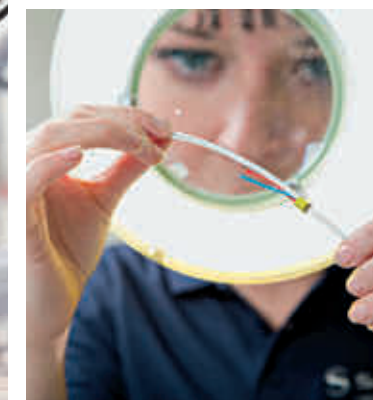


KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS



SAFRAN IN 2013

# SAFRAN IN 2013







## BUSINESS AND CORPORATE SOCIAL RESPONSIBILITY REPORT

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# SAFRAN

## IS A LEADING INTERNATIONAL HIGH-TECHNOLOGY GROUP

and Tier-1 supplier of systems and equipment for aerospace, defense and security. Operating worldwide, Safran has 66,300 employees and generated sales of 14.7 billion euros in 2013. Through our global presence Safran not only enhances competitiveness, but also builds industrial and commercial relations with the world's leading prime contractors and operators, while providing fast, local service to customers around the world. Working alone or in partnership, Safran holds world or European leadership positions in its core markets.

## CORPORATE OFFICERS

*Left to right*

**Jean-Paul HERTEMAN**  
Chairman and CEO

**Stéphane ABRIAL**  
Deputy Chief Executive Officer,  
Corporate Office

**Ross McINNES**  
Deputy Chief Executive Officer,  
Finance

**Marc VENTRE**  
Deputy Chief Executive Officer,  
Operations



## EXECUTIVE COMMITTEE

The Safran Executive Committee comprises the corporate officers and the persons shown below.

*Left to right*

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

**Vincent MASCRÉ**  
Chairman and CEO,  
Messier-Bugatti-Dowty

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

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

**Éric DALBIÈS**  
Vice President, Strategy

**Philippe SCHLEICHER**  
Chairman and CEO,  
Herakles

**Olivier ANDRIÈS**  
Chairman and CEO,  
Turbomeca

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

**Hélène MOREAU-LEROY**  
Chairman and CEO,  
Hispano-Suiza

**Philippe PETITCOLIN**  
Chairman and CEO,  
Morpho,  
Chairman,  
Sagem

**Bruno COTTÉ**  
Executive Vice President,  
European and International  
Relations

**Bruno EVEN**  
CEO,  
Sagem

**Martin SION**  
Chairman and CEO,  
Aircelle

**Alain SAURET**  
Chairman and CEO,  
Labinal Power Systems

**Pierre FABRE**  
Chairman and CEO,  
Snecma

**Jean-Pierre COJAN**  
Executive Vice President,  
Strategy and Transformation





# BOARD OF DIRECTORS

The Safran Board of Directors comprises 15 members, including four representatives of the French State and two employee shareholder representatives. Women account for one-third of the Board. Seven of the members are independent directors with expertise and international experience in Safran's strategic business sectors.

01 **Jean-Paul HERTEMAN**,  
Chairman and CEO

02 **Christian STREIFF**,  
Vice Chairman, Chairman of the Strategy and Major Projects Committee

03 **Odile DESFORGES**,  
Chairman of the Audit and Risk Management Committee

04 **Jean-Marc FORNERI**,  
Chairman of the Nomination and Remuneration Committee

05 **Marc AUBRY**

06 **Giovanni BISIGNANI**

07 **Jean-Lou CHAMEAU**

08 **Monique COHEN**

09 **Patrick GANDIL**

10 **Christian HALARY**

11 **Xavier LAGARDE**

12 **Élisabeth LULIN**

13 **Astrid MILSAN**

14 **Thierry PÉRARD**

15 **Laure REINHART**

**Caroline GRÉGOIRE-SAINTE MARIE**  
Board advisor



Christian Streiff replaced Francis Mer as Vice Chairman of the Safran Board of Directors during the Annual General Meeting on May 28, 2013. Mr. Mer is now Honorary Chairman of Safran.

Francis Mer, the French Minister of the Economy and Finance from May 2002 to March 2004, chaired several major French industrial groups before being named Chairman of the Safran Supervisory Board from 2007 to 2011, then Vice Chairman of the Board of Directors. Jean-Paul Herteman paid tribute to Mr. Mer in these words: "Francis Mer is a vigorous personality with broad experience in both industry and politics. He had a deep impact on Safran during the decisive years after its founding."

After 27 years with Saint-Gobain, Christian Streiff became Chief Executive Officer of Airbus in 2006, then CEO of PSA Peugeot Citroën from 2007 to 2009. He is now a director with several major international corporations. "As a member of the Safran Board of Directors, I am delighted to be joining this exceptional enterprise. Safran is exceptional because of its people's expertise, enthusiasm and innovative mindset, as well as the breadth of its business sectors, the performance of its industrial facilities and the excellence of its products. The Group is also facing a daunting challenge, namely to be one of the world's best in each of its core businesses."

# BOARD COMMITTEES

Three committees prepare the Board's deliberations and submit proposals for consideration by the Board.

## Strategy and Major Projects Committee

The Strategy and Major Projects Committee issues opinions and submits recommendations to the Board of Directors on the Group's major strategic objectives and the development policy.

Committee members:  
**Christian STREIFF** (Chairman),  
**Giovanni BISIGNANI**,  
**Odile DESFORGES**,  
**Patrick GANDIL**,  
**Xavier LAGARDE**,  
**Astrid MILSAN**,  
**Thierry PÉRARD**,  
**Laure REINHART**.

## Audit and Risk Management Committee

The Audit and Risk Management Committee examines financial statements and provides follow-up on questions concerning the generation and control of financial and accounting data. In addition, it oversees the efficiency of the Group's internal control and risk management systems.

Committee members:  
**Odile DESFORGES** (Chairman),  
**Marc AUBRY**,  
**Monique COHEN**,  
**Élisabeth LULIN**,  
**Astrid MILSAN**.

## Nomination and Remuneration Committee

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

Committee members:  
**Jean-Marc FORNERI** (Chairman),  
**Giovanni BISIGNANI**,  
**Astrid MILSAN**,  
**Thierry PÉRARD**,  
**Christian STREIFF**.

**INTERVIEW WITH**  
**JEAN-PAUL HERTEMAN**  
CHAIRMAN AND CEO



*“Safran makes an active contribution to the strong economic and social development of our host countries.”*

**Sales up 8.4%, recurring income jumps 24%... once again, the year ended on a very high note for Safran. How do you see these results?**

**Jean-Paul Herteman:** First and foremost, our success in 2013 makes me incredibly appreciative of the engagement and professionalism shown by the nearly 67,000 people in our Group. But our success is also the result of Safran's deep and successful transformation in recent years. We have carried out a number of in-depth reforms, including refocusing our businesses for greater economic efficiency, enhancing social unity, and building an ensemble which is more than the sum of its parts. We have also made structural investments, especially planning ahead for the successor to the CFM56 by renewing our partnership with GE until 2040 and overseeing the development of the next-generation engine, LEAP, so it will be at least as successful as the CFM56. We have also made Morpho a true world-class enterprise for high-tech security solutions. These changes have borne fruit, inspiring the trust of our shareholders. Inside the Group as well, they foster confidence, unity and dynamic performance, backed by very constructive labor-management relations and an employee shareholding rate of 15%, which ranks Safran second among companies in the French stock market index, CAC 40.

**Would you say this growth has been largely shared?**

**J.-P.H.:** Absolutely. In seven years we've paid out 1.6 billion euros in dividends to Safran shareholders, and 1.5 billion euros in profit-sharing and incentive payments to make sure our employees share the fruits of their work. However, the trademark of our success, and perhaps the achievement we are most proud of, is that over the last three years we have created a net total<sup>(1)</sup> of 3,700 jobs in France, equal to about 10% of our domestic workforce, and a total of 8,900 worldwide. And don't forget that each job created generates two to three times more direct employment at our subcontractors. These figures clearly indicate our active contribution to the strong economic and social development of our host countries, not to mention that our dynamic international performance ensures growth and employment for France.

(1) At constant size, excluding acquisitions and divestments.



*“We will be just as successful, or even more in the next five to ten years, as in the last five to ten years.”*

**So you are in fact confident about the Group's future?**

**J.-P.H.:** You mean that we can go higher, and become stronger in the next five to ten years? We can and we must. In fact, we enjoy a combination of particularly favorable factors to meet these goals. First, we are operating in long-term growth markets, whether civil air transport, security or even defense: while the defense budgets in Western countries are on the decline, those of emerging countries offer new prospects.

Secondly, we have the financial resources to meet our ambitious goals. We will generate free cash flow exceeding one billion euros per year, less the hefty investments made for the historic transition between the CFM56 and its successor, LEAP. If appropriate external growth opportunities arise, we will be able to seize them. Above all, we have the necessary human resources, in large part due to major recruiting efforts in recent years. These efforts mean we have been able to ensure the long-term viability of our skills and expertise – which is the key to our future success.

Another major advantage is that we can plan ahead for the next ten years. Not that we are beyond the reach of any major economic disturbances that may arise, but our CFM56 engine fleet – the largest in the world – is still young, and thus harbors considerable potential for support services, which makes our business model extremely robust and resilient. In other words, it is my firm conviction that we will be just as successful, or even more in the next five to ten years, as in the last five to ten years.

# MEETING TOMORROW'S TECHNOLOGICAL AND ENVIRONMENTAL CHALLENGES

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Leadership positions in each of our core businesses / p. 14

Reducing the environmental impact of air transport / p. 16

Making airports and flying even safer / p. 22

Making our lives safer and easier / p. 26

Focusing on excellence in innovation and competitiveness / p. 32

Sponsorship: fostering a culture of pushing the envelope / p. 38

**INTERVIEW WITH MARC VENTRE**  
DEPUTY CHIEF EXECUTIVE OFFICER,  
OPERATIONS



**A**fter such a successful year, what are the major upcoming objectives?

**Marc Ventre:** We must meet three major objectives: innovate, deliver and ensure the successful marketing and sale of our new products. Last year was especially rich in terms of innovation, with continued work on the new Safran Composites research center, the signature of pivotal partnerships with the CEA, Onera and Valeo, and R&D expenditures reaching 1.8 billion euros, or more than 12% of Safran's sales. We are also actively working on our future corporate R&T center, which will eventually house some 1,500 people, especially teams dedicated to research, technology and innovation. We also continued to focus on participative innovation and continuous improvement, while marshaling our entire supply chain to meet these upcoming challenges, most notably through the Group's first suppliers' convention. Reflecting this approach, some 50,000 improvement ideas from employees at all levels were applied in 2013, and suppliers participated for the first time in our internal Innovation Awards. All of these factors are essential, given the huge ramp-up in production we are currently experiencing.

*"We must meet three major objectives: innovate, deliver and ensure the successful marketing and sale of our new products."*

**Which brings us to the second objective, that you called "deliver"...**

**M.V.:** Precisely. With a backlog of nearly 10,800 orders and commitments at the end of 2013 for the CFM56 and LEAP engines, we have no room for error. To meet the challenge of this ramp-up, we created two plants for the production of 3D woven composite parts for the LEAP engine along with our partner Albany International, one in Rochester, New Hampshire in the United States, the other in Commercy, France. We also launched a project called LEAP Supplier Rate Readiness, or LS2R, to prepare our suppliers for the upcoming peak workload. And of course we are leveraging all possible synergies between Group companies to meet the demands of the ramp-up.

**Where do you stand with your third objective, the marketing and sale of new products?**

**M.V.:** Bell Helicopter chose our Arrius 2R for their new "short light single", and Dassault selected the Silvercrest® for its Falcon 5X. We signed a five-year partnership with Interpol for biometric identification systems and security systems, an order for 18 more Ariane 5 launchers was announced, and our JIM LR binoculars chalked up many new orders. In short, 2013 was a very successful year, with an exceptional Paris Air Show in June perhaps the highlight. That all gives us excellent visibility for the coming years. And we will continue to develop innovative technologies that stand out from the crowd, like the electric green taxiing system (egts), the Patroller™ drone and the MorphoPass™ airport checkpoint, to ensure our future sales success.

**2013 PARIS AIR SHOW, AN EXCELLENT VINTAGE**

Thousands of people visited the Safran stand, CFM International <sup>(1)</sup> announced 660 engine orders and commitments, the Safran hospitality chalet hosted hundreds of delegations, Group employees represented nine different professions on the Gifas Careers Plane, the egts system performed seven taxiing demonstrations, there were four conferences dedicated to innovation and talent... The Paris Air Show was clearly one of the year's highlights for Safran.

(1) The 50/50 joint company between Snecma (Safran) and GE.

# STRONG GROWTH POTENTIAL IN OUR MARKETS

## CO<sub>2</sub> ÷ 2

OBJECTIVES SET BY ACARE\* FOR AIR TRANSPORT versus a year 2000 baseline

|                           | 2020 | 2050 |
|---------------------------|------|------|
| CO <sub>2</sub> EMISSIONS | -50% | -75% |
| NOx EMISSIONS             | -80% | -90% |
| NOISE                     | -50% | -65% |

\* ADVISORY COUNCIL FOR AVIATION RESEARCH AND INNOVATION IN EUROPE

## +25%

The defense budget of non-Western countries should **GROW BY 25% BETWEEN 2013 AND 2021**, and surpass that of the main Western powers\* in 2020<sup>1</sup>.

\* UNITED STATES, CANADA, EUROPEAN UNION, SWITZERLAND

## +75%

The global helicopter fleet should **GROW BY 75% FROM NOW TO 2035**<sup>2</sup>.

## 25%

of geostationary telecommunications satellites **SHOULD BE ALL-ELECTRIC BY 2022**<sup>4</sup>.

## x2.1

The number of air travelers should grow to **6.4 BILLION IN 2030**, versus 3 billion in 2012<sup>5</sup>.

## x2

More than 34,000 new airliners **SHOULD BE DELIVERED IN THE NEXT 20 YEARS, DOUBLING THE WORLDWIDE FLEET**<sup>6</sup>. With a current share of 50% of the mainline commercial jet market (over 100 seats), CFM56\* engines power a takeoff somewhere in the world every 2 seconds.

\* Engine marketed by CFM International, a 50/50 joint company between Snecma (Safran) and GE.

## x1.8

The number of smart secure devices worldwide is expected to increase from 12 billion in 2012 to **22 BILLION IN 2018**<sup>3</sup>.

## 2 BILLION

Nearly 2 **BILLION E-ID DOCUMENTS** should be issued worldwide in the next five years<sup>3</sup>.

## +\$26 BILLION

Global spending on airport security **SHOULD REACH \$45 BILLION BY 2018**, versus \$19 billion in 2011<sup>7</sup>.

PROTECT OURSELVES

IMPROVE OUR QUALITY OF LIFE

TRAVEL

PROTECT THE ENVIRONMENT

SCARCER, MORE EXPENSIVE ENERGY

THE PRICE OF A BARREL OF OIL INCREASED 3.7 TIMES IN 10 YEARS<sup>8</sup>.

GLOBAL POPULATION GROWTH

2013 = 7.2 BILLION  
2025 = 8.1 BILLION  
2050 = 9.6 BILLION<sup>9</sup>

GDP GROWTH

THE GDP OF EMERGING COUNTRIES WILL CATCH UP TO THAT OF WESTERN COUNTRIES BY 2025<sup>10</sup>.

A GROWING MIDDLE CLASS IN BRIC COUNTRIES

IN BRAZIL, RUSSIA, INDIA AND CHINA (BRIC), THE MIDDLE CLASS\* WILL INCREASE 2.5 FOLD BETWEEN 2010 AND 2020<sup>10</sup>.

\* ANNUAL HOUSEHOLD REVENUES BETWEEN 20,000 AND 80,000 DOLLARS (REAL PPP \$ 2005)



# LEADERSHIP POSITIONS IN EACH OF OUR CORE BUSINESSES



**Aircraft engines:** Carrying on the CFM56 tradition, Safran and GE, through CFM International, a 50/50 joint company between Snecma (Safran) and GE, have launched the new LEAP engine, which will power the Airbus A320neo, Boeing 737 MAX and Comac C919. Safran offers the SaM146 engine for regional jets, through PowerJet, a 50/50 joint company between Snecma (Safran) and NPO Saturn, and is developing the Silvercrest® for business jets. In the military sector, Safran makes the M88 engine for the Rafale fighter and the TP400 turboprop for the Airbus A400M military transport, through the Europrop International GmbH consortium. We also provide maintenance, repair and overhaul (MRO) services for our engines.

