

Safran reports 5.2% growth in third-quarter and 7.2% for the first 9 months 2011

Full-year 2011 outlook confirmed

All revenue figures in this press release represent Adjusted^[1] revenue. Please refer to definitions contained in the Notes on page 7 of this press release.

KEY NUMBERS FOR THIRD QUARTER 2011

- § **Third quarter 2011 adjusted revenue was Euro 2,728 million**, up 5.2% on a reported basis, up 4.2% on an organic basis, compared to third-quarter 2010.
- § **Increasing growth from Propulsion** (civil original equipment and aftermarket) and 2-digit revenue contribution from **Security** (acquisition-driven).
- § **Civil aftermarket was up 5.1%** in USD terms. CFM56 international spare parts revenue was up 4.3% in USD terms compared to third-quarter 2010 which had been characterised by a strong catch-up effect from second quarter 2010.
- § The **full-year 2011 outlook is confirmed** while absorbing the cost of the employee profit-sharing bonus. The outlook now includes the pro-rata contribution of L-1 Identity Solutions (now MorphoTrust).

KEY NUMBERS FOR NINE-MONTH 2011

- § **Nine-month 2011 adjusted revenue was Euro 8,350 million**, up 7.2% on a reported basis, up 6.2% on an organic basis, compared to nine-month 2010.
- § **Civil aftermarket was up 10.1%** in USD terms, within the 10-15% guidance for 2011. CFM56 international spare parts revenue was up 10.1% in 9-month 2011 in USD terms.

KEY BUSINESS HIGHLIGHTS FOR THIRD QUARTER 2011

- § **The LEAP engine was selected as the exclusive powerplant for the Boeing 737MAX** aircraft family scheduled for first delivery in 2017. This airplane will provide exceptional operating economics and provide customers with unprecedented levels of efficiency and environmental responsibility while maintaining the legacy of aviation's most reliable product line.
- § **Safran has renewed its supply relationship with Airbus for the nose and main landing gears** of the single aisle program to include the contract award **of the A320neo family**.
- § **Safran completed the acquisition of L-1 Identity Solutions** (now MorphoTrust), a leading identity management provider in the U.S., for a total cash amount of USD1.09 billion.
- § Security: Sept. 28 was the first anniversary of the issuance of the first Unique Identification Number of **India's Aadhaar program**. **The customer announced 40 million enrolment data**, and the issuance of 1 million Unique Identification numbers a day has been proven.
- § NYSE Euronext Paris added **Safran to the CAC40 index**, the change being effective since September 19, 2011.

Paris, October 21, 2011 - Safran (NYSE Euronext Paris: SAF) today reported its revenue for the third quarter of 2011.

EXECUTIVE COMMENTARY

Chairman and CEO Jean-Paul Herteman commented:

“ During the third quarter, trading conditions remained solid with positive aftermarket and original equipment dynamics highlighting the resilience of our business model in an uncertain global economic environment.

Since the beginning of the year, our global civil aftermarket performed satisfactorily at 10.1% growth. The most significant development this quarter was the selection of the CFM new generation LEAP engine as the exclusive powerplant for the new Boeing 737MAX variant. Together with the C919 and A320neo, it reaffirms CFM’s leading position on single-aisle passenger aircraft for the next decades with more than 2,000 engine orders to date highlighting LEAP as the engine of choice for airlines.

The on-going performance of our business is such that our 2011 guidance is confirmed. ”

THIRD-QUARTER 2011 REVENUE

Solid revenue growth. For the third quarter 2011, Safran’s revenue was Euro 2,728 million, compared to a EUR 2,593 million in the same period a year ago, a 5.2% year-on-year increase. Group revenue increased by 4.2% organically.

Third-quarter 2011 revenue increased by Euro 135 million on a reported basis, highlighting growth in aerospace (civil original equipment and services) and Security (acquisition driven), while Defence revenue was lower in this particular quarter, notably as the result of defence equipment delivery rhythms.

