

THE MERGER

Emergence of a Technological Leader

SAFRAN is looking at the Indian Aerospace Industry in all its dimensions, as a customer, a supplier and more importantly, as a partner.

On May 11th, 2005, Snecma and Sagem have completed their merger, giving birth to SAFRAN, a group with 56,200 employees, with a turnover of €10.4 b. SAFRAN is the third largest Aerospace and Defence Group in Europe, after EADS and BAe Systems. The new Group is organised in four branches: Propulsion, Defence and Security, Equipment, and Communication.

Beyond the financial advantages, one of the strategic objectives of this merger is to make use of the excellent industrial and commercial fit between the two former companies. The products of the former Snecma will benefit from an increased value added thanks to the former Sagem's expertise in electronics applied to engines and aerospace equipment. Similarly, Sagem's products, being incorporated in systems (such as propulsion systems and landing systems) will have access to new markets.

in military and civil helicopter engines, in landing gears, in digital fingerprint biometrics, in space optics,

- n° 2 in liquid and solid space propulsion,
- amongst top two worldwide in aircraft engine nacelles and in carbon brakes for mainline jets with more than 100 seats,
- n° 4 in military aircraft engines
- a world leader in helicopter flight control systems and aircraft wiring
- n° 1 in Europe in inertial navigation, optronic systems and tactical UAVs
- n° 1 in France for mobile phones and the broadband market

SAFRAN AT PARIS AIR SHOW 2005: RECORD ORDERS

One month after its creation, SAFRAN had to attend its first international event, namely the Paris Air Show.

The 2005 event showed that the air transport industry is in good health, with the civil aviation sector making a strong recovery. Airbus and Boeing announced a host of orders during the show (a big share for the Indian market), which will of course have a very positive impact on SAFRAN engines and equipment. Another major trend is the emergence of drones, or UAVs. They will take on an increasing role in the defence sector, as shown by the Dassault Aviation Neuron, for combat missions, or the Sagem Defence & Security Sperwer, for observation missions. A large-scale development of this type of application can be expected and SAFRAN is very well placed to take advantage of this growth. For example, the Sperwer is already deployed by seven armed forces, and many others have indicated their interest in it.

Two important events for the Propulsion Branch marked this year's Paris Air Show:

SAFRAN GROUP BUSINESSES



Both companies had a proven track record for innovation, supported by a constant effort in R&D. Today, the R&D effort of SAFRAN represents approximately 16% of the sales with 14,000 employees involved, roughly 25% of the total staff, and working in 27 R&D centres worldwide.

As such, SAFRAN is a leader in many areas:

- n° 1 in mainline jet engines with more than 100 seats (through equal partnership with GE),



- Sales of the CFM56 engine family. SAFRAN sold nearly 600 engines during the first five months, which was already a record. After the series of orders announced during the air show by Airbus and Boeing, the number of engines ordered since the beginning of the year reached 1,002 engines with some 400 engines booked during the week of the show.
- The signing of a contract with the French Transport Minister, Dominique Perben, for a repayable advance to support the development of the SaM146 propulsion system for the Russian Regional Jet, along with Sukhoi and the Russian engine manufacturer, NPO Saturn. This agreement is a major milestone in the SaM146 programme.

SAFRAN IN INDIA: A GROWING PARTNERSHIP

India is definitely a priority for SAFRAN. The economic development of the country means that key sectors for the Group such as civil aviation, aerospace industry and communication are fast expanding. Beyond these expansions, the efforts of the Indian Government in terms of defence and security remain a constant.

All the four branches of SAFRAN are present in India. The Propulsion, Equipment, and Defence and Security branches are of course well known to the defence establishment and the airlines in India. The Communication Branch has started marketing its mobile phones in India a year ago and is now present in Delhi, Mumbai and Chennai.

The simple addition of the portfolios of both companies means also that the scope of activity of the group in India will cover not only the aerospace sector, the airlines and the Indian Air Force, but also other sectors, which require high technology content, such as the other Armed Forces, security



as a whole, and communication.

As a result of its long presence in India (more than 50 years), SAFRAN is also engaged in co-development and co-production works. For example, the Shakti engine for the Advance Light Helicopter is developed in partnership with HAL and the sophisticated Fire Control System of the Arjun MBT in partnership with BEL and DRDO.

Confident in the long-term development of the Indian aerospace industry, SAFRAN has established its own subsidiaries in India, such as its R&D Centre in Bangalore inaugurated in May 2002. And lately, the Government of India has given its approval to a project of 50/50 Joint Venture with HAL for the manufacturing of engine parts.

SAFRAN is looking at the Indian Aerospace Industry in all its dimensions, as a customer, a supplier and more importantly, as a partner.