works effectively and that there is an adequate level of risk-awareness. This Committee met twice in 2011.

Risk management involves identification, categorization and handling by:

Risk and Insurance Department

The Risk and Insurance Department reports to the Deputy Chief Executive Officer, Finance.

It summarizes risk-appraisal results at Group level and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Determining the degree of control is also essential in characterizing risk. The degree of control is essential in characterizing risk.

Risk appraisals lead to action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability.

Company-level Risk Managers

Each Level 1 company appoints a Risk Manager, who prepares a risk map for his entity that is subsequently reviewed during the entity Risk Committee meetings. In all instances, risk management draws on a common methodology using risk analysis as the starting point. A Risk Manager is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk and Insurance Department (major risk map and the corresponding degree of control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk and Insurance Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

The Risk and Insurance Department coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved by the Group Risk Committee.

Support/central departments

The Risk and Insurance Department prepares the mapping of major risks by support/central department, based on interviews. These maps are then approved by the support/central departments. For each identified risk, a Risk Manager is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Management Committee.

Risk management involves use of methodology tools and procedures

The Risk and Insurance Department develops methodological techniques to ensure consistent handling of risks between companies, assists with their use and encourages the sharing of best practices. The Group has a risk manual organized by process, level of impact, frequency, probability and control. Detailed guidance is also prepared for the analysis of certain risks.

Arrangements for crisis prevention and management are built on coordinated procedures implemented for managing warnings and crises, not only at Group but also at company and facility level.

Risk management leverages training and communication

A training course launched in 2007 and organized jointly by the Risk and Insurance Department and Group Risk Managers in liaison with Safran Corporate University has promoted risk awareness among close to 700 managers within the Group.

The Risk and Insurance Department has also implemented the PSIP Program (Products & Services Integrity Program). This program seeks to help mitigate documentary risk and legal accusations attributable to Group products/services while protecting employees from the consequences of an accident in which a product/service may be the target of an accusation.

Key players in internal control and risk management

Group management bodies

The Board of Directors

The Board of Directors defines the primary features of the system for internal control and risk management, following the recommendations of the Audit and Risk Committee. The Chairman and Chief Executive Officer delegates his authority to the Deputy Chief Executive Officer, Operations to direct and monitor the activities of the companies with regard to:

- setting objectives and monitoring results with the Economic and Financial Affairs Department;
- implementing decisions regarding strategic issues concerning Group companies;
- operational supervision.

The Chairmen and Chief Executive Officers of the Group's companies assume full responsibility for the internal control systems implemented in their companies and, where appropriate, in related second-tier entities; the system implemented must comply with the internal control principles set out by the Group.

The Economic and Financial Affairs Department

The Economic and Financial Affairs Department centralizes and coordinates financing, treasury, taxation, the budget process, reporting, consolidation of accounts and risk management. It ensures compliance with the internal control procedures falling within the scope of its responsibilities. It also assists in carrying out any acquisitions and disposals decided by the Board of Directors.

The Corporate Office

The Corporate Office – to which the Audit and Internal Control Department reports – covers the Social Affairs, Human Resources, Legal and Institutional Affairs and Communications Departments and ensures the coordination between these departments.

Departments responsible for the internal control and risk management systems

Audit and Internal Control Department

Since the Board of Directors was established on April 21, 2011, the Audit and Internal Control Department has reported to the Deputy Chief Executive Officer, Corporate Office.

Internal Audit has been certified compliant with the international standards of the Institute of Internal Auditors by the *Institut Français de l'Audit et du Contrôle Interne* (IFACI).

Certification was confirmed in 2011 by IFACI in response to a follow-up audit.

The Internal Audit plan is prepared within the scope of an annual plan that is reviewed every six months and that is largely based on the mapping of Group risks.

The audit teams carry out duties to:

- ensure compliance with procedures and rules applicable within the Group;
- assess the effectiveness of the internal control system;
- monitor risks related to the processes audited.

The teams also conduct audits relating to the administration of companies, the integration of newly acquired companies and the management of programs, and carry out cross-functional analyses and benchmarking reviews aimed at identifying ways to improve the efficiency of the companies, projects and processes audited. The Audit and Internal Control Department also carries out corporate governance audits for first-tier entities.

It is the task of Internal Control to:

- manage the Group procedures manual;
- draw up and maintain internal control standards;
- oversee the annual internal control evaluation;
- create the annual Group round-up on internal control;
- administer the reporting system;
- lead the network of subsidiaries' internal control managers;
- provide training on internal control within the framework of the Safran Corporate University.

Risk and Insurance Department

The Risk and Insurance Department is responsible for defining the methods and criteria to be used to organize risk management.

Its main responsibilities are as follows:

- identifying risks that could affect the strategy, earnings or image of the Group;
- defining and organizing risk and crisis management within the Group;
- ensuring the implementation of a Products & Services Integrity Program in the Group's companies;
- identifying and setting up insurance policies for the Group, with the exception of personal insurance and loan insurance.

Inspection bodies

The Board of Directors' Audit and Risk Committee

This Committee reviews:

- the financial statements and accounting procedures presented by Executive Management;
- the results of audits and internal control procedures presented by the Audit and Internal Control Department;
- findings on the primary risks facing the Group presented by the Risk and Insurance Department;
- the results of the work carried out by the statutory auditors, whose independence it must also verify.

The report on internal control and risk management procedures is reviewed annually by the Audit and Risk Committee, then approved officially by the Board of Directors.

The Group's Internal Control Guidelines are approved by the Chairman of the Audit and Risk Committee.

Statutory auditors

As part of the audit and certification of the individual and consolidated financial statements, the statutory auditors examine the procedures of the various company cycles contributing to the preparation of financial and accounting information. In particular, they base the work they conduct at the companies on the Group's internal control framework.

They present their conclusions to the Board of Directors' Audit and Risk Committee.

The statutory auditors adopt the following approach:

- review of documentation on controls carried out by companies;
- tests to verify the operational effectiveness of the procedures implemented;
- review of completed action plans;
- review of results of tests performed by companies.

6.6

STATUTORY AUDITORS' REPORT ON THE CHAIRMAN OF THE BOARD OF DIRECTORS' REPORT

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SAFRAN

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Safran and in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management and relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report in accordance with article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Courbevoie and Paris-La Défense, April 11, 2012

The Statutory Auditors

French original signed by

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

06

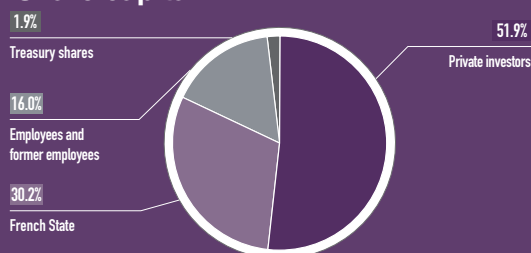
07

Information about the Company, the capital and share ownership

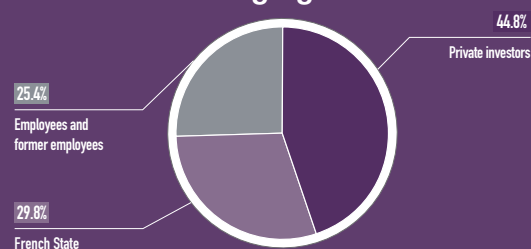
7.1	General information and bylaws	252
7.1.1	General information	252
7.1.2	Principal provisions of the bylaws	252
7.1.3	Information on investments	256
7.1.4	Relations with related parties	257
7.2	Information on share capital	258
7.2.1	Share capital	258
7.2.2	Authorizations granted to the Board of Directors	258
7.2.3	The Company's securities	260
7.2.4	History of the share capital since 2005	260
7.2.5	Pledging of shares	260
7.2.6	Treasury shares	261
7.2.7	Share buyback programs	261
7.3	Share ownership	263
7.3.1	Breakdown of share capital and voting rights	263
7.3.2	Breakdown of share ownership by geographic origin	264
7.3.3	Changes in the breakdown of share capital and voting rights over the last three years	264
7.3.4	Disclosure thresholds	264
7.3.5	Control of the Company – shareholders' agreement	265
7.3.6	Agreements whose implementation could lead to a change in control of the Company	265
7.3.7	Employee shareholders	265
7.4	Relations with shareholders	266
7.4.1	Comprehensive and accessible financial information	266
7.4.2	Meetings with the financial community	266
7.4.3	Provisional shareholders' calendar	266
7.4.4	Investor relations contacts	267
7.5	Stock market information	267

BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS (AS OF DECEMBER 31, 2011)

Share capital



Exercisable voting rights



SAFRAN SHARE PRICE

	2009	2010	2011
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price (in €)	–	–	–
High	13.800	27.950	30.500
Low	6.587	13.670	20.180
Closing	13.690	26.500	23.205
Market capitalization as of December 31 (in € millions)	5,709	11,051	9,677

GENERAL INFORMATION

At the Annual General Meeting of April 21, 2011, the shareholders changed Safran's governance structure, replacing the Executive Board and Supervisory Board with a Board of Directors.

The Company is registered with the Paris Trade and Companies Registry under number 562 082 909.

Safran's registered office is located at 2, boulevard du Général Martial Valin, 75015 Paris, France.

SHARE CAPITAL (AS OF DECEMBER 31, 2011)

Safran's share capital amounts to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

RELATIONS WITH SHAREHOLDERS

Safran provides all of its shareholders with clear, comprehensive and accessible information that responds accurately to their needs, regardless of their level of expertise. To get to know its audience and provide it with information on its business strategy, Safran regularly meets with financial analysts and institutional investors from France and other countries during presentations of the Group's financial results, conferences and seminars. With a view to developing a close, trust-based relationship with its individual shareholders, Safran proposes industrial-site visits to members of the Shareholders' Club.

INDICES

Safran's share has been included in the CAC 40 index since September 19, 2011.

7.1

GENERAL INFORMATION AND BYLAWS

7.1.1 GENERAL INFORMATION

Corporate name

Safran

Registered office

2, boulevard du Général Martial Valin, 75015 Paris, France.
Tel.: +33 (0)1 40 60 80 80

Legal form

Safran is a French *société anonyme* (corporation).

Registration

Safran is registered with the Paris Trade and Companies Registry under number 562 082 909.

Incorporation date and term

The Company was created on August 16, 1924 for a term of 99 years from its date of registration with the Trade and Companies Registry, i.e., until August 28, 2023, unless such period is extended or wound up early.

Corporate purpose

Under Article 3 of the bylaws, the Company's purpose, in any and all countries, for its own account, on behalf of third parties, or directly or indirectly in conjunction with third parties, is to carry

out research, design, development, testing, manufacturing, sales, maintenance and support operations for high-technology activities, and notably for:

- All aviation and aerospace activities for the civilian and military markets, particularly those related to:
 - aviation and aerospace propulsion solutions, including the operation of systems that produce or use energy, and equipment designed to be used with such systems, and
 - equipment and sub-systems used in aircraft, helicopters, launch vehicles and missiles;
- All air, land and naval defence activities, particularly those related to:
 - optronics, avionics and navigation solutions and services, and
 - electronics and critical software for aerospace and defence applications;
- All security activities, particularly those related to:
 - multi-biometric identification solutions, identity management solutions, smart cards and secure transactions, and
 - detection solutions for explosives and illicit substances.

And generally, to conduct any and all transactions of a commercial, industrial or financial nature or involving moveable assets or real estate that relate directly or indirectly to the above corporate purpose or to anything incidental or conducive to the achievement of said corporate purpose.

Fiscal year

The fiscal year begins on January 1 and ends on December 31.

7.1.2 PRINCIPAL PROVISIONS OF THE BYLAWS

7.1.2.1 Board of Directors**Membership structure**

Under the terms of Article 14 of the bylaws, the Board of Directors has at least three and no more than 13 members, either individuals or legal entities, including any representatives of the French State appointed in application of article 12 of Act 49-985 dated July 25, 1949. The maximum number of 13 Board members may be increased to allow for the inclusion of any Directors representing employee shareholders.

The Board of Directors elects a Chairman and, if applicable, a Vice-Chairman from among its members, who must be individuals.

Shareholding

Under Article 14.5 of the bylaws, each member of the Board of Directors shall be required to own a certain number of shares in the Company in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. As a legal exception, this shareholding obligation shall not apply to representatives of the French State or to employee shareholder representatives.

Term of office – Age limit

Members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting for a term of five years, ending at the close of the Ordinary Shareholders' Meeting held during the year in which their term of office expires in order to approve the financial statements for the previous year. Members of the Board of Directors may be re-elected, it being specified that:

- the number of Directors (both individuals and permanent representatives of legal entities) over the age of 70 may not exceed one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- no Director over the age of 70 may be elected if such election would raise the number of Directors over the age of 70 to more than one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- if the number of Directors over the age of 70 exceeds one quarter of the total number of Directors in office, and if no Director over the age of 70 resigns, the oldest Board member shall automatically be deemed to have resigned.

By way of an exception to the five-year term set out above, pursuant to the provisions contained in Article 16.4 of the bylaws, the following terms of office were set at the Annual General Meeting held on April 21, 2011 for the sole purpose of implementing a staggered election system for Board members:

- the terms of Directors who were members of the Company's Supervisory Board during the 12 months preceding the April 21, 2011 Annual General Meeting were set at two years. This term shall apply for individuals as well as permanent representatives of legal entities and State representatives, even in the event of a change in these representatives during the term of office concerned;
- the terms of Directors who were not members of the Company's Supervisory Board during the 12 months preceding the April 21, 2011 Annual General Meeting were set at four years for one third of these Directors and at six years for the remaining two thirds, with lots drawn to decide which term would apply for each Director.

Article 15 of the bylaws stipulates that the duties of the Chairman and Vice-Chairman shall end no later than at the close of the first Ordinary Shareholders' Meeting following the date on which they reach the age of 75.

Meetings

Under the terms of Article 18 of the bylaws, the Board of Directors shall meet as often as required in the interests of the Company and at least four times a year. Meetings shall be called by the Chairman, or if he is unable to do so, by the Vice-Chairman.

If the Board has not met for more than two months, a group of at least one third of the Directors may ask the Chairman to call a meeting to discuss a specific agenda.

The Chief Executive Officer or the Deputy Chief Executive Officer(s) may also request that the Chairman call a Board meeting to consider a specific agenda.

Board meetings shall only be validly constituted if at least half of the Directors are present.

Directors who participate in Board meetings by videoconference or any other telecommunications media that comply with the technical criteria set in the applicable laws and regulations shall be considered as being physically present for the purposes of calculating the quorum and voting majority, in accordance with the terms and conditions set out in the Board of Directors' Internal Rules.

Directors may give written proxy to another Director to represent them at Board meetings, provided that no Director holds more than one proxy at any single meeting.

Powers

Under Article 19 of the bylaws, the Board of Directors shall determine the Company's overall business strategy and oversee its implementation. Except for those powers directly vested in shareholders, the Board shall be responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

Subject to the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules the roles and responsibilities of the Board of Directors shall include, but shall not be limited to:

- calling the Annual Shareholders' Meeting and drawing up its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual management report;
- authorizing related-party agreements governed by article L.225-38 of the French Commercial Code (*Code de commerce*);
- selecting the Company's management structure;
- appointing and removing from office the Chairman of the Board of Directors, and the Vice-Chairman (if any), and the Chief Executive Officer and, on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors and the Vice-Chairman (if any), and the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Audit and Risk Committee and the members of any other Board committees set up in accordance with the provisions of these bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees among the Board members, in accordance with the Board of Directors' Internal Rules;
- approving the report of the Chairman of the Board of Directors on the organization of the Board's work and internal control and risk management procedures;

GENERAL INFORMATION AND BYLAWS

- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board advisors;
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees and endorsements by setting an overall ceiling for each fiscal year and, where appropriate, a maximum amount per transaction;
- authorizing in advance any transactions that would result in exceeding the above-mentioned overall ceiling or maximum amount per transaction set by the Board.

In addition to the legal and regulatory requirements concerning prior authorizations that have to be obtained from the Board of Directors, a number of specific transactions also have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures of the Company and Group. These transactions are listed in the Board of Directors' Internal Rules.

The Board of Directors shall perform any checks and controls that it deems appropriate. Each Director shall be provided with all the information required to carry out his duties and may request any documents he deems useful.

Attendance fees

Under Article 17 of the bylaws, at the Annual General Meeting, the Company's shareholders shall set an annual aggregate amount of attendance fees, effective for the current year and subsequent years until the shareholders decide otherwise.

The Board of Directors shall allocate the attendance fees among its members as it deems fit, in accordance with the rules set out in the Board's Internal Rules.

Board advisors

Under Article 20 of the bylaws, shareholders in an Ordinary General Meeting may elect Board advisors to attend Board meetings in an advisory capacity. Board advisors may or may not be shareholders. The number of Board advisors may not exceed two. However, if the French State's interest in the Company's capital falls below 10%, the French State would automatically be entitled to appoint a Board advisor and the maximum number would be increased to three. Board advisors are appointed for four years and may be re-elected. Any Board advisor reaching the age of 70 shall be deemed to have resigned.