**Helicopter turbine engines:** Safran makes the Arrius and Arriel turboshaft engines for light to medium helicopters (by Airbus Helicopters, Bell Helicopter, Sikorsky, AgustaWestland, etc.), and is developing the Arrano. Our engines power the Airbus Helicopters Tiger and the HAL Dhruv, and we have designed the Ardiden 3 for new helicopters in the 6- to 8-ton class (by Kamov, Avic, etc.). Safran also makes the Makila and RTM322 engines for heavy helicopters. In other words, Safran makes turbine engines for all major helicopter manufacturers, and provides associated MRO services.

**Space:** Safran makes the Vulcain®2 and HM7B cryogenic engines for Ariane 5, along with its solid rocket motors. We are developing the new Vinci® upper-stage engine for Ariane 5 ME and Ariane 6, and we are prime contractor, along with Avio, for the solid rocket motors on the first stage of Vega and on Ariane 6. Safran also provides satellite equipment, including plasma thrusters, liquid propellants, pyrotechnic devices, etc.

- **No. 1 WORLDWIDE** in engines for commercial aircraft with more than 100 seats (in partnership with GE) and helicopter turbine engines
- **No. 2 WORLDWIDE** in cryogenic rocket engines and solid propulsion
- **No. 4 WORLDWIDE** in military aircraft engines



**Landing and braking systems:** Safran designs, produces and supports landing gear, wheels, carbon brakes and related systems for civil and military fixed and rotary-wing aircraft. These systems are used on many different aircraft, including the Airbus A320, A350 XWB, A380 and A400M, the Boeing Next-Generation 737, 737 MAX, 767, 777 and 787 Dreamliner, the Rafale, Eurofighter Typhoon, F-18, etc.

**Engine systems and equipment:** Safran is the sole nacelle systems integrator for the Airbus A380. Working alone or in partnership with GE, Safran is developing nacelles for LEAP engines (Airbus A320neo and Comac C919) and for the Silvercrest® and GE Passport business jet engines. We also offer mechanical power transmission systems for civil and military airplanes, as well as helicopters.

**Electrical systems and engineering:** Safran has developed expertise in all aircraft electrical systems, including power generation, distribution and conversion, wiring, load management and ventilation. We provide wiring harnesses and electrical cabinets for many different Airbus and Boeing models, and we are developing the electrical distribution system for Embraer's upcoming KC-390 transport. We also offer engineering services, covering aerostructures, mechanical systems and onboard software.

- **No. 1 WORLDWIDE** in landing gear, wheels and carbon brakes<sup>(1)</sup>
- **No. 1 WORLDWIDE** in aircraft electrical interconnection systems
- **No. 1 WORLDWIDE** in power transmissions<sup>(1)</sup>
- **A WORLD LEADER** in aircraft engine nacelles

<sup>(1)</sup> For mainline commercial jets with more than 100 seats.



**Optronics:** Safran is in charge of the FELIN infantry soldier modernization system, offering enhanced observation, communications, mobility and other capabilities. We design portable observation systems and optronic (electro-optical) systems for land vehicles, aircraft and submarines. We also make the Sperwer tactical drone, we're developing the Patroller™ long-endurance drone, and we offer high-performance space optics (for Helios, Meteosat, Spot and other satellites).

**Avionics:** Safran offers inertial or hybrid navigation systems, along with sensors. We are the prime contractor for the AASM Hammer guided missile, deployed by Rafale fighters. We also supply the seekers for the Mistral and Mica IR missiles, and we are developing the seeker and sight for the upcoming MMP medium-range missile system. Safran is developing various flight control systems for Airbus Helicopters' new X4. Our Cassiopée offering groups a wide range of flight data analysis services.

**Electronics and safety-critical software:** Safran provides processing units and printed circuit boards for the Airbus A380 and A400M, Boeing 787, Rafale, the NH90 and Caracal helicopters, and other aircraft, which handle engine control, flight control, landing and braking functions and more. We are developing sophisticated new safety-critical software for different onboard systems.

- **No. 1 WORLDWIDE** in helicopter flight controls
- **No. 1 WORLDWIDE** in engine control units<sup>(1)</sup>
- **No. 1 IN EUROPE** for tactical drones, optronic systems and inertial navigation

<sup>(1)</sup> For commercial aircraft, in partnership with BAE Systems



**Civil identification:** Safran helps governments protect citizens' unique identity through identity management solutions and secure ID documents. We are also developing authentication platforms to provide secure online services.

**Digital ID and smart transactions:** Safran is a world leader in digital identity and secure online transactions, thanks to our strong authentication software platforms, smart cards and tokens. These technologies are used by the banking and telecom sectors, as well as for digital identity management.

**Public safety:** Because of our unrivaled expertise in multibiometric identification technologies and explosives and narcotics detection systems, Safran helps police forces and other law enforcement organizations protect people and society in general.

**Critical infrastructures:** Safran helps protect high-risk facilities by offering advanced detection and biometric access control systems.

**Transport and border control:** Safran ensures the security of transportation sites through our identification, detection and border control solutions.

- **No. 1 WORLDWIDE** in biometric ID solutions
- **No. 1 WORLDWIDE** in automated identification systems based on fingerprint, iris and facial recognition
- **No. 1 WORLDWIDE** in computed-tomography explosive detection systems (EDS) for checked baggage
- **No. 4 WORLDWIDE** in smart cards



# FIRST CHALLENGE REDUCING THE ENVIRONMENTAL IMPACT OF AIR TRANSPORT

At Safran, we're developing cutting-edge materials and technologies to ensure that air transport – which accounts for about 8% of the world's oil consumption – reduces its environmental footprint. We have been a partner in Clean Sky, the largest aeronautical research program ever launched in Europe, since 2008. The aim is to develop aircraft that are cleaner, quieter and more fuel-efficient, so that the air transport industry can meet the objectives set by the Advisory Council for Aviation Research and innovation in Europe (ACARE).



## SAFRAN/HONEYWELL ELECTRIC GREEN TAXIING SYSTEM ON AN AIRBUS A320 IN THE PARTNERS' COLORS WINS OVER AIRCRAFT MANUFACTURERS AND AIRLINES AT THE 2013 PARIS AIR SHOW

The electric green taxiing system (egts) developed by Safran and Honeywell uses electric motors in the main landing gear wheels so the aircraft can taxi without its jet engines. This innovative solution combines environmental and economic advantages: it reduces CO<sub>2</sub> emissions during taxiing by 60%, and airlines save up to 4% in fuel costs over a flight cycle. It also reduces noise, improves aircraft circulation, enhances safety, etc. Air France is one of the airlines supporting this initiative, signing on in 2013.

At the end of the year Airbus signed a Memorandum of Understanding with the Honeywell-Safran joint venture to develop an electric taxiing system for the A320 family. The egts is expected to enter service as early as 2016 on new aircraft, and will then be offered as a retrofit on aircraft in service.





**15%**  
DECREASE IN FUEL  
CONSUMPTION  
WITH LEAP

Developed by Snecma (Safran) and GE, the new-generation LEAP turbofan will take over for the CFM56, the best-selling engine in the world, with more than 26,000 delivered as of the end of 2013. LEAP will carry on the CFM tradition of high reliability and low cost of ownership. Building on an advanced research program, the LEAP engine offers a 15% reduction in fuel consumption and CO<sub>2</sub> emissions compared with today's engines. Its oxides of nitrogen (NO<sub>x</sub>) emissions are 50% under the CAEP/6 standard, and the noise footprint has been significantly reduced, in compliance with the upcoming Chapter 14 noise standard. Three versions of this engine will power new-generation single-aisle commercial jets. The LEAP-1A, intended for the **Airbus A320neo**, passed its first ground tests on schedule in September 2013 with flying colors, as it already reached maximum thrust during these tests. Certification tests will be completed in 2015, with the aircraft entering service in 2016. The LEAP-1B and -1C will power, respectively, the **Boeing 737 MAX** – as the exclusive engine – and the **C919** built by **Comac** of China, as the sole Western powerplant. At December 31, 2013, the LEAP engine had recorded more than 5,700 orders and commitments, including 1,393 during the year, often with an associated long-term service contract. For the first time, the backlog of LEAP orders exceeded that of its predecessor.

## A WORLD LEADER IN AIRCRAFT ELECTRICAL SYSTEMS

In March 2013 Safran finalized its acquisition of Goodrich Electrical Power Systems (GEPS). A leading supplier of aircraft electrical systems, GEPS offers critical expertise and experience in power generation. The Group then consolidated its aircraft electrical activities in a single unit, Labinal Power Systems. This transition reflects Safran's proactive support for the development of "more electric" aircraft, which entails the replacement of the current hydraulic and pneumatic systems by their electrical counterparts, with a significant increase in power requirements. It's a top priority for Safran, which has invested heavily in research in this area, rewarded by contracts on recent aircraft programs. For example, Brazilian planemaker Embraer chose Safran to supply the primary and secondary power distribution systems, and the backup power generation system on its future **KC-390** military transport. Safran completed civil engineering work in 2013 on a new test rig, which will be dedicated to the certification of the complete KC-390 electrical system.



## ARRIUS 2R TO POWER BELL'S NEW SHORT LIGHT SINGLE HELICOPTER

The new Arrius 2R turboshaft engine developed by Turbomeca (Safran), offering unmatched performance in the 450-550 shaft horsepower (shp) class, will power the new five-seat "short light single" to be offered by Bell Helicopter, a wholly-owned subsidiary of Textron, Inc. of the United States. Bell Helicopter was won over by the qualities of the Arrius 2R and the excellent associated services. It offers proven reliability, lower fuel consumption, 3,000 hours mean time between overhauls, automatic control and more. The Arrius 2R also features reduced operating costs and easy handling, plus excellent performance in terms of range, power and noise. Safran is now a supplier to all of the world's helicopter majors.



## RTM322: SAFRAN UPS THE STAKES

In April 2013, Safran acquired Rolls-Royce's stake in the RTM322 turboshaft engine. Turbomeca (Safran) is now fully responsible for the development, production, sale and support of this high-performance turboshaft engine, which powered the Airbus Helicopters **X3** prototype to a new world speed record in June 2013, at 255 knots (472 km/h). Safran now holds a strategic position in the high-potential market for heavy helicopter engines. Turbomeca also provides full support services – MRO and spare parts – for engines in service. The company signed a six-year, 425 million euro contract with the British Ministry of Defence to support the RTM322 engines powering the country's Merlin and Apache helicopters.





## SAFRAN TAKES OFF WITH THE AIRBUS A350 XWB

The **Airbus A350 XWB**, featuring a number of Safran technologies, made its first flight in June 2013. Group companies supply the wiring (Labinal Power Systems), landing systems (Messier-Bugatti-Dowty), cabin ventilation system (Technofan), the complete power transmission system for Rolls-Royce Trent XWB engines (Hispano-Suiza), and the flight data acquisition and security system (Sagem). The Airbus A350 XWB will enter commercial service in 2014.



## DASSAULT AVIATION CHOOSES THE SILVERCREST® TO POWER ITS NEW FALCON 5X BUSINESS JET

In addition to the Cessna **Citation Longitude**, the new Silvercrest® engine being developed by Snecma (Safran) will also power the French planemaker's latest business jet, the **Falcon 5X**, unveiled at the NBAA business aviation show in Las Vegas in October 2013. Dassault's latest is slated for service entry in 2017. Safran will supply a complete propulsion system, including the Silvercrest® engine from Snecma and its nacelle from Aircelle. Silvercrest® features the latest technologies and will offer unrivaled performance in the business aircraft market, in terms of efficiency, reliability and environmental friendliness. Other Group companies will supply equipment as well, including Sagem and Techspace Aero, which are directly involved in the production of the propulsion system, Labinal Power Systems for the electrical harnesses, and Microturbo for the auxiliary power unit (APU) and its installation kit (in partnership with Pratt & Whitney AeroPower). Safran has carved out a strong position in the super-midsize bizjet market segment, which offers potential sales of 8,000 aircraft from now to 2030.

## WHEELS AND CARBON BRAKES 6,000 AIRCRAFT OUTFITTED

Messier-Bugatti-Dowty (Safran) consolidated its world leadership in the wheel and carbon brake market in 2013 by passing the mark of 6,000 aircraft outfitted. It signed 62 new contracts during the year, especially for the **Airbus A320**, **Boeing Next-Generation 737** and **Boeing 787**, with wheel and carbon brake orders for more than 500 aircraft.



**SAFRAN INNOVATIONS ON THE A400M**  
The first **Airbus A400M** to enter service, featuring the latest Safran technologies, was delivered to the French air force in September 2013. Snecma (Safran) is a lead member of Europrop International (EPI), the consortium that produces the TP400 turboprop engines powering this European military airlifter. Safran companies also supply the electrical and navigation systems, the landing gear and maintenance-aid systems.

**SAFRAN INTRODUCES ARRANO**  
Safran unveiled Arrano, the only turboshaft engine of its kind in its class, in Las Vegas in March 2013. Designed for 4- to 6-ton helicopters, the new engine from Turbomeca (Safran) will power Airbus Helicopters' new-generation **X4**, starting in 2017.

**RECOGNIZED EXPERTISE IN AVIONICS INTEGRATION**  
Safran Engineering Services (Safran) was chosen by Brazilian helicopter manufacturer Helibras to take care of avionics systems integration for the modernization of 34 Esquilo and Fennec helicopters. In particular, it will handle the integration of the glass cockpit from Sagem (Safran) and a new autopilot.

**E-APU, POWER FOR MORE ELECTRIC AIRCRAFT**  
The e-APU, a new auxiliary power unit, was certified for civil aviation use in 2013. Originally designed for business aircraft, this innovative APU from Microturbo (Safran) meets the power requirements of new-generation, "more electric" airplanes and helicopters.

**FIRST GROUND TEST OF ARDIDEN 3C-WZ16 A SUCCESS**  
The new turbine engine developed by Turbomeca (Safran) and Dongan (AVIC) logged a very successful first ground test in November 2013. Intended for the **AVICopter AC352**, this new-generation engine is designed for helicopters in the 6- to 8-ton class, a growth segment of the market.





SECOND CHALLENGE

# MAKING AIRPORTS AND FLYING EVEN SAFER

Detect hazardous or illicit substances, identify individuals, provide secure travel documents, control access to secure zones and borders... Safran offers the technologies and systems needed to combine high security and smooth circulation at airports. The market is logging strong growth, driven by a steady increase in traffic and the advent of new threats. Safran is also developing a wide range of avionics systems to further enhance flight safety and fleet management.

## SAFRAN DETECTION SYSTEMS DEPLOYED AT AIRPORTS AROUND THE WORLD

Morpho (Safran) signed two major contracts in 2013, with the U.S. Transportation Security Administration (TSA), and the Canadian Air Transport Security Authority (CATSA), to provide CTX 5800™ explosive detection systems (EDS). Both of these organizations also acquired CTX 9800 DSi™ explosive detection systems for the high-speed inspection of checked baggage. Several international airports – Nice-Côte d'Azur (a first in Europe), and Narita, Japan – also chose this innovative system as their primary inspection method. The CTX 9800 DSi™ can handle 1,000 pieces of baggage an hour, with a lower false alarm rate. Brazilian airport operator Infraero opted for 45 Itemiser® DX portable explosive trace detectors from Morpho for the country's airports.



# MORPHOPASS™ THE AIRPORT CHECKPOINT OF THE FUTURE

The new airport security system from Morpho (Safran), MorphoPass™, will combine biometric ID and detection solutions to put passengers at the center of the process. This speeds up checks and makes optimal use of resources, while also bolstering security. Showcased at the 2013 Paris Air Show, MorphoPass™ will hit the market in 2016.

