

GROUPE SAGEM

Annual RESULTS 2004

- Revenue: +12.3%
- Operating income: +22.1%
- Net income: +27%⁽¹⁾

Paris, February 16th, 2005 - SAGEM's Supervisory Board met today under the Chairmanship of Mario COLAIACOVO. The Board examined the 2004 annual accounts, which were presented by Grégoire OLIVIER, CEO and Chairman of SAGEM's Executive Board.

The 2004 accounts showing again a strong increase, both revenue and results surpassed the objective announced in July 2004.

Revenue amounted to €3,570 M and progressed by 12.3% as compared to 2003. Operating income was up 22% and amounted to €205.7 M. Consolidated net income totalled €134.2 M, an increase of 27%⁽¹⁾ with respect to 2003.

Main figures:

Amount in €M	2004	2003	Variation
Revenue	3,570	3,180	+12.3%
Communications	2,409	2,097	+14.9%
Defence and Security	1,161	1,083	+7.2%
Operating income	205.7	168.5	+22.1%
Net income	134.2	105.7⁽¹⁾	+27.0%

(1): Excluding exceptional capital gains (€14 M after taxes) following sales of GEMPLUS shares

At the end of Y 2004, Groupe SAGEM employed 15,839 people.

BREAKDOWN BY ACTIVITIES

COMMUNICATIONS

Mobile Phones

Mobile phones revenue was up +18.2% as compared to year 2003 and reached €1,277.1 M. Nearly 21 million products were sold throughout the year, of which 15 million terminals and 6 million modules. SAGEM confirmed its position as a leader in France throughout 2004 in terms of telephones sales and hauled itself up to the world's 7th rank by winning important market shares in an economic climate of strong price competition. The operating income was €68.4 M or 5.4% of revenue.

Residential terminals and Broadband communication

Revenue's increase in Residential terminals and Broadband communication was 11.3% in 2004, up to €1,131.5 M. This growth is particularly due to Broadband communication's success. The Group sold more than 3 million ADSL residential gateways in 2004 and keeps a leading position in Europe. The strong upturn of digital television set-top-boxes (over 700,000 products sold) and the very encouraging launch of HD televisions and photo printers also explain the sales increase. The operating income was €45.5 M, or 4% of revenue.

DEFENCE AND SECURITY

Defense and Security's revenue reached €1,161.6 M, an increase of +7.2% in 2004 as compared to 2003. The activity has been particularly sustained in the Defense and Aeronautics business, which progressed by 18.9% in 2004. Characteristic of the year were the signature of

new important contracts, in particular FELIN (equipment of the soldier of the future) and the development of the Airbus A380 information systems. Moreover, several contracts have reached delivery stage: MICA infrared seekers for the MBDA, sighting systems for the TIGRE helicopter, equipments for the NH90.

In the Security business, SAGEM consolidated its leading position in multibiometric through several significant contracts with the United Kingdom (identification systems based on fingerprints for the police, iris identification for British Airports passengers), with Australia (face recognition), the Netherlands (multibiometric passports) and Paris Airports (access control for employees)...

SAGEM enjoyed a strong growth in 2004 in Payment terminals with as much as twice volumes sold. SAGEM also performed in the smart cards business (over 20 million cards have been manufactured in France) and has acquired significant interest in the Chinese company named Tian Yu, which produced 30 million cards. SAGEM also acquired E-Software, a company specialised in virtual access control. The operating income of the Defense and Security Activity was 7.9% of revenue, up to €91.8 M.

FINANCIAL STRUCTURE

The Group's financial structure as at 31 December 2004 is particularly solid. Consolidated shareholder's equity is over €1.2 billion and covers three times the net fixed assets. Net cash after deduction of financial debt amounts to €406.6 M.

GENERAL MEETING - DIVIDEND

The Shareholder's General Meeting shall be held in May. A dividend of €0.22 per share will be proposed to shareholders, which represents a 17% increase. For reminder, SAGEM SA's Shareholder's General Meeting, which met on 20 December 2004, decided to carry out a five to one share split. SAGEM SA's capital today is composed of 177,500,000 shares of €0.20 par value.

Also for reminder, an interim dividend of €0.10 per share will be paid after the settlement-delivery of SAGEM shares issued to remunerate SNECMA shares, which contributed to the exchange offer currently in progress. The existing SAGEM shares and the shares tendered within the scope of the exchange offer, will benefit from this interim dividend along with the complement dividend, which will be paid after the Shareholder's General Meeting date.

Within the scope of SAGEM and SNECMA's merger next May, new shares issued afterwards, with due date on 1 January 2004, and for which no interim dividend would have been paid, will consequently benefit from the €0.22 dividend per share.

2005 FOR OUTLOOK

Grégoire OLIVIER declared during the Supervisory Board Meeting, that "growth should continue as well in the Defense and Security as in the Communications businesses in year 2005. As far as the offer on Snecma is concerned, SAGEM expects a success, which will conduct to propose at the Shareholders General Meetings in May, the merger of both Groups. The merger is designed to create a global high-technology group".

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