Executive Management

Under Article 21 of the bylaws, the Company's management shall be placed under responsibility of either

- the Chairman of the Board of Directors; or
- another individual appointed by the Board, who shall hold the title of Chief Executive Officer and who may or may not be a Director.

Under Article 22 of the bylaws, the Chief Executive Officer shall have the broadest powers to act in all circumstances in the Company's

name. The Chief Executive Officer shall exercise these powers within the scope of the Company's corporate purpose and subject to:

- the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors; and
- any restrictions placed on his powers and any matters that require the prior approval of the Board of Directors in accordance with the Board of Directors' Internal Rules.

The Board of Directors shall determine compensation payable to the Chief Executive Officer and the length of his term of office. The age limit for the Chief Executive Officer is set at 65 years.

Deputy Chief Executive Officer(s)

Under Article 23 of the bylaws, at the proposal of the Chief Executive Officer, the Board of Directors may appoint up to three Deputy Chief Executive Officers (who may or may not be Directors) to assist the Chief Executive Officer in his duties.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers vested in the Deputy Chief Executive Officer(s).

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer with respect to third parties.

The Board of Directors shall determine the compensation payable to the Deputy Chief Executive Officer(s) and the length of their term of office.

The age limit for holding office as Deputy Chief Executive Officer is set at 65 years.

7.1.2.2 General Shareholders' Meetings

Convening and participation

General Shareholders' Meetings shall be called in accordance with the applicable laws and regulations.

Under Article 30 of the bylaws, all shareholders shall be entitled to vote at General Shareholders Meetings in accordance with the terms and conditions set down by the applicable laws and regulations.

Proxy/postal voting forms for General Shareholders' Meetings may be sent in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

Where a shareholder electronically submits a proxy or postal voting form, the shareholder's signature must be a secure electronic signature or a reliable identification procedure to ensure signature security, for example by registering a unique identification code and password.

Shareholders who have not paid up the amounts due on their shares within 30 days of a notice to pay issued by the Company shall not be entitled to participate in General Shareholders' Meetings and the shares concerned shall be deducted from the total of the Company's outstanding shares for the purposes of calculating the quorum.

Exercising voting rights – Double voting rights – Restriction on voting rights

Under Article 31 of the bylaws, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or regulations.

However, all fully paid-up shares registered in the name of the same holder for at least two years as at the date of the General Shareholders' Meeting shall carry double voting rights.

In the event of a capital increase paid up by capitalizing retained earnings, profits or additional paid-in capital, the registered bonus shares allocated in respect of shares carrying double voting rights shall also carry double voting rights.

Double voting rights shall be forfeited if registered shares are converted into bearer shares or transferred. However, registered shares shall not be stripped of double voting rights and the qualifying period shall continue to run following a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an inter vivos gift to a spouse or a relative in the direct line of succession.

Any merger or demerger of the Company shall have no impact on double voting rights, which may be exercised in the surviving company if its bylaws so provide.

Under Article 31.12 of the bylaws, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself and, in the capacity as proxy for another shareholder, that are attached to shares (i) that he holds directly or indirectly and (ii) that are owned by another shareholder for which he is acting as proxy.

For the purposes of these provisions:

- the total number of voting rights attached to the Company's shares taken into account shall be calculated as at the date of the General Shareholders' Meeting concerned and the shareholders shall be informed thereof at the start of the Meeting;
- the number of voting rights held directly or indirectly shall mean those voting rights attached to shares held by:
 - a private individual, either personally or as part of jointly-owned property, or
 - a company, group of entities, association or foundation, as well as voting rights attached to shares held by a company that is controlled – within the meaning of article L.233-3 of the French Commercial Code – by a company, private individual, association, group of entities or foundation;
- the restrictions set out above shall not include voting rights exercised by the Chairman of a General Shareholders' Meeting when said voting rights are (i) attached to shares for which a proxy form has been returned to the Company without any named proxy, and (ii) do not individually infringe the specified restrictions.

The restrictions provided for above shall automatically become null and void, without the requirement for a new decision by shareholders in an Extraordinary General Meeting, in the event that an individual or entity – acting alone or in concert with one or more

other individuals or entities – acquires an interest in the Company representing two-thirds of the Company's capital or voting rights following a public tender offer for all of the Company's shares.

7.1.2.3 Rights and restrictions attached to shares

Under Article 9 of the bylaws, fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion, subject to compliance with the provisions of the applicable laws and regulations and the Board of Directors' Internal Rules concerning the form of shares held by certain categories of shareholder.

Under Article 12 of the bylaws, each share shall entitle its holder to a proportion of the Company's profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.

Where a shareholder must own a specific number of shares to exercise a particular right, notably in the event of an exchange or allocation of shares, a stock split, reverse stock-split, a capital increase or reduction, a merger, demerger, partial asset transfer, dividend payment or any other corporate action, any shares held that fall below the required number shall not confer any rights on their holders with respect to the Company, and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares or rights, including through purchases or sales of shares or rights where required.

7.1.2.4 Conditions governing changes to share capital and shareholders' rights

The Company's bylaws do not require that the conditions to change share capital and shareholders' rights be more restrictive than prevailing legislation. These changes are subject to the approval of the shareholders at the Extraordinary Shareholders' Meeting deliberating in accordance with the rules of quorum and majority in accordance with the applicable laws and regulations.

7.1.2.5 Disclosure obligation in the event of exceeding the legal threshold for ownership

Under Article 13 of the bylaws, in addition to the disclosures required under the applicable laws and regulations when certain ownership thresholds are crossed, any person or legal entity, acting alone or in concert with others, that becomes the owner – directly or indirectly through one or more companies controlled by said person or entity within the meaning of article L.233-3 of the French Commercial Code – of 1% or more of the Company's capital or voting rights or any multiple thereof, as calculated in accordance with articles L.233-7 and L.233-9 of the French Commercial Code and the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), must notify the Company of the total number of shares and voting rights held as well as the total number of securities held that carry deferred rights to the Company's capital and the potential voting rights attached thereto.

GENERAL INFORMATION AND BYLAWS

Said notification shall be sent to the Company by registered letter with recorded delivery within four trading days of the relevant threshold being crossed.

The same disclosures are required – within the same timeframe and in accordance with the same conditions – in cases where a shareholder's interest falls below any of the thresholds referred to above.

The sanctions provided for by law in the event of a failure to comply with the disclosure requirements applicable when a legal threshold is crossed shall also apply if a shareholder does not comply with the disclosure requirements applicable in the bylaws, where requested by one or more shareholders holding at least 5% of the Company's capital or voting rights (with said request duly recorded in the minutes of the relevant General Shareholders' Meeting).

7.1.2.6 Provisions that could delay, postpone or prevent a change in control of the Company

The provisions of the bylaws or other contractual documents related to the Company that could delay, postpone or prevent a change in the Company's control are as follows: (i) the granting of double voting rights to any shareholder owning fully paid-up shares which the shareholder must prove have been registered in the name of the same shareholder for at least two years, (ii) the restriction on voting rights provided for by Article 31.12 of the bylaws, (iii) a three-way agreement with the French State (see section 7.1.4.2), and (iv) the authorization granted by the Annual General Meeting of April 21, 2011 (thirty-sixth resolution) with a view to the free issue of warrants in the event of a takeover bid against the Company (see section 7.2.2.1).

7.1.3 INFORMATION ON INVESTMENTS

7.1.3.1 Direct and indirect investments

The direct and indirect investments presented below meet the criteria defined by the Committee of European Securities Regulators in its February 2005 recommendation, i.e., an investment carrying amount representing at least 10% of the consolidated net assets, or a net profit (loss) equal to at least 10% of the consolidated net profit (loss).

Companies (in € millions)	Registered office	Business activity	% capital and voting rights (if different) (direct and indirect investment)	Capital	Reserves and retained earnings before appropriation of net profit ⁽³⁾	Amount payable for shares held	Carrying amount of shares held (gross) ⁽²⁾	Net profit (loss) for 2010	Dividends collected ⁽¹⁾ in 2011	Outstanding loans and advances granted and not repaid
1) Main French subsidiaries and sub-subsidiaries – more than 50% of capital held										
Snecma	Paris 75015	Propulsion	100%	154	29	–	225	381	303	–
Turbomeca SA	Bordes 64510	Propulsion	100%	39	95	–	539	42	–	–
Aircelle	Harfleur 76700	Aircraft Equipment	100%	57	55	–	964	(18)	–	–
Sagem Défense Sécurité	Paris 75015	Defence	100%	373	19	–	617	37	12	–
Sagem Télécommunications	Paris 75015	Holding	100%	47	(39)	–	625	6	–	–
SME	Paris 75015	Propulsion	100%	159	(9)	–	327	(67) ⁽⁴⁾	–	–
Messier-Bugatti-Dowty	Velizy 78141	Aircraft Equipment	100%	84	431	–	561	46	14	–
2) Main foreign subsidiaries and sub-subsidiaries – more than 50% of capital held										
Safran USA	USA	Holding	100%	472	56	–	508	13	–	–
Morpho USA	USA	Security	100%	578	(23)	–	573	(2)	18	846
L-1 Identity Solutions Inc.	USA	Security	100%	–	806	–	846	(2) ⁽⁴⁾	–	66
MorphoTrust Inc.	USA	Security	100%	–	1,943	–	941	(9) ⁽⁴⁾	–	96

(1) Dividends were paid to Safran or the shareholding company owned directly or indirectly by Safran.

(2) Direct and indirect investment.

(3) Excluding tax-driven provisions and investment grants.

(4) Net income since the date of acquisition by the Safran Group.

7.1.3.2 Investments

In accordance with the provisions of articles L.233-6 and L.247-1 of the French Commercial Code on April 5, 2011, Safran purchased all (with the exception of one, which is held by the French State) of the shares of SNPE Matériaux Énergétiques, which has since

been renamed SME. These shares represent 100% of the capital and voting rights of SME, with the exception of a “golden share” and voting right held by the French State.

On April 5, 2011, Safran also purchased 40% of the shares of Regulus. Pursuant to this acquisition, Safran now holds 40% of the capital and voting rights of Regulus.

7.1.4 RELATIONS WITH RELATED PARTIES

The list of equity-accounted companies and proportionately consolidated companies is presented in Note 35 of section 3.1.

Quantified information is presented in:

- Note 15 of section 3.1 for equity-accounted companies;
- Note 29 of section 3.1 for proportionately consolidated companies.

Information on management compensation is presented in Note 30 of section 3.1 and in section 6.2.

Information on sales to related parties is presented in Note 30 of section 3.1.

7.1.4.1 Relations with the French State

In 2011, Safran generated adjusted revenue of €1,217 million with the French State, primarily in military areas.

The Aerospace Propulsion branch (see section 1.3.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects such as the Mirage F1, Mirage 2000, Rafale, Super Étendard, refueling tankers, helicopters, Transall and ATL 2, among others. It also powers missiles of the ocean-going strategic force (M45 and M51), long-range air-to-surface missiles such as the Scalp and the Apache, and the very short-range surface-to-air missile, the Mistral. Safran is also involved with Roxel, a 50-50 joint venture with MBDA that powers ASMP-A long-range air-to-surface missiles, Aster medium-range surface-to-air missiles and Exocet sea-launched missiles. Finally, it is a major player in the rocket engine and space transport sector in which it is the prime contractor for propulsion systems and work to prepare the future.

The Aircraft Equipment branch (see section 1.3.2), participates in the aforementioned major French military aviation programs, primarily in terms of landing gear, brake and wiring systems.

The Defence and Security activities (see sections 1.3.3 and 1.3.4) apply advanced technology across all Defence and Security areas (National Defence and the security of private individuals, assets, transport and information systems) on behalf of French government agencies:

- inertia, for positioning, navigation and guidance systems for all types of vehicles and missiles;
- optics and signal detection and processing for monitoring, observation/imaging, warning and guidance systems;
- electronics, IT, cryptology and management of complex projects for the integration of full systems;
- biometrics for police systems and border checkpoints (visas, passports, etc.).

Safran supplies modular air-to-ground weapons (AASM), submarine periscopes, unmanned aerial vehicles, mission preparation systems, the Felin infantry combat system (integrated equipment and communications infantryman), and a number of other systems to safeguard French territorial security and citizen safety, including automatic radar systems under the road safety program, etc.

7.1.4.2 Agreement with the French State relating to strategic assets and subsidiaries

In order to protect national interests and preserve national independence, and in the context of the proposed combination of Sagem and Snecma's businesses through the merger of these two companies, the French State informed these companies of its intention to exercise, in the context of the proposed transaction, its right to a “golden share” with regard to Snecma of the kind defined in article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to a “golden share”, the French State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of a “golden share” was entered into by Sagem and Snecma (now Safran) and the French State on December 21, 2004. The agreement, as amended or supplemented by the amendments of March 31, 2011, June 29, 2011 and December 16, 2011, provides, inter alia, that:

- the French State shall be entitled to appoint a non-voting representative to the Safran Board of Directors should its interest in the share capital of the Company fall below 10%, as a result of which the provisions of article 12 of the Law of July 25, 1949 authorizing the appointment of voting representatives to this Board would no longer apply;
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors of Safran's strategic subsidiaries (Snecma Propulsion Solide and Microturbo) and subsidiaries holding assets with a connection to French combat aircraft engines; by means of the amendment of December 16, 2011, SME has been added to the list of strategic subsidiaries covered by this agreement;
- the French State shall have a prior right to approve or refuse the sale of certain military and aerospace assets identified as strategic, sensitive or defence, by entities of the Safran Group, the transfer of securities of Snecma Propulsion Solide, SME, Microturbo, Europropulsion, Arianespace and G2P, the acquisition of more than 33.33% or 50% of the capital or voting rights of companies in the Safran Group holding strategic military or aerospace assets, and any projects granting special management rights or rights to information over the strategic military or aerospace assets or rights to be represented on the management bodies of Snecma Propulsion Solide, SME and Microturbo, in which case, should the State not make known its decision within 30 business days, it shall be deemed to have approved the transaction. By means of the amendment of April 5, 2011, the 40% stake acquired by Safran in Regulus and certain strategic assets held by Roxel France in which SME holds an indirect 50% stake (mainly the propellant chambers for statoreactor, located on the national territory, owned by Roxel France, and limited to rights that Safran holds pertaining to its indirect 50% stake in Roxel France), have been added to the scope of the State's rights;

INFORMATION ON SHARE CAPITAL

- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic military and aerospace assets, the State shall be entitled to purchase the securities and assets of the strategic subsidiaries Snecma Propulsion Solide, SME and Microturbo at a price to be set by a panel of experts, in which case the parties shall enter into an agreement for the provision of services and the transfer of technology relating to the assets sold.

7.1.4.3 Other related-party agreements

The related-party agreements authorized in 2011, and the related-party agreements and commitments authorized in previous years and which had continuing effect during this period, are presented in the Statutory Auditors' special report in section 8.5.1.

Safran has not entered into any new related-party agreements between January 1, 2012 and the filing date of this Registration Document.

7.2

INFORMATION ON SHARE CAPITAL

7.2.1 SHARE CAPITAL

As of December 31, 2011, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

There were no changes to the amount or structure of the share capital during 2011 and up until the filing date of the Registration Document.

7.2.2 AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS**7.2.2.1 Authorizations granted by the Annual General Meeting to the Board of Directors with respect to share capital increases**

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at Dec. 31, 2011
Authorization for the Board of Directors to increase the share capital through the issue, with pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company	AGM of April 21, 2011 (23 rd resolution) 26 months, i.e., until June 20, 2013	€25 million ^(a) ^(c) €1 billion (debt securities) ^(b)	None
Authorization for the Board of Directors to increase the share capital through the issue, without pre-emptive subscription rights for existing shareholders, of shares of common stock or securities carrying rights to shares of the Company via a public offering	AGM of April 21, 2011 (24 th resolution) 26 months, i.e., until June 20, 2013	€15 million ^(a) ^(c) €600 million (debt securities) ^(b)	None

Information about the Company, the capital and share ownership

INFORMATION ON SHARE CAPITAL

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at Dec. 31, 2011
Authorization for the Board of Directors to issue shares of the Company and securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company	AGM of April 21, 2011 (25 th resolution) 26 months, i.e., until June 20, 2013	€15 million ^{(a) (c) (d)}	None
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock or securities carrying rights to the capital, via a private placement as referred to in article L.411-2-II of the French Monetary and Financial Code without pre-emptive subscription rights for existing shareholders	AGM of April 21, 2011 (26 th resolution) 26 months, i.e., until June 20, 2013	€10 million ^{(a) (c) (d)} €600 million (debt securities) ^{(b) (e)}	None
Authorization for the Board of Directors to increase the number of shares to be issued in the event of a share issue with or without pre-emptive subscription rights	AGM of April 21, 2011 (27 th resolution) 26 months, i.e., until June 20, 2013	15% of the initial share issue ^(f)	None
Authorization for the Board of Directors in the event of the issue, without pre-emptive subscription rights for existing shareholders, of shares or any securities carrying immediate or deferred rights to the Company's shares to set the issue price according to the terms and conditions adopted by the Annual General Meeting, within the limit of 10% of the Company's share capital	AGM of April 21, 2011 (28 th resolution) 26 months, i.e., until June 20, 2013	10% of the Company's share capital ^(g)	None
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock in consideration for contributions in kind granted to the Company and consisting of capital stock or securities carrying rights to shares	AGM of April 21, 2011 (29 th resolution) 26 months, i.e., until June 20, 2013	10% of the Company's share capital ^(c)	None
Authorization for the Board of Directors to increase the share capital by capitalizing reserves, profits or additional paid-in capital	AGM of April 21, 2011 (30 th resolution) 26 months, i.e., until June 20, 2013	€15 million ^(c)	None
Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran Group employee savings plans	AGM of April 21, 2011 (31 st resolution) 26 months, i.e., until June 20, 2013	1.5% of share capital ^(c)	None
Authorization for the Board of Directors to grant stock subscription options or stock purchase options to employees and corporate officers of the Company and companies of the Safran Group	AGM of April 21, 2011 (32 nd resolution) 26 months, i.e., until June 20, 2013	1.5% of share capital ^(c)	None
Blanket ceilings on authorizations for share or security issues	AGM of April 21, 2011 (33 rd resolution)	Sub-ceiling: €35 million for the 23 rd , 24 th and 26 th resolutions. Sub-ceiling: €1.4 billion (debt securities) for the 23 rd , 24 th and 26 th resolutions. €60 million blanket ceiling for the 23 rd , 24 th , 26 th , 29 th , 30 th , 31 st and 32 nd resolutions	None
Authorization for the Board of Directors to make free share grants of the Company's existing shares or shares to be issued to employees and corporate officers of the Company and companies of the Safran Group	AGM of April 21, 2011 (34 th resolution) 26 months, i.e., until June 20, 2013	1.5% of share capital 0.1% of share capital if granted to executive corporate officers	None

INFORMATION ON SHARE CAPITAL

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at Dec. 31, 2011
Authorization for the Board of Directors to issue stock warrants to shareholders in the event of a tender offer on the Company	AGM of April 21, 2011 (36 th resolution) 18 months, i.e., until October 20, 2012	€40 million	None

(a) This amount is included in the sub-ceiling of €35 million for capital increases set by the Annual General Meeting of April 21, 2011 (33rd resolution).