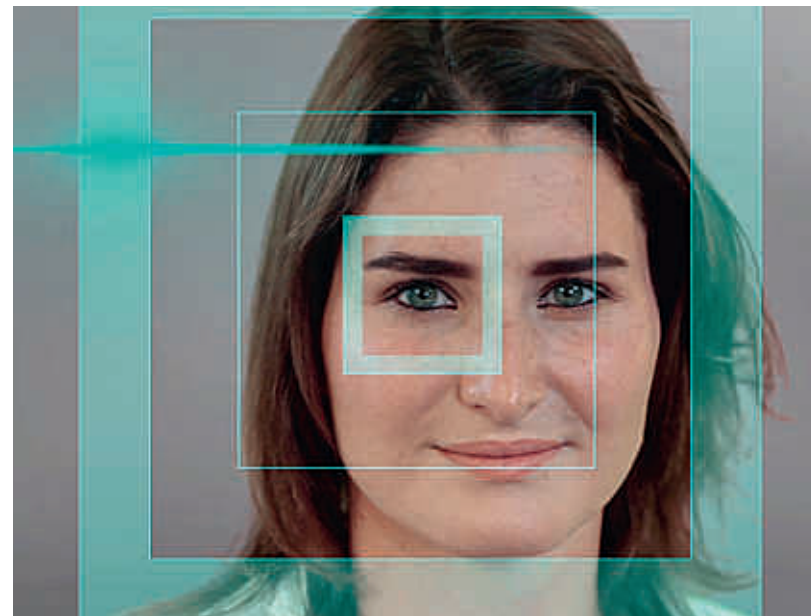


# SFCO2®: REDUCING FLEET OPERATING COSTS

Sagem's (Safran) Cassiopée range of services, designed to enhance flight safety and optimize operations, is expanding to meet the emerging needs of both airlines and business aircraft and helicopter operators. One new service is SFCO2®, developed jointly with Snecma (which is also marketing it as part of its EngineLife® offering), that analyzes customer flight data and provides recommendations to enhance their operating practices. The objective is of course to reduce their fuel consumption and maintenance costs. At the same time, this new offering includes support for flight and ground improvement plans, such as crew training, deployment of communications and monitoring tools, etc.

# NEW EXPLOSIVE DETECTION SYSTEMS, EVEN FOR LIQUIDS IN CARRY-ON BAGS

Morpho (Safran) signed a research contract with the Science and Technology Directorate of the U.S. Department of Homeland Security to develop a prototype, based on X-ray diffraction (XRD) technology, that most notably is capable of checking the composition of liquids when inspecting checked baggage. Safran's XDi™ system, also based on XRD technology, will enhance security and speed up airport checkpoints. Its deployment starting in 2015 will help remove current restrictions on liquids in carry-on bags.



# MORPHO IAD™ FASTEST IRIS RECOGNITION SYSTEM ON THE MARKET

A world leader in biometric recognition technologies, Morpho (Safran) unveiled a revolutionary apparatus at GITEX 2013 in Dubai: it simultaneously takes images of both irises and the face in just one second, from a distance of a meter.

# NEARLY 10,000 FADEC UNITS IN SERVICE

For the last ten years, Sagem (Safran) has developed and produced FADEC (full authority digital engine control) units through a joint venture with BAE Systems, FADEC International. This is a very fruitful partnership, with the two companies delivering nearly 10,000 engine control units to date.



# INNOVATIVE, SCALABLE SOLUTIONS FOR AUTOMATED BORDER CONTROL

SmartGate Plus, the new automated border control solution from Morpho (Safran), successfully passed tests at the Auckland international airport in New Zealand during the second half of 2013. Based on biometric recognition technology, it upgrades the SmartGate system already being used at several of the country's airports, by making border control procedures even faster and more comfortable. SmartGate Plus is a compact system that compares the passenger's face to data in a chip on his or her e-passport. It has already demonstrated its ability to process more than 5,000 persons a day. The Abu Dhabi airport has tested the use of iris recognition technology to more effectively check people entering and leaving the country. This trial could result in the installation in 2014 and 2015 of more than 100 multibiometric control gates and 100 automated border control checkpoints in Abu Dhabi and other airports in the United Arab Emirates.



## THIRD CHALLENGE

# MAKING OUR LIVES SAFER AND EASIER

Safran offers innovative solutions to ensure the security of people, property, transport and transactions. From digital identity to secure e-services, e-documents and more, Safran is expanding its scope of biometric ID applications to improve people's daily lives, strengthen national security and facilitate the work of police forces. Safran also makes vital contributions to the efficiency of the armed forces – air, land and sea – in many countries, based on our proven expertise in the enabling technologies needed for optronics, avionics, navigation and safety-critical software. Last but not least, Safran makes it easier to reach space, a strategic priority on several levels, including support for national sovereignty, booming telecommunications usage, Earth observation, exploration of our Universe, and much more.



### ID DOCUMENTS AND E-SERVICES: ALBANIA AGAIN CHOOSES SAFRAN

Enrollment, personalization, issuance... since 2008, Morpho (Safran) has produced some 2.6 million passports and 3.2 million high-security biometric ID cards for the Albanian government, via Aleat, a joint venture with a local partner. The country's residents have been able to travel throughout the Schengen Area since 2010 without needing a visa. Morpho signed a new agreement with Albania in 2013, for a period of ten years. It concerns not only the production of latest-generation ID documents, but also the deployment of an e-services platform, dubbed Morpho Trusted Identity Services. This platform will enable Albanian citizens to quickly and easily access public or private online services from their chosen device: computer, tablet or smartphone.





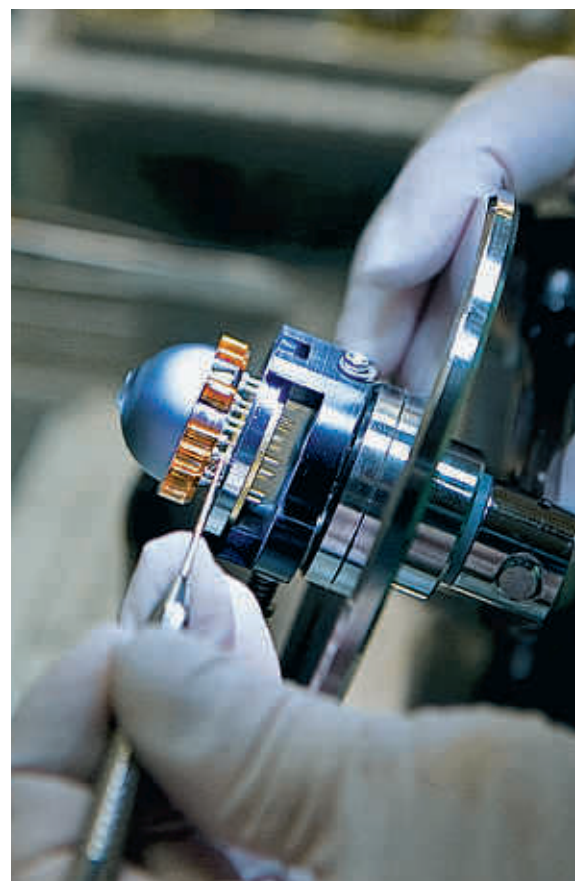
## INTERPOL COUNTS ON SAFRAN'S EXPERTISE

Morpho (Safran) has signed a five-year strategic partnership contract with international police organization **INTERPOL**. It provides for the supply of latest-generation automated fingerprint identification systems (AFIS), as well as high-performance security solutions for the INTERPOL Global Complex for Innovation (IGCI) in Singapore, which will open its doors in 2014. Morpho will also supply INTERPOL with its facial recognition technology, an effective tool in the fight against criminality. The two partners, which have teamed up since 1999, will develop international standards and best practices.

## SAFRAN CONSOLIDATES POSITION IN THE INERTIAL NAVIGATION MARKET

Building on the international success of its Sigma laser gyro-based navigation system for defense applications, Sagem (Safran) developed the new BlueNaute® unit for commercial ships. This new system is based on a technology that had previously been limited to space and military platforms – hemispherical resonator gyros (HRG) – and offers unrivaled reliability, compact design and operational availability. It can be used in terrestrial applications (mobile satellite antennas, geodesy, etc.) as well as on aircraft. In particular, the system was tested in flight on an Airbus A320 testbed jointly owned by Safran-Honeywell that flew from Toulouse to Le Bourget in Paris, demonstrating its potential in the commercial aviation market.

In early 2013, Sagem acquired the Swiss company Colibris, specialized in micro-sensors based on silicon MEMS (micro-electro-mechanical systems). These compact, powerful and economical components are widely used in aviation. Furthermore, this acquisition could generate further synergies, for example eventually leading to the development of MEMS-based gyros.



## SUCCESSFUL TESTS OF PATROLLER™, THE NEW TACTICAL DRONE FROM SAFRAN

Building on the expertise built up through the successful Sperwer drone program, Sagem (Safran) used its own funds to develop Patroller™, a 1-ton-class long-endurance tactical drone designed to meet governments' growing defense and homeland security requirements. Recent tests in the Middle East and France spotlighted the system's performance qualities, especially the excellent image transmissions between the aircraft and the ground.



## BIOMETRIC TECHNOLOGY FOR THE FBI

In May 2013, the **FBI's** Next-Generation Identification (NGI) system, the largest in the United States, incorporated the latest algorithms from Morpho (Safran) for processing of fingerprint and palm traces. These new biometric technologies – especially an extension of the palm print area – make comparisons three times as accurate and also considerably boost search speed, helping to resolve an increasing number of crimes, including some which were already closed cases. MorphoTrak, one of the company's American subsidiaries, also supplied new software for the workstations dedicated to fingerprint analysis.





## ARIANE: SAFRAN FROM TOP TO BOTTOM

The 70th Ariane 5 launch took place in July 2013, marking a new milestone for the European space industry and Safran, which supplies key components to launcher prime contractor Airbus Defence and Space: cryogenic and solid propulsion systems, inertial reference system, pressure transducers, etc. Arianespace ordered another 18 Ariane 5 launchers in December 2013. And Safran is continuing developments for the upcoming **Ariane 5 ME** and **Ariane 6** programs, leading up to the next European Space Agency (ESA) ministerial-level conference at the end of 2014. Snecma's (Safran) development of the Vinci® cryogenic engine for the upper stage of these new launchers is proceeding on schedule, including firing tests of the fifth development engine, while Herakles (Safran) and Avio are continuing design studies for the solid propulsion systems on Ariane 6.

## SAFRAN CONTRIBUTES TO TRANSPORTATION SECURITY IN THE UNITED STATES

The **U.S. Transportation Security Administration (TSA)** chose MorphoTrust USA (Safran) for a key role in the implementation of its new Universal Enrollment Services (UES) initiative.

The aim is to ensure that persons wanting to access sensitive information on transport systems do not present a security threat. The enrollment operations incorporate the capture of biometric and biographical data.

MorphoTrust USA's enrollment centers for the UES initiative are, or will be located in all American states. Once up and running, they should be able to handle the enrollment of about 750,000 persons per year.

## SAFRAN EXTENDS THE SCOPE OF APPLICATION OF CONTACTLESS TECHNOLOGY

NFC (near field communication) is a type of "contactless" technology that allows users to make purchases by just placing their mobile phone in front of a terminal. As part of a contract signed in 2012 with South Korean operator KT, Morpho (Safran) has already delivered more than two million NFC/LTE SIM cards. The company is developing new applications at the same time. In the healthcare sector for instance, Morpho has teamed up with French telecom operator Orange to create the world's first mobile identity management system. Now being trialed at a hospital in Clermont-Ferrand, this solution allows doctors to access a patient's file from a tablet or smartphone – with complete data security.



### SAFRAN PRODUCES AND ISSUES MORE THAN FOUR-FIFTHS OF U.S. DRIVER LICENSES

Forty-two American states use solutions developed by MorphoTrust USA (Safran) to produce and issue driver licenses and ID documents – that amounts to 68.5 million documents in 2013 and more than 2.2 billion since the start of the program.

### SAFRAN TECHNOLOGIES BOOST VEGA LIGHT LAUNCHER

Launch services operator Arianespace recently ordered ten more **Vega** launchers, mainly used to orbit small satellites. This new light launcher incorporates a number of Safran technologies: Herakles (Safran) and its subsidiaries (Regulus and Europropulsion – jointly owned with Avio – and Pyroalliance) most notably provide the solid rocket motor for the first stage, plus the pressure transducers and the pyrotechnic systems for engine ignition, stage separation and range safety for the three solid propulsion stages.

### PLASMA THRUSTERS: TOWARDS ALL-ELECTRIC SATELLITES

Snecma (Safran) supplied the four PPS®1350-G plasma thrusters for the Alphasat satellite launched by an Ariane 5 rocket on July 25, 2013. Rated at 1.5 kW and generating 9 grams of thrust, these thrusters will provide North-South stationkeeping in geostationary orbit over the satellite's expected 15 year lifetime. In 2013 Snecma also kicked off the qualification of a 2.5 kW plasma thruster, and the development of a high-power 5 kW thruster, to meet all propulsion needs for "all-electric" satellites as early as 2014.

### JIM LR BINOCULARS, THE BENCHMARK

Sagem (Safran) recorded new orders in 2013 for its JIM LR long-range infrared multifunction binoculars in France, from NATO armies and in export markets. A total of more than 6,000 JIM LR binoculars were in service or on order at the end of 2013, from over 30 countries.





## FOURTH CHALLENGE FOCUSING ON EXCELLENCE IN INNOVATION AND COMPETITIVENESS

Safran applies a strategy based on standing out through innovation. Our creativity is expressed through innovative solutions for all business lines, including engines, composite materials, the electric green taxiing system, biometric algorithms, onboard electronics and more. We are among the leading companies in the aerospace, defense and security sectors in terms of number of patents filed, and for the last few years Safran has been ranked among the Top 100 Global Innovators by Thomson Reuters. In 2013, R&D expenditures reached 1.8 billion euros, equal to more than 12% of our revenues. Furthermore, more than 21% of our employees contribute to our technological excellence. We also work with a number of research organizations and university labs from around the world.

### SAFRAN, AT THE CUTTING EDGE OF COMPOSITES

In Itteville, near Paris, Safran completed the construction of a world-class center of expertise, Safran Composites, at the beginning of 2014. It is wholly dedicated to research and development of composite material parts, with a focus on applying innovative technologies to reduce aircraft weight and therefore decrease fuel consumption – a key strategic goal for the entire industry. Through this center, we are boosting efforts to consolidate our leadership in advanced composites (3D woven parts using RTM, ceramic matrix composites, etc.), and extend the scope of application to include other critical parts. We are also deploying twin production plants, created in partnership with the American company Albany International, to make composite blades and cases for the new LEAP engine. The first plant, in Rochester, New Hampshire, started operations in 2013, while the second, Safran Aéro Composite, located in Commercy, eastern France, will start up later in 2014.





## PIVOTAL PARTNERSHIPS

Safran signed several key research partnerships in 2013 to boost our innovation potential. For instance, in May we signed a five-year partnership with French atomic energy commission CEA giving us access to cutting-edge technologies in areas related to our businesses: nuclear power, communications, renewable energies, nanotechnologies, etc. Safran also joined a fund established by the CEA, Amorce Technologique Investissement (ATI), which contributes to the development of startups working on very innovative technologies. We also renewed our partnership with French aerospace research center Onera for five years in November 2013, concerning disciplines that are essential to an engine manufacturer: aerodynamics, combustion, acoustics, composite and metallic materials, etc. And in September, Safran and auto parts maker Valeo signed a partnership agreement to conduct joint research in assisted and autonomous driving. The two companies, which are not competitors but still have similar technology needs, will unite their areas of expertise to accelerate the development of products for this future growth market. Research institutes, universities and innovative small businesses could eventually join this project as well.

## INNOVATION, A SHARED MINDSET

Innovation is at the heart of Safran's corporate culture. We organize annual Innovation Awards to recognize the most promising initiatives by our employees. The 2013 awards encompassed more than 600 employees from over 50 countries, once again reflecting the spirit of creativity that characterizes the Group. For the first time, the awards were also open to Safran's suppliers. Safran has signed the Participative Innovation Charter, an initiative launched by the association *Innov'acteurs* to promote this approach in French companies. At the Participative Innovation Awards 2013, Group company Morpho's Saint-Étienne-du-Rouvray plant won the silver award in the "continuous improvement" category. In 2013, more than **50,000 improvement ideas submitted by Safran employees** were applied.

## AN ORGANIZATION TO AMPLIFY INNOVATION

The excellence of the technologies applied by Safran underpins the quality of our products and flows through to benefit our customers. We are establishing a culture based on research and innovation at all levels, to continuously advance our knowledge and expertise across our business sectors. For example, several years ago we set up a Scientific Council chaired by renowned physicist Mathias Fink, backed by an internal network of experts. The Innovation department has also created a think tank comprising leaders from industry and academia, dubbed the Innovation and Long-term Planning Circle, tasked with identifying trends in air transport. To round out its vision, the Circle works alongside a network of multidisciplinary innovators from all Safran companies, and specialized working groups.

