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## Saft Groupe SA reports third quarter and September year to date 2006 sales

Paris, 9<sup>th</sup> November 2006 - Saft, leader in the design, development and manufacture of high-end batteries for industry and defence, announces its sales for the third quarter and first nine months of 2006.

**TURNOVER** (€ millions, under IFRS)

### Third quarter

*At actual exchange rates*

Period	Q3 2006	Q3 2005	Growth / decline, year-on-year, as reported
Exchange rate	actual 2006	actual 2005	
Perimeter	As reported (i.e., including AMCO- Saft India Ltd and excluding ASB/MSB)	As reported (i.e., including ASB/MSB)	
SBG	55,4	61,3	-9,6%
IBG	56,4	53,7	5,0%
RBS	19,3	21,0	-8,1%
Total	131,1	136,0	-3,6%

*At constant exchange rates\* and constant perimeter*

Period	Q3 2006	Q3 2005	Growth / decline, year-on-year, at constant perimeter and at constant exchange rates
Exchange rate	actual 2006	actual 2006	
Perimeter	Excluding AMCO- Saft India Ltd and excluding ASB/MSB	Excluding ASB/MSB	
SBG	55,4	57,4	-3,5%
IBG	55,9	53,0	5,5%
RBS	19,3	20,9	-7,7%
Total	130,6	131,3	-0,5%

(\*) The average exchange rate in Q3 2006 was €1 : \$1.27 (compared with €1 : \$1.21 in Q3 2005).

Q3 2006 sales of € 131.1m were down 3.6% as reported and down 0.5% at constant exchange rates and constant perimeter, compared with Q3 2005.

## YTD (9 months to September)

*At actual exchange rates*

Period	Sep YTD 2006	Sep YTD 2005	Growth / decline, year-on-year, as reported
Exchange rate	actual 2006	actual 2005	
Perimeter	As reported (i.e., including AMCO- Saft India Ltd and excluding ASB/MSB)	As reported (i.e., including ASB/MSB)	
SBG	175,4	193,6	-9,4%
IBG	177,1	170,6	3,8%
RBS	59,5	65,9	-9,7%
Total	412,0	430,1	-4,2%

*At constant exchange rates\* and constant perimeter*

Period	Sep YTD 2006	Sep YTD 2005	Growth / decline, year-on-year, at constant perimeter and at constant exchange rates
Exchange rate	actual 2006	actual 2006	
Perimeter	Excluding AMCO- Saft India Ltd and excluding ASB/MSB	Excluding ASB/MSB	
SBG	175,4	188,9	-7,1%
IBG	175,6	171,6	2,3%
RBS	59,5	66,2	-10,1%
Total	410,5	426,7	-3,8%

(\*) The average exchange rate in YTD September 2006 was €1 : \$1.24 (compared with €1 : \$1.26 in YTD September 2005).

Sales for the 9 months to September 2006 of € 412.0m were down 4.2% as reported and down 3.8% at constant exchange rates and constant perimeter, compared with the same period in 2005.

As previously indicated, there have been two changes in perimeter between 2005 and 2006:

1. As announced on 15<sup>th</sup> February 2006, Saft has acquired a controlling 51% stake in an Indian industrial NiCd battery manufacturer, AMCO-Saft India Ltd, effective from 1 January 2006. This acquired business contributed incremental revenues of € 0.5m in Q3 2006, and € 1.5m in YTD September 2006, reported within IBG.
2. There has been a change in accounting principle regarding the ASB/MSB joint venture, which is now accounted for under the equity method. This joint venture was proportionately consolidated in 2005 and contributed revenues of € 2.2m in Q3 2005, and € 6.4m in YTD September 2005, reported within SBG.

## Specialty Battery Group

In the third quarter, SBG sales were down by 9.6% as reported to € 55.4m, and by 3.5% at constant exchange rates and constant perimeter, compared with Q3 2005. This € 2.0m fall at constant exchange rates and constant perimeter comprised the expected fall in sales to the US Army, partly offset by net growth of approximately 11% across other segments, with Satellites and New Defence Systems both performing exceptionally well for the second successive quarter.

In the first 9 months of 2006, SBG sales were down by 9.4% as reported to €175.4m, and by 7.1% at constant exchange rates and constant perimeter, compared with the first 9 months of 2005. This €13.5m fall at constant exchange rates and constant perimeter comprised the significant fall in sales to the US Army and net growth of over 10% across other segments, all of which continue to perform strongly.

The decline in sales to the US Army in Q3 and YTD 2006 was in line with expectations and Saft continues to expect sales to this customer of approximately €20m for the full year 2006.

### **Industrial Battery Group**

In the third quarter, IBG sales increased by 5.0% as reported to €56.4m and by 5.5% at constant exchange rates and constant perimeter, compared with Q3 2005. Sales were particularly good in the Telecom, Aviation and Industrial Standby segments, with the latter segment continuing to benefit from the strength of the oil and gas markets.

In the first 9 months of 2006, IBG sales increased by 3.8% as reported to €177.1m and by 2.3% at constant exchange rates and constant perimeter, compared with the same period in 2005. All segments performed as expected.

### **Rechargeable Battery Systems**

In the third quarter, RBS sales fell by 8.1% as reported to €19.3m and by 7.7% at constant exchange rates, compared with Q3 2005.

In the first 9 months of 2006, RBS sales fell by 9.7% as reported to €59.5m and by 10.1% at constant exchange rates, compared with the first 9 months of 2005.

The YTD fall in sales continues to be entirely accounted for by the non-strategic telecom and consumer segment. Professional Electronics had a disappointing third quarter, but Emergency Lighting sales continue to show modest year-on-year growth.

### **Raw material costs**

As previously disclosed, nickel accounts for the largest proportion of Saft's purchases of traded metals. In 2005, Saft purchased approximately 1,300 tonnes of nickel linked to London Metal Exchange ("LME") prices. Nickel costs have increased significantly since April 2006. The average LME cash prices per metric tonne were approximately \$15k in Q1 2006, \$21k in Q2 2006 and \$29k in Q3 2006. Since April 2006, nickel prices have also been very volatile with a minimum LME cash price of \$16k and a maximum of nearly \$35k.

Saft has historically targeted making forward purchases to secure up to 66% of the next 12 months' requirements, but is not fully covered for the remainder of 2006, and therefore a proportion of purchases will be made at LME cash prices.

Saft has reacted promptly to the higher costs and volatility. IBG has implemented a general price increase, and RBS has introduced a surcharge relating to the LME cash price of nickel, both of which have been applied to new orders from 1 July 2006 (except where not contractually possible). Given that nickel costs have continued to rise since these increases were applied, IBG is planning a further price increase with effect from 1 January 2007. SBG does not use nickel to any material extent.

The rise in nickel costs will reduce margins in the second half of 2006, because not all purchases are hedged, and there is a time-lag before the price increase and surcharge become effective. However, Saft expects that this margin decline will be temporary.

During this period of high and volatile nickel costs, Saft has revised its hedging policy for 2007:

- For RBS, no hedging is being undertaken, as the surcharge is being applied instead;
- For IBG, no hedging is being undertaken at current prices, as our advisers forecast a fall in nickel costs.

*John Searle, President of the Management Board, commented "Saft has had a strong third quarter, with sales down only 0.5% at constant exchange rates and perimeter, despite the ongoing impact of the previously announced fall in sales to the US Army.*

*This decline in sales to the US Army will be less marked in Q4 2006, as the dramatic fall in demand from this customer started in Q4 2005. This and our continued strong order book means that I now expect total sales to show growth in Q4 2006, compared with Q4 2005. I also now expect full year sales to be approximately 1% above the top of the guidance range of € 540m to € 550m.*

*This strong sales performance is helping to offset some of the effect of ongoing high nickel costs. I can therefore confirm that the remainder of Saft's guidance for 2006 remains unchanged, unless nickel costs average more than \$30k per tonne throughout Q4 2006. As announced in March, the guidance ranges based on the new 2006 perimeter are for EBITDA<sup>1</sup> of € 97m to € 101m and EBIT<sup>2</sup> of € 71m to € 75m."*

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<sup>1</sup>EBITDA defined as net income from operations, before depreciation, amortisation, restructuring costs and other income and expenses

<sup>2</sup>EBIT defined as net income from operations, before restructuring costs and other operating income and expenses.

## **IMPORTANT LEGAL INFORMATION AND CAUTIONARY STATEMENTS**

*Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predictions of or indicate future events, trends, plans, objectives or results of operation. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and Saft's plans and objectives to differ materially from those expressed or implied in the forward looking statements.*

### **About Saft**

Saft (Euronext : Saft) is a world specialist in the design and manufacture of high-tech batteries for industry. Saft batteries are used in high performance applications such as industrial infrastructure and processes, transportation, space and defence. Saft is the world's leading manufacturer of nickel-cadmium batteries for industrial applications and of primary lithium batteries for a wide range of end markets. The group is also the European leader for specialised advanced technologies for the defence and space industries. With approximately 3,800 employees worldwide, Saft is present in 18 countries. Its 18 manufacturing sites and extensive sales network enable the group to serve its customers worldwide.

For more information, visit Saft at [www.saftbatteries.com](http://www.saftbatteries.com)

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