On an organic basis, third-quarter 2011 revenue increased by Euro 110 million. Organic revenue was determined by deducting from 2011 figures the contribution of activities acquired in 2010 and 2011 when compared to 2010 scope of consolidation and the contribution of activities newly consolidated in 2011 and by applying constant exchange rates. Hence, the following calculations were applied:

Reported growth			5.2%
Impact of acquisitions & activities newly consolidated	Euro 118 million	(4.5)%	
	Currency impact Euro (93) million	3.5%	
Organic growth			4.2%

The unfavourable currency impact in revenue of Euro 93 million for third quarter 2011 reflected a global negative translation effect on foreign currency revenues, notably in USD, GBP and CAD\$, partially offset by a positive USD transaction impact. The Group’s average spot rate was USD1.41 to the Euro in third-quarter 2011 vs. USD1.29 in the year ago period. The Group’s hedge rate improved to USD1.38 to the Euro in third-quarter 2011 from USD1.44 in the year ago period.

BUSINESS COMMENTARY FOR THIRD-QUARTER 2011

§ Aerospace Propulsion

Third-quarter 2011 Aerospace Propulsion revenue reported a solid improvement at Euro 1,459 million, up 9.8%, or 8.7% on an organic basis, compared to the year-ago period revenue at Euro 1,329 million. Revenue evolution primarily resulted from solid growth in original equipment, both in CFM56, helicopters and high thrust engines. It also benefited from continued good performance in civil aftermarket albeit at lower growth rates due to slightly less CFM56 activity at our facilities in maintenance, repair and overhaul, while aftermarket activity in military and helicopter engines was slightly lower.

OEM CFM56 engine deliveries at 350 units in third-quarter 2011 were up by 56 units compared to a year ago. After a successful Paris air show, total 2011 CFM56 orders now stand at 1,276 engines, representing more than one year of current annual production.

On a third-quarter 2011 basis, service revenue share was down to 47.5% of Aerospace Propulsion revenue as civil aftermarket grew while military and helicopter engines services fell. Worldwide CFM International spare parts revenue was up 4.3% in USD terms compared to third-quarter 2010 which had been characterised by a strong catch-up effect from second quarter 2010. The estimated* total number of shop visits for CFM-equipped civil aircraft increased by 8% to 605 as compared to 559 in third-quarter 2010.

[() shop visit numbers are estimates; these can be revised marginally in the future as airlines finalise reports].*

SME contributed to Euro 53 million in revenue in the third quarter 2011, in line with initial expectations.

§ Aircraft Equipment

The Aircraft Equipment segment reported third quarter 2011 revenue of Euro 697 million, up 0.1%, or 3.2% on an organic basis, compared to the year-ago period at Euro 696 million.

Revenue evolution was primarily attributable to growing activity on the A380 programme in nacelles and wiring systems, continued volume growth in the regional jet segments as well as sustained services activity in braking. This trend was offset by an unfavourable comparison base on the B787 programme, as the single third quarter 2010 had recorded all cumulated shipset sales from 2008 to 2010. The nacelle activity recorded higher deliveries of A380 nacelles (21 units compared to 17 nacelles in the year-ago period) as well as good volume growth in small nacelles for the regional jets. Revenue growth was also impacted by unfavourable currency impact from USD.

On a third-quarter 2011 basis, service revenue was up almost 10% with solid activity in nacelles and braking systems and its share increased from 29.0% to 31.9% of Aerospace Equipment revenue.

Labinal Salisbury contribution in the third quarter 2011 was Euro 19 million.

§ Defence

Third-quarter 2011 revenue was down 10.4% at Euro 251 million, or down 5.4% on an organic basis, compared to the previous year of Euro 280 million. This is mainly the consequence of the rhythm of equipment deliveries of long term programmes in this quarter, notably in long-range infra-red goggles on export markets and aircraft modernisation programs. These trends were partly offset by continuing strength in Felin soldier integrated equipment suites for French Army and healthy AASM volumes.