## LIGHTER, MORE AERODYNAMIC NACELLES

The engineers at Aircelle (Safran) and Middle River Aircraft Systems (GE) rose to the challenge of designing an innovative aircraft engine nacelle architecture through a demonstrator called Panache (Pylon and Nacelle Advanced Configuration for High Efficiency). Featuring a simplified design, fewer interfaces and significant weight savings, this single-piece composite nacelle is a technological tour de force and a world first. It has already been chosen for its first application: the C919 single-aisle commercial jet being built by Comac of China.



## SAFRAN R&T CENTER TO OPEN IN 2014

Safran will be consolidating its Research and Technology staff at our future innovation-focused R&T center in the Saclay technology cluster near Paris. The site will eventually house some 1,500 people: Safran's R&T center and management, the Innovation department, and the Paris-based teams from Safran Engineering Services and Aircelle, along with external partners for fundamental research. Suppliers will also be provided with premises, reflecting our open innovation approach. The center will be able to work closely with other research organizations located nearby in Saclay.

## SAFRAN INVENTS TOMORROW'S ENGINES

Safran is a major contributor to a number of research initiatives as part of the vast European Joint Technology Initiative (JTI), Clean Sky. The open rotor type engine, for example, developed by Snecma (Safran), is a candidate to power the next generation of single-aisle commercial aircraft. Based on two counter-rotating propellers, the open rotor will help meet the objectives for reduction in fuel consumption and CO<sub>2</sub> emissions set by ACARE. A third series of tests of a reduced-scale model in a wind tunnel was successfully carried out in 2013. The next step is the construction of a full-scale prototype.

## SAFRAN, A PIONEER IN ADDITIVE MANUFACTURING

Additive manufacturing, more popularly known as 3D printing, is an innovative process that allows the production of small and complex shaped parts by building up the product layer by layer by melting metallic powders. It combines two cutting-edge technologies, namely selective laser melting and computer-aided design (CAD). Easy to use, additive manufacturing is also very flexible, and has proven to generate savings, provide significant time savings, and also make shapes that are impossible with conventional methods. Snecma (Safran) is already using this manufacturing process on major programs such as the Vinci<sup>®</sup> rocket engine, and the Silvercrest<sup>®</sup> and LEAP aircraft engines. Microturbo (Safran) is planning the ground test of a prototype engine comprising parts made using this process.







## MORE AND MORE EMPLOYEES ARE EMBRACING LEAN-SIGMA

The Lean-Sigma method optimizes processes and is an integral part of Safran's continuous improvement approach. Long applied on the shop floor, it is now being extended to support functions and R&T activities. A special effort has been made to ensure that all employees deploy Lean-Sigma precepts. A total of 15,000 took introductory courses in 2013. Today, nearly 30,000 employees are certified to different levels of Lean-Sigma expertise: White Belts, Green Belts, Black Belts and Master Black Belts.

## SUPPLIERS' DAY 2013, A FIRST!

The first Safran suppliers convention, called "Suppliers' Day", was held in Paris in November 2013, with 400 suppliers from around the world. Focused on the theme "Working together for higher effectiveness", this event allowed Safran to encourage buy-in by the entire supply chain to help us meet major upcoming challenges: ramp-up of production rates for new programs, innovation, continuous improvement, quality, cost control, etc. The day culminated with prizes awarded to seven suppliers.



## SUPPORT FUNCTIONS, UNDERPINNING EXCELLENCE

The Paul-Louis Weiller building in Issy-les-Moulineaux, named after one of the Group's founding fathers, was inaugurated in April 2013. It consolidates shared services centers, corporate departments and pooled functions, such as payroll for all Group companies in France, accounting, recruiting and non-production purchasing. This approach underscores Safran's commitment to enhancing the value of its support functions and optimizing their resources and skills to benefit all Group companies. The opening of this new facility also marks a major step forward in the modernization drive that kicked off several years ago. Also contributing to this momentum is the construction of a new Safran facility in Toulouse, which will group all service activities in the region by 2016. Safran now deploys shared services centers in international markets. Some are already up and running, including one in Dallas, Texas (U.S.) that was created two years ago and which already has 50 employees. All of these international centers are organized in line with the specific characteristics of local operations and markets. A new project is being launched in 2014 to facilitate the harmonization, coordination and communications between shared services centers worldwide, further enhancing efficiency and competitiveness. By May 2015, all key countries will have their own center. A Lean Office initiative is also under way to enhance the performance of support functions and continuously improve the quality of services delivered to customers.

## OPTIMIZING DESIGN AND DEVELOPMENT

In 2013 Safran launched the Lean Engineering project, designed to optimize control over development work by applying the same Lean methods used for manufacturing to R&D activities. The RTDI project (from the French initials for research, technology, development and production engineering) is also continuing to improve industrial performance across the entire design-to-production cycle. Another ongoing initiative is "Design to Cost", which aims to achieve technological excellence at the best cost, while meeting the customer's requirements for performance, functionality, quality and on-time delivery.



## SPONSORSHIP

# FOSTERING A CULTURE OF PUSHING THE ENVELOPE

Performance, innovation, continuous improvement... Through our various sponsorship initiatives, Safran also fosters a culture based on pushing the envelope. This culture is part of our DNA, and a primary factor in our success.



## SAFRAN CONVEYS ITS VALUES AND TECHNOLOGIES ON THE SEVEN SEAS

Safran skipper Marc Guillemot set a new solo, monohull record for crossing the North Atlantic in July 2013. He sailed 2,880 nautical miles from New York to Lizard Point in Cornwall, UK, in 8 days, 5 hours, 20 minutes and 20 seconds, at an average speed of 14.59 knots – a real accomplishment for both him and the boat. Safran then finished second in the 2013 Transat Jacques Vabre, its third podium finish in this transatlantic race. The Safran Open 60 Imoca class monohull ocean racer benefits from a constant stream of technologies developed by Safran for aerospace and defense. For the 2013 Transat, it incorporated the BlueNaute® inertial navigation system developed by Sagem (Safran), which gave co-skippers Marc Guillemot and Pascal Bidégorry constant, precise data on the boat's attitude and dynamics. Safran also supports the best young talent. Through an equal partnership, Safran and clothing company Guy Cotten announced that they would be sponsoring an entry by young skipper Gwénolé Gahinet in the Figaro Bénéteau class for the 2014-2015 season.

## L'OISEAU BLANC: REMEMBRANCE OF FLIGHTS PAST

Safran supports the association *La recherche de l'Oiseau Blanc*, which is exploring off the coast of Saint-Pierre-et-Miquelon to find traces of the legendary airplane *L'Oiseau Blanc* ("The White Bird"), flown by French aces Nungesser and Coli. The two aviators attempted to fly across the Atlantic just 12 days before Charles Lindbergh in 1927, at the controls of a Levasseur PL-8, powered by a 450-HP Lorraine-Dietrich 12Eb engine<sup>(1)</sup>, but they disappeared before they could reach their destination. On May 31, 2013, during one of the recent series of searches for the airplane's engine, the association's president Bernard Decré joined Jean-Paul Herteman, Chairman and CEO of Safran, and Erik Lindbergh, grandson of Charles, to lay a wreath at sea in tribute to the two aviators. The search will continue in 2014.

(1) Safran is a successor to the engine manufacturer Lorraine-Dietrich, which was bought by La Société des Moteurs Gnome et Rhône in 1941; this company was then nationalized in 1945 and named Snecma, which later became part of Safran.

# A GLOBAL, RESPONSIBLE CORPORATE CITIZEN

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**INTERVIEW WITH STÉPHANE ABRIAL**  
DEPUTY CHIEF EXECUTIVE OFFICER,  
CORPORATE OFFICE



**W** here does corporate social responsibility, or CSR, fit in Safran's strategy?

**Stéphane Abrial:** For us, corporate social responsibility is an absolute prerequisite for harmonious growth. By that I mean growth that is driven by processes and products capable of addressing increasing demand for environmental performance, growth that protects everyone's health and safety, growth that allows everyone who contributes to fulfill their potential. Signing the UN Global Compact in 2013 underscores the international reach of our commitments, which are at the heart of our corporate culture and have been an integral part of our development strategy for many years.

*"Corporate social responsibility is an absolute prerequisite for harmonious growth."*

**The 10<sup>th</sup> principle in the UN Global Compact concerns the fight against corruption. Does this reflect a new aspect of Safran's commitment?**

**S.A.:** Signing the Global Compact carries on our long tradition of compliance. Whether in terms of trade compliance or export control, we have to show exemplary behavior. First, to remain faithful to our culture of integrity, and to the values in our ethics charter. And also to avoid consequences that could prove to be critical. Companies today are no longer solely judged by their financial performance or the quality of their products – they must clearly state and then meet their ethical and more broadly their social objectives.

**What improvements did we log in this area in 2013?**

**S.A.:** Last year saw the Group strengthen our reputation, further improve our image, and especially extend our international reach. These achievements are due to our two corporate foundations and our philanthropy policy, along with the communications campaign we rolled out to meet our hiring needs, not to mention partnerships signed with a number of schools and research organizations. Our efforts have borne fruit, with nearly 8,500 new hires in 2013, of which 34% are women, and over 23,000 new employees since the beginning of 2011, equal to more than one-third of our workforce. We now face major challenges in terms of integrating these new employees and ensuring their loyalty. The Safran Campus, which will soon open its doors in the greater Paris area, will be a considerable asset in this regard. As a unifying and symbolic venue, it will help us bolster the unity of our people and also foster a shared Safran culture.

- OUR GOAL:  
EXEMPLARY PERFORMANCE**  
Safran has defined six strategic objectives to direct its CSR policy, based on major actions identified in the ISO 26000 standard concerning the social responsibility of organizations:
- Develop innovative products and processes with minimal environmental impact.
  - Aim for excellence in the safety and protection of people and property.
  - Develop people's potential.
  - Foster the involvement of suppliers and partners in this initiative.
  - Sustain a culture of integrity.
  - Guarantee optimum communications with all stakeholders.



# CREATING VALUE WITH OUR STAKEHOLDERS

## CUSTOMERS

- Safran posted sales of **€14.7 billion** in 2013, with nearly 80% in export markets.
- High-tech solutions meeting the needs of a **wide variety of customers** (airplane and helicopter manufacturers, airlines, governments, airports, banks, telecom operators, etc.).
- **A CFM56\***-powered airplane takes off somewhere in the world **every 2 seconds.**

## ASSOCIATIONS

- Solidarity, social inclusion, equal opportunity, support for young talent... Since 2005 Safran has provided support for **nearly 450 philanthropy projects**, either directly or through our corporate foundations.

## MEDIA

- Safran maintains and develops relations with a **network of journalists**, including a growing share of **international media.**
- Safran communicates directly with the general public via **social networks** (Twitter, Facebook, LinkedIn, Viadeo, YouTube); **we multiplied our global audience five-fold in 2013.**

PLUS:  
**SURROUNDING COMMUNITIES, NON-GOVERNMENTAL ORGANIZATIONS (NGO)**

## SHAREHOLDERS

### INSTITUTIONAL, INDIVIDUAL AND EMPLOYEE SHAREHOLDERS

- Capital shareholding: Public: 62.8%, French State: 22.4%, Employees: 14.7%, Treasury shares: 0.1%
- **Safran ranks 2<sup>nd</sup> among CAC 40 companies** according to its level of employee shareholding.
- **2 meetings for individual shareholders** are organized yearly, in addition to the Annual General Meeting.

## SCHOOLS, UNIVERSITIES, RESEARCH LABS

- **Safran has Research & Technology partnerships** with the CNRS, CEA and Onera research organizations in France, and we work with several technology research institutes and a number of university laboratories with international reputations.
- **More than 250 Safran employees act as "ambassadors"** to their alma maters (23 schools and universities).

## LOCAL, FEDERAL, REGIONAL GOVERNMENTS

- **€492 million** in capital expenditures in 2013.
- Safran helps energize the regions where it operates, in conjunction with **local training and placement organizations.** A good example is the "twin" plants for composite parts built with American partner Albany International in Commercy, France and Rochester, New Hampshire, United States, which will each eventually have 400 employees.

PLUS:  
**LOCAL COMMUNITIES**

## FINANCIAL ANALYSTS

- **More than 20 financial analyst firms** follow the Safran share on a regular basis.
- On June 16, 2013, at "**Capital Market Day**" organized for investors, Safran reviewed its strategy and outlook for more than **130 institutional investors and financial analysts** from around the world: **participation was up 30%** from the previous meeting (December 2011).

## SUPPLIERS, SUBCONTRACTORS AND PARTNERS

- Purchasing volume: **€8.2 billion** in 2013, equal to **60%** of sales.
- Support for suppliers to help **adapt their organization and facilities** to changing market requirements.
- Improved visibility of workload **to allow suppliers to plan ahead.**

PLUS:  
**INSURANCE FIRMS, TRADE ASSOCIATIONS (GIFAS, UIMM, OACI), PROFESSIONALS IN THE SAME SECTOR**

## EMPLOYEES

- **66,300 employees** in more than **50 countries.**
- **8,500 persons** hired in 2013, including more than **3,200 net jobs created.**
- **Women** account for 25% of the global workforce and 34% of new hires in 2013.
- **1.5 million hours of training** provided in 2013.

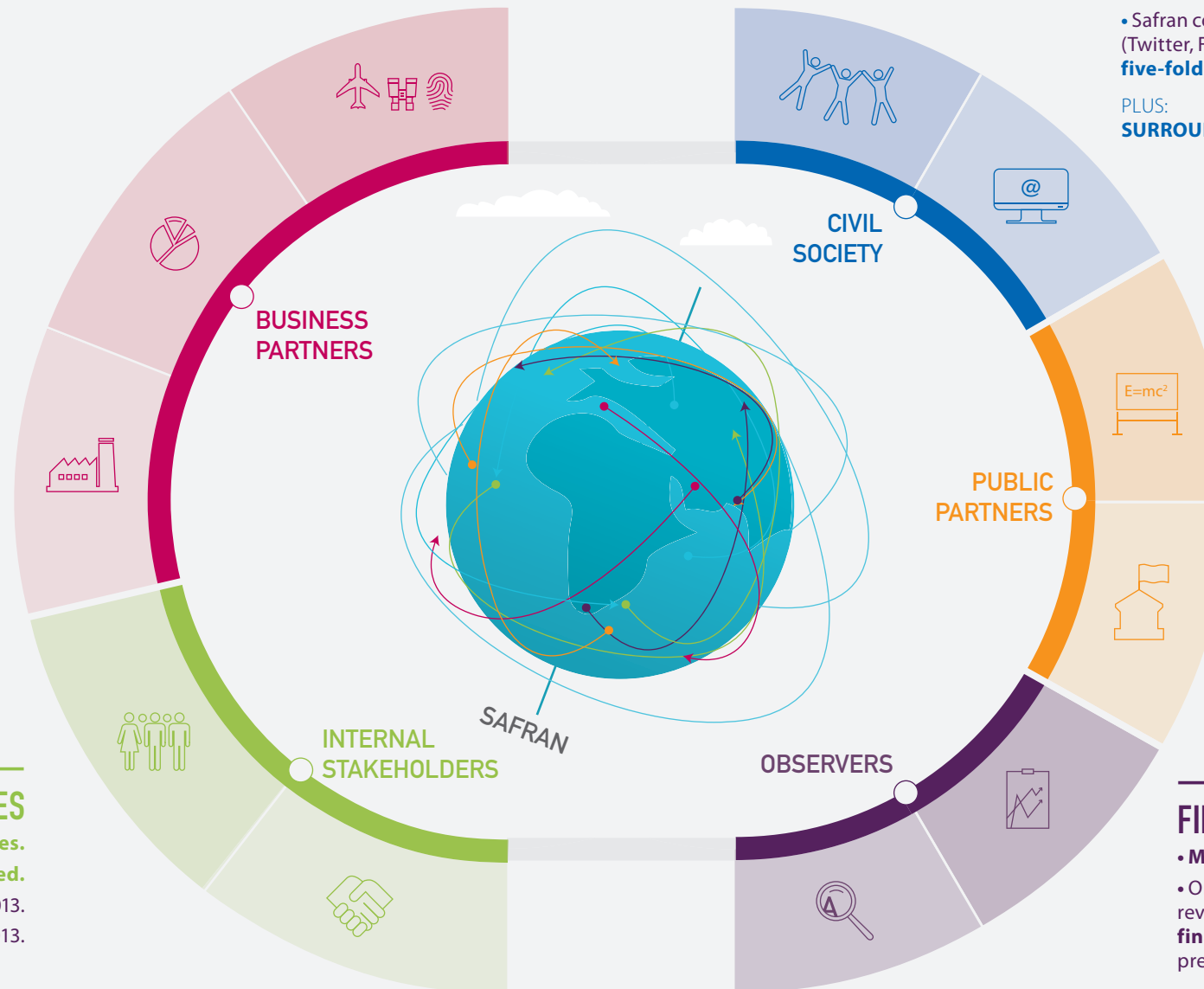
## SOCIAL PARTNERS

Ongoing two-way communications between labor and management characterizes Safran and all of its companies. Three Group agreements were signed in 2013:

- in Europe, **concerning the professional integration of young people;**
- in France, concerning the **"generations contract" (employment of young people and seniors),** and the **prevention of harassment and violence in the workplace.**

## RATINGS AGENCIES

- **Safran sends data and the results of its CSR actions** (signing of the Global Compact, joining the Observatoire RSE/CSR Observatory, etc.) to non-financial ratings agencies, and integrates their recommendations in its improvement plans.