(b) This amount is included in the sub-ceiling of €1.4 billion for the issue of debt securities set by the Annual General Meeting of April 21, 2011 (33rd resolution).

(c) This amount is included in the blanket ceiling of €60 million for capital increases set by the Annual General Meeting of April 21, 2011 (33rd resolution).

(d) This amount is included in the ceiling of €15 million for capital increases without pre-emptive subscription rights set by the Annual General Meeting of April 21, 2011 (24th resolution).

(e) This amount is included in the ceiling of €600 million for the issue of debt securities without pre-emptive subscription rights set by the Annual General Meeting of April 21, 2011 (24th resolution).

(f) The ceilings applicable to the 23rd, 24th and 26th resolutions of the Annual General Meeting of April 21, 2011 still apply if the option provided for in the 27th resolution of the Annual General Meeting of April 21, 2011 is exercised.

(g) The ceilings applicable to the 24th and 26th resolutions of the Annual General Meeting of April 21, 2011 still apply if the option provided for in the 28th resolution of the Annual General Meeting of April is exercised.

The authorizations to increase share capital granted by the Annual General Meeting to the Board of Directors were not used in 2011 or up until the filing date of this Registration Document.

7.2.2.2 Authorizations submitted for approval at the Annual General Meeting of May 31, 2012

The authorizations submitted for approval at the Annual General Meeting of May 31, 2012 are presented in section 8.2 of this Registration Document.

7.2.3 THE COMPANY'S SECURITIES

7.2.3.1 Other securities

As of the date of this Registration Document, Safran has not issued any securities not representing capital.

7.2.3.2 Securities carrying rights to shares of the Company

As of December 31, 2011, there were no securities carrying immediate or deferred rights to shares of Safran.

7.2.4 HISTORY OF THE SHARE CAPITAL SINCE 2005

Date	Transaction	Safran share price (in €)	Amount of share capital (in €)	Number of outstanding shares	Additional paid-in capital (cumulative amount in € thousands)
Situation as of December 31, 2011		0.20	83,405,917	417,029,585	3,288,568
May 11, 2005	Merger of Snecma into Sagem SA, now Safran	0.20	83,405,917	417,029,585	3,288,568
March 17, 2005	Settlement-delivery of Sagem shares exchanged as part of the Sagem public exchange offer for Snecma shares	0.20	73,054,834	365,274,170	3,214,696
Situation as of January 1, 2005		0.20	35,500,000	177,500,000	163,366

7.2.5 PLEDGING OF SHARES

To the best of the Company's knowledge, 3,759,271 shares representing 0.90% of the share capital were pledged as of December 31, 2011, compared with 4,695,422 shares representing 1.13% of the share capital as of December 31, 2010.

7.2.6 TREASURY SHARES

Situation as of December 31, 2011

	Number of shares	% capital	Carrying amount as of Dec. 31, 2011 (in €)	Total nominal value (in €)
Treasury shares, held directly	6,930,515	1.66	109,385,740	1,386,103.00
Treasury shares, held indirectly ^(*)	828,282	0.20	13,625,239	165,656.40
TOTAL	7,758,797	1.86	123,010,979	1,551,759.40

^(*) Through the intermediary of Lexvall 2, a wholly-owned indirect subsidiary of Safran, which serves as a non-operating holding company and whose share portfolio currently comprises Safran shares only.

7.2.7 SHARE BUYBACK PROGRAMS

The Annual General Meeting of April 21, 2011, by its twenty-second resolution authorized the Board of Directors, for a period of 18 months, to set up a share buyback program with the following primary characteristics:

Purpose of the program:

- to purchase shares for allocation or sale to employees or officers of the Company or of other Group companies, in accordance with the law, notably in connection with a profit-sharing plan, share grant plan, stock option plan or an employee stock ownership plan;
- for cancelation of shares;
- to maintain a liquid market in the Company's shares via a liquidity contract that complies with the code of ethics drawn up by the French association of financial and investment firms (*Association française des marchés financiers – AMAFI*) approved by the AMF, entered into with an investment services firm;
- to deliver shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means; and
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions.

Maximum percentage of share capital to be bought back:

- 10% of share capital.

Maximum purchase price per share:

- €35.

Total maximum amount that may be invested in the share buyback program:

- €1,400 million.

As of April 21, 2011, this program superseded the previous program authorized by the Annual General Meeting of May 27, 2010 (ninth resolution), with the same purpose (with the exception of the delivery of shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means), a maximum purchase price of €25 per share and a total maximum amount of €1,040 million to be invested in the buyback program.

7.2.7.1 Treasury share transactions in 2011

Share buybacks

In 2011, Safran purchased 3,732,645 treasury shares under liquidity contracts (that comply with the AMAFI code of ethics) entered into successively with Rothschild & Cie Banque and Kepler Capital Market:

- 429,500 shares were purchased between January 1 and April 21, 2011, at an average price of €24.46;
- 3,303,145 shares were purchased between April 22 and December 31, 2011, at an average price of €24.29.

Safran also purchased 30,825 shares from its wholly-owned indirect subsidiary Lexvall 13, at a price of €21.745 per share and 2,400,000 shares from its wholly-owned indirect subsidiary Lexvall 2, also at a price of €21.745 per share.

Sales of shares

In 2011, Safran sold 3,426,916 treasury shares under the above-mentioned liquidity contracts:

- 429,500 shares were sold between January 1 and April 21, 2011, at an average price of €24.62;
- 2,997,416 shares were sold between April 22 and December 31, 2011, at an average price of €24.35.

Under an accelerated book building procedure, 6,500,000 treasury shares (1.56% of the capital) were sold at a price of €29 within the context of an investment contract.

Cancelation of shares

None.

Delivery of free shares

Pursuant to the authorization granted to the Executive Board under the fourteenth resolution of the Annual General Meeting of May 28, 2008, on April 3, 2009 the Board decided to grant 4,200,000 existing Safran shares, representing roughly 1% of the share capital and in the amount of one hundred shares per beneficiary, free of consideration, to employees of Group companies within the scope of the European Works Council.

INFORMATION ON SHARE CAPITAL

For employees of the Group's French companies, beneficiaries were subject to a two-year vesting period from the grant date. This period ended on April 3, 2011, at which time 3,502,100 free shares were granted to the beneficiaries.

Liquidity contracts

Between December 17, 2009 and June 30, 2011, the liquidity contract was handled by Rothschild & Cie Banque. It was handed over to Kepler Capital Market for the period from July 5, 2011 to January 31, 2012. A liquidity contract that complies with the AMAFI code of ethics was entered into with Oddo Corporate Finance, effective from February 1, 2012.

Situation as of December 31, 2011

As of December 31, 2011, Safran directly held 6,930,515 of its own shares, representing 1.66% of its capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees or corporate officers: 6,624,786 shares;
- maintaining a liquid market in Safran's shares under a liquidity contract: 305,729 shares;

As of December 31, 2011, Safran also indirectly held, through the intermediary of its wholly-owned subsidiary Lexvall 2,828,282 shares representing 0.20% of its share capital.

7.2.7.2 Description of the share buyback program to be approved by the Annual General Meeting of May 31, 2012

Under the eighth resolution, the Annual General Meeting of May 31, 2012, is invited to authorize a new share buyback program. Drafted in accordance with the provisions of article 241-2 of the AMF's General Regulations, the program's description is presented below and will not be published separately pursuant to article 241-3-III of said Regulations.

Number of shares and percentage of share capital held directly or indirectly by the Company as of February 29, 2012

As of February 29, 2012, the Company directly and indirectly held 1,593,068 Safran shares, representing 0.38% of the total capital, breaking down as follows:

- treasury shares, held directly: 764,786 shares, or 0.18% of the share capital;
- treasury shares held indirectly (through the intermediary of its wholly-owned subsidiary Lexvall 2): 828,282 shares or 0.20% of the share capital.

Breakdown by purpose of share capital held directly by the Company as of February 29, 2012

The 764,786 Safran shares held directly by the Company as of February 29, 2012 are held for the following purposes:

- allocating or selling shares to employees or corporate officers: 624,786 shares;
- maintaining a liquid market in Safran's shares under a liquidity contract: 140,000 shares.

Objectives of the share buyback program

In accordance with EC Regulation 2273/2003 of December 22, 2003 and the market practices authorized by the AMF, the objectives of the share buyback program to be approved by the Annual General Meeting of May 31, 2012 are to purchase shares:

- for allocation or sale to employees or officers of the Company or of other Group companies, in accordance with the law, notably in connection with a profit-sharing plan, share grant plan, stock option plan or an employee stock ownership plan;
- for cancellation subject to the approval of the ninth resolution submitted to the shareholders for approval;
- to maintain a liquid market in the Company's shares via a liquidity contract that complies with the code of ethics drawn up by AMAFI, approved by the AMF and entered into with an investment services firm;
- to deliver shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means; and
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions.

Maximum percentage of share capital, maximum number and purchase price, and characteristics of the shares the Company wishes to acquire

The number of shares that may be bought back under the program may not exceed 10% of the Company's total shares. This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity contract, the number of shares included for the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the authorization period.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

As of December 31, 2011, the Company's capital was composed of 417,029,585 shares. Given the 7,758,797 shares already directly or indirectly held by the Company at this date, the maximum number of shares the Company could acquire in connection with this buyback program would be 33,944,162 shares.

Shares may not be purchased at a price of more than €35 per share and the maximum amount that may be invested in the program is €1.4 billion.

The maximum number of shares and the maximum purchase price as indicated above may be adjusted to reflect the impact on the share price of any share capital transactions carried out by the Company.

Share buyback program procedures

Shares may be purchased, sold, or transferred by any method allowed under the laws and regulations applicable at the transaction date, on one or more occasions, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, including during a tender offer for the Company's shares, subject to strict compliance with article 232-15 of the AMF's General Regulations, and solely for the purpose of enabling the Company to respect commitments made prior to the launch of such tender offer.

Term of the share buyback program

This new share buyback program shall be valid for a period of 18 months as from the approval of the Annual General Meeting of May 31, 2012, i.e., until November 30, 2013 at the latest.

7.3 SHARE OWNERSHIP

7.3.1 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

7.3.1.1 Situation as of December 31, 2011

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2011:

Shareholders	Shares		Exercisable voting rights		Theoretical voting rights ⁽⁵⁾	
	Number	% capital	Number	%	Number	%
Private investors ⁽¹⁾	216,692,488	51.96	226,748,673	44.77	226,748,673	44.10
French State	125,940,227	30.20	150,752,222	29.77	150,752,222	29.32
Employees' corporate mutual fund (FCPE) ⁽²⁾	27,557,360	6.61	50,888,126	10.05	50,888,126	9.90
Current or former employees	14,126,306	3.39	28,088,617	5.55	28,088,617	5.46
Club Sagem ⁽³⁾	24,954,407	5.98	49,908,814	9.86	49,908,814	9.71
Treasury shares, held directly	6,930,515	1.66	0	0.0	6,930,515	1.35
Treasury shares, held indirectly ⁽⁴⁾	828,282	0.20	0	0.0	828,282	0.16
TOTAL	417,029,585	100.00	506,386,452	100.00	514,145,249	100.00

(1) O/w Areva.

(2) Employee shareholding within the meaning of article L.225-102 of the French Commercial Code.

(3) Club Sagem is a simplified corporation with variable share capital (société par actions simplifiée à capital variable) whose corporate purpose is the acquisition and management of securities and whose portfolio comprises Safran shares and shares in other companies resulting from activities previously carried out by the Sagem group. Club Sagem is held at 53.74% by current and former employees of the Safran Group (current and former employees of Sagem), notably via a corporate mutual fund and at 46.26% by the Crédit Mutuel-CIC group.

(4) Shares held by the sub-subsidiary Lexvall 2.

(5) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (article 223-11 of the AMF's General Regulations).

To the best of the Company's knowledge, no shareholder apart from those listed in the table above holds more than 5% of Safran's share capital or voting rights.

Double voting rights

As of December 31, 2011, 97,115,664 shares are entitled to double voting rights pursuant to Article 31.8 of the Company's bylaws.

The main Safran shareholders do not have different voting rights from those of other shareholders. Any shareholder may be entitled to double voting rights in accordance with the conditions stipulated in Article 31.8 of the Company's bylaws (see section 7.1.2.2).

Representatives of employee shareholders

The Safran Board of Directors comprises two employee shareholder representatives, who were appointed with effect from April 21, 2011 by the Annual General Meeting.

7.3.2 BREAKDOWN OF SHARE OWNERSHIP BY GEOGRAPHIC ORIGIN

According to a survey on identifiable bearer shares carried out by Euroclear France, as of December 31, 2011 Safran's private investor shareholders break down as 86% institutional investors, 11% individual shareholders and 3% unidentified.

Of the 86% of institutional investors identified, 35% were from North America, 21% from France and 20% from the UK and Ireland.

Individual shareholders represent 11% of Safran's share capital, the majority of them being French.

7.3.3 CHANGE IN THE BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS OVER THE LAST THREE YEARS

Shareholders	December 31, 2009			December 31, 2010			December 31, 2011		
	Number of shares	% capital	% voting rights ⁽²⁾	Number of shares	% capital	% voting rights ⁽²⁾	Number of shares	% capital	% voting rights ⁽²⁾
Private investors	159,071,928	38.14	32.07	198,734,480	47.65	40.94	216,692,488 ⁽³⁾	51.96 ⁽³⁾	44.77 ⁽³⁾
French State	125,940,227	30.20	28.06	125,940,227	30.20	29.80	125,940,227	30.20	29.77
Employees' corporate mutual fund (FCPE) ⁽¹⁾	33,828,668	8.11	10.33	24,865,288	5.96	9.51	27,557,360	6.61	10.05
Current or former employees	18,354,942	4.40	6.76	15,280,015	3.67	6.02	14,126,306	3.39	5.55
Club Sagem	31,604,407	7.58	11.73	26,454,407	6.34	10.46	24,954,407	5.98	9.86
Areva	30,772,945	7.38	11.05	8,300,000	1.99	3.28	–	–	–
Treasury shares, held directly	14,197,361	3.41	0.00	14,196,061	3.41	0.00	6,930,515	1.66	0.00
Treasury shares, held indirectly	3,259,107	0.78	0.00	3,259,107	0.78	0.00	828,282	0.20	0.00
TOTAL	417,029,585	100.00	100.00	417,029,585	100.00	100.00	417,029,585	100.00	100.00

(1) Employee shareholding within the meaning of article L.225-102 of the French Commercial Code.

(2) Exercisable voting rights.

(3) O/w Areva.