§ Security

The Security activity reported third-quarter 2011 revenue of Euro 317 million, up 13.6% compared to the year-ago period of Euro 279 million, or down 2.9% on an organic basis. Excluding the contribution of newly-acquired L-1 Identity Solutions, Identification was soft notably in the absence of contribution to sales in the third quarter 2011 from the government contract in Ivory Coast. Product mix and continued volume weakness in detection held revenue back in the quarter. Revenue also suffered from an unfavourable translation currency impact as U.S. originated business increases relatively to the revenue. The e-Document activity continued to record healthy growth in volume primarily in Latin America banking market, partly mitigated by pricing pressure.

L-1 Identity Solutions (MorphoTrust) pro-rata contribution in the third quarter 2011 was Euro 61 million (USD 85 million), in line with initial expectations.

CURRENCY HEDGES

2011-2013 targeted hedge rates were achieved. The Group has put in place currency hedges for the next 3 years, spanning from 2011 to 2014, and has initiated the hedging for 2015. The portfolio was further increased during the third quarter 2011 and the firm hedging portfolio amounted to USD 14.6 billion as of October 20, 2011.

Taking advantage of recent decrease in the Euro/USD exchange rate, the 2011-2013 targeted hedge rates have now been achieved and improved by a cent each year:

- § 2011: new achieved rate of USD1.37 (from USD 1.38)
- § 2012: new achieved rate of USD1.33 (from USD 1.34)
- § 2013: new achieved rate of USD1.29 (from USD 1.30)
- § 2014: new achieved rate of USD1.29 (from USD 1.30), with a target at USD1.28

For 2015, USD1.2 billion hedging was achieved at a rate of USD1.30 to rise to USD 2.5 billion at USD1.29, under certain conditions.

EQUITY STRUCTURE

On July 28, 2011, Safran disposed of part of its treasury shares (1.56% of the total equity) contributing to a further increase in the free float and thus increasing the liquidity. The net proceeds of Euro 187 million will be used for general corporate purposes. As of September 30, 2011, Safran held 7,747,365 treasury shares, representing 1.86% of the Group's equity.

As a result, and combined with a slight reduction in Areva's stake, the free float increased to 50.3% as of September 30, 2011.

NYSE Euronext Paris added Safran to the CAC40 index, the change being effective since September 19, 2011.

INTEGRATION OF L-1 IDENTITY SOLUTIONS

Safran completed the acquisition of L-1 Identity Solutions on July 26, 2011 to become world leader in biometric identity solutions. L-1 Identity Solutions has been integrated into Safran's existing security business and renamed MorphoTrust. A new CEO (Robert Eckel) has been appointed and a new organisation is now in place. The integration team confirmed that run rate operating cost synergies are expected to represent approximately USD 30 million per year to be fully realized within 18 to 24 months after closing. Transaction and restructuring costs of approximately USD 65 million will be recorded, of which USD 40 million in 2011 (accounted for as *one-off items* in operating income). The remaining portion will be accounted for in 2012.

MorphoTrust is now 100% consolidated by Safran since July 26, 2011 and reported into financial reporting as part of the security activity. As a result of a preliminary review, MorphoTrust should contribute to an estimated USD 200-210 million in revenue and USD 30-35 million in EBITDA for the period from July 26, 2011 to December 31, 2011, in line with previous expectations. After depreciation and amortization, the contribution in recurring operating income should be around USD 8 million.

PROFIT-SHARING BONUS FOR EMPLOYEES

In accordance with the recently enacted French legislation on profit-sharing, Safran has entered into discussions with the employee representatives. The parties are likely to agree on the terms of a special bonus applicable to employees at French entities of Euro 500 per employee.