\* Engine marketed by CFM International, a 50/50 joint company of Snecma (Safran) and GE.



**ETHICS AND INTEGRITY**

# COMMITMENTS FOR THE LONG HAUL: TRADE COMPLIANCE

**Demanding integrity standards**

Safran's sustainable development depends on the excellence of our products and services. But Safran has also pledged to uphold the values of honesty and integrity, which gives us a decisive competitive advantage. Our zero-tolerance for corruption policy is reflected in the deployment of a program to control this risk, and to check trade compliance for all of our operations, in line with diverse laws and regulations, organizations, products and markets.

**Rigorous internal processes**

The principles and procedures underpinning the fight against corruption are formally expressed in an ethics charter and a trade compliance program. These documents precisely define everybody's roles and rules for behavior. A network of 34 trade compliance officers and 51 managers oversees the strict application of these rules, as well as compliance with the most stringent ethical standards across our Group. Our staff members concerned by these questions are given targeted information and training, along with regularly organized seminars so they can share best practices. The trade compliance officers act as "ethical authorities", working closely with the Group's fraud prevention committee.

**A commitment without borders**

Safran works with a number of international and sector-specific initiatives in the fight against corruption. In addition to signing the UN's Global Compact in 2013, we are also a member of the International Forum on Business Ethical Conduct (IFBEC), an initiative by European and American aerospace companies to promote ethical business conduct based on the "Global Principles of Business Ethics for the Aerospace and Defence Industry". Safran is also a partner in "Safeguarding Aviation & Travel Value Chains", a project implemented by the World Economic Forum's Partnering Against Corruption Initiative (PACI). In France, Safran is a member of the ethics committees at Medef (the French employers' association), the international chamber of commerce and Gifas (the French aerospace industry trade association). All Safran companies have signed the "Common Industry Standards for Anti-Corruption", a program that encourages fair practices under the auspices of the Aerospace and Defence Industries Association of Europe (ASD).



**85**

**PERSONS AT SAFRAN OVERSEE TRADE COMPLIANCE AND ETHICS**

**1<sup>ST</sup>**

**SAFRAN IS THE FIRST CAC 40-LISTED COMPANY CERTIFIED TO ANTI-CORRUPTION STANDARDS BY FRENCH TECHNOLOGY INFORMATION AGENCY ADIT**



## A RECOGNIZED COMMITMENT

In December 2012, Safran was the first company in the French stock market index CAC 40 to be certified to anti-corruption standards by French agency ADIT (*Agence pour la diffusion de l'information technologique*), based on guidelines validated by Mazars and the French government's corruption prevention department SCPC (*Service central de prévention de la corruption*). The audit was performed to international standards (ISAE 3000, International Standards on Assurance Engagements). This certification reflects the pertinence of the Group's stated principles and the efficiency of its anti-corruption measures.



## THE FIGHT AGAINST CORRUPTION IS EVERYBODY'S BUSINESS

**MORE THAN 5,000 SAFRAN EMPLOYEES** have taken the "Fight against Corruption" training program. Plus, all Group employees receive complete bimonthly information on changes in regulations and laws. The Group intranet features a special section dedicated to our trade compliance program, and we offer an e-learning tool for all new hires. These training and awareness-raising measures reflect our two-pronged objective of continuous improvement and employee empowerment.

## FOCUS ON ETHICS

Safran's employees are naturally committed to applying our ethics guidelines, which spotlight the fight against corruption and the integrity imperative. These values are conveyed by our Chairman and CEO, Jean-Paul Herteman, who said: "Safran's actions are anchored in the firm conviction that our growth will be sustainable thanks to everyone's full commitment to respecting the principles in our ethics guidelines and trade integrity programs. For Safran, ethical excellence is not only the result of moral considerations or the need to comply with regulations, but also a reflection of individual behaviors that are professionally exemplary under all circumstances, and with all our stakeholders."

## INTEGRITY, A GLOBAL OBJECTIVE

In 2013 Safran signed the United Nations' Global Compact, whose tenth principle addresses the fight against corruption. Safran has pledged to incorporate the Global Compact's recommendations in our strategy, and to share them with our employees and partners. An annual report will review results and further improvement objectives.





## ETHICS AND INTEGRITY

# COMMITMENTS FOR THE LONG HAUL: EXPORT CONTROL

### An international enterprise in compliance with regulations

With industrial facilities and offices in more than 50 countries, Safran is truly an international enterprise, with strong roots in France and Europe. Most of our products are made in Europe, then sold around the world. All in all, nearly 80% of Safran's production goes outside France. To make sure that we fully comply with all laws concerning our import and export activities, as early as 2005 we defined a standard guaranteeing best practices in this area.

### An effective, demanding organization

Our oversight organization to ensure legal compliance is defined and supervised by the corporate Trade Compliance and Export Control department. This organization is based on nine areas of compliance, including deployment of an ad hoc organization, authorization request management, technology transfer control, etc. From the operational standpoint, it is applied in all Group companies and their own subsidiaries, via a network of more than 450 specialized staff. Audits are regularly performed to ensure that the compliance standards for export control are correctly applied and that the commitments made by Safran corporate management are met.

### Export control

Safran must continually adapt to changes in regulations. For example, the provisions in the European directive concerning the procedures for the intra-EU transfer of defense equipment and the export of war materiel outside the European Union (TIC) were transposed into French law. The application of these provisions gave rise to a certificate issued by French defense procurement agency DGA (*Direction générale de l'armement*). The demanding corporate standard in this area provides a solid basis for certification of Group companies: Messier-Bugatti-Dowty is already certified, and certification for Microturbo, Sagem, Snecma and Turbomeca is under way.



EMPLOYEES IN THE GROUP'S EXPORT CONTROL NETWORK



OF OUR SALES ARE GENERATED IN EXPORT MARKETS



## EXPORT CONTROL TRAINING AND INFORMATION

SINCE 2010, MORE THAN 7,000 SAFRAN EMPLOYEES have received training in our compliance standards for export control. A special section on the intranet provides access to all available regulatory information, and an e-learning tool is now being deployed for use by all new hires.



## FIRST INTERNATIONAL EXPORT CONTROL SEMINAR A SUCCESS!

THE FIRST INTERNATIONAL EXPORT CONTROL SEMINAR was organized in Paris in September 2013 by the European and International Relations department, in conjunction with Safran University. It was attended by a hundred export control officers, managers and correspondents from throughout the Group, representing a dozen nationalities. The event was organized to meet four main objectives: foster better understanding between the different players involved; discuss the challenges of export control in a heightened regulatory environment; review the current reforms; and share best practices. The seminar was a success, with three-quarters of the participants saying they wanted the same event organized as from 2014.





# ANTICIPATE AND PROTECT

## Corporate citizenship

Safran's policy for occupational health and safety and the environment (HSE) reflects our corporate citizenship. In line with our values, we are marshaling our forces to reduce the risks entailed by our industrial activities. This culture of anticipating and preventing risks is driven from the top. Chairman and CEO Jean-Paul Herteman has signed a charter that clearly defines our objectives. It is part of our focus on continuous performance improvement and is based on three commitments:

- Protect the health and safety of all those who work for the Group.
- Guarantee the safety of our facilities and protect the environment.
- Integrate HSE requirements throughout the life cycle of our products.

## Ambitious goals that exceed standards

Enhancing occupational safety, managing environmental impact and risks, designing more environmentally and health-conscious products, implementing pertinent management systems... These and other action plans conducted by Safran span a broad spectrum and are based on a unified approach. We have also deployed a set of HSE guidelines that define the minimum requirements to be met by each facility worldwide.

Our 27 HSE standards incorporate international standards – ISO 14001 and OHSAS 18001 in particular – along with additional requirements specific to Safran. Our internal certification process was validated by accreditation body, Bureau Veritas.

## Local support for a winning strategy

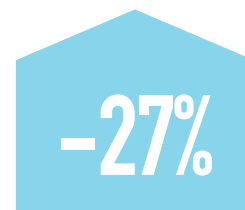
As part of our continuous improvement strategy, Safran has also set up an organization based on local prevention units and decentralized multidisciplinary teams. Group facilities in each region or zone team up to foster synergies in terms of skills and actions. Our operational HSE management plans formally express objectives defined along with plant management. Furthermore, by sharing skills and best practices locally, we enhance the maturity of our facilities. Safran has also enriched our HSE training programs, to help develop a full-fledged career path in related professions.



27  
STANDARDS  
COMPRISING  
SAFRAN'S HSE  
GUIDELINES



-40%  
THE LOST-TIME  
ACCIDENT RATE<sup>(1)</sup>  
DECREASED 40%.  
FROM 6.5 IN 2008  
TO 3.7 IN 2013



-27%  
GAS CONSUMPTION  
PER EMPLOYEE  
DROPPED 27% FROM  
2008 TO 2013, DESPITE  
THE INCREASE IN  
BUSINESS VOLUME

(1) Ratio of the number of accidents involving more than a day off work in relation to a million hours worked. Also known as lost time injury frequency rate.

## PREVENTING PSYCHOSOCIAL STRESS

Safran has deployed an action plan as part of the Group-wide agreement to prevent psychosocial stress, with results regularly presented to labor representatives. The plan includes training for management staff, and information provided to employees. Currently deployed in France, Belgium and the United Kingdom, the plan will be gradually extended to other countries. The aim is to quickly detect symptoms of stress for more effective treatment. The Group also asked employees in France to fill out a questionnaire on their well-being at work, helping us contribute to the research carried out by the Everest observatory, which studies healthcare relations and trends in the workplace.

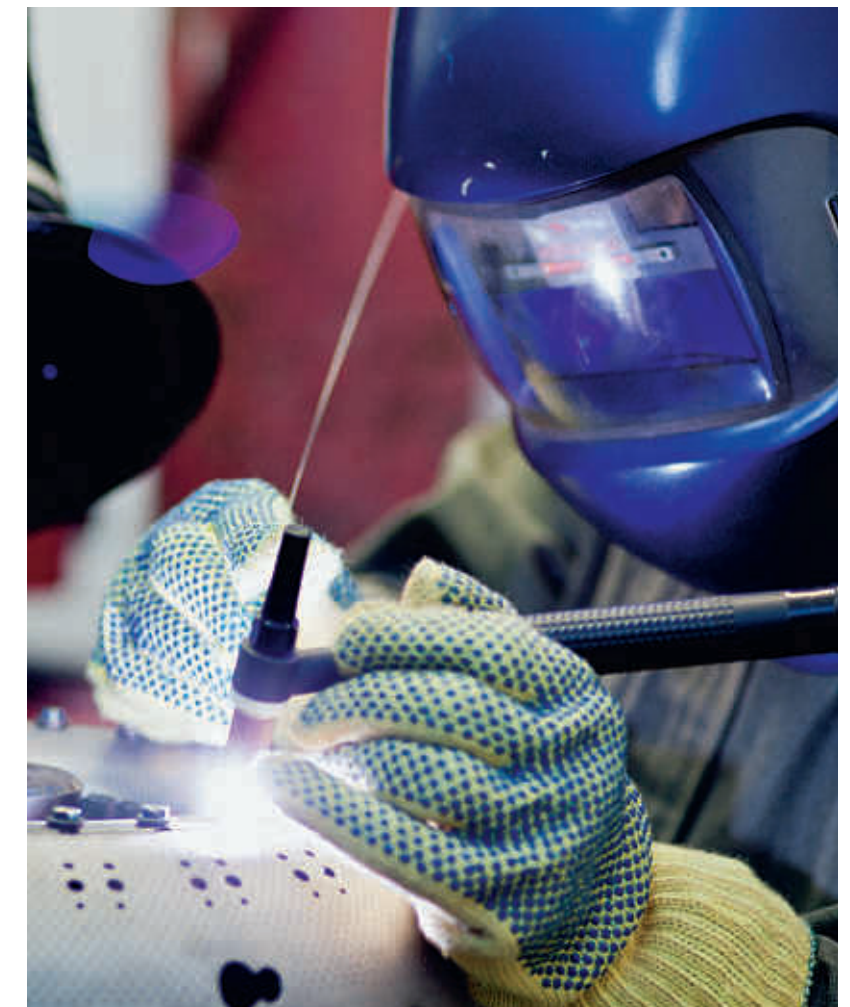


## A MAJOR ERGONOMICS PLAN

TO IMPROVE WORKING CONDITIONS, personal safety and productivity, Safran developed an Ergonomics action plan, applied at all companies. A Group-level manager – specially recruited for this position – is in charge of training and supporting correspondents at each Group facility. One of the main areas of focus is musculoskeletal problems due to repetitive gestures.

## OCCUPATIONAL SAFETY: A CONSTANT GOAL

Safran is developing an ambitious policy to reduce accidents involving time lost from work, a top priority that will help improve occupational safety. From 2008 to 2013, the lost-time accident rate<sup>(1)</sup> was reduced by 40%. To support our improvement drive, in 2012 we set up internal HSE guidelines that define – over and above international standards – the specific standards for activities in areas ranging from ergonomics and eco-design to chemical risks. These guidelines are both pragmatic and educational, describing specific, targeted actions for each facility. A new improvement plan, "ExcellenSSE" (SSE is the French acronym for HSE) will increase the number of HSE-related training courses. By the end of 2014, over 1,000 managers will be trained, and all employees will have taken introductory courses.







## AIRCRAFT BIOFUELS: THE ADVANTAGES OF A FRENCH TECHNOLOGY

**DURING THE 2013 PARIS AIR SHOW**, Airbus, Air France, Safran and Total organized a demonstration flight between Toulouse and Paris as part of the "Joining our Energies – Biofuel Initiative France". The flight used an Airbus A321 with one of its CFM International<sup>(1)</sup> CFM56 engines operating on Total/Amyris Biojet A-1 fuel, a sugar-based biofuel made using an innovative technology. The four partners spotlighted the technical ability of French industry to make biofuels a sustained part of the aviation picture, and reduce the contribution of air transport – now at 2% – to global CO<sub>2</sub> emissions.

(1) The 50:50 joint company of Snecma (Safran) and GE.

## MANAGING OUR ENVIRONMENTAL IMPACT

**DECREASE OUR CARBON FOOTPRINT**, save energy, manage waste... to meet these and other environmental challenges, each Group company has chosen three primary improvement objectives for the next three years from among the following:

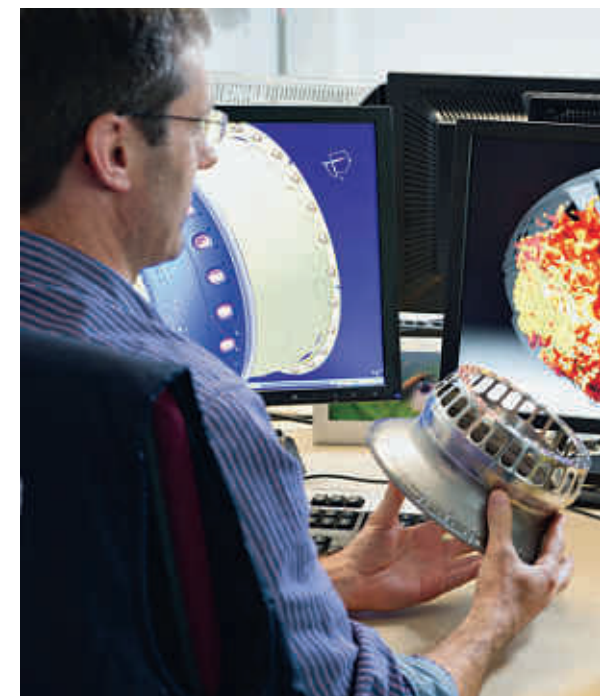
- Management of risks related to the use of chemical products.
- The fight against global warming.
- Preserving natural resources.
- Decreasing the quantity and impact of waste.
- Reducing legacy or potential pollution.

