



## SAFT GROUPE S.A.

*Société anonyme* with a Management Board and a Supervisory Board

Share capital: €18,963,365

Registered office: 12, rue Sadi Carnot, 93170 Bagnole

Registration no.: RCS Bobigny B 481 480 465

## UPDATE OF THE 2008 REGISTRATION DOCUMENT



The French version of the update of the 2008 registration document was filed with the *Autorité des marchés financiers* (French financial markets authority, or “**AMF**”) under number D.09-0105-A01 on November 2, 2009 pursuant to Article 212-13, IV of its General Regulations. It completes the Saft Groupe S.A. 2008 registration document filed with the AMF on April 2, 2009 under number R.09-014.

The registration document and its update may be used only in connection with a financial transaction if supplemented by a *Note d’Opération* (Securities Note) approved by the AMF.

Copies of this Update of the registration document are available free of charge at the Saft Groupe S.A.’s registered office located at 12 rue Sadi Carnot, Bagnole (93170). This update of the registration document is also available on the websites of the AMF ([www.amf-france.org](http://www.amf-france.org)) and of Saft ([www.saftbatteries.com](http://www.saftbatteries.com)).

## General remarks

The purpose of this document (the "**Update**") is to update the Saft Groupe S.A. registration document registered with the AMF on April 2, 2009 under number R.09-014 (the "**Reference Document**"). This Update only contains sections of the Reference Document that required updating.

In this Update of the Reference Document, the terms "Saft" and the "Company" refer to Saft Groupe S.A., and the "Group" refers to the group comprising the Company and all of its consolidated subsidiaries.

This Update of the Reference Document includes forward-looking statements and information about the Group's objectives, in particular, relating to its current and future projects. These statements are sometimes identified by the use of the future or conditional tense, as well as such terms as "estimates", "believes", "has the objective of", "intends to", "expects", "results in", "should" and other similar expressions. It should be noted that the realisation of these objectives and forward-looking statements is dependent on future facts and circumstances. Forward-looking statements and information about objectives may be affected by known and unknown risks, uncertainties and other factors that may significantly alter future results, performance and accomplishments planned or expected by the Company. These factors may include changes in the economic and commercial environment, as well as the risk factors described in pages 64 to 70 and 107 to 112 of the Reference Document, as updated and completed by section 2 of this Update.

This Update includes information related to the Group's markets and competitive position, including information about the size of its markets. Unless otherwise indicated, these are the Group's estimates and are provided for information purposes only. The Group's estimates are based on information obtained from customers, suppliers, professional organisations and other participants in the markets in which the Group operates. Although the Group considers that these estimates are relevant as of the date of this Update, it cannot guarantee the completeness or accuracy of data on which these estimates are based, or that its competitors define the markets in which they operate in the same manner.

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## **1. SAFT BUSINESS DEVELOPMENT IN LITHIUM-ION BATTERIES**

### **1.1 Saft, a globally recognized specialist in the design and production of advanced technology batteries for industry**

#### **1.1.1 A strong position in niche markets**

Saft is a globally recognized specialist in the design and production of advanced technology batteries for industry. Saft batteries are used in high-performance applications, such as industrial infrastructure and processes, telecommunications, transportation, space and defense.

Over 75% of the Group's sales are made in segments in which Saft is the world leader. Saft considers itself as the world's leading manufacturer of: (i) industrial nickel-based batteries for use in air and rail transportation, standby power applications and emergency lighting, (ii) primary lithium batteries for the electronics and defense industries and (iii) lithium-ion (Li-ion) commercial satellite batteries. Over the first six months of 2009, the Group estimates that 39% of its sales related to the sale of replacement batteries.

Saft, which employs nearly 4,000 people worldwide, is present in 18 countries. Its 15 production sites and its vast sales network enable the Group to serve its customers all over the world.

Saft currently benefits from a strong position in niche markets and has a wide-ranging portfolio of technologies and markets, as well as solid, lasting commercial relationships with highly rated customers, which are all assets that provide the Group with ongoing support in the development of its business activities and new technologies.

Between 2005 and 2008, the Group's sales increased significantly with average annual growth of 4.9% at constant exchange rates. The trends with regard to the Group's sales during the first nine months of 2009, marked by a relative decrease against a backdrop of a global economic crisis, as well as the Group's guidance and outlook for 2009 are described in sections 4.2 and 5 of this Update.