7.3.4 DISCLOSURE THRESHOLDS

7.3.4.1 Significant movements during 2011

- 1/ On April 29, 2011, within the context of the new legal thresholds set by Safran's bylaws as adopted by the Annual General Meeting of April 21, 2011, Natixis Asset Management¹ (21, quai d'Austerlitz, 75634 Paris cedex 13), acting on behalf of the Safran Investissement corporate mutual fund, reported that as of April 26, 2011, said fund held 19,115,600 shares representing 35,878,600 voting rights, i.e., 4.58% of the capital and 6.87% of the voting rights.
- 2/ Club Sagem reported that it had reduced its interest in the Company's voting rights to below the 10% threshold on May 23, 2011 and that, at that date, it held 26,144,407 shares representing 51,098,814 voting rights, i.e., 6.27% of the capital and 9.78% of the voting rights. The threshold was crossed as a result of a loss of double voting rights and the sale of shares on the market (AMF recommendation 211C0799).
- 3/ The Amundi group's three fundamental asset management companies, namely Amundi, Société Générale Gestion and Etoile Gestion, combined their voting right policy and now report jointly on disclosure thresholds. Amundi Asset Management thus reported that:
 - following an acquisition on April 19, 2011, it held 9,989,440 shares in its money-market funds, representing 2.40% of the capital, thus exceeding the 2% statutory threshold;
 - following an acquisition on April 21, 2011, it held 14,102,688 shares in its money-market funds, representing 3.38% of the capital and 2.70% of the voting rights, thus exceeding the 3% statutory threshold;
 - following a sale on May 2, 2011, it held 11,326,405 shares in its money-market funds, representing 2.72% of the capital, thus falling below the 3% statutory threshold;
 - following a sale on May 3, 2011, it held 7,906,405 shares in its money-market funds, representing 1.90% of the capital and 1.51% of the voting rights, thus falling below the statutory threshold of 2%;
 - following an acquisition on September 19, 2011, it held 9,163,301 shares in its money-market funds, representing 2.19% of the capital, thus exceeding the statutory 2% threshold.

7.3.4.2 Significant movements since January 1, 2012

The following legal share ownership threshold disclosures were made since January 1, 2012 and up until the date the Registration Document was filed:

- On February 7, 2012, for regularization purposes, Natixis Asset Management¹ (21 quai d'Austerlitz, 75634 Paris cedex 13), acting on behalf of the Safran Investissement corporate mutual fund, reported that at January 30, 2012 it had exceeded the threshold of 5% of the Company's capital and it held, at that date and on behalf of said fund, 25,706,000 shares representing 42,469,000 voting rights, i.e., 6.16% of the capital and 8.26% of the voting rights. The threshold was exceeded as a result of an acquisition of Safran shares outside the market. Natixis Asset Management, acting on behalf of the Safran Investissement corporate mutual fund, also reported that on February 6, 2012 it held 25,692,000 Safran shares representing 42,455,000 voting rights, i.e., 6.16% of the capital and 8.26% of the voting rights (AMF recommendation 212C0211).

- On February 16, 2012, Viking Global Investors LP, acting on behalf of the Viking Global Equities LP, Viking Global Equities II LP, VGE III Portfolio Ltd. and Viking Long Fund Master Ltd. funds (the "Funds") reported to the Company that:
 - following the acquisition of 32,885 shares on August 23, 2011, the Funds held 4,178,913 shares in the Company, resulting in them exceeding the 1% statutory threshold,
 - following the sale of 100,000 shares on January 16, 2012, the Funds held 4,129,728 shares in the Company, resulting in them exceeding the 1% statutory threshold.
- The Children's Investment Fund Management (UK) LLP, by letter of April 2, 2012, reported the acquisition on March 27, 2012 of Safran shares on behalf of the funds it manages, bringing the aggregate holdings of these funds to a total of 4,446,714 Safran shares, representing 1.07% of the Company's share capital, resulting in them exceeding the 1% statutory threshold.

7.3.5 CONTROL OF THE COMPANY – SHAREHOLDERS' AGREEMENT

As of the date of filing of this Registration Document, no shareholder held, directly or indirectly, jointly or in concert with another shareholder, a percentage of voting rights conferring control of the Company.

To the best of Company's knowledge, there are no current shareholder agreements relating to Safran shares.

7.3.6 AGREEMENTS WHOSE IMPLEMENTATION COULD LEAD TO A CHANGE IN CONTROL OF THE COMPANY

To the best of the Company's knowledge, there are no agreements whose implementation at a later date could lead to a change in control of the Company.

Undertaking to hold securities

To the best of Company's knowledge, there is no collective undertaking to hold securities relating to Safran shares.

7.3.7 EMPLOYEE SHAREHOLDERS

7.3.7.1 Free share grants

Pursuant to the authorization granted to the Executive Board under the fourteenth resolution of the Annual General Meeting of May 28, 2008, on April 3, 2009 the Executive Board decided to grant 4,200,000 existing Safran shares, representing roughly 1% of the share capital and in the amount of one hundred free shares per beneficiary to employees of Group companies within the scope of the European Works Council.

For employees of the Group's French companies, beneficiaries were subject to a two-year vesting period from the grant date. This period ended on April 3, 2011, at which time the free shares were granted to the beneficiaries. This is followed by a two-year lock-up period during which the beneficiaries may exercise the rights attached to the shares (voting rights, dividends), although the shares may not be sold.

The two members of the Supervisory Board representing employee shareholders were the only two Safran corporate officers who were granted shares. Other corporate officers who could have benefited from this plan for the grant of free shares under their employment contract individually waived such rights.

For employees of the Group's companies located outside of France, but within the scope of the European Works Council, the vesting period is four years, with no lock-up period, and ends April 3, 2013 at which time just over 500,000 free shares will be awarded to the eligible beneficiaries present in the Group at that date.

These share grants will only fully vest with the employees concerned subject to the fulfillment of the conditions stipulated in the plan regulations.

No other free shares were granted to Safran's corporate officers or to its employees in 2011.

7.3.7.2 Other transactions

Profit-sharing bonus and employee share ownership

Within the scope of recent French legislation on profit sharing, a Group agreement was signed enabling the payment of an across-the-board bonus of €500 gross to each beneficiary employee.

In order to strengthen employees' commitment to its objectives, success and future performance, the Group implemented an employee share ownership plan in France. Employees could allocate some or all of their profit-sharing bonus to this plan. There was considerable interest in the plan, with 16,000 employees taking part. All of the six million shares allocated by Safran to the plan were subscribed.

During first-quarter 2012, the plan was rolled out for the Group's employees in other countries.

7.3.7.3 Stock options

As of the date this Registration Document was filed, the Board of Directors has not used the 26-month authorization approved by the thirty-second resolution of the Annual General Meeting of April 21, 2011 to give stock options granting entitlement to subscribe for new shares of the Company or to purchase existing shares bought back by the Company. This authorization expires on June 20, 2013.

There is no stock subscription or stock purchase option plan in progress.

Safran affiliates do not grant stock subscription or purchase options.

7.4

RELATIONS WITH SHAREHOLDERS

7.4.1 COMPREHENSIVE AND ACCESSIBLE FINANCIAL INFORMATION

Safran provides all of its shareholders with clear, comprehensive and accessible information that responds accurately to their needs, regardless of their level of expertise. The Group provides its shareholders with several information and communication tools including the Annual Report, the Registration Document, the Shareholders' Guide, the Shareholders' Newsletter, Safran Magazine, the website, a toll-free line (France only), financial press releases, etc.

The Annual Report, which describes the Group and its businesses, is aimed at a wide audience including individual shareholders, journalists and any other person or persons interested in the Group. The Registration Document, filed with the AMF, is aimed at those with more in-depth financial knowledge. The Group provides two different documents with a view to offering shareholders better access to information. The layout of the Registration Document was overhauled in order to make it more reader friendly.

7.4.2 MEETINGS WITH THE FINANCIAL COMMUNITY

In order to get to know its audience and provide it with information on its business strategy, Safran regularly meets with financial analysts and institutional investors from France and other countries during presentations of financial results, conferences and seminars. The Group's management also wished to present the Group's fundamentals and growth perspective during an Investors' Day organized on December 13, 2011. These regular events enable the Group to keep up relations with its main points of contact and build

a trust-based relationship. The Safran share is regularly monitored by more than 20 financial analysts.

To develop a close, trust-based relationship with its individual shareholders, Safran proposes industrial-site visits to members of the Shareholders' Club. In 2011, seven half-day visits were organized, during which more than 200 people got an insiders' view of the Group's business activities.

7.4.3 PROVISIONAL SHAREHOLDERS' AGENDA

First-quarter 2012 revenue: April 26, 2012

Ordinary and Extraordinary Shareholders' Meeting: May 31, 2012

First-half 2012 results: July 31, 2012

Third-quarter 2012 revenue: October 25, 2012

7.4.4 INVESTOR RELATIONS CONTACTS

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

Investors and analysts

Tel.: +33 (0)1 40 60 83 53

Email: investor.relation@safran.fr

Individual shareholders and Shareholders' Club

Toll-free number (France only): 0 800 17 17 17

Email: actionnaire.individuel@safran.fr

7.5

STOCK MARKET INFORMATION

The Safran share (ISIN code: FR0000073272 – Ticker symbol: SAF) is listed on the A list of the Euronext Paris Eurolist and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

From January 1 to March 20, 2011, the Safran share was included in the Euronext SBF 80, SBF 120, SBF 250, Euronext 100, CAC IT, CAC IT 20, CAC All-Share, CAC NEXT 20, CAC Industrials and Euronext FAS IAS indices. From March 21, 2011 to September 18, 2011, the Safran share was included in the CAC Large 60, CAC NEXT 20, SBF 120, CAC All-Tradable, CAC All-Share, CAC Industrials, CAC Aero. & Def., Euronext 100 and Euronext FAS IAS indices. Since September 19, 2011, the Safran share has been included in the CAC 40, CAC 40 Equal Weight, CAC Large 60, SBF 120, CAC All-Tradable, CAC All-Share, CAC Industrials, CAC Aero. & Def., Euronext 100 and Euronext FAS IAS indices.

Main stock market data over three years

	2009	2010	2011
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price (in €)			
High	13.800	27.950	30.500
Low	6.587	13.670	20.180
Closing	13.690	26.500	23.205
Market capitalization as of December 31 (in € millions)	5,709	11,051	9,677

Change in share price from January 1, 2011 to March 31, 2012		Average share price* (in €)	High (in €)	Low (in €)	Average daily transactions	Average market capitalization**
					(in number of shares)	(in € millions)
	2011					
January		27.244	28.680	25.840	1,039,966	11,362
February		25.839	26.860	24.090	1,001,989	10,776
March		25.037	26.595	23.235	831,339	10,441
April		24.465	26.450	23.170	2,319,057	10,203
May		27.205	28.710	25.215	1,057,395	11,345
June		28.473	29.850	26.750	1,033,656	11,874
July		28.999	30.500	26.740	1,172,655	12,093
August		25.158	29.870	21.450	1,305,411	10,492
September		25.195	28.035	21.880	1,639,896	10,507
October		23.888	25.830	21.405	1,512,790	9,962
November		22.420	25.100	20.180	1,417,143	9,350
December		22.252	24.000	21.210	1,094,752	9,280
January	2012	23.686	25.020	22.755	1,035,845	9,878
February		24.498	26.010	23.660	1,193,842	10,216
March		26.443	27.630	24.515	1,289,645	11,028

* Average closing price.

** Out of the 417,029,585 shares that comprised the share capital from January 1, 2011 to March 31, 2012. Source: NYSE Euronext.



Ordinary and Extraordinary Shareholders' Meeting of May 31, 2012

8.1	Agenda	270
8.2	Proposed resolutions	271
	8.2.1 Ordinary resolutions	271
	8.2.2 Extraordinary resolutions	277
	8.2.3 Powers	280
8.3	Dividend payment policy	280
8.4	Five-year financial summary	281
8.5	Statutory auditors' reports	282
	8.5.1 Statutory auditors' special report on related-party agreements and commitments	282
	8.5.2 Statutory auditors' reports on the proposed resolutions presented to the Annual General Meeting of May 31, 2012	286

In Brief

8

ordinary resolutions

3

extraordinary resolutions

1

resolution concerning powers
to carry out formalities

The Annual General Meeting will be held on May 31, 2012 at the CNIT (Paris – La Défense, France).

PROPOSED RESOLUTIONS

- Approval of the parent company and consolidated financial statements for the year ended December 31, 2011
- Appropriation of profit for the year and approval of the recommended dividend
- Approval of related-party agreements and commitments
- Setting the amount of attendance fees to be allocated to the Board of Directors
- Authorization for the Board of Directors to implement a share buyback program
- Financial authorizations
- Powers to carry out formalities

DIVIDEND

At the Annual General Meeting of May 31, 2012, the Board of Directors will recommend a dividend payment of €0.62 per share, representing a total payout of around €258 million (including the €102 million interim dividend paid in December 2011).

	2009	2010	2011
Dividend per share	€0.38	€0.50	€0.62

8.1

AGENDA

ORDINARY RESOLUTIONS

First resolution:	Approval of the parent company financial statements for the year ended December 31, 2011 – Discharge given to the members of the Board of Directors for the performance of their duties
Second resolution:	Approval of the consolidated financial statements for the year ended December 31, 2011
Third resolution:	Appropriation of profit for the year and approval of the recommended dividend
Fourth resolution:	Approval of related-party agreements governed by article L.225-38 of the French Commercial Code (<i>Code de commerce</i>)
Fifth resolution:	Approval of a related-party commitment (governed by article L.225-42-1, paragraph 1 of the French Commercial Code) given to the Chairman and Chief Executive Officer concerning a termination benefit payable in the event he is removed from office
Sixth resolution:	Approval of related-party commitments (governed by article L.225-42-1 of the French Commercial Code) given to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers relating to pension and personal risk insurance plans
Seventh resolution:	Setting the amount of attendance fees to be allocated to the Board of Directors
Eighth resolution:	Authorization for the Board of Directors to implement a share buyback program

EXTRAORDINARY RESOLUTIONS

Ninth resolution:	Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares
Tenth resolution:	Authorization for the Board of Directors to issue free stock warrants in the event of a tender offer for the Company
Eleventh resolution:	Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran Group employee savings plan (employee rights issues)

POWERS

Twelfth resolution:	Powers to carry out formalities
---------------------	---------------------------------

8.2 PROPOSED RESOLUTIONS

8.2.1 ORDINARY RESOLUTIONS

Approval of the parent company and consolidated financial statements for the year ended December 31, 2011

PRESENTATION OF THE FIRST AND SECOND RESOLUTIONS

In the first and second resolutions shareholders are invited to (i) approve the parent company and consolidated financial statements for the year ended December 31, 2011 as well as the expenses incurred during the year that are not deductible for tax purposes, and (ii) give discharge to the members of the Board of Directors for the performance of their duties during 2011.

- The parent company financial statements show that the Company ended 2011 with profit of €352.9 million compared with €497.1 million in 2010.
- The consolidated financial statements show attributable profit for the year amounting to €478 million (€1.18 per share) versus €207 million (€0.51 per share) in 2010.

TEXT OF THE FIRST RESOLUTION

Approval of the parent company financial statements for the year ended December 31, 2011 – Discharge given to the members of the Board of Directors for the performance of their duties

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the management report prepared by the Board of Directors and the report of the statutory auditors on the parent company financial statements, the shareholders approve the financial statements of the parent company for the year ended December 31, 2011 as presented – showing profit for the year of €352,862,622.20 – together with the transactions reflected in these financial statements and referred to in these reports.

Pursuant to article 223 *quater* of the French Tax Code (*Code général des impôts*), the shareholders approve the non-deductible

expenses governed by article 39-4 of said Code, which totaled €119,540.34 and gave rise to a tax charge of €43,154.06.

Consequently, the shareholders give discharge to the members of the Board of Directors for the performance of their management duties during from April 21 to December 31, 2011.

TEXT OF THE SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2011

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the Management Report prepared by the Board of Directors and the report of the statutory auditors on the consolidated financial statements, the shareholders approve the consolidated financial statements for the year ended December 31, 2011 as presented, together with the transactions reflected in these financial statements and referred to in these reports.

Appropriation of profit for the year and approval of the recommended dividend

PRESENTATION OF THE THIRD RESOLUTION

Safran SA's distributable profit for 2011 totals €359.4 million, breaking down as €352.9 million in profit for the year plus €6.5 million in retained earnings brought forward from prior years.

The Board of Directors is recommending a total dividend payout of €258 million, representing a per-share dividend of €0.62, up 24% on 2010.

An interim dividend of €0.25 per share was paid on December 22, 2011 with the ex-dividend date having been set as December 19, 2011. If the third resolution is approved, the ex-dividend date for the balance of the 2011 dividend – corresponding to €0.37 per share – will be set as June 5, 2011 and the dividend payment will be made on June 8, 2012.

Out of the remaining amount of profit available for distribution, €100 million would be allocated to a discretionary reserve and the residual €0.8 million to the retained earnings account.

PROPOSED RESOLUTIONS

TEXT OF THE THIRD RESOLUTION**Appropriation of profit for the year and approval of the recommended dividend**

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, the shareholders approve the Board of Directors' proposal and resolve to appropriate profit for the year ended December 31, 2011 as follows:

• Profit for 2011	€352,862,622.20
• Retained earnings ⁽¹⁾	€6,489,489.56
• Profit available for distribution	€359,352,111.76

Appropriation:

Dividend	€258,558,342.70
Optional reserves	€100,000,000.00
Retained earnings	€793,769.06

(1) Including €5,347,130.50 corresponding to the 2010 dividend due on shares held in treasury at the dividend payment date.

The shareholders note that dividends paid for the past three years were as follows:

Year	Number of shares carrying dividend rights ⁽¹⁾	Net dividend per share	Total payout ⁽³⁾
2010	406,335,324	€0.50	€203,167,662
2009	402,833,124	€0.38	€153,076,587
2008	402,443,027 ⁽²⁾	€0.25	€100,610,161

(1) Total number of shares making up the Company's capital (417,029,585) less the number of Safran shares held in treasury at the dividend payment date.

(2) An interim dividend (€0.08) was paid on 402,435,575 shares and the final dividend (€0.17) was paid on 402,443,027 shares.

(3) Fully eligible for the 40% tax relief provided for under article 158.3.2 of the French Tax Code.

Based on the above appropriation, the per-share dividend will amount to €0.62.

An interim dividend of €0.25 per share was paid on December 22, 2011 with the ex-dividend date having been set as December 19, 2011. The ex-dividend date for the remaining payout of €0.37 per share will be June 5, 2012 and the dividend will be paid on June 8, 2012.

Individuals domiciled for tax purposes in France are eligible for the 40% tax relief on the dividend (including the interim dividend already paid), as provided for under article 158.3.2 of the French Tax Code, unless they have elected to pay the 21% dividend withholding tax provided for under article 117 *quater* of said Code.

The shareholders further resolve that shares held in treasury at the dividend payment date will not carry dividend rights and the amounts corresponding to the dividends on these shares will be credited to retained earnings.

Approval of related-party agreements and commitments**PRESENTATION OF THE FOURTH, FIFTH AND SIXTH RESOLUTIONS**

The purpose of the fourth, fifth and sixth resolutions is to obtain shareholder approval for the related-party agreements and commitments entered into in 2011 as described in the statutory auditors' special report.

Fourth resolution**Related-party agreements governed by articles L.225-86 and L.225-38 of the French Commercial Code**

These agreements include agreements – other than those falling within the scope of routine operations – that are entered into between the Company and (i) any companies with which it has a member of management in common, or (ii) a shareholder owning more than 10% of the Company's voting rights. Until April 21, 2011, these agreements required the prior approval of the Supervisory Board. Since that date, following the change in the Company's governance structure, they now require the prior approval of the Board of Directors. In addition the statutory auditors are required to draw up a special report on these types of related-party agreement.

Six new agreements subject to this procedure were entered into in 2011.

Acquisition by Safran from SNPE of SNPE Matériaux Énergétiques (SME) and a 40% stake in Regulus

The members of the Supervisory Board representing the French State (Pierre Aubouin and Christophe Burg – who also represent the French State as members of the Board of Directors of SNPE – as well as Patrick Gandil and Jean-Bernard Pène) did not take part in the Supervisory Board's discussions or vote on these agreements.

Following the signature of a letter of intent dated October 5, 2010:

- On February 14, 2011 Safran and SNPE entered into a share transfer agreement concerning the sale of 15,899,999 shares in SME (representing the company's entire share capital less one share held by the French State) and 15,998 shares in Regulus, representing 40% of that company's capital.
- On April 5, 2011 Safran and SNPE entered into a reiterative agreement setting out the main provisions of the share transfer agreement, exclusively for the purposes of carrying out the required formalities for the sales concerned and the payment of the related transfer taxes.

Both of these agreements were signed using the authorization given to the Executive Board by the Supervisory Board on July 27, 2010.

Under the terms of the share transfer agreement, SNPE granted Safran a specific guarantee for a period of 30 to 40 years concerning environmental liabilities arising from past operations at eight sites. This guarantee is capped at €240 million for 15 years and at €200 million thereafter, with Safran required to bear 10% of the costs concerned. The agreement also provides for sub-limits within this specific guarantee, representing €91 million for clean-up works during operations and €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. In connection with these sub-limits Safran will be required to bear 10% of the costs of clean-up works and 50% of the Perchlorate Plan costs. This Plan must be drawn up jointly by Safran and SNPE within 18 months of the acquisition date. Its underlying aim is to define, reduce and/or confine sources of ammonium perchlorate pollution and it must be implemented over a period of five years. These guarantees granted by SNPE to Safran are counter-guaranteed by the French State for €216 million.

The share transfer agreement also provides for other guarantees granted by SNPE which are capped at €25 million and have time limits of 3 to 10 years depending on the type of guarantee concerned.

Amendment no. 1 to the three-way agreement in lieu of a “golden share” entered into by Sagem SA, Snecma and the French state on December 21, 2004

The members of the Supervisory Board representing the French State (Pierre Aubouin and Christophe Burg – who also represent the French State as members of the Board of Directors of SNPE – as well as Patrick Gandil and Jean-Bernard Pène) did not take part in the Supervisory Board’s discussions or vote on this amendment.

Following Safran’s acquisition of (i) the entire interest owned by SNPE in SNPE Matériaux Énergétiques (subsequently renamed SME), except for one share held by the French State, and (ii) a 40% stake in Regulus, the French State’s contractual rights concerning the protection of national interests as provided for in the December 21, 2004 agreement were extended by way of an amendment to said agreement (Amendment no. 1). This extension covers Safran’s newly-acquired 40% interest in Regulus as well as a number of strategic assets held by Roxel France, in which SME holds an indirect 50% stake (mainly corresponding to propellant chambers for statoreactors located on the national territory and owned by Roxel France, and limited to the rights Safran holds pertaining to its indirect 50% interest in Roxel France).

The signature of this amendment was authorized by the Supervisory Board on March 30, 2011. It was signed on March 31, 2011 and entered into force on April 5, 2011.

Amendment no. 2 to the three-way agreement in lieu of a “golden share” entered into by Sagem SA, Snecma and the French State on December 21, 2004

The members of the Board of Directors representing the French State (Pierre Aubouin and Christophe Burg – who also represent the French State as members of the Board of Directors of SNPE – as well as Michèle Rousseau and Laure Reinhart) did not take part in the Board of Directors’ discussions or vote on this amendment.

At the April 21, 2011 Annual General Meeting, Safran changed its corporate governance structure from a two-tier system with an Executive Board and a Supervisory Board to a single-tier system with a Board of Directors. The provisions of the December 21, 2004 agreement were consequently amended for the sole purpose of harmonization with Safran’s new governance structure.

The signature of this amendment was authorized by the Board of Directors on May 26, 2011. It was signed on June 29, 2011 and entered into force on the same date.

Amendment no. 3 to the three-way agreement in lieu of a “golden share” entered into by Sagem SA, Snecma and the French State on December 21, 2004

The members of the Board of Directors representing the French State (Astrid Milsan and Christophe Burg – who also represent the French State as members of the Board of Directors of SNPE – as well as Michèle Rousseau and Laure Reinhart) did not take part in the Board of Directors’ discussions or vote on this amendment.

Following its acquisition of all of the shares in SME (except for one share held by the French State) Safran intends to merge SPS into SME.

Consequently, it was deemed necessary to add SME to the list of strategic subsidiaries whose shares and assets are protected by the December 21, 2004 three-way agreement. SME was formally added to this list by way of Amendment no. 3 to the agreement.

The signature of this amendment was authorized by the Board of Directors on December 15, 2011. It was signed on December 16, 2011 and entered into force on the same date.

Agreement concerning a syndicated credit line entered into with a group of seven banks, including Crédit Industriel et Commercial (Crédit Mutuel-CIC group)

Michel Lucas – who is a Director of Safran and the Chairman and CEO of CIC – did not take part in the Board of Directors’ discussion or vote on this agreement.

This agreement was authorized by the Board of Directors on October 20, 2011 and signed on October 21, 2011.

PROPOSED RESOLUTIONS

It concerns a €950 million five-year revolving credit facility maturing in October 2016 granted by (i) Bank of Tokyo-Mitsubishi, CIC, Natixis and Société Générale CIB in their capacity as bookrunners and lead arrangers, (ii) BNP Paribas, Crédit Agricole CIB and HSBC France in their capacity as lead arrangers, and (iii) Crédit Agricole CIB in its capacity as facility agent.

This new credit facility – which will be used for the Group's general financing requirements – is an addition to the existing €1.6 billion facility put in place in 2010.

The expense recorded in the 2011 financial statements relating to the new facility amounted to €4,815,000, corresponding to arrangement, participation and documentation agent fees which are payable on signature of the related contract, as well as the agent's annual commission.

Commitments governed by article L.225-42-1 of the French Commercial Code

Under French law, certain commitments given by the Company – or by companies that it controls – to the Chairman, Chief Executive Officer(s) or Deputy Chief Executive Officer(s) are subject to the procedure applicable for related-party agreements. Such commitments include commitments given in relation to (i) benefits due or payable as a result of the termination or a change in position, (ii) supplementary pension benefits, and (iii) collective and compulsory retirement and personal risk insurance plans, as referred to in article L.242-1 of the French Social Security Code (*Code de la sécurité sociale*).

Several new commitments subject to this procedure have been given as a result of the change in the Company's governance structure in 2011.

Fifth resolution

Commitment given to Jean-Paul Herteman, Chairman and Chief Executive Officer, concerning a termination benefit payable in the event he is removed from office by the Board of Directors

According to the Board of Directors decision of April 21, 2011, in the case of early termination of the term of office of Jean-Paul Herteman as Chairman and Chief Executive Officer, for any reason whatsoever, save serious or gross misconduct (including the consequences of a merger with another company or absorption by another company, a health incident or strategic differences with the other Board members), he will be entitled to a termination payment equal to two years of fixed and variable compensation.

The reference compensation will be equal to the average fixed and variable compensation received during the three years preceding his termination.

This payment will be made only if the variable compensation received over the three fiscal years preceding his termination is equal to or higher than 80% of the target variable compensation.

Otherwise, the amount of the termination payment will be reduced or eliminated as decided by the Board of Directors.

Sixth resolution

Related-party commitment given to Jean-Paul Herteman, Chairman and Chief Executive Officer

Supplementary pension benefits: At its meeting on April 21, 2011, the Board of Directors decided that if a supplementary pension plan were put in place for all of the Group's senior managers, the Chairman and Chief Executive Officer would be eligible to participate in the plan provided the applicable performance conditions are met, which are the same as those that apply to his termination benefit.

Continuation of personal risk insurance benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

In their former capacity as employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously members of the personal risk insurance plan set up for all Safran Group employees.

At its meeting of July 27, 2011 the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by this plan. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

Continuation of supplementary pension benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

In their former capacity as employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously members of the defined contribution supplementary pension plans set up for the Company's executives.

At its meeting of July 27, 2011, the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by these supplementary pension plans. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

TEXT OF THE FOURTH RESOLUTION

Approval of related-party agreements governed by article L.225-38 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the statutory auditors' special report on related-party agreements governed by article L.225-38 of the French Commercial Code (*Code de commerce*), the shareholders approve the new agreements entered into in 2011 as presented in this report.

TEXT OF THE FIFTH RESOLUTION

Approval of a related-party commitment (governed by article L.225-42-1 of the French Commercial Code) given to the Chairman and Chief Executive Officer concerning a termination benefit payable in the event he is removed from office

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the statutory auditors' special report on related-party commitments governed by article L.225-42-1 of the French Commercial Code, the shareholders approve the commitment described therein concerning a termination benefit payable to Jean-Paul Herteman in the event he is removed from office.

TEXT OF THE SIXTH RESOLUTION

Approval of related-party commitments (governed by article L.225-42-1 of the French Commercial Code) given to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers relating to pension and personal risk insurance plans

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the statutory auditors' special report on commitments governed by article L.225-42-1 of the French Commercial Code, the shareholders approve the commitments described therein given to (i) the Chairman and Chief Executive Officer, concerning supplementary pension benefits and (ii) the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers, concerning their continued membership of defined contribution supplementary pension plans and a personal risk insurance plan.

Setting the amount of attendance fees to be allocated to the Board of Directors

PRESENTATION OF THE SEVENTH RESOLUTION

In the seventh resolution shareholders are invited to set the total maximum amount of attendance fees to be allocated to members of the Board of Directors at €670,000.

TEXT OF THE SEVENTH RESOLUTION

Setting the amount of attendance fees to be allocated to the Board of Directors

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Board of Directors, the shareholders set the total maximum amount of attendance fees to be allocated to members of the Board of Directors for 2012 at €670,000.

Authorization for the Board of Directors to implement a share buyback program

PRESENTATION OF THE EIGHTH RESOLUTION

The purpose of the eighth resolution is for shareholders to authorize the Board of Directors to implement a share buyback program with the following main conditions:

- The number of shares that may be bought back may not exceed 10% of the Company's total outstanding shares (e.g., 41,702,958 shares based on the issued capital at December 31, 2011) and the Company may at no time directly or indirectly hold a number of Safran shares representing more than 10% of the Company's share capital.
- The shares may be purchased, sold or transferred at any time (including during a public tender offer for the Company's shares) and by any authorized method, including through block trades or the use of derivatives, subject to the limitations set down in the applicable laws and regulations.
- The per-share purchase price of shares acquired using this authorization may not exceed €35 and the maximum amount that may be invested in the program is €1.4 billion.

The buyback program would be used for the purposes authorized in the applicable regulations, notably to purchase shares:

- for allocation or sale to employees or corporate officers, notably in connection with a profit-sharing plan, free share grant plan or employee stock ownership plan;
- for cancellation;
- to maintain a liquid market in the Company's shares via a liquidity contract entered into with an investments services firm;
- to deliver shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means;
- for delivery as payment or exchange for external growth transactions.

PROPOSED RESOLUTIONS

This authorization would be given for a period of 18 months as from the date of the Annual General Meeting and would supersede the previous authorization granted for the same purpose in the twenty-second resolution of the April 21, 2011 Annual General Meeting.

Report on the utilization in 2011 of previous share buyback programs authorized at the Annual General Meetings of May 27, 2010 and April 21, 2011

In 2011, the aggregate number of shares purchased under the liquidity contracts entered into successively with Rothschild & Cie Banque and Kepler Capital Market amounted to 3,732,645.

During the year, the Company also purchased 2,430,825 Safran shares from its indirectly wholly-owned subsidiaries Lexvall 13 and Lexvall 2 at a unit price of €21.745.

The total number of shares sold under these liquidity contracts amounted to 3,426,916.

In addition, 6,500,000 treasury shares (representing 1.56% of the Company's capital) were sold on the market at a unit price of €29 through an accelerated placement in accordance with a placement agreement.

No treasury shares purchased under a buyback program were canceled in 2011.

At December 31, 2011, the Company directly held 6,930,515 Safran shares, representing 1.66% of its share capital.

These treasury shares were held for the following purposes:

- allocating or selling to employees or corporate officers: 6,624,786 shares;
- maintaining a liquid market in Safran's shares under a liquidity contract: 305,729 shares.

At the same date, Safran also indirectly held, through the intermediary of its indirectly wholly-owned subsidiary Lexvall 2, 828,282 shares representing 0.20% of the Company's capital.

TEXT OF THE EIGHTH RESOLUTION

Authorization for the Board of Directors to implement a share buyback program

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Board of Directors, the shareholders grant the Board of Directors an authorization – which may be delegated pursuant to the law – to purchase, directly or indirectly, the Company's shares in accordance with the conditions set out in articles L.225-209 *et seq.* of the French Commercial Code, EC Regulation 2273/2003 dated December 22, 2003, the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), as well as any other laws and regulations that may be applicable in the future.

The authorization may be used to purchase shares:

- for allocation or sale to employees or officers of the Company or of other Group companies, in accordance with the law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan or employee stock ownership plan;
- for cancelation subject to the approval of the ninth resolution below;
- to maintain a liquid market in the Company's shares via a liquidity contract that complies with the code of ethics drawn up by the French association of financial and investment firms (*Association Française des Marchés Financiers* – AMAFI) approved by the AMF, entered into with an investment services firm;
- to deliver shares in connection with the exercise of rights attached to securities that give access to the Company's capital by reimbursement, conversion, exchange, presentation of a warrant or by any other means; and
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions.

Shares may be purchased, sold, or transferred by any method allowed under the laws and regulations applicable at the transaction date, on one or more occasions, including over-the-counter and

through a block trade for all or part of the program, as well as through the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, including during a tender offer for the Company's shares, subject to strict compliance with article 232-15 of the AMF's General Regulations, and solely for the purpose of enabling the Company to respect commitments made prior to the launch of such a tender offer.

The number of shares that may be bought back under this authorization may not exceed 10% of the Company's total shares (e.g., 41,702,958 shares based on the issued capital at December 31, 2011). This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares under a liquidity contract, the number of shares included for the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the authorization period.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

The shares may not be purchased at a price of more than €35 per share and the maximum amount that may be invested in the program is €1.4 billion. The Board of Directors may adjust the maximum purchase price to reflect the impact on the share price of any share capital transactions carried out by the Company.

The shareholders give the Board of Directors full powers – which may be delegated in accordance with the law – to implement this share buyback program, to set the applicable terms and conditions, make the required adjustments as a result of any share capital transactions, place any and all buy and sell orders, enter into any and all agreements notably for the keeping of registers of share purchases and sales, make any and all filings with the AMF and any other organization, carry out all other formalities, and generally do everything necessary to use this authorization.

This authorization is given for a period of 18 months from the date of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the twenty-second resolution of the Annual General Meeting held on April 21, 2011.