Safran is also setting up plans to reduce greenhouse gas emissions, in line with new French regulations.



## PROTECTING HEALTH AND THE ENVIRONMENT, A TOP PRIORITY

Safran strictly applies the European regulation **REACH** – Registration, Evaluation and Authorization of CHemicals – which is designed to enhance the management and replacement of hazardous chemical substances. This approach is also part of the overall goal of protecting employees at production sites.



## ECO-DESIGN, AT THE HEART OF OUR DEVELOPMENTS

Safety and environmental factors are designed into our products. This naturally applies to all new engines for airplanes and helicopters, which offer continuous improvement in environmental performance. The materials and manufacturing processes are also closely monitored in terms of environmental impact. The stakes are just as high in mass produced objects; for example, Morpho (Safran) has launched its new eco-friendly SIM card, dubbed "4in1 Friends & Community", which enables it to produce four times as many SIM cards with the same amount of plastic, while offering brand-new services to users. Another innovation that helps protect our environment, while also giving mobile phone operators a sales edge.

## RAISING EMPLOYEES' ENVIRONMENTAL AWARENESS

**TO RAISE EMPLOYEE AWARENESS OF THE IMPORTANCE OF SUSTAINABLE DEVELOPMENT**, Safran has set up a partnership with the ecological association Pur Projet. For example, we are contributing to the San Martin project, which aims to protect over 300,000 hectares (741,300 acres) in the Peruvian Amazon. Employees are also invited to make direct contributions and help save parts of this eco-system. Back in Europe, Safran asked staff in France and Belgium to reduce their energy consumption during a "Weekend for the Earth", by turning off electrical appliances, closing doors, lowering the heat, etc. Their contribution helped save 160 MW/h in just two days. This really triggered their awareness of the stakes involved: over a full year, measures of this type would represent savings of nearly 1 million euros and an 850 metric ton reduction in CO<sub>2</sub> releases.



## RECYCLING PLANES AND ENGINES

Safran has a stake in the French company Tarmac Aerosave, which has facilities at the Tarbes airport in southwest France, and in Teruel, Spain. This company offers a comprehensive package including aircraft storage, maintenance and dismantling in line with environmental standards. All recycling is in full compliance with the strictest European regulations. Some 90% of the total aircraft weight can be recycled, including engines and their components, while also ensuring the perfect traceability of all reused parts. Tarmac Aerosave has dismantled about 30 aircraft in the last three years.



## SUPPLIERS

# BUILDING SUSTAINABLE, RESPONSIBLE PARTNERSHIPS

Safran builds sustainable, demanding, and balanced relationships with our suppliers. Given the rising backlog of orders and ramp-up in production rates, we count on our suppliers more than ever to ensure our future success. This is especially true in our business sectors, where production is often based on long cycles, and purchasing amounts to 60% of our sales.

### Sustainable partnerships

Safran sets ambitious performance targets for its suppliers in terms of quality, cost and delivery deadlines. At the same time, we support their development through a long-term partnership approach. This message was reiterated forcefully during a suppliers' convention in November 2013, attended by several hundred companies. Through a number of measures – simplifying purchasing procedures by making them uniform, providing transparent information on workloads, meeting payment terms and conditions, planning ahead for ramp-up in production, etc. – Safran seeks to establish an open relationship with our suppliers based on mutual trust. We also try to involve them right from the beginning of each program, so they can address requirements throughout the life of our products.

### Support suppliers' growth

Safran supports the growth of our high-potential suppliers and their rise up the skills chain, especially small and medium-size enterprises (SME) in France, which

represent about 50% of our supplier base<sup>(1)</sup>. We are a member of the association *Pacte PME* (SME Pact), which seeks to strengthen ties between these small businesses and large corporations. By providing some 30 million euros to the investment fund *Aerofund III* (after *Aerofund I* and *II*), Safran helps finance smaller companies in the aerospace industry, and contributes to the restructuring and consolidation of the sector.

Safran also signed an agreement with the French Ministry of Defense in January 2013, to support SMEs in the defense sector.

### Shared performance and innovation

To meet demanding requirements from our customers, Safran encourages suppliers to come up with innovative solutions, support sustainable development and improve their operational performance. In 2013, for the first time, we invited our suppliers to participate in our Innovation Awards, and suppliers submitted some 30 projects in this competition.

An approach called QRQC (Quick Response Quality Control) is now being deployed at both Group companies and subcontractors. The aim is to improve the handling of all non-conformities that arise on production lines, quickly and efficiently. Based on listening to people on the shop floor, and a quick analysis and response, QRQC drives changes in behaviors and mindsets alike.

€8.2 bn

SAFRAN'S PURCHASING VOLUME, EQUAL TO 60% OF SALES



≈ 50%

OF SAFRAN SUPPLIERS ARE FRENCH SMEs<sup>(1)</sup>

<sup>(1)</sup> Based on a survey of 80% of the purchasing base.

## RESPONSIBLE PURCHASING

### SAFRAN INITIATED A NEW PROJECT IN 2012, RESPONSIBLE PURCHASING.

Based on participation and teamwork, it seeks to identify and formally express the basic tools needed to deploy best practices in responsible purchasing throughout the Group and then share them with our suppliers. The first phase of this project was completed in 2013, entailing an inventory, training, practical workshops, updating of guidelines and procedures, etc. It involved buyers from the Group and resulted in various initiatives, including recycling of shavings from different manufacturing processes, increasing the share of recycled paper, and tripling of business with the sheltered employment sector.

The second phase concerns suppliers. At the end of 2013, several pilot companies agreed to draw up an organizational chart in relation to CSR best practices, based on a Safran suppliers' chart and self-evaluation questionnaires. The aim is to encourage these suppliers to develop and deploy the improvement plans needed to meet Safran's standards. This first initiative will be deployed over a broader scope of suppliers in 2014.



## SAFRAN SUPPORTS SMALL BUSINESSES AND APPRENTICESHIPS

At the initiative of French aerospace industry association Gifas, in 2013 Safran launched new shared apprenticeship schemes, in which apprentices split their time between a Group company and an SME supplier. This type of arrangement facilitates their integration in the workplace, tightens bonds between Safran and its suppliers, and guarantees the long-term viability of skills in the aerospace industry.



## FIRST FORUM FOR DISABLED EMPLOYMENT AND PURCHASING

THE GROUP'S DISABILITY AFFAIRS OFFICE AND PURCHASING DEPARTMENT are deploying an action plan to increase purchases from the sheltered sector. Work-aid establishments and adapted enterprises are developing a wider range of high-quality skills, including in leading-edge sectors. Safran's purchasing volume from the sheltered sector jumped by 46% between 2011 and 2013. We also joined *Gesat* (*Groupement national des établissements et services d'aide par le travail*), a national association supporting these establishments.



## HUMAN RESOURCES

# CONSOLIDATING AND DEPLOYING OUR SOCIAL MODEL

Safran is a responsible employer, and ensuring the development of our people is a top priority. In 2013, we made six formal HR commitments – hiring, training, mobility, career management, work environment, social model – which were deployed Group-wide. The aim is to support our employees throughout the world at all points in their career, by applying a diversified recruitment policy, a dynamic training and mobility policy, and social foundations that are continually strengthened and expanded.

### Talent, the guarantee of future success

By attracting top talent and offering motivating career opportunities, Safran is building solid foundations for the future. We added nearly 8,500 new employees in 2013, about half in France. We are also upholding our commitment to support the professional integration of young people: every year we welcome about 3,000 interns, and the same number of young people in work-study programs.

### Diversity, a source of wealth

Safran is fully committed to diversity and equal opportunity, both considered as key performance drivers. Our actions focus on the employment of young people and seniors, gender equality in the workplace, the employment of disabled persons and social diversity.

- We continued our efforts to attract and spotlight the value of women: in 2013, 34% of new hires were women.

- We also continued to apply the Group-wide agreement in favor of the hiring and continued employment of disabled persons. We met and even exceeded our commitments for 2013, in particular by hiring 43 disabled persons on permanent or temporary contracts exceeding six months, compared with our initial objective of 26.
- Firmly convinced that passing on knowledge is vitally important, Safran focuses on training for young people, and maintaining senior employment; in 2013, we signed two major agreements in these areas.
- We also encourage the social and professional inclusion of persons from underserved neighborhoods. In France, Safran signed the Enterprises & Neighborhoods Charter, confirming our commitment to the economic, social and cultural development of these neighborhoods.

### Meeting the onboarding challenge

Safran has hired more than 23,000 new employees since the beginning of 2011, equal to more than one-third of our workforce. So it is vitally important for us to share our corporate culture and challenges with these new hires. That's the aim of the new training program, "Integrating new employees", launched by Safran University in September 2013.

NEARLY  
**8,500**  
NEW HIRES IN 2013



MORE THAN  
**3,200**  
NET JOBS CREATED IN 2013

**34%**  
OF NEW HIRES IN 2013 WERE WOMEN

## AN ACTIVE NETWORK OF SCHOOL "AMBASSADORS"

**THE SECOND SAFRAN AMBASSADORS CONVENTION**, on October 3, 2013, brought together more than 250 of our employees who represent the Group in dealings with their alma maters. Created just three years ago, this dynamic network has direct contacts with students, helping detect the talented youngsters with a passion for Safran's businesses and technologies. A community of e-ambassadors was also created to expand Safran's presence on professional social networks.



## EMPLOYING YOUNG PEOPLE AND SENIORS

In March 2013, Safran signed an agreement with the European union IndustriAll, the first of its type for a French company. It is designed to support work-study schemes, mentoring, and the hiring and training of young people in all European companies in our Group. In France, Safran also signed the so-called "generations contract", concerning the employment of young people and seniors. Objectives for the next three years include: recruiting at least 40% of employees under 30, and maintaining a proportion of employees 55 and older of at least 15% of the total workforce.

## OPERATION "TALENT" AT THE PARIS AIR SHOW

**THE WORLD'S PREMIER AIR SHOW, EVERY TWO YEARS IN PARIS**, is an outstanding opportunity for Safran to meet people who have a passion for air and space. In addition to our traditional participation in the Jobs Forum, Safran also organized a "job dating" event on June 21 and 22, *Talent2days*, targeted at both young graduates and seasoned scientists, engineers and technicians. We also participated in the "Careers Plane" organized by Gifas, an unprecedented exhibition designed to promote professions in the aerospace sector.

## GENDER EQUALITY

**SAFRAN FAVORS GENDER EQUALITY** in recruiting, and also participates in a number of initiatives to encourage women to choose scientific and technical jobs. More than 100 Safran employees take part in actions carried out with *Elles bougent* ("Women on the Move"), an association for which Safran acted as honorary chairman in 2013, that encourages female junior high and high school students to consider careers in technology. Also a partner in the well-known Women's Forum in Deauville for the last few years, Safran was a founding member of "Women in Engineering", the first network bringing together women senior executives in engineering companies from around the world. In addition, in December 2013 we participated in the web-based conferences, *Rencontres aufeminin.com*





■ ■ ■ **A training policy keyed to Safran's challenges**

Safran provided more than 1.5 million hours of training in 2013, giving some 50,000 employees access to at least one training course during the year. We invest 4.4% of our payroll in training, reflecting our all-out commitment to enriching employee skills worldwide. Safran University is the cornerstone of this ambitious policy. A "university for all", it fosters a shared corporate culture and values to meet motivating objectives. The University's training courses are organized in three main areas: Business, to develop professional expertise; Gateways, to ensure the employability of all employees; and Leadership, for senior managers. We continued to build the new Safran Campus in 2013. Located in Massy, near Paris, this campus will welcome its initial classes in 2014. The University has two other locations, in Dallas, Texas in the United States, and in Beijing, China, and offers multilingual courses adapted to local requirements.

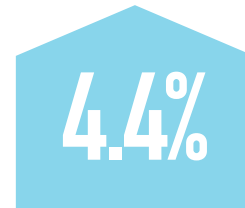
**Employability and career development**

Safran supports all employees as they develop in their careers. This strong commitment was expressed in 2011 by the signature of a Group-wide agreement on employment and skills planning, which will be extended to all European units in 2014. Each Safran employee shapes his or her career. Mobility within the Group – between different jobs, companies or countries – offers excellent career development opportunities. A major internal promotional

campaign in 2013 focused on mobility. Employability also depends on how professions evolve within the Group, and our future skills requirements. The Gateways training programs are designed to boost Safran employees' ability to keep pace with changing job requirements, a job change or retraining. Participants receive individual support in planning their career itinerary.

**Affirming our social model**

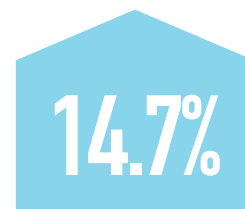
Safran's social model is based on the firm conviction that employees are our primary assets. They are stakeholders in our strategy, through an effective labor-management dialog, and they have a clear stake in our performance, through an active policy of employee shareholding and a solid social base: profit-sharing and incentive payments, medium-term employee savings plans, and longer-term plans leading up to retirement.



OF PAYROLL  
INVESTED IN  
TRAINING



HOSTING CAPACITY  
AT THE SAFRAN  
CAMPUS



OF SHARE CAPITAL  
HELD BY EMPLOYEES



# SAFRAN CAMPUS, A SYMBOLIC, UNIFYING VENUE

The construction of the Safran Campus in Massy, near Paris, will be completed in 2014. Located on a 13-hectare (32-acre) estate, the Campus can welcome up to 600 persons at a time, with its 400-seat amphitheater and dozen classrooms. It will welcome the full range of internal events that are important to the Group – seminars, orientation days, conferences, training sessions, meetings with customers and partners, etc. – hosting them in this superb setting which will undoubtedly become the melting pot of Safran's corporate culture.

## CULTIVATING LEADERSHIP

Safran continued to deploy its Leadership Model in 2013, to marshal its managerial staff around shared values and objectives, and help them meet our strategic challenges in terms of performance and innovation. The Leadership Model fosters core skills, identified as: Embarking on a Shared Vision; Daring to Innovate; Scoring as a Team; Empowering People; and Leading by Example.



## SAFRAN SOCIAL MODEL GOES INTERNATIONAL

Safran started negotiations in 2013 for the signature of a Europe-wide framework agreement on skills development and career itineraries. We are continuing our proactive approach to career management and extending the French social model to the rest of the Group.

## THE DIGITAL REVOLUTION AND NEW LEARNING METHODS

Safran has undertaken an analysis to increase the number of learning methods offered to employees: e-learning modules (already deployed for the last two years), online conferences, virtual classes, etc. The digital tools used daily in the Group are gradually being deployed along with traditional classroom learning. Aligned with the expectations of younger recruits, for whom collaborative digital technologies are ubiquitous, this changeover will also facilitate the worldwide deployment of our training programs.



## PHILANTHROPY AND FOUNDATIONS

# SPREADING OUR VALUES

Safran has supported nearly 450 corporate philanthropy projects since 2005, either directly or via our two foundations, targeting social and professional inclusion, equal opportunity, support for artistic creativity, etc. Based on long-term partnerships, these actions are an integral part of Safran's corporate citizenship and clearly convey our values on a global stage.

## ENCOURAGING YOUNG TALENT

**THE SAFRAN FOUNDATION FOR MUSIC AWARD 2013** went to the cellist Victor Julien-Laferrrière. This award recognizes talented young musicians from the national conservatory for music and dance in Paris. It carries on the partnership formed in 2007 with the Armed Forces Museum for the musical series "Jeunes talents – Premières armes".



## SAFRAN AND THE HOOD

**ALONG WITH THE ACTIONS OF ITS FOUNDATIONS**, Safran confirmed its policy of creating top-tier public and private partnerships. In February 2013, for example, students from the greater Paris area attended an educational and interactive concert conducted by Pejman Memarzadeh. This was the fifth concert organized by Safran in conjunction with the Orchestre de l'Alliance and the French Ministry of Education, to foster access to classical music for youngsters from schools in underserved neighborhoods.