Finally, during the first nine months of 2009, Li-ion battery sales represented 11% of the Group's revenues (see sections 4.2 and 5 of this Update) and the Group intends to accelerate the development of sales of this technology.

Saft has moreover demonstrated its solid financial position and its profitability since its IPO, despite a difficult context related to the increase in commodity prices (particularly nickel prices) and fluctuating foreign exchange rates, and during the first nine months of 2009, due to the impact of the economic crisis on its business in some of its important markets.

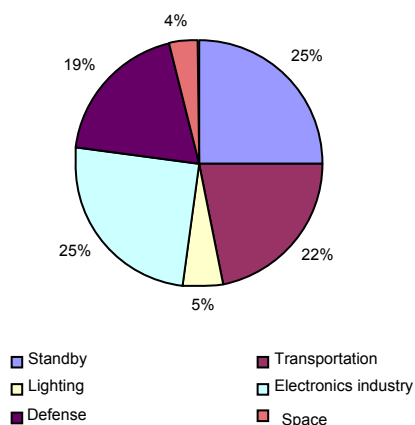
#### **1.1.2 A wide-ranging portfolio of technologies and markets**

The Group has based its development on a wide-ranging portfolio of technologies and markets.

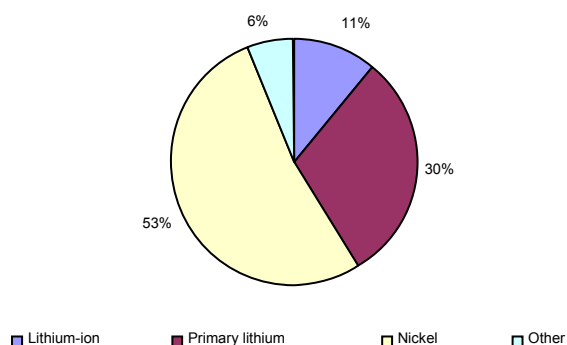
Saft is present on a number of specialist markets where it offers its customers high value-added products and in particular: electronics, industrial standby power solutions, transport, defense, lighting and space. Over the first nine months of 2009, 25% of Saft's sales were made in the electronics industry, 25% in sales of industrial standby power solutions, 22% in the air and rail transportation sectors, 19% in defense, 5% in lighting and 4% in the space sector (satellites and space launchers).

The batteries produced and sold by Saft are designed, developed and produced using varied technologies. During the first nine months of 2009, 53% of the sales made by Saft related to nickel-based batteries, 30% concerned primary lithium batteries, 11% consisted of Lithium-ion batteries and 6% were batteries produced from other raw materials.

Sales by market segment for the first 9 months of 2009



Sales by technology for the first 9 months of 2009



### 1.1.3 Solid commercial relationships with a wide range of highly-rated customers

The Group has developed longstanding commercial relationships with highly rated customers in the various markets in which it is present, including the following:

- in standby power solutions, with groups such as AEG Power Systems, AT&T or Schneider Electric;
- in transportation, with groups such as EADS, Bombardier, Kawasaki, Alstom or Boeing;
- in the electronics industry, with groups such as Itron or Neptune Technology Group;
- in the defense sector, with the U.S. and French armed forces, the Indian government, DCNS or Raytheon;
- in lighting, with groups such as Legrand, Zumtobel Group or Cooper; and
- in the space sector, with groups such as EADS Astrium, Thalès or Boeing.

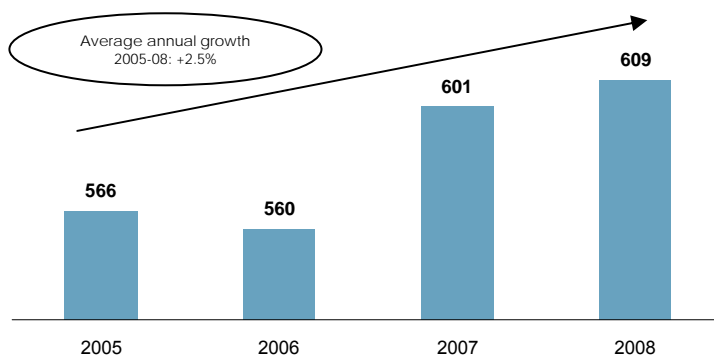
### 1.1.4 Solid financial results and healthy profitability since the initial public offering

Since its IPO in 2005, the Group has demonstrated its ability to generate solid financial results and healthy profitability, despite a sometimes difficult context related to increases in commodity prices (particularly nickel prices) and foreign exchange rates.