In this context, the Group is finalising a structure which would offer employees at French entities who would receive the bonus as well as to all other employees, the opportunity to acquire Safran treasury shares, notably through a dedicated leveraged fund.

The global impact in 2011 recurring operating income would be around Euro (25) million.

2011 OUTLOOK

The on-going performance of the business is such that the 2011 guidance is confirmed while absorbing the cost of the employee profit-sharing bonus required by French legislation enacted July 2011. The pro-rata contribution in recurring operating income of L-1 Identity Solutions (now MorphoTrust) is now included in this guidance.

- § Revenue expected to increase at a rate in the mid to high single digits at an estimated average spot rate of USD 1.39 to the Euro.
- § The increase in recurring operating income should be comfortably in the upper twenties at a hedge rate of USD 1.37 to the Euro.
- § Free cash flow expected to represent about a third of the recurring operating income taking into account the expected increase in working capital requirements and R&D investments.

Assumptions supporting this outlook are otherwise unchanged.

UPCOMING EVENTS

Capital Market Day 2011	December 13, 2011
FY 2011 results	February 23, 2012
AGM	May 31, 2012

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Safran will host today a conference call open to analysts at 8:30 am which can be accessed at +33 1 70 77 09 46 from France and +44 203 367 9459 from the UK. A replay will be available for 3 months at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 274475#).

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

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KEY FIGURES

<i>Segment breakdown of revenue (In Euro million)</i>	Q3 2010	Q3 2011	% change reported	% change organic
Aerospace Propulsion	1,329	1,459	9.8%	8.7%
Aircraft Equipment	696	697	0.1%	3.2%
Defence	280	251	(10.4)%	(5.4)%
Security	279	317	13.6%	(2.9)%
Others	9	4	na	na
Total Group	2,593	2,728	5.2%	4.2%

<i>Segment breakdown of revenue (In Euro million)</i>	9m 2010	9m 2011	% change reported	% change organic
Aerospace Propulsion	4,092	4,436	8.4%	6.9%
Aircraft Equipment	2,070	2,201	6.3%	7.0%
Defence	838	875	4.4%	5.0%
Security	758	826	9.0%	4.2%
Others	32	12	na	na
Total Group	7,790	8,350	7.2%	6.2%

<i>2010 revenue by quarter (In Euro million)</i>	First quarter 2010	Second quarter 2010	Third quarter 2010	Fourth quarter 2010	Full year 2010
Aerospace Propulsion	1,311	1,452	1,329	1,512	5,604
Aircraft Equipment	633	741	696	764	2,834
Defence	245	313	280	402	1,240
Security	223	256	279	283	1,041
Others	14	9	9	9	41
Total revenue	2,426	2,771	2,593	2,970	10,760

<i>2011 revenue by quarter (In Euro million)</i>	First quarter 2011	Second quarter 2011	Third quarter 2011
Aerospace Propulsion	1,423	1,554	1,459
Aircraft Equipment	729	775	697
Defence	292	332	251
Security	233	276	317
Others	4	4	4
Total revenue	2,681	2,941	2,728

<i>Euro/USD rate</i>	Third quarter 2010	Third quarter 2011	9 months 2010	9 months 2011
Average spot rate	1.29	1.41	1.32	1.41
Spot rate (end of period)	1.36	1.35	1.36	1.35
Hedge rate	1.44	1.38	1.44	1.38

NOTES

[1] 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 2011 and nine-month 2011 reconciliation between consolidated revenue and adjusted revenue.

Q3 2011	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
(In Euro million)						
Revenue	2,703	25	-	N/A	N/A	2,728

9m 2011	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
(In Euro million)						
Revenue	8,288	62	-	N/A	N/A	8,350

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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 more than 54,000 employees and generated sales of 10.8 billion euros in 2010. 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 1.2 billion euros in 2010. Safran is listed on NYSE Euronext Paris and its share is part of the CAC40 index. For more information, www.safran-group.com

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