## SUPPORTING SUSTAINABLE INTEGRATION

**THE SAFRAN FOUNDATION FOR INTEGRATION** supported a number of initiatives in 2013. In France, it supported the project initiated by Apels, the education through sport agency, to foster the social and professional integration of young people who could not be reached by traditional methods. This project is based on the conviction that physical activity and the values embodied by sports facilitate integration and enhance employability. In Brazil, the Foundation is continuing its long-term partnership with the International Youth Foundation to foster the training and employment of young people from the favelas in Rio de Janeiro. The first students received their diplomas in January 2013, and by March 60% had found a job.

# CONSOLIDATING SUSTAINABLE GROWTH AND PERFORMANCE

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**INTERVIEW WITH ROSS McINNES**  
DEPUTY CHIEF EXECUTIVE OFFICER,  
FINANCE



**W**hat strikes you most  
about Safran's  
performance  
in 2013?

**Ross McInnes:** With growth of 8.4% in sales and 24% in recurring operating income, Safran's operational performance improved considerably in 2013. These results are due to our buoyant service business for commercial engines, and higher sales volumes for new aircraft equipment. They are also a result of our resilient defense business, partly driven by export markets. We had free cash flow of 712 million euros, against a backdrop of major R&D and capital expenditures. Taking into account acquisitions, divestments and the payment of 471 million euros for the balance of our 2012 dividend, plus the interim payment on our 2013 dividend, we contained the increase in our net debt. It's also worth noting our excellent order intake, a 55% jump in our share price and changes in Safran's capital shareholding, which now includes a float of 62.8%. The Group's good health flows through to our employees, with payments of 346 million euros in profit-sharing and incentives, and to our shareholders, with a dividend of €1.12/share, pending approval by the Annual General Meeting of Shareholders in 2014.

*"Safran's operational performance improved considerably in 2013."*

**How is Safran dealing with the strengthening euro vs. the dollar?**

**R. M.:** Because of the strong growth in USD-denominated sales, for which part of the costs are in other currencies, Safran has raised its estimated net exposure to the US dollar, from \$5.4 billion to \$5.8 billion in 2014, and to \$6 billion per year over the period 2015-2017. Our hedging strategy is designed to reduce uncertainty, and to attenuate the impact of currency fluctuations on the Group's profitability over a three-year timeline. During 2013, we improved the currency hedging rate for 2014 by a cent (\$1.26/€1), finalized our hedges for 2015 at the same rate as 2014, and rounded out our 2016 coverage at a rate even better than in 2015 (1.25). We also started to hedge our 2017 exposure using option instruments.

**How do you see the outlook for 2014?**

**R. M.:** We are expecting a 5% increase in sales, an increase of slightly over 10% in recurring operating income, and free cash flow equal to nearly 40% of this income, depending on the usual uncertainties about the rate of advance and progress payments. This outlook is largely based on the assumption of a sustained increase in delivery of original equipment for aircraft, an increase in our service business for commercial engines, stable capital expenditures and self-financed R&D, a profitable increase in security business, and continued application of the Safran+ initiative to reduce costs, including overhead.

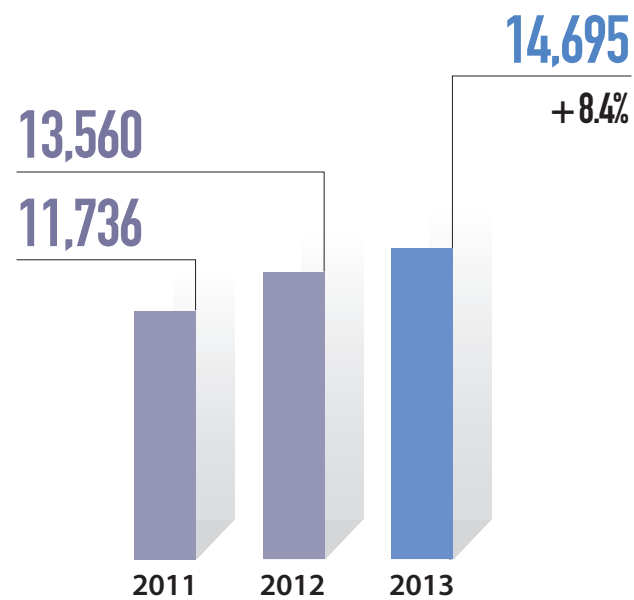
**2013 KEY FIGURES**  
(adjusted data)

- €14.7 billion in sales
- €1.8 billion in recurring operating income, equal to 12.2% of sales
- €1.2 billion net income (Group share), or €2.87 per share



FINANCIAL INDICATORS

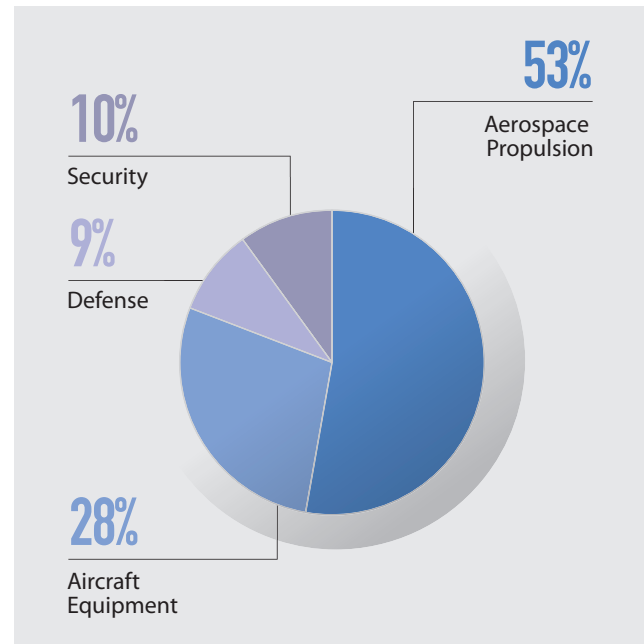
# RECORD RESULTS AND A VERY HEALTHY GROWTH OUTLOOK



**SALES**

(adjusted data, millions of euros)

Safran posted adjusted sales of 14,695 million euros in 2013, a year-to-year increase of 8.4% (8.2% on an organic basis). This strong growth reflected performance in the aerospace business, especially solid growth in original equipment sales and buoyant growth in commercial engine support services.



**SALES BY BUSINESS SECTOR**

The aerospace propulsion and aircraft equipment businesses logged strong growth in 2013, of 11.2% and 11.6%, respectively. Sales by the defense and security businesses each slipped by 2.8%.

**+17.4%**

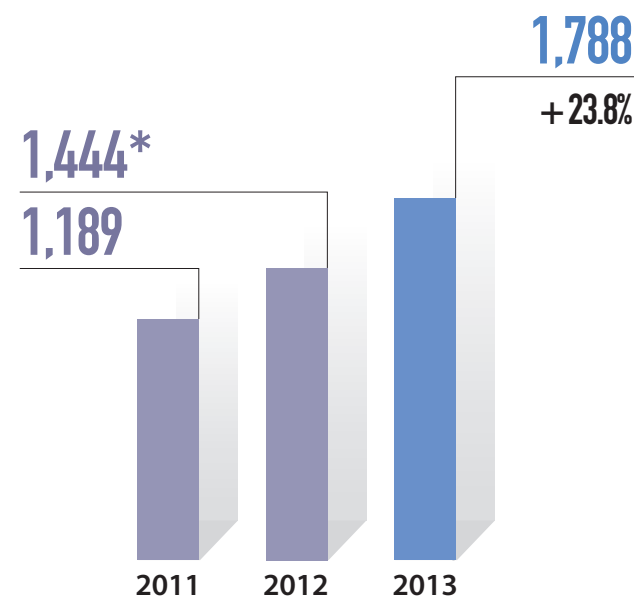
**Increase in capital expenditures.** Safran invested 492 million euros in 2013 to increase production capacity and gear up for the manufacture of new products.

**+19.2%**

**Increase in commercial engine service business (in USD).** The strong increase in service business for commercial aircraft engines was mainly driven by overhauls for the latest CFM56 engines, as well as GE90 engines.

**€1,821 MILLION**

**Total R&D expenditures.** In 2013 Safran's Research & Development expenditures equaled more than 12% of sales. This growth reflects the acceleration in development and testing of the LEAP engine for single-aisle commercial jets, and the Silvercrest® engine for business jets.

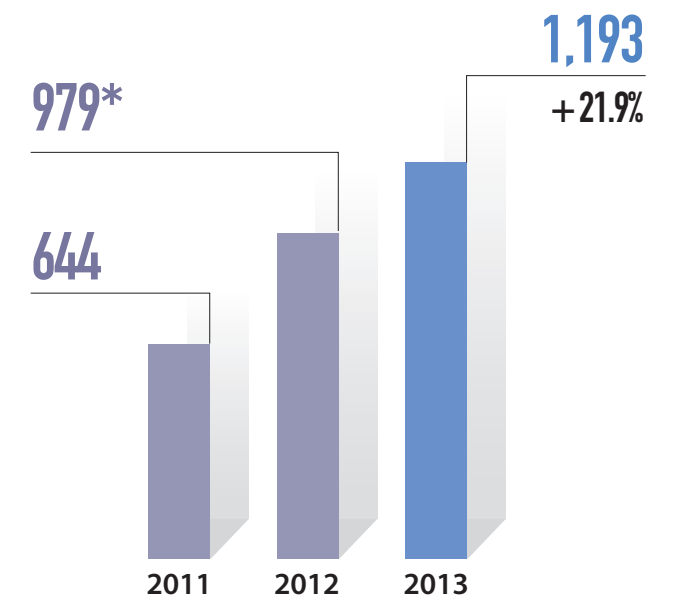


**RECURRING OPERATING INCOME**

(adjusted data, millions of euros)

Safran posted adjusted recurring operating income of 1,788 million euros, a rise of 23.8% and equal to 12.2% of adjusted sales. This growth was primarily due to the development of our aerospace business (propulsion and equipment), and continued improvement in the profitability of our defense business (avionics).

\* Restated to reflect impact of revised IAS 19 standard.



**NET INCOME – GROUP SHARE**

(adjusted data, millions of euros)

The Group share of adjusted net income grew 21.9% over 2012, reaching 1,193 million euros in 2013, or 2.87 euros per share, compared with 979 million euros\* and 2.36 euros per share in 2012. This figure includes net financial fees of 138 million euros and a tax charge of 540 million euros.

\* Restated to reflect impact of revised IAS 19 standard.



## FINANCIAL INDICATORS

€ **301** MILLION

**Acquisition of Goodrich Electrical Power Systems.** Safran expands its offering of aircraft electrical power systems and becomes a world leader in this market.

€ **293** MILLION

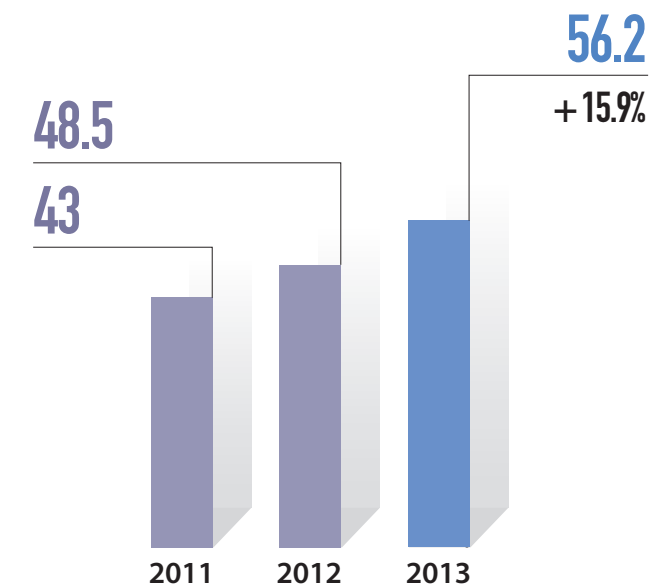
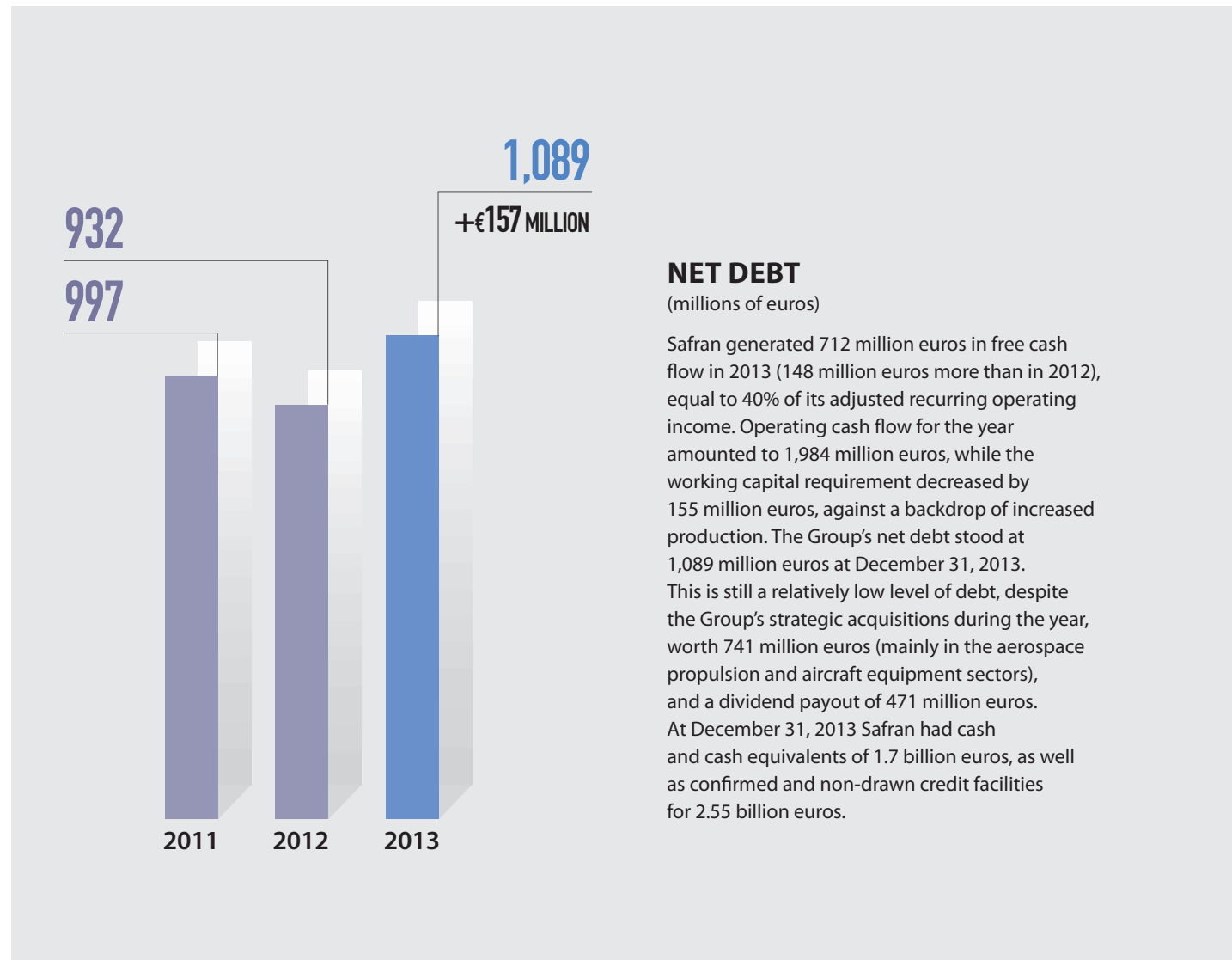
**Purchase of Rolls-Royce's 50% stake in the RTM322 engine program.** Turbomeca (Safran) is now fully responsible for all RTM322 turboshaft engine design, production and support services.

€ **355** MILLION

**Sale of the company Globe Motors, Inc. and a stake in Ingenico.** Safran's sale of 6.6 million Ingenico shares generated 287 million euros, while its sale of Globe Motors, Inc. to Allied Motion, Inc. generated 68 million euros.