Between 2005 and 2008, the Group's sales increased at an average annual rate of 2.5% based on current exchange rates and 4.9% at constant exchange rates, thereby confirming the revenue growth targets announced by the Group at the time of the initial public offering.

Changes in Group sales during the first nine months of 2009, marked by a relative decrease against a backdrop of a global economic crisis, as well as the Group's guidance and outlook for 2009, are described in sections 4.2 and 5 of this Update.

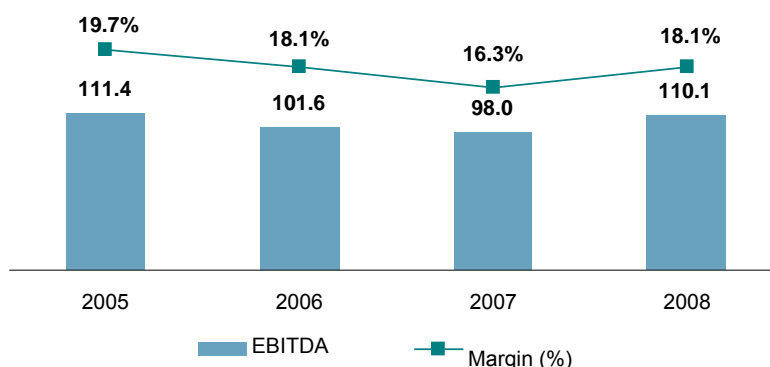
**Sales at current exchange rates (in millions of euros)**



Since 2005, the EBITDA<sup>1</sup> margin generated by the Group has been high, confirming Saft's strong profitability.

Except during the 2007 financial year in which the EBITDA margin was affected by the very large rise in nickel prices, the Group's EBITDA margin has always exceeded 18% of revenues. For example, in 2008, consolidated EBITDA amounted to €110.1 million, representing a margin of 18.1% of revenue.

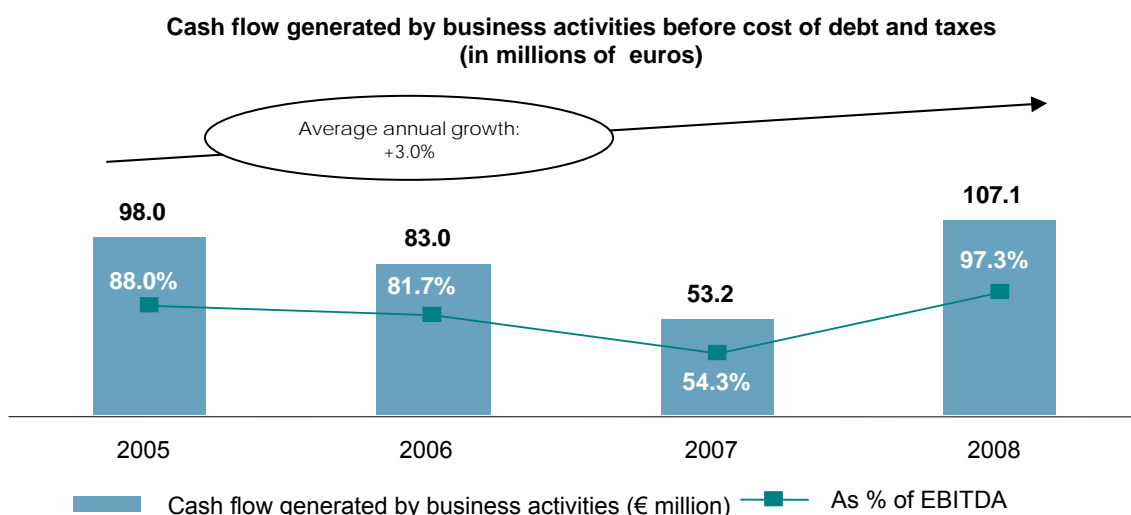
**EBITDA<sup>2</sup> (in millions of euros)**



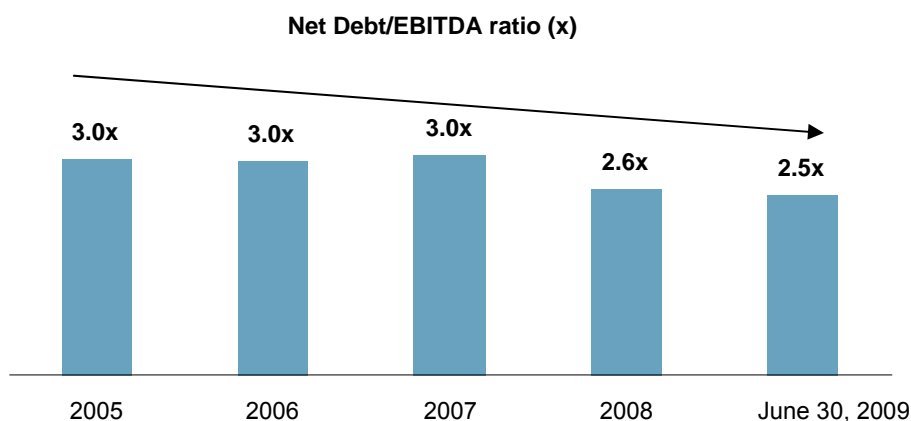
As shown in the table set out below, the Group's business activities generate significant cash flows (before cost of debt and taxes) on a recurring basis, except in 2007 for the reasons set out above. The large cash flows generated since 2005 have enabled the Group to finance large investments.

<sup>1</sup> EBITDA is defined as operating profit before depreciation, amortisation, restructuring costs and other operating income and expenses.

<sup>2</sup> The figures are restated to take into account the Research Tax credit and the adjustment of EBITDA in 2005 to exclude the costs relating to the IPO.



The Group's operating performances and its capacity to generate free cash flow have also enabled it to reduce the level of its net debt. The Group's net debt/EBITDA ratio has been reduced in this manner from 3.0 at the end of 2005 to 2.6 at the end of 2008. This ratio stood at 2.5 at June 30, 2009.



## 1.2 Development of the Li-ion battery production activity

On the strength of its research and development investments and nearly 90 years of industrial expertise, Saft now intends to take advantage of the significant growth opportunities offered by the market for Li-ion batteries to use this technology for new applications, such as the storage of renewable energy and hybrid and electric vehicles.

### 1.2.1 A leader in innovation and research and development investment

Saft puts research and development at the heart of its business activities. In 2008, the Group spent 5.6% of its revenue on investment in research and development as compared to 3.7% in 2004. In 2008, the Group's research and development teams comprised 355 people compared to 303 in 2004. Finally, in order to increase the efficiency of its research and development efforts, the Group relies on solid relationships and partnerships with French universities like the Bordeaux Institute of Condensed Matter Chemistry and the top French graduate engineering school, École Polytechnique.

The research programs concern several technologies. Among the technologies developed by Saft, lithium-ion has for a long time held an important position. The Group has in fact been working on lithium-ion technology since the beginning of the 1990s, essentially on that of nickel-cobalt-aluminum. It has in particular fifteen (15) years' experience of research and development and ten (10) years' experience in the production of lithium-ion batteries. It also has expertise with regard to lithium-ion technologies based on iron phosphate, superphosphate and nickel-cobalt-manganese. The Group therefore considers that it has unique expertise in

this area and that all the above-mentioned lithium-ion technologies will have a similar production cost once significant volumes are produced.

### **1.2.2 The advantages of the lithium-ion technology**

Saft considers that the lithium-ion technology developed by the Group offers its customers a large number of advantages. It makes it possible to provide a high energy density and/or strong power, while proposing longer-life batteries. Finally, lithium-ion enables production of lighter-weight batteries that do not require any maintenance.

Saft believes that the lithium-ion technology that it has developed can be profitably used in a large number of business sectors and in particular in the telecommunications, defense, and aviation markets as well as in those for hybrid and electric vehicles and the storage of renewable energy.

### **1.2.3 Significant growth opportunities**

#### **In the Group's existing markets (telecommunications, defense and air transportation in particular)**

Saft intends first of all to develop its lithium-ion activities in the areas of telecommunications, defense and aviation. In each of these markets in which Saft is already present and has a strong foothold, the Group is able to rely on its solid commercial relationships with highly rated customers.

- Telecommunications

The Group considers that the changes in network architecture in the field of telecommunications should encourage operators to invest in new generations of smaller, lighter batteries, which are better suited to decentralized, smaller sized, long-life sites and may potentially be exposed to difficult climate conditions. The Group already proposes several applications for Li-ion batteries with its "Intensium" product line. Saft estimates that the market share of advanced technology batteries is set to increase in the next few years and is planning to meet this demand by developing new product lines.

- Defense

In the defense sector, the Li-ion batteries produced by the Saft group make it possible to satisfy the requirements of a growing number of high-technology programs. Saft has already delