Communiqué de presse . Press release

Safran reports solid third-quarter 2010 revenue growth. Full-year 2010 outlook confirmed

All revenue figures in this press release represent Adjusted revenue. Please refer to definitions contained in the Notes on page 7 of this press release.

KEY NUMBERS FOR THIRD QUARTER 2010

- **Third quarter 2010 adjusted revenue was Euro 2,593 million**, up 8.8% on a reported basis, up 0.5% on an organic basis, compared to third-quarter 2009.
- **2-digit revenue contribution** from **Equipment** (Landing systems), **Defence** (Optronics) and **Security**.
- The **Aerospace Propulsion services slightly grew** with share of revenue up from 52.5% to 53.5%. It mainly resulted from a slight uplift in CFM56 aftermarket and continued good performance in military, helicopter and high-thrust engines services. **Services in Aircraft Equipment were flat** but share in revenue decreased from 33.2% to 29.0% of revenue as a result of strong growth in Original Equipment.
- **Outlook for full-year 2010 is confirmed**.

KEY NUMBERS FOR NINE-MONTH 2010

- **Nine-month 2010 adjusted revenue was Euro 7,790 million**, up 3.4% on a reported basis, down 1.4% on an organic basis, compared to nine-month 2009.

KEY BUSINESS HIGHLIGHTS FOR THIRD QUARTER 2010

- **Acquisitions: Safran entered into a definitive agreement with L-1 Identity Solutions**, a leading identity management provider in the U.S., for Safran to acquire the operating and holding company of L-1 which include its biometric and enterprise access solutions, secure credentialing solutions and enrollment services businesses, for a total cash amount of USD1.09 billion. **Labinal entered into an agreement to acquire Harvard Custom Manufacturing** for USD135 million. Located in Salisbury, Maryland, HCM produces electrical wiring systems for industry leaders in the commercial and military aerospace industry. **Safran announced an agreement to acquire SNPE's subsidiary Matériaux Energétiques** (SME) and its subsidiaries, for Euro 296 million.
- **Safran inaugurated a new assembly plant in Bidos**, France, to ensure a successful ramp-up for new landing gear programs (B787, A350 XWB, A400M).
- Defence: **Safran and Elbit Systems established a JV for tactical unmanned aircraft systems**.
- Security: Morpho and Mahindra Satyam selected as one the three key partners for the initial phase of a program set to deliver India's next generation Unique Identification Number Program to 200 million residents.

Paris, October 22, 2010 - Safran (NYSE Euronext Paris: SAF) today reported its revenue for the third quarter of 2010.

EXECUTIVE COMMENTARY

CEO Jean-Paul Herteman commented:

" *Safran recorded a solid performance during the third-quarter 2010, highlighting strong double-digit growth in 3 out of its 4 main businesses. We saw encouraging signs in CFM56 aftermarket with revenue in CFM56 spares up 16% sequentially, giving us confidence that the low point might be behind us. Aircraft Equipment delivered a good performance, notably thanks to the landing systems on the B787 programme.*

We've announced two highly synergetic strategic moves to strengthen our position in core markets. The L-1 acquisition in Security is a complementary fit geographically and in terms of product offering (particularly its biometric technologies) and bolsters our position in the U.S.. We've also agreed with SNPE for the acquisition of SNPE Matériaux Energétiques (SME). Both transactions are expected to close in the course of the first-half 2011.

Based on the performance for the first nine months of the year and current positive trends in our markets, we confirm our full-year guidance for 2010 and our renewed confidence in our outlook for 2011 and beyond. "

THIRD-QUARTER 2010 REVENUE

Solid growing revenue. For the third quarter 2010, Safran's revenue was EUR 2,593 million, compared to a EUR 2,384 million in the same period a year ago, a 8.8% year-on-year increase. Group revenue slightly increased by 0.5% organically.

Third-quarter 2010 revenue increased by Euro 209 million on a reported basis, highlighting growth of 14.5% in Aircraft Equipment (primarily landing systems), 29.6% in the Defence business (notably in optronics) and 35.4% in Security (across all businesses). It also resulted from a mild decline in Aerospace Propulsion revenue, with a lower original equipment revenue while services revenue slightly improved.

On an organic basis, third-quarter 2010 revenue increased by Euro 12 million. Organic revenue was determined by deducting from 2010 figures the contribution of Security activities acquired in 2009 when compared to 2009 scope of consolidation and the contribution of activities newly consolidated in 2010 and by applying constant exchange rates. Hence, the following calculations were applied:

Reported growth			**8.8%**
Impact of acquisitions & activities newly consolidated	Euro 85 million	(3.6)%	
Currency impact	Euro 112 million	(4.7)%	
Organic growth			**0.5%**

The favourable currency impact in revenue of Euro 112 million for third quarter 2010 reflected a global positive translation effect on the revenue exposed to foreign currencies, notably in USD, Australian dollar and Brazilian real. The Group's average spot rate was USD1.29 to the Euro in third-quarter 2010 vs. USD1.43 in the year ago period.