NEARLY **10,800** CFM56 AND LEAP ENGINES IN THE ORDER BOOK

**CFM International's unprecedented order book.** The LEAP and CFM56 engines had recorded a total of nearly 10,800 orders and commitments at December 31, 2013, or about seven years of production at current rates. In 2013, CFM International booked 1,393 firm orders and commitments for the LEAP and 1,330 for the CFM56. For the first time, the order book for the LEAP surpassed that of the CFM56.



## OUTLOOK FOR 2014

For the financial year 2014, Safran forecasts the following:

- A rise in adjusted sales of approximately 5%\* (at an estimated average exchange rate of \$1.30/€1.00).
- An increase in adjusted recurring operating income of slightly over 10%\* (at a hedged currency exchange rate of \$1.26/€1.00).
- Free cash flow equal to nearly 40% of adjusted recurring operating income.

\* 2014 results will be measured in relation to the 2013 financial statements, restated to integrate the impact of IFRS 11.

*"We devoted unprecedented resources to preparing Safran for the challenges of the next few years. Building on 2013 success, which provides further evidence of the Group's strengths and solid fundamentals, Safran is on track for continuing sustained earnings growth next year."*

Jean-Paul Herteman commenting on the annual results for 2013, February 20, 2014



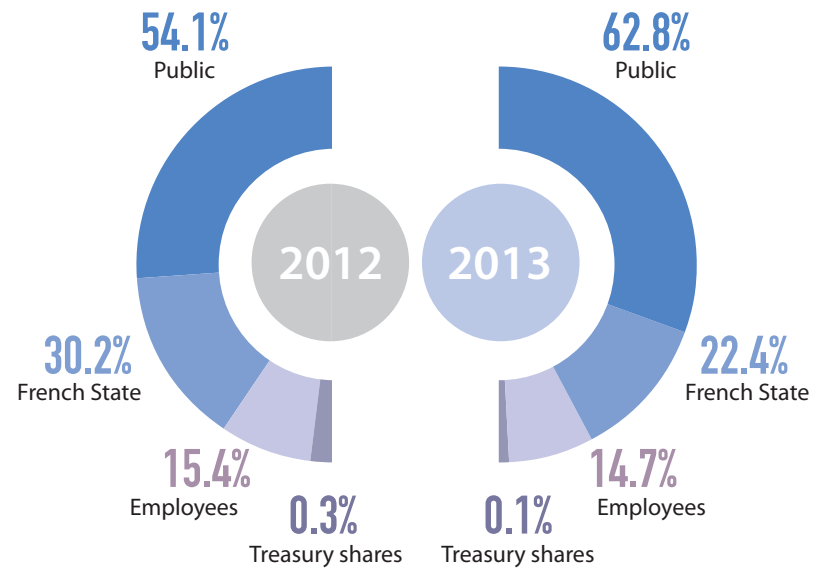
## STOCK MARKET INDICATORS

# BOLSTERING RELATIONS WITH SHAREHOLDERS

### CAPITAL SHAREHOLDING STRUCTURE

at December 31

During the year the French government sold 7.8% of Safran's share capital to institutional investors, decreasing its stake to 22.4% at December 31, 2013. The Group therefore benefits from an increase in its float (publicly-held shares), which now accounts for 62.8% of the shares in circulation, and improved liquidity. In compliance with French law, 3.6 million additional shares held by the French government will be offered to Safran employees in 2014. The large number of employee shareholders, which boosts employee motivation and loyalty, is also a factor in ensuring the Group's stability.



### SAFRAN SHARE PRICE

January 1, 2009 to February 28, 2014



#### Safran share

The Safran share is listed in Compartment A of Euronext Paris, and is eligible for Deferred Payment Service (SRD).

Name: SAFRAN

ISIN code: FR0000073272

Abbreviation: SAF

Index: CAC 40

## PRODUCTION PLANT VISITS

Safran organizes six plant visits every year so that individual shareholders can see the diversity of sectors and professions in the Group.

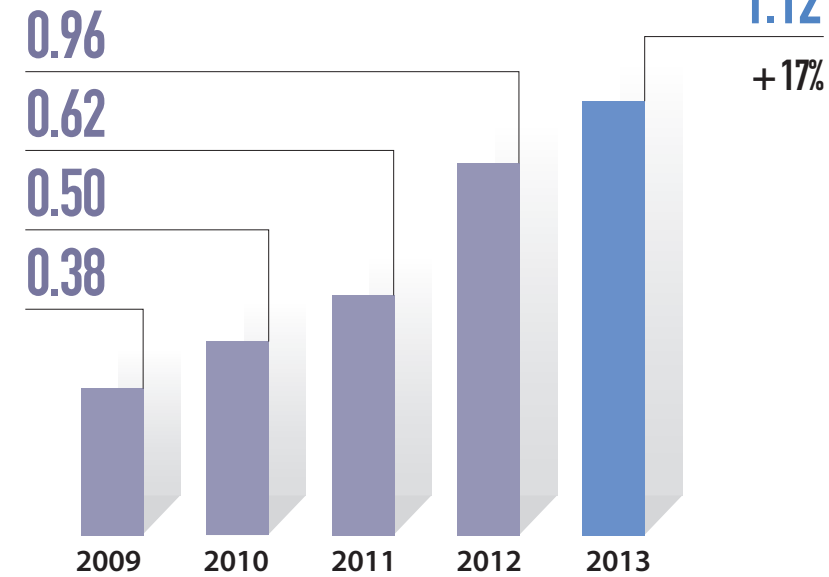
On December 3, 2013, over a dozen shareholders visited Turbomeca's (Safran) headquarters and main production and R&D complex in Bordes, southwest France.

The site covers some 42,000 square meters and includes four helicopter turbine engine production units, for gears, rotating assemblies, combustion components and assembly.



## THREE ANNUAL MEETINGS

Along with the traditional Annual General Meeting in Paris, Safran organized two individual shareholder meetings in 2013: on October 17 in Toulouse, and on December 3 in Pau. These meetings outside Paris are an excellent opportunity for shareholders to discuss Safran's news, results and strategy with Group representatives.



### DIVIDEND PER SHARE

(euros)

The payment of a dividend of €1.12/share was submitted for a vote by the Annual General Meeting of Shareholders on May 27, 2014. This dividend, which since 2007 corresponds to a payout rate of 40%, also represents an increase of 17% over 2012. An interim payment of €0.48 per share was made in December 2013, with the balance of €0.64/share to be paid as from June 3, 2014.

#### Safran investor relations

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E-mail: investor.relation@safran.fr

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E-mail: actionnaire.individuel@safran.fr

**N°Vert 0 800 17 17 17**

(France only)

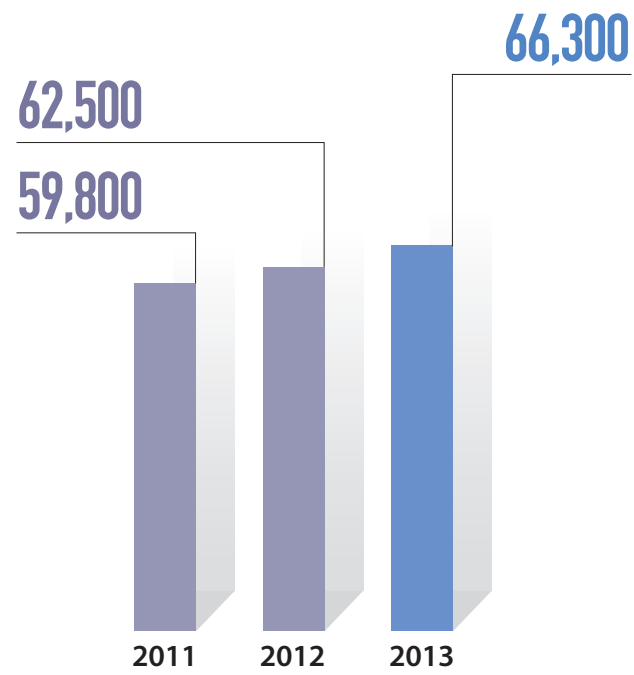


CSR INDICATORS

# SUSTAINABLE, RESPONSIBLE GROWTH

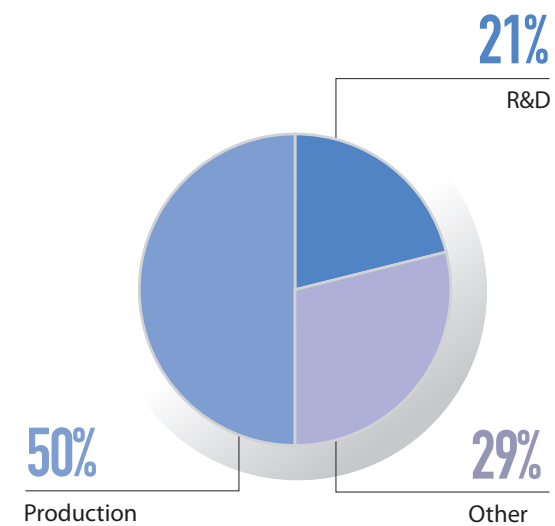
Safran signs UN Global Compact

By signing the United Nations' Global Compact, Safran further confirms its commitment to sustainable development and responsible commercial practices.



**TOTAL EMPLOYEES**

Safran created more than 3,200 net jobs in 2013, with nearly 8,500 new employees joining the Group. This sustained hiring pace has been continuing for several years, largely driven by the launch of new programs. Between 2011 and 2013 Safran hired more than 23,000 new employees, equal to over one-third of its total workforce.



**EMPLOYEES BY JOB TYPE**

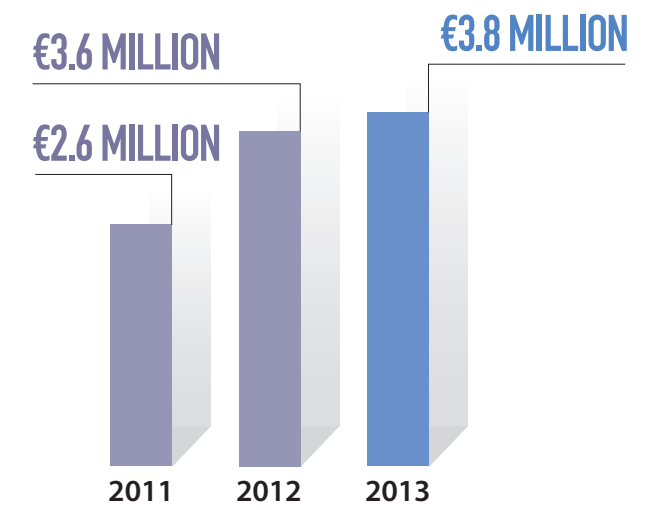
The breakdown by job type reflects Safran's industrial foundations and the extensive resources dedicated to Research & Development. Our people leverage their excellence and innovative mindsets not only in production and design, but also in support functions.



**LOST-TIME ACCIDENT RATE\***

Between 2008 and 2013 Safran cut its lost-time accident rate by 40%. After this rate stabilized in 2013, Safran is now aiming to achieve a rate of less than 3 in 2014, by deploying the ExcellenSSE improvement plan.

\* Ratio of the number of accidents with more than a day off work to a million hours worked.



**RESPONSIBLE PURCHASING FROM SHELTERED WORKSHOPS AND ADAPTED ENTERPRISES\***

In France, Safran is steadily increasing its purchasing volume from sheltered workshops and adapted enterprises, a trend that reflects our "responsible purchasing" initiative and our policy in favor of the employment of disabled persons.

\* Figures excluding the cost of raw materials.

NEARLY **450**

**projects** supported by Safran's corporate foundations for integration and music, or by direct philanthropy actions since 2005.

**1.5** MILLION

**hours** of training provided in 2013.

**25%**

**women** in the Group's total workforce, and **34%** women among new hires in 2013.

**1/3**

**women** on the Board of Directors.

OVER **10,000**

**employees** trained in trade compliance and export control since 2010.

**-27%**

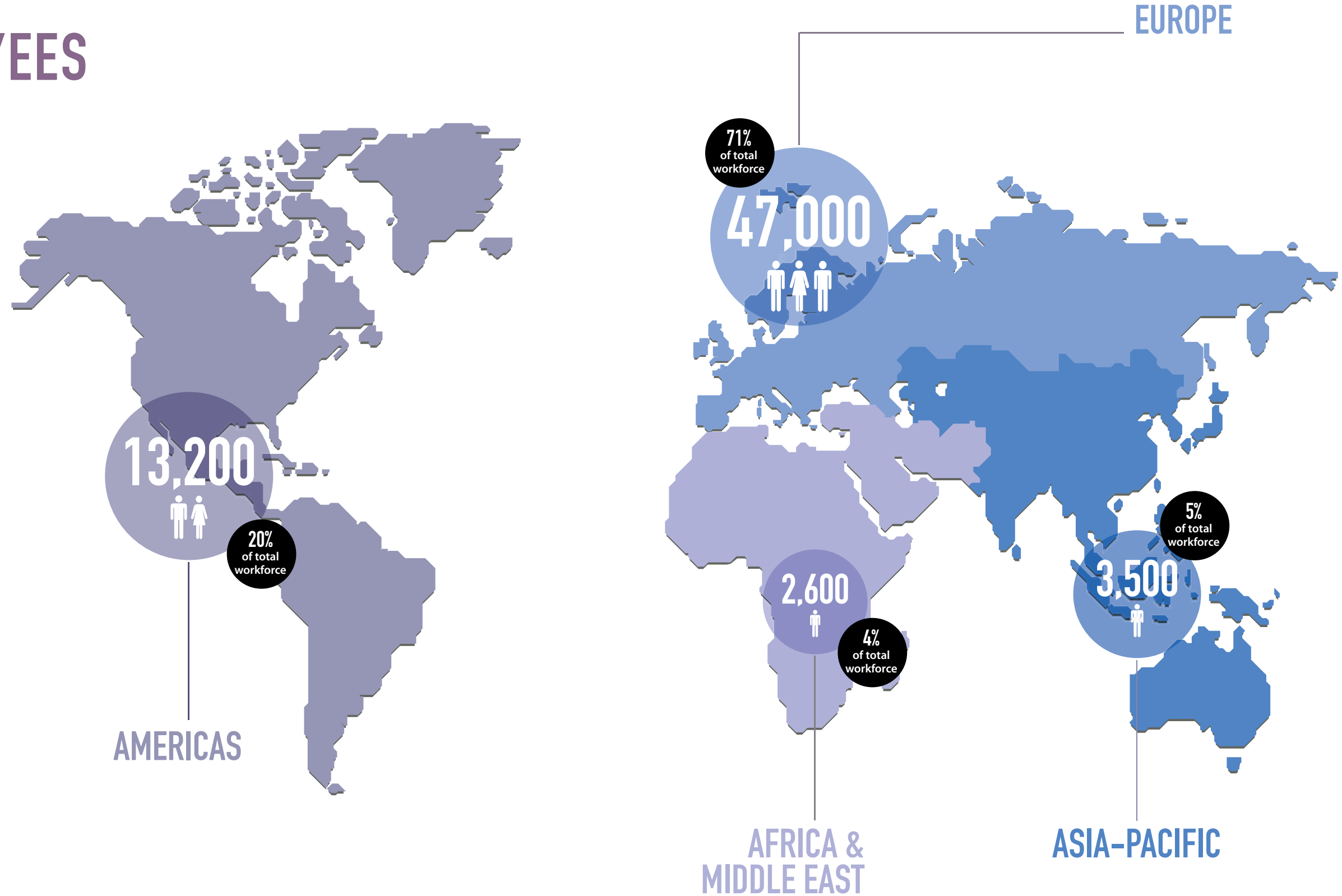
**Gas consumption** per employee dropped 27% from 2008 to 2013, despite the increase in business volume.



## EMPLOYEES

# 66,300 EMPLOYEES IN MORE THAN 50 COUNTRIES

Safran operates worldwide and naturally applies a global industrial strategy. Our production and service facilities are located around the world, allowing us to enhance our local support for all customers and increase our competitiveness. The aim of our local representative and sales offices is to coordinate local activities and help spread Safran's influence, while penetrating new markets. At the same time, Safran remains largely anchored in France, which accounts for 60% of our workforce. We also invest heavily in our home market, where we develop the strategic core of our research and production activities.







The e-accessible version of the 2013 business and corporate social responsibility report offers enriched content, including videos and photos. It can be read directly on desktop computers, tablets or smartphones without having to download an app.

Go to our website: [www.safran-group.com/ra2013](http://www.safran-group.com/ra2013)  
or scan the QR code.

#### Safran Corporate Communications

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