8.2.2 EXTRAORDINARY RESOLUTIONS

Financial authorizations

PRESENTATION OF THE NINTH AND TENTH RESOLUTIONS

Certain of the financial authorizations given to the Board of Directors at the April 21, 2011 Annual General Meeting – which were not used in 2011 – are due to expire shortly. Shareholders are therefore being asked to renew the authorizations that were granted for a period of less than twenty-six months.

Ninth resolution

Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares

In the ninth resolution the Board of Directors is seeking an authorization to reduce the Company's capital by canceling all or some of the treasury shares purchased under share buyback programs previously authorized by shareholders as well as the new program proposed in the eighth resolution.

In compliance with the applicable law, the number of shares canceled in any 24-month period would not be able to exceed 10% of the Company's capital.

This authorization would be given for a period of 24 months and would supersede the unused authorization given for the same purpose in the thirty-fifth resolution of the Annual General Meeting held on April 21, 2011.

Tenth resolution

Authorization for the Board of Directors to issue free stock warrants in the event of a tender offer for the Company

The purpose of the tenth resolution is to authorize the Board of Directors to issue free stock warrants in the event that a tender offer for the Company is filed within the 18 months following the Annual General Meeting. This authorization would only be used if the entity launching the offer is not itself required to obtain approval from its own shareholders to take defensive measures during an offer period, or is controlled by an entity that is not subject to such a requirement (the reciprocity rule).

The ability to issue stock warrants if a tender offer is launched for the Company's shares is not aimed at attempting to thwart a hostile bid and would be in the interests of both the Company and its shareholders. Such an authorization (i) constitutes a mechanism for ensuring the best valuation of the Company in the event of a tender offer as it would incite the bidder to increase its offer price if it were deemed too low, and (ii) would only be used by the Board of Directors in the event of an offer that is considered to be against the interests of the Company and its shareholders.

Any issue of stock warrants using this authorization would be carried out in accordance with the strict terms and conditions applicable to such issues set down in the French Commercial Code and the AMF's General Regulations.

The Board of Directors would be able to request any independent expert of its choosing to assist it with assessing any such offer and with determining whether or not the reciprocity rule applies.

If the Board uses this authorization to issue stock warrants it will be required to report to shareholders at the time of the issue on (i) the circumstances and reasons underlying why it does not consider the offer as being in the interests of the Company and its shareholders and which justify its decision to carry out an issue of stock warrants, and (ii) the criteria and methods used for determining the exercise price of the warrants.

The maximum number of stock warrants issued would not be able to exceed the number of shares making up the Company's capital at the warrant issue date and the maximum nominal amount of any capital increase resulting from their exercise would be set at €40 million, i.e., approximately 48% of the Company's share capital. This ceiling would apply independently of any other ceiling relating to issues of shares or securities carrying rights to shares in the Company.

This authorization could only be used by the Board of Directors in the event that a tender offer for the Company is launched within 18 months of the date of the Annual General Meeting.

It would supersede the previous authorization granted for the same purpose in the thirty-sixth resolution of the April 21, 2011 Annual General Meeting.

PROPOSED RESOLUTIONS

TEXT OF THE NINTH RESOLUTION**Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares**

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the statutory auditors' special report, in accordance with article L.225-209 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to reduce the Company's capital on one or more occasions, in the proportions and at the times it deems appropriate, by canceling all or some of the treasury shares held by the Company as a result of implementing a share buyback program. The number of treasury shares that may be canceled within any 24-month period may not exceed 10% of the Company's capital. This 10% ceiling shall apply to the amount of the Company's capital as adjusted, where applicable, to take into consideration any capital transactions that may be carried out after this Annual General Meeting;
2. resolve that the Board of Directors will have full powers – which may be delegated in accordance with the law – to implement this resolution and in particular to:
 - set the definitive amount of the capital reduction(s),
 - set the terms and conditions of the capital reduction(s) and to carry them out,
 - charge the difference between the carrying amount of the canceled shares and their par value against any available reserves and additional paid-in capital accounts,
 - place on record the completion of the capital reduction(s) and amend the Company's bylaws accordingly, and
 - carry out any formalities and other measures and generally do everything necessary to complete the capital reduction(s).

This authorization is given for a period of 24 months from the date of this Meeting.

It supersedes, as of that date, the authorization given to the Board of Directors for the same purpose in the thirty-fifth resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE TENTH RESOLUTION**Authorization for the Board of Directors to issue free stock warrants in the event of a tender offer for the Company**

Deliberating in extraordinary session and in accordance with the rules of quorum and majority applicable to ordinary general meetings and having considered the report of the Board of Directors and the statutory auditors' special report, in accordance with articles L.233-32-II and L.233-33 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to decide in the event of a tender offer for the Company to:
 - issue, on one or several occasions, warrants entitling their holders to subscribe for one or more shares of the Company under preferential conditions, with the possibility of deferring the exercise thereof or waiving the right thereto. The amounts and timing of such warrant issues shall be determined at the Board's discretion,
 - grant such warrants free of consideration to all of the Company's shareholders who have such capacity before the expiration of the tender offer period,
 - determine the exercise terms and conditions of the warrants as well as their features, such as their exercise price, and generally to set all of the terms and conditions of any issue of stock warrants made pursuant to this resolution;
2. resolve that the total nominal amount of any capital increase resulting from the exercise of these warrants may not exceed €40 million. This ceiling (i) is set independently of any other ceiling relating to issues of shares or securities carrying rights to shares in the Company authorized at the April 21, 2011 Annual General Meeting, and (ii) does not include the par value of any Safran shares to be issued, where applicable, in respect of adjustments made to protect the rights of holders of securities carrying rights to the Company's shares, in accordance with the law and any applicable contractual provisions;
3. resolve that the maximum number of stock warrants that may be issued may not in any circumstances exceed the number of shares making up the Company's capital at the time of issue of the warrants;
4. resolve that this authorization may only be used in the event of a tender offer for the Company and that these stock warrants will automatically lapse as soon as the tender offer and any potential rival offer fail, lapse or are withdrawn;
5. resolve that if the Board of Directors uses this authorization it shall report to the shareholders at the time of issue of the warrants on:
 - the circumstances and reasons for which it considers that the offer is not in the interests of the Company and its shareholders and which justify the issue of such warrants,
 - the criteria and methods used for determining the exercise price of the warrants;
6. resolve that the Board of Directors will have full powers – which may be delegated in accordance with the law – to use this authorization under the conditions provided for by law.

This authorization is given to the Board of Directors for a term expiring at the end of the offer period in respect of any tender offer for the Company filed within 18 months of this Meeting.

It supersedes the authorization given to the Board of Directors for the same purpose in the thirty-sixth resolution of the Annual General Meeting held on April 21, 2011.

PRESENTATION OF THE ELEVENTH RESOLUTION

Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran Group employee savings plan (employee rights issues)

In the eleventh resolution shareholders are invited to renew, for a period of 26 months, the authorization granted to the Board of Directors to offer the possibility of acquiring shares to employees who are members of a company savings plan set up within the Group. The purpose of such rights issues is to involve employees more closely in the Group's development. This resolution is being submitted in accordance with paragraph 1 of article L.225-129-6 of the French Commercial Code which states that shareholders must vote on a resolution relating to employee rights issues when they approve resolutions to issue shares for cash.

If this authorization is approved it will necessarily entail the waiver of existing shareholders' pre-emptive rights to subscribe for the shares covered by the employee rights issue(s) concerned.

The maximum nominal amount of any capital increase(s) under this authorization may not represent over 1.5% of the Company's capital and this amount would be included in the blanket ceiling applicable to capital increases set in the thirty-third resolution of the Annual General Meeting held on April 21, 2011.

In accordance with article L.3332-19 of the French Labor Code, the purchase price of the shares offered to employees may not be lower than the average of the closing prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided by law at the date of the Board's decision.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the thirty-first resolution of the Annual General Meeting held on April 21, 2011.

TEXT OF THE ELEVENTH RESOLUTION

Authorization for the Board of Directors to increase the share capital through the issue of shares of common stock reserved for employees who are members of the Safran Group employee savings plan (employee rights issues)

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings and having considered the report of the Board of Directors and the statutory auditors' special report, in accordance with the provisions articles L.225-129-2, L.225-129-6 and L.225-138-1 of the French Commercial Code, and articles L.3332-18 *et seq.* of the French Labor Code, the shareholders:

1. grant the Board of Directors an authorization – which may be delegated in accordance with the law – to increase the Company's capital, on one or more occasions, by issuing ordinary shares of the Company to employees of the Company and of any French or foreign companies affiliated with it within the meaning of article L.225-180 of the French Commercial Code, who are members of the Group employee savings plan or any company employee savings plan in place within the Safran Group. The amounts and timing of such transactions shall be determined at the Board's discretion;
2. resolve that the maximum nominal amount of any capital increase(s) carried out under this authorization may not represent over 1.5% of the Company's capital at the date of the Board of Directors' decision to carry out the issue. This ceiling shall be included in the blanket ceiling applicable to capital increases set in paragraph 2 of the thirty-third resolution of the Annual General Meeting held on April 21, 2011;
3. resolve that the purchase price of the shares offered to employees under this authorization may not be lower than the

average of the closing prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided by law at the date of the Board's decision;

4. note that this authorization automatically entails the waiver by existing shareholders of their pre-emptive right to subscribe for the shares offered to employees under the rights issue(s).

The shareholders give the Board of Directors full powers – which may be delegated in accordance with the law – to use this authorization, and in particular to (i) set the terms and conditions of the capital increase(s); (ii) draw up the list of companies whose employees will be eligible to benefit from the share issue; (iii) set the conditions, particularly in terms of length of service, that the beneficiaries will have to meet in order to subscribe, on an individual basis or through an investment fund, for the shares issued pursuant to this authorization; (iv) set the dates and terms and conditions of the share issues; (v) set the opening and closing dates of the subscription periods; (vi) determine the price and date when the shares issued will grant entitlement to dividend and other rights; (vii) determine the method by which the shares will be paid up; (viii) charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level; and more generally, take all appropriate measures and enter into any agreements to complete the proposed share issue(s) successfully, place on record the completion of the capital increase(s), amend the Company's bylaws accordingly and carry out all the formalities required for the admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this Meeting.

It supersedes, as of that date, the authorization granted to the Board of Directors for the same purpose in the thirty-first resolution of the Annual General Meeting held on April 21, 2011.

8.2.3 POWERS

Powers to carry out formalities

PRESENTATION OF THE TWELFTH RESOLUTION

The twelfth resolution concerns the powers that are necessary to carry out the filing and other legal formalities required for the ordinary and extraordinary resolutions adopted at this Meeting.

TEXT OF THE TWELFTH RESOLUTION

Powers to carry out formalities

The shareholders give full powers to the bearer of an original, extract or copy of the minutes of this Meeting to carry out any and all filing, publication, declaration and other formalities required by the applicable laws and regulations.

8.3

DIVIDEND PAYMENT POLICY

Fiscal year	Type of shares	Number of shares	Dividend per share	Tax credit ⁽²⁾	Net dividend (in €)		Total dividend payout (in €)
			(in €) Actual	(in €) Actual	Actual	Adjusted ⁽³⁾	
2000	OS	28,917,162	0.90	0.30	0.60	0.10	17,350,297
	PS	8,973,360	1.05	0.35	0.70	0.12	6,281,352
2001	OS	27,262,516	0.90	0.30	0.60	0.10	16,357,510
	PS	8,973,360	1.05	0.35	0.70	0.12	6,281,352
2002	OS	34,762,448	1.35	0.45	0.90	0.15	31,286,203
2003	OS	36,405,229	1.41	0.47	0.94	0.19	34,220,915
2004 ⁽¹⁾	OS	417,029,585	0.22	–	0.22	0.22	91,746,509
2005	OS	417,029,585	0.36	–	0.36	0.36	150,130,650
2006	OS	417,029,585	0.22	–	0.22	0.22	91,746,509
2007	OS	417,029,585	0.40	–	0.40	0.40	166,811,834
2008	OS	417,029,585	0.25	–	0.25	0.25	104,257,396
2009	OS	417,029,585	0.38	–	0.38	0.38	158,471,242
2010	OS	417,029,585	0.50	–	0.50	0.50	208,514,792
2011	OS	417,029,585	0.62	–	0.62	0.62	258,558,343

(1) It was decided in connection with the merger of Sagem and Snecma that an interim dividend of €0.10 per share would be paid on profit for the 2004 fiscal year to all shareholders, including Snecma shareholders who accepted the public share exchange offer. The shares issued for the public share exchange offer and the shares issued following the Sagem/Snecma merger carried dividend rights from January 1, 2004.

Consequently, as all of the Company's shares conferred entitlement to the same dividend (€0.22 per share), the shares conferring entitlement to the interim dividend in March 2005 received a final dividend less the interim dividend, which was paid after the Shareholders' Meeting of May 11, 2005.

(2) In accordance with the 2004 French Finance Act, no special dividend tax credits apply to dividends received after January 1, 2005. For income tax purposes:

– A total annual amount can be deducted from dividends received, corresponding to (i) €3,050 per married couple filing a joint tax return and civil partners who have registered their civil partnership pursuant to article 515-1 of the French Civil Code (Code civil) and (ii) €1,525 for single, widowed or divorced or married persons who file separate tax returns;

– 40% of the amount received is tax-deductible. This deduction is not capped, and applies before deduction of the above-described €1,525 or €3,050.

– At the taxpayer's option, dividends received after January 1, 2012 may be subject to a 34.5% flat-rate income tax deducted at source (21% income tax and 13.5% social security contributions), calculated on the gross amount of the dividend payment (i.e., before deducting purchase and holding costs and expenses). If the taxpayer exercises this option, the two deductions detailed in the preceding paragraphs are not applied to dividends received. The option must be exercised by the date on which the dividend is received, and once exercised may not be canceled for the dividend payment in question.

(3) Adjusted to take into account the December 2003 bonus share issue of one new share for six existing shares and the five-for-one stock split approved at the Extraordinary General Meeting on December 20, 2004.

N.B.: as approved at the Shareholders' Meeting held on March 7, 2003, the Company's preference shares (PS) were converted into ordinary shares (OS) on April 3, 2003.

Dividends that have not been claimed within five years are time barred and paid over to the French State, in accordance with the applicable legislation.

Future dividends will depend on Safran's ability to generate profits, its financial position and any other factors deemed relevant by the Company's corporate governance bodies.

8.4

FIVE-YEAR FINANCIAL SUMMARY

(in €)	2007	2008	2009	2010	2011
Capital at December 31					
Share capital	83,405,917	83,405,917	83,405,917	83,405,917	83,405,917
Number of ordinary shares outstanding	417,029,585	417,029,585	417,029,585	417,029,585	417,029,585
Financial results					
Net profit before tax and statutory employee profit-sharing, but before depreciation, amortization and provisions	278,589,207	404,777,762	259,026,592	460,950,316	311,960,503
Income tax expense	(125,473,595)	(189,316,880)	(130,569,281)	(81,337,666)	(85,414,505)
Statutory employee profit-sharing for the fiscal year	1,467,529	0	0	0	0
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	204,555,304	151,150,969	249,519,112	497,099,621	352,862,622
Dividend payment	166,811,834	100,087,100	158,471,242	208,514,793	258,558,343
Per share data					
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions – divided by the number of shares outstanding	0.97	1.42	0.93	1.30	0.95
Net profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions – divided by the number of shares outstanding	0.49	0.36	0.60	1.19	0.85
Net dividend: – Net dividend per ordinary share outstanding	0.40	0.25	0.38	0.50	0.62
Employees					
Average number of employees during the fiscal year	391	403	426	475	895
Total payroll	50,594,640	51,314,080	52,628,948	64,261,911	87,901,591
Social security and other social welfare contributions	22,080,412	21,184,366	23,727,951	31,003,789	75,671,943 ⁽¹⁾

(1) Including a total expense of €27 million in respect of the April 3, 2009 free share grant plan, €26.4 million of which was rebilled to the French subsidiaries employing the beneficiaries (see section 3.3, Note 16 of this Registration Document).

8.5

STATUTORY AUDITORS' REPORTS

8.5.1 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the statutory auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for the approval of the Annual General Meeting

Agreements and commitments authorized during the year

In accordance with article L.225-40 of the French Commercial Code, we were informed of the following agreements and commitments authorized by the Supervisory Board (before the April 21, 2011 Annual General Meeting which resulted in a change in the Company's governance structure) or the Board of Directors.

Signature of two agreements concerning Safran's acquisition from SNPE of SNPE Matériaux Énergétiques (SME) and a 40% stake in Regulus

PERSONS CONCERNED

The members of the Supervisory Board representing the French State (Pierre Aubouin and Christophe Burg – who also represent the French State as members of the Board of Directors of SNPE – as well as Patrick Gandil and Jean-Bernard Pène).

NATURE AND PURPOSE

Following the signature of a letter of intent dated October 5, 2010:

- On February 14, 2011 Safran and SNPE entered into a share transfer agreement concerning the sale of 15,899,999 shares in SME and 15,998 shares in Regulus.
- On April 5, 2011 Safran and SNPE entered into a reiterative agreement setting out the main provisions of the share transfer agreement, exclusively for the purposes of carrying out the required formalities for the sales concerned and the payment of the related transfer taxes.

Both of these agreements were signed using the authorization given to the Executive Board by the Supervisory Board on July 27, 2010.

TERMS AND CONDITIONS

The sale prices for the Regulus and SME shares amounted to €20,210,592 and €327,833,667 respectively.

Under the terms of the share transfer agreement, SNPE granted Safran a specific guarantee for a period of 30 to 40 years concerning environmental liabilities due to past operations at eight sites. This guarantee is capped at €240 million for 15 years and at €200 million thereafter. Safran is liable for 10% of the costs. The agreement provides for specific guarantee sub-limits totaling €91 million for clean-up of plants in operation and €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. Safran will be liable for 10% of the clean-up costs and 50% of the Perchlorate Plan costs. Safran and SNPE have a period of 18 months following the acquisition date to jointly define, reduce and/or restrict the sources of ammonium perchlorate pollution and the plan must come into effect within five years. These guarantees granted by SNPE to Safran are counter-guaranteed by the French State for €216 million.

The share transfer agreement also provides for other guarantees granted by the seller which are capped at €25 million and have time limits of 3 to 10 years depending on the type of guarantee concerned.

Amendments to the three-way agreement in lieu of a "golden share" entered into by Sagem SA, Snecma and the French State on December 21, 2004

When Sagem SA and Snecma merged, the French State required adequate contractual rights to be put in place to protect France's national interests, as consideration for waiving its right to take a golden share in Snecma in accordance with article 10 of Act no. 86-912 of August 6, 1986.

A three-way agreement in lieu of a golden share was therefore entered into between the French State and Sagem SA and Snecma, which have now been merged into Safran. This agreement, which was signed on December 21, 2004, remained in force during 2011 but did not have any financial impact on the Group. Three amendments were made to this agreement during 2011.

Amendment no. 1

PERSONS CONCERNED

The members of the Supervisory Board representing the French State (Pierre Aubouin and Christophe Burg – who also represent the French State as members of the Board of Directors of SNPE – as well as Patrick Gandil and Jean-Bernard Pène).

NATURE AND PURPOSE

Following Safran's acquisition of (i) the entire interest owned by SNPE in SNPE Matériaux Énergétiques (subsequently renamed SME), except for one share held by the French State, and (ii) a 40% stake in Regulus, the French State's contractual rights concerning the protection of national interests as provided for in the December 21, 2004 agreement were extended by way of an amendment to said agreement (Amendment no. 1). This extension covers Safran's newly-acquired 40% interest in Regulus as well as a number of strategic assets held by Roxel France, in which SME holds an indirect 50% stake (mainly corresponding to propellant chambers for statoreactors located in France and owned by Roxel France, for which the French State's contractual rights are limited to the rights held by Safran in connection with its indirect 50% interest in Roxel France).

TERMS AND CONDITIONS

The signature of this amendment was authorized by the Supervisory Board on March 30, 2011. It was signed on March 31, 2011 and entered into force on April 5, 2011.

Amendment no. 2

PERSONS CONCERNED

The members of the Board of Directors representing the French State (Pierre Aubouin, Christophe Burg, Laure Reinhart and Michèle Rousseau)

NATURE AND PURPOSE

Following its April 21, 2011 Annual General Meeting, Safran changed its corporate governance structure from a two-tier system with an Executive Board and a Supervisory Board to a single-tier system with a Board of Directors. The provisions of the December 21, 2004 agreement entered into with the French State were consequently amended for the sole purpose of harmonization with Safran's new governance structure.

TERMS AND CONDITIONS

The signature of this amendment was authorized by the Board of Directors on May 26, 2011. It was signed on June 29, 2011 and entered into force on the same date.

Amendment no. 3

PERSONS CONCERNED

The members of the Board of Directors representing the French State (Astrid Milsan, Laure Reinhart, Michèle Rousseau and Christophe Burg)

NATURE AND PURPOSE

Following its acquisition of all of the shares in SME (except for one share held by the French State), Safran intends to merge SPS into SME. Consequently, it was deemed necessary to add SME

to the list of strategic subsidiaries whose shares and assets are protected by the December 21, 2004 three-way agreement. SME was formally added to this list by way of Amendment no. 3 to the agreement.

TERMS AND CONDITIONS

The signature of this amendment was authorized by the Board of Directors on December 15, 2011. It was signed on December 16, 2011 and entered into force on the same date.

Related-party commitments given to Jean-Paul Herteman, Chairman and Chief Executive Officer

NATURE AND PURPOSE

At its meeting of April 21, 2011 the Board of Directors gave the following related-party commitments to Jean-Paul Herteman, Safran's Chairman and Chief Executive Officer:

- Supplementary pension benefits: In the event that a supplementary pension plan is set up for all Group senior executives, the Chairman and Chief Executive Officer will be covered by this plan provided the performance conditions, identical to those governing the removal from office, are met.
- Termination benefit: In the case of early termination of the term of office of the Chairman and Chief Executive Officer, for any reason whatsoever, save serious or gross misconduct (including the consequences of a merger with another company or absorption by another company, a health incident or strategic differences with the other Board members), he will be entitled to a termination payment equal to two years of his fixed and variable compensation.

TERMS AND CONDITIONS

The reference compensation will be equal to the average fixed and variable compensation received during the three years preceding his termination. This payment will be made only if the variable compensation received over the three fiscal years preceding his termination is equal to or higher than 80% of the target variable compensation. Otherwise, the amount of the termination payment will be reduced or eliminated as decided by the Board of Directors.

Continuation of personal risk insurance benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

NATURE AND PURPOSE

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously covered by the personal risk insurance plan set up for all Safran Group employees.

TERMS AND CONDITIONS

At its meeting of July 27, 2011 the Board of Directors decided to authorize, in accordance with article L.225-42-1 of the French Commercial Code, Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by this plan. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

Continuation of supplementary pension benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

NATURE AND PURPOSE

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously covered by supplementary defined contribution pension plans for managerial-grade staff.

TERMS AND CONDITIONS

At its meeting of July 27, 2011 the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by these supplementary pension plans. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

Agreement concerning a syndicated credit line entered into with a group of seven banks, including Crédit Industriel et Commercial (Crédit Mutuel-CIC group)

PERSON CONCERNED

Michel Lucas, Director of Safran and Chairman of the Executive Board of CIC.

NATURE AND PURPOSE

This agreement was authorized by the Board of Directors on October 20, 2011 and signed on October 21, 2011.

It concerns a €950 million five-year revolving credit facility maturing in October 2016 granted by (i) Bank of Tokyo-Mitsubishi, CIC, Natixis and Société Générale CIB in their capacity as bookrunners and lead arrangers, (ii) BNP Paribas, Crédit Agricole CIB and HSBC France in their capacity as lead arrangers, and (iii) Crédit Agricole CIB in its capacity as facility agent.

This new credit facility – which will be used for the Group's general financing requirements – is an addition to the existing €1.6 billion facility put in place in 2010.

TERMS AND CONDITIONS

The expense recorded in the 2011 financial statements relating to this facility amounted to €4,815,000, corresponding to arrangement, participation and documentation agent fees which are payable on signature of the related contract, as well as the agent's annual commission.

Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments approved in prior years

a) which remained in force in 2011 and were implemented during the year

In accordance with article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended December 31, 2011.

Agreement concerning a syndicated credit line entered into with a group of international banks, including Crédit Industriel et Commercial (Crédit Mutuel-CIC group)

NATURE AND PURPOSE

This agreement was authorized by the Supervisory Board on December 2, 2010 and signed on December 8, 2010.

It concerns a €1.6 billion five-year revolving credit facility maturing in December 2015 granted by a group of thirteen banks, including five French banks (CIC, also acting as Agent, BNP Paribas, also acting as documentation agent, Société Générale, Crédit Agricole CIB and Crédit Agricole Ile-de-France), two German banks (Deutsche Bank and Commerzbank), two British banks (Royal Bank of Scotland and HSBC), one Spanish bank (Santander), one Dutch bank (ING), one Japanese bank (Bank of Tokyo-Mitsubishi) and one American bank (Citibank).

This credit facility – intended for the Group's general financing requirements – was an addition to the €800 million existing facility which expired in January 2012.

TERMS AND CONDITIONS

The expense recorded in the 2011 financial statements relating to this facility amounted to €20,000, corresponding to the agent's annual commission.

b) which remained in force in 2011 but were not implemented during the year

We have also been advised that the following agreements and commitments approved by the Company's shareholders in prior years remained in force in 2011 but were not implemented during the year.

Commitments given to Jean-Paul Herteman, Chairman of the Executive Board in the event of the termination of his terms of office

NATURE AND PURPOSE

At its meeting of October 18, 2007 the Supervisory Board set the compensation of Jean-Paul Herteman – who was appointed Chairman of the Executive Board with effect from September 3, 2007 – and took the following decisions:

Compensation payable under Jean-Paul Herteman's employment contract on the expiration of his term of office as Chairman of the Executive Board and in the event his duties are terminated in advance of term

In Jean-Paul Herteman's capacity as Chairman of the Executive Board, if his term of office expired or his duties were terminated in advance of term for whatever reason – except in the case of the Company's merger with or into another company (see below) – he would have resumed his status as an employee as his employment contract was suspended during his term of office. In this case, his period spent as Chairman of the Executive Board would have been taken into account in the calculation of his length of service. The compensation that Jean-Paul Herteman would have been paid on resuming his employee status would have corresponded to his last fixed and variable compensation received in his capacity as Chairman of the Executive Board, except if he had significantly underperformed the targets set by the Supervisory Board for the last fiscal year of his term of office, with the Supervisory Board being responsible for assessing whether or not said targets had been achieved.

Commitment relating to the eligibility of the Chairman of the Executive Board for a termination benefit payable in certain cases

If the duties of the Chairman of the Executive Board were terminated for the specific reason of a merger with or into another company, Jean-Paul Herteman would have resumed his status as an employee in accordance with the same conditions as set out above. However, if Mr. Herteman had not accepted any of the positions proposed to him at the time of such a merger, his employment contract would have been terminated and – in addition to the compensation payable in accordance with the French Labor Code (*Code de travail*) and the national collective bargaining agreement for engineers and executives in the metallurgy industry – he would have received a supplementary termination benefit corresponding to nine months' worth of his last compensation in his capacity as Chairman of the

Executive Board. This termination benefit could have been reduced depending on the degree of achievement, during the last fiscal year of his term, of the performance targets set by the Supervisory Board for determining the variable portion of his compensation in respect of said fiscal year.

TERMS AND CONDITIONS

These commitments were approved by the Company's shareholders at the Annual General Meeting of May 28, 2008. They were never actually implemented but remained in force until April 21, 2011 when Jean-Paul Herteman waived his rights thereunder following the change in Safran's corporate governance structure and his appointment as Chairman and Chief Executive Officer.

Paris-La Défense and Courbevoie, April 11, 2012

The statutory auditors

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

8.5.2 STATUTORY AUDITORS' REPORTS ON THE PROPOSED RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING OF MAY 31, 2012

8.5.2.1 STATUTORY AUDITORS' REPORT ON THE REDUCTION IN CAPITAL

Ordinary and Extraordinary General Meeting of May 31, 2012 (9th resolution)

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with article L.225-209 of the French Commercial Code (*Code de commerce*), in respect of the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions for the proposed reduction in capital.

Your Board of Directors proposes that it be authorized, for a period of 24 months as from the date of the present Meeting, to proceed with the cancellation of shares the Company was authorized to repurchase, representing an amount not exceeding 10% of its total share capital, by periods of 24 months, in accordance with the provisions of the above-mentioned article.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which should not compromise the equality among the shareholders, are fair.

We have no matters to report as to the terms and conditions of the proposed reduction in capital.

Paris-La Défense and Courbevoie, April 11, 2012

The statutory auditors

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

8.5.2.2 STATUTORY AUDITORS' REPORT ON THE FREE ISSUE OF STOCK WARRANTS IN THE EVENT OF A TAKEOVER BID FOR THE COMPANY

Ordinary and Extraordinary General Meeting of May 31, 2012 (10th resolution)

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with article L.228-92 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed free issue of warrants in the event of a takeover bid against the Company, an operation on which you are called to vote.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of 18 months and in accordance with article L.233-32 II of the French Commercial Code (*Code de commerce*), to:

- decide the issue of warrants subject to the regime of article L.233-32 II of the French Commercial Code allowing the subscription, under preferential conditions, to one or more shares of the company, as well as their free allocation to anyone who is a shareholder of the company before the expiry of the takeover bid period;
- set the conditions for exercise and the characteristics of the said warrants.

The maximum nominal amount of the shares that could be issued in this way cannot exceed the €40 million cap and the maximum number of warrants that could be issued cannot exceed the number of shares comprising the capital at the time of the issue of the warrants.

It is the responsibility of the Board of Directors to prepare a report in accordance with article R.225-113 *et seq.* of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the accounts and certain other information concerning the issue, given in this report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation.

We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed free issue of warrants in the event of a takeover bid against the Company.

We will issue a supplementary report if necessary, with a view to the confirmation by a General Meeting provided for by article L.233-32 III of the French Commercial Code and in accordance with article R.225-116 of the French Commercial Code, when this delegation is exercised by your Board of Directors.

Paris-La Défense and Courbevoie, April 11, 2012

The statutory auditors

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

08

8.5.2.3 STATUTORY AUDITORS' REPORT ON THE INCREASE IN CAPITAL RESERVED FOR EMPLOYEES WHO ARE MEMBERS OF A COMPANY SAVINGS SCHEME

Ordinary and Extraordinary General Meeting of May 31, 2012 (11th resolution)

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with articles L.225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby report on the proposal to authorize your Board of Directors to decide on whether to proceed with an increase in capital by an issue of ordinary shares with cancellation of preferential subscription rights, for a maximum amount of 1.5% of the capital as at the day of the decision taken by the Board of Directors, reserved for employees of the Company and of the French or foreign companies that are related to it within the meaning of article L.225-180 of the French Commercial Code, who are members of a company savings scheme or of any company savings scheme existing within the Group, an operation on which you are called to vote.

This increase in capital is submitted for your approval in accordance with articles L.225-129-6 of the French Commercial Code and L.3332 18 et seq. of the French Labor Code (*Code du travail*).

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of 26 months, to decide on whether to proceed to one or more increases in capital and proposes to cancel your preferential subscription rights. If applicable, it shall determine the final conditions of this operation.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R.225-113 and R.225-114 of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the share issue contained in the report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation and the methods used to determine the issue price.

Subject to a subsequent examination of the conditions for the increase in capital that would be decided, we have no matters to report as to the methods used to determine the issue price for the ordinary shares to be issued provided in the Board of Directors' report.

As the final conditions of the capital increase have not yet been determined, we cannot report on these final conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code, we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Paris-La Défense and Courbevoie, April 11, 2012

The statutory auditors

MAZARS

Thierry Colin

Gaël Lamant

ERNST & YOUNG et Autres

Vincent de La Bachelerie

Jean-Roch Varon

Ordinary and Extraordinary Shareholders' Meeting of May 31, 2012

STATUTORY AUDITORS' REPORTS

Additional information

9.1	Persons responsible	292
9.1.1	Person responsible for the Registration Document	292
9.1.2	Declaration by the person responsible for the Registration Document	292
9.1.3	Person responsible for the financial information	292
9.2	Statutory auditors	293
9.3	Documents on display	294
9.3.1	Availability of documents and information concerning the Company	294
9.3.2	Annual information document drawn up in accordance with articles 222-7 and 221-1 of the AMF's General Regulations	294
9.4	Cross-reference tables	295
9.4.1	Board of Directors' management report cross-reference table	295
9.4.2	EC Regulation No. 809/2004 cross-reference table	296
9.4.3	Annual financial report cross-reference table	300
9.4.4	Annual General Meeting information cross-reference table	300

PERSONS RESPONSIBLE

Person responsible for the Registration Document

Jean-Paul Herteman

- Chairman and Chief Executive Officer

Person responsible for the financial information

Ross McInnes

- Deputy Chief Executive Officer, Finance

STATUTORY AUDITORS

Statutory auditors

Mazars

61, rue Henri-Régnault
92400 Courbevoie

Ernst & Young et Autres

1-2, place des Saisons – Paris la Défense 1
92400 Courbevoie

The terms of office of the Company's statutory auditors will expire at the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2015.

CROSS-REFERENCE TABLES

- Board of Directors' management report cross-reference table;
- EC Regulation No. 809/2004 cross-reference table;
- Annual financial report cross-reference table;
- Annual General Meeting information cross-reference table.

9.1

PERSONS RESPONSIBLE

9.1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Jean-Paul Herteman

Chairman and Chief Executive Officer of Safran

9.1.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

"I hereby declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings in the consolidation taken as a whole, and that the management report (the cross-reference table for which is shown in section 9.4.1) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings in the consolidation taken as a whole, and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the statutory auditors, in which they state that they have audited the information contained in this document relating to the financial position and the financial statements contained herewithin, and that they have read this document in its entirety.

Statutory auditors' reports have been issued in respect of the historical financial information presented in this Registration Document.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2009 presented in the Registration Document filed on April 23, 2010 under the number D.10 0314 and incorporated by reference as stated in the foreword to section 3 of this Registration Document. The report on the consolidated financial statements contained an observation regarding the application of new International Financial Reporting Standards.

An unqualified audit report was issued in respect of the consolidated financial statements for the year ended December 31, 2010 presented in the Registration Document filed on March 31, 2011 under the number D.11 0202 and incorporated by reference as stated in the foreword to section 3 of this Registration Document. The report on the consolidated financial statements contained an observation regarding the application of new International Financial Reporting Standards.

An unqualified audit report was issued in respect of the annual and consolidated financial statements for the year ended December 31, 2011 presented respectively in sections 3.2 and 3.4 of this Registration Document."

Paris, April 12, 2012

Chairman and Chief Executive Officer,

Jean-Paul Herteman

9.1.3 PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Ross McInnes

Deputy Chief Executive Officer, Finance

Tel.: +33 (0)1 40 60 83 32

Fax: +33 (0)1 40 60 83 92

Email: ross.mcinnnes@safran.fr

9.2 STATUTORY AUDITORS

For the period covered by the historical financial information, Safran's statutory auditors are as follows:

Statutory auditors

Mazars

Represented by:

Thierry Colin and Gaël Lamant

61, rue Henri-Régnault
92400 Courbevoie

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

Ernst & Young et Autres

Represented by:

Vincent de La Bachelerie and Jean-Roch Varon

1-2, place des Saisons – Paris La Défense 1
92400 Courbevoie

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

Alternate auditors

Gilles Rainaut

60, rue du Général-Leclerc
92100 Boulogne-Billancourt

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

Auditex

1-2, place des Saisons – Paris La Défense 1
92400 Courbevoie

- Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
- Expiration of term of office: Close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

New terms of office and non-renewal

The Annual General Meeting of May 27, 2010 resolved to re-appoint Mazars as a statutory auditor and to appoint Ernst & Young et Autres as a statutory auditor to replace Constantin Associés – a member of the Deloitte Touche Tohmatsu network. Constantin Associés, represented by Thierry Benoît, was statutory auditor of the Group from 2004 to 2009.

The terms of office of the Company's alternate auditors expired at the close of the Annual General Meeting of May 27, 2010. Gilles Rainaut, alternate auditor for Mazars, was appointed to replace Thierry Colin and Auditex, alternate auditor for Ernst & Young et Autres, was appointed to replace Beas, alternate auditor for Constantin Associés.

9.3

DOCUMENTS ON DISPLAY

9.3.1 AVAILABILITY OF DOCUMENTS AND INFORMATION CONCERNING THE COMPANY

Safran's legal documents that must be made available to shareholders, in accordance with the applicable regulations, may be consulted at the registered office located at 2, boulevard du Général Martial Valin, 75015 Paris.

Safran provides its shareholders with a wide range of tools for the frequent communication of transparent and accessible information on the Group, its businesses and its results. The Group website (www.safran-group.com) contains information for the public, such as presentations to analysts, financial press releases, and Registration Documents (going back five years).

9.3.2 ANNUAL INFORMATION DOCUMENT DRAWN UP IN ACCORDANCE WITH ARTICLES 222-7 AND 221-1 OF THE AMF'S GENERAL REGULATIONS

Pursuant to articles 222-7 and 221-1 of the AMF's General Regulations, the main information that the Company has published or made public in the last twelve months is listed below.

2010 annual results

Press release of February 24, 2011

Presentation to analysts

Proposed changes to Safran's corporate governance

Press release of March 4, 2011

Ordinary and Extraordinary General Meeting of April 21, 2011

Notice of meeting required under article R.225-81 of the French Commercial Code

Documents required under article R.225-83 of the French Commercial Code

Press release of March 31, 2011

Availability of the 2010 Registration Document

Press release of March 31, 2011

Finalization of the acquisition of SNPE Matériaux Énergétiques

Press release of April 5, 2011

Appointment of members to the Board of Directors

Press release of April 21, 2011

First quarter 2011 revenue

Press release of April 28, 2011

Presentation to analysts

New organization of the Group's Executive Management

Press release of April 28, 2011

Confirmation of resumed negotiations with Thales on asset swaps

Press release of May 10, 2011

Launch of the electric green taxiing system and joint venture with Honeywell

Press release of June 19, 2011

Termination of a liquidity agreement and implementation of a new agreement

Press release of July 4, 2011

Approval of merger with L-1 Identity Solutions from the Committee on Foreign Investment in the United States (CFIUS)

Press release of July 19, 2011

Finalization of the acquisition of L-1 Identity Solutions

Press release of July 26, 2011

Presentation to analysts

2011 first-half results

Press release of July 28, 2011

Presentation to analysts

Sales of treasury shares

Press release of July 28, 2011

Release of the 2011 Half-year Financial Report

Press release of July 29, 2011

Third quarter 2011 revenue

Press release of October 21, 2011

Presentation to analysts

Signing of a €950 million credit facility

Press release of October 24, 2011

Introduction of an employee shareholding plan

Press release of November 10, 2011

Safran Investor Day

Press release of December 13, 2011

Presentations to analysts

Payment of 2011 interim dividends

Press release of December 15, 2011

Signing of an optronics partnership with Thales

Press release of December 20, 2011

Purchase of a stake in Sofradir

Press release of January 30, 2012

Termination of a liquidity agreement and implementation of a new agreement

Press release of February 1, 2012

USD 1.2 billion bond issue

Press release of February 10, 2012

2011 annual results

Press release of February 23, 2012

Presentation to analysts

Safran implements an employee shareholding plan for the employees of the Group's non-French entities

Press release of March 21, 2012

Board of Directors' Internal Rules

BALO publications

(www.journal-officiel.gouv.fr)

9.4 CROSS-REFERENCE TABLES

9.4.1 BOARD OF DIRECTORS' MANAGEMENT REPORT CROSS-REFERENCE TABLE

This Registration Document includes the information contained in the Board of Directors' management report provided for by articles L.225-100 and L.225-100-2 of the French Commercial Code.

The table below lists the references to excerpts of the Registration Document corresponding to the various sections of the management report as approved by the Board of Directors:

	Board of Directors' management report headings	2011 Registration Document section(s)
1	Group activities in 2011	Profile (p. 2) and 2.1
	Summary of key figures by branch	Profile (p. 2) and 2.1.3
2	Human resources	5.2
2.1	Headcount	5.2.2
2.2	Human resources policy	5.2.3
2.3	Labor relations	5.2.5
2.4	Statutory and discretionary profit-sharing schemes	5.2.4
2.5	Group employee savings plan and international Group employee savings plan	5.2.4
2.6	The importance of subcontracting	5.4.3.2
2.7	Group ethics and values	5.4.1
3	Research and Development	1.4 and 2.1.3
3.1	Major technological focuses	1.4.1
3.2	Technical and scientific partnerships	1.4.2
3.3	Innovation and intellectual property	1.4.3
4	Operating and financial position	2.1, 2.2 and 2.3
4.1	Consolidated income statements	2.1.2 and 3.1
4.2	Consolidated balance sheet as of December 31, 2011	2.2.2 and 3.1
4.3	Research and development expenditure	1.4.4
4.4	Parent company financial statements	2.3 and 3.3
4.5	Non-deductible expenses	8.2.1
4.6	Proposed appropriation of net profit	8.2.1
5	Risk factors	4
5.1	Identified risk factors	4.1
5.2	General risk management policy	4.2
5.3	Insurance	4.3
5.4	Health, safety and environmental risks	5.3
6	Investments	7.1.2
7	Share capital and share ownership	
7.1	Breakdown of share capital and voting rights	7.3.1 and 7.3.2
7.2	Shareholder agreements	7.3.5 and 7.3.6
7.3	Agreement with the French State	7.1.4.2
7.4	Undertaking to hold securities	7.3.6
7.5	Stock options	7.3.7.3
7.6	Share grants	7.3.7.1
7.7	Share buyback programs	7.2.7
7.8	Safran share	7.5

CROSS-REFERENCE TABLES

	Board of Directors' management report headings	2011 Registration Document section(s)
8	Corporate officers	
8.1	Terms of office and duties	6.1
8.2	Compensation and benefits	6.2
8.3	Transactions in the Company's shares	6.3
9	Outlook for 2012	2.4
10	Principal provisions of the bylaws	7.1.2
Appendices		
Appendix 1	List of subsidiaries and associates	3.1 – Note 35
Appendix 2	Five-year financial summary	8.4
Appendix 3	Authorizations and powers granted by the AGM to the Board of Directors with respect to share capital increases	7.2.2
Appendix 4	Dividends paid over the past three years	8.3

9.4.2 EC REGULATION NO. 809/2004 CROSS-REFERENCE TABLE

This Registration Document includes the information to be included in the registration documents as set out in Annex 1 of EC Regulation No. 809/2004.

The following table presents the cross-references between the two documents.

	EC Regulation No. 809/2004 Annex 1 headings	2011 Registration Document section(s)
1	Persons responsible	
1.1	Name and positions of the persons responsible	9.1.1
1.2	Declaration by the persons responsible	9.1.2
2	Statutory auditors	
2.1	Names and addresses of the issuer's auditors	9.2
2.2	Auditors that have resigned	9.2
3	Selected financial information	
3.1	Historical financial information	Profile (p.2)
3.2	Financial information for interim periods	n/a
4	Risk factors	4.1
5	Information about the issuer	
5.1	History and development of the issuer	
5.1.1	Legal and commercial name of the issuer	7.1.1
5.1.2	Place of registration of the issuer and its registration number	7.1.1
5.1.3	Date of incorporation and the length of life of the issuer	7.1.1
5.1.4	Domicile and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	7.1.1
5.1.5	Important events in the development of the issuer's business	1.1.1
5.2	Investments	
5.2.1	Past principal investments	1.1.1, 1.4.4 and 2.3.3
5.2.2	Principal investments in progress	n/a
5.2.3	Future principal investments	1.4

EC Regulation No. 809/2004 Annex 1 headings		2011 Registration Document section(s)
6	Business overview	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and its principal activities	1.1.2 and 1.3
6.1.2	New products	1.3
6.2	Principal markets	1.3; 2.1.3 and 3.1 – Note 4 (Segment information)
6.3	Exceptional factors	2.1
6.4	Extent to which the issuer is dependent on patents or licenses, industrial contracts or manufacturing processes	1.4.3
7	Organizational structure	
7.1	Brief description of the Group	1.1
7.2	List of significant subsidiaries	1.1
8	Property, plant and equipment	
8.1	Material property, plant and equipment	1.7
8.2	Environmental issues	1.7; 4.1.9, 5.3.2 and 5.3.3
9	Operating and financial review	
9.1	Financial position	2.1 and 2.2
9.2	Operating results	2.1
9.2.1	Significant factors materially affecting the issuer's income from operations	2.1
9.2.2	Explanation of material changes in net sales or revenue	2.1
9.2.3	Policies or factors that have materially affected, directly or indirectly, the issuer's operations	2.1
10	Capital resources	
10.1	Issuer's capital resources	3.1 – Notes 20 and 21
10.2	Source and amounts of cash flows	3.1 (including the statement of cash flows)
10.3	Borrowing requirements and the funding structure of the issuer	3.1 – Note 25
10.4	Restrictions on the use of capital resources	n/a
10.5	Information regarding the anticipated sources of funds	3.1 – Notes 19 and 25
11	Research and development, patents and licenses	1.4
12	Trend information	
12.1	Most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	n/a
12.2	Information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current fiscal year	2.4
13	Profit forecasts or estimates	
13.1	Statement setting out the principal assumptions upon which the issuer has based its forecast or estimate	n/a
13.2	Report prepared by auditors	n/a
13.3	Preparation of forecast or issue	n/a
13.4	Statement setting out whether or not the forecast previously published in a prospectus is still valid	n/a
14	Administrative, management, and supervisory bodies and Executive Management	
14.1	Members of the administrative and management bodies	6.1
14.2	Administrative and management bodies conflicts of interest	6.1
15	Compensation and benefits	
15.1	Compensation paid and benefits in kind	6.2
15.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	6.2

CROSS-REFERENCE TABLES

EC Regulation No. 809/2004 Annex 1 headings		2011 Registration Document section(s)
16	Board practices	
16.1	Date of expiration of the current terms of office	6.1
16.2	Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	6.1
16.3	Information about Board committees	6.1
16.4	Statement of compliance with the corporate governance regime in force	6 and 6.5.3
17	Employees	
17.1	Number and breakdown of employees	5.2.2
17.2	Shareholdings and stock options	6.1 and 6.2
17.3	Arrangements for involving the employees in the capital of the issuer	5.2.4 and 7.3.7
18	Major shareholders	
18.1	Major shareholders	7.3.1
18.2	Breakdown of voting rights	7.3.1
18.3	Controlling shareholder	7.3.5 and 7.3.6
18.4	Shareholder agreements	7.3.5 and 7.3.6
19	Related-party transactions	7.1.4
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1	Historical financial information	3.1 and 3.3
20.2	Pro forma financial information	n/a
20.3	Financial statements	3.1 and 3.3
20.4	Auditing of historical annual financial information	
20.4.1	Statement that the historical financial information has been audited	3.2 and 3.4 and 9.1.2
20.4.2	Indication of other financial data that has been audited by the auditors	6.6 and 8.5
20.4.3	Indication of the source of the data and the absence of verification of the financial data appearing in the Registration Document that is not taken from the issuer's audited financial statements	n/a
20.5	Date of the latest financial information	December 31, 2011
20.6	Interim and other financial information	
20.6.1	Quarterly or half yearly financial information	n/a
20.6.2	Interim financial information	n/a
20.7	Dividend policy	
20.7.1	Amount of dividend	8.3
20.8	Disputes and litigation	3.1 – Note 33
20.9	Significant change in the issuer's financial or trading position	3.1 – Note 34

EC Regulation No. 809/2004 Annex 1 headings		2011 Registration Document section(s)
21	Additional information	
21.1	Share capital	
21.1.1	Amount of issued capital	7.1.1
21.1.2	Shares not representing capital	7.2.3.1
21.1.3	Shares held by the issuer	7.2.7
21.1.4	Convertible securities, exchangeable securities or securities with warrants	7.2.3.2
21.1.5	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	n/a
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	7.3.7.3
21.1.7	History of share capital	7.2.4
21.2	Bylaws	
21.2.1	Corporate purpose	7.1.1
21.2.2	Provisions of the issuer's bylaws with respect to administrative, management and supervisory bodies	7.1.2.1
21.2.3	Rights, preferential rights and restrictions attached to shares	7.1.2.3
21.2.4	Change in shareholder rights	7.1.2.4
21.2.5	Notice of meeting and admission to shareholders' meetings	7.1.2.2
21.2.6	Change in control	7.1.2.6
21.2.7	Share ownership threshold	7.3.4
21.2.8	Description of conditions imposed by the bylaws governing changes in capital, where such conditions are more stringent than is required by law	7.1.2.4
22	Material contracts	7.1.4.1 and 7.1.4.2
23	Third party information, statements by experts and declarations of interest	
23.1	Statement or report attributed to a person as an expert	n/a
23.2	Information sourced from a third party	n/a
24	Documents on display	9.3
25	Information on holdings	7.1.3 and 3.1 – Note 35

9.4.3 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

This Registration Document includes the information contained in the annual financial report mentioned in paragraph 1 of article L.451-1-2 of the French Monetary and Financial Code and article 222-3 of the AMF's General Regulations.

The following table presents the cross-references between the two documents.

Annual financial report headings	2011 Registration Document section(s)
Declaration by the person responsible	9.1.2
Board of Directors' management report	See the cross-reference table 9.4.1
Operating, financial and risk analysis of the parent and the Group (art. L.225-100 and L.225-100-2 of the French Commercial Code)	2.1; 4 and 5.3
Information concerning the breakdown of share capital and material that could have an effect in the event of public offering (art. L.225-100-3 of the French Commercial Code)	7.3.6
Information concerning share buybacks (art L.225-211, paragraph 2 of the French Commercial Code)	7.2.7
Report of the Chairman of the Board of Directors	6.5
Financial statements and reports	
Parent company financial statements	3.3
Consolidated financial statements	3.1
Disputes and litigation	3.1 – Note 33
Significant change in the issuer's financial or trading position	3.1 – Note 34
Statutory auditors' reports	3.2; 3.4; 6.6 and 8.5

9.4.4 ANNUAL GENERAL MEETING INFORMATION CROSS-REFERENCE TABLE

This Registration Document includes the main information mentioned in article R.225-83 of the French Commercial Code.

The following table presents the cross-references between the two documents.

Headings from article R.225-83 of the French Commercial Code	2011 Registration Document section(s)
Executive management, supervisory and control bodies	6.1
Annual General Meeting agenda	8.1
Management report of the Board of Directors	See the cross-reference table 9.4.1
Report of the Chairman of the Board of Directors	6.5
Parent company financial statements	3.3
Consolidated financial statements	3.1
Draft resolutions	8.2
Statutory auditors' reports	3.2, 3.4, 6.6 and 8.5

KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS

SAFRAN

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

Tél. : +33 (0)1 40 60 80 80

www.safran-group.com