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BUSINESS COMMENTARY

- **Aerospace Propulsion**

Third-quarter 2010 Aerospace Propulsion revenue reported a mild decline at Euro 1,329 million, down 1.1%, or -6.0% on an organic basis, compared to the year-ago period revenue at Euro 1,344 million. Revenue evolution resulted from continued good performance, although at lower growth rates, in aftermarket activity in military, helicopter and recent high-thrust civil engines and higher deliveries in military engines. It was offset by weak CFM56 spares revenue as well as lower CFM56 new engine deliveries in the quarter. It was also offset by lower OEM helicopter engines deliveries while space & missile propulsion revenue was flat.

OEM CFM56 engine deliveries at 294 units in third-quarter 2010 were down by 27 units as a consequence of delays from a flood incident in a factory in Poland. This impact should be mitigated during the fourth quarter of 2010. After a successful Farnborough air show, total 2010 CFM56 orders now stand at 1,293 engines, representing more than one time the current annual production.

On a third-quarter 2010 basis, service revenue share was slightly up at 53.5% of Aerospace Propulsion revenue, benefiting from a good contribution from aftermarket in military and helicopter engines, as well as from recent high-thrust civil engines. The worldwide CFM International spare parts revenue was down 16% in USD terms compared to third-quarter 2009, but up 16% compared to second-quarter 2010. CFM aftermarket remained soft highlighting continued volatile airlines spending in maintenance. The estimated* total number of shop visits for CFM-equipped civil aircraft decreased to 535 as compared to 586 in third-quarter 2009.
[*(*) shop visit numbers are estimates; these can be revised marginally in the future as airlines finalise reports*].

These figures exclude any impact from the acquisition of SME which is expected to close during first-half 2011.

- **Aircraft Equipment**

The Aircraft Equipment segment reported third quarter 2010 revenue of Euro 696 million, up 14.5%, or 7.6% on an organic basis, compared to the year-ago period at Euro 608 million.

Strong revenue evolution was primarily attributable to strong activity in landing and wiring systems, notably for the B787 programme. This performance was also achieved thanks to a stabilization of the business and regional jet segments where small nacelle deliveries were almost flat. However, the nacelle activity recorded lower deliveries of A380 nacelles (17 units compared to 23 nacelles in the year-ago period) due to aircraft delivery slippages. Other large nacelle business (A330 and A320) had a good contribution to revenue. Revenue growth also benefited from a favourable currency impact from USD.

On a third-quarter 2010 basis, service revenue was flat with solid activity in landing and braking systems but its share decreased from 33.2% to 29.0% of Aerospace Equipment revenue.

- **Defence**

Third-quarter 2010 revenue was up 29.6% at Euro 280 million, or up 18.0% on an organic basis, compared to the previous year of Euro 216 million. The performance was mainly driven by 2-digit revenue growth in the Optronics activity on the basis of a robust order backlog (Felin soldier integrated equipment suites for French Army, long-range infra-red goggles on export markets). This trend was partly mitigated by a flattish Avionics revenue with higher deliveries of inertial gyrolasers offset by lower Flight Control systems. Safran Electronics had a positive impact on revenue despite slightly lower volumes of FADEC deliveries.

- **Security**

The Security activity reported third-quarter 2010 revenue of Euro 279 million, up 35.4% compared to the year-ago period of Euro 206 million, or up 4.7% on an organic basis. The newly-acquired detection business had a robust performance in explosive detection solutions in the airport market. Revenue growth also benefited from a favourable translation currency impact from Brazilian real, USD and Australian dollar. The smart cards activity recorded a good growth in volume primarily in the telecommunications market segment, partly mitigated by pricing pressure.

These figures exclude any impact from the acquisition of L-1 Identity Solutions which is expected to close during first-half 2011.

CURRENCY HEDGES

The Group has put in place currency hedges for the next 3 years. At October 15, 2010, the firm hedging portfolio amounted to USD12.6 billion. The Group continued to optimize its hedging portfolio: 2010 and 2011 net exposures have been revised downwards to reflect Safran's improved USD cost base.

	2009	2010	2011	2012(*)	2013
Target	$4.3bn @ $1.42	$4.4bn @ $1.44	$4.6bn @ $1.39	≤$5.0bn @ $1.34	≤$5.0bn @ $1.31
Achieved	Fully hedged	Fully hedged	Fully hedged	$3.1bn @ $1.34	$3.6bn @ $1.30

(*) For 2012, USD3.1 billion was achieved at a hedge rate of USD1.34 to the Euro, this position is expected to rise to USD4.5 billion as long as the Euro/USD rate remains below USD1.65 for the balance of 2010 and most of 2011.

EQUITY STRUCTURE

A regulatory filing was made by Areva which significantly reduced its stake from 7.4% to 2.0%. As a result, and combined with a reduction in the Employees share, the free float has increased to 46.7% at October 12, 2010 from 38.1% at December 31, 2009.

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UPCOMING EVENTS

FY 2010 results	February 24, 2011
Q1 2011 revenue	April 22, 2011
AGM	May 26, 2011

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Safran will host today a conference call open to analysts at 9:00 am which can be accessed at +33 1 72 00 13 68 from France and +44 203 367 9453 from the UK. A replay will be available until January 22, 2011 at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 271284#).

The press release and presentation are available on the website at www.safran-group.com.

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KEY FIGURES

Segment breakdown of revenue (In Euro million)	Q3 2009	Q3 2010	% change reported	% change organic
Aerospace Propulsion	1,344	1,329	(1.1)%	(6.0)%
Aircraft Equipment	608	696	14.5%	7.6%
Defence	216	280	29.6%	18.0%
Security	206	279	35.4%	4.7%
Others	10	9	na	na
Total Group	**2,384**	**2,593**	**8.8%**	**0.5%**

Segment breakdown of revenue (In Euro million)	9m 2009	9m 2010	% change reported	% change organic
Aerospace Propulsion	4,113	4,092	(0.5)%	(2.6)%
Aircraft Equipment	2,021	2,070	2.4%	(0.9)%
Defence	727	838	15.3%	11.7%
Security	640	758	18.4%	(10.3)%
Others	32	32	na	na
Total Group	**7,533**	**7,790**	**3.4%**	**(1.4)%**

2009 revenue by quarter (In Euro million)	First quarter 2009	Second quarter 2009	Third quarter 2009	Fourth quarter 2009	Full year 2009
Aerospace Propulsion	1,334	1,435	1,344	1,560	5,673
Aircraft Equipment	700	713	608	746	2,767
Defence	238	273	216	334	1,061
Security	204	230	206	264	904
Others	11	11	10	11	43
Total revenue	**2,487**	**2,662**	**2,384**	**2,915**	**10,448**

2010 revenue by quarter (In Euro million)	First quarter 2010	Second quarter 2010	Third quarter 2010
Aerospace Propulsion	1,311	1,452	1,329
Aircraft Equipment	633	741	696
Defence	245	313	280
Security	223	256	279
Others	14	9	9
Total revenue	**2,426**	**2,771**	**2,593**

Euro/USD rate	Third quarter 2009	Third quarter 2010	9 months 2009	9 months 2010
Average spot rate	1.43	1.29	1.36	1.32
Spot rate (end of period)	1.46	1.36	1.46	1.36
Hedge rate	1.43	1.44	1.43	1.44

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NOTES

Adjusted data
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.

Particularly, Safran recognizes, 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.

Accordingly, Safran's consolidated income statement is adjusted for the impact in financial income (loss) of 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, i.e., including the costs of the hedging strategy;
- the recognition of the mark-to market of unsettled hedging instruments at the closing date is neutralized.

Third-quarter 2010 and nine-month 2010 reconciliation between consolidated revenue and adjusted revenue.

Q3 2010		Hedge accounting		Business combinations		
(In Euro million)	**Consolidated revenue**	Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	**Adjusted revenue**
Revenue	**2,679**	**(86)**	**-**	**N/A**	**N/A**	**2,593**

9m 2010		Hedge accounting		Business combinations		
(In Euro million)	**Consolidated revenue**	Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	**Adjusted revenue**
Revenue	**8,046**	**(256)**	**-**	**N/A**	**N/A**	**7,790**

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***Safran** is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the Safran group has 55,000 employees and generated sales exceeding 10.4 billion euros in 2009. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. The Group invests heavily in Research & Development to meet the requirements of changing markets, including expenditures of 1.1 billion euros in 2009. Safran is listed on NYSE Euronext Paris and its share is part of the SBF 120 and Euronext 100 indexes. For more information, www.safran-group.com*

Press
Catherine Malek +33 (0)1 40 60 80 28 catherine.malek@safran.fr

Investor Relations
Pascal Bantegnie +33 (0)1 40 60 80 45 pascal.bantegnie@safran.fr
Antoine-Pierre de Grammont +33 (0)1 40 60 80 47 antoine-pierre.degrammont@safran.fr

Safran group
2, bd du Général Martial Valin
75724 Paris Cedex 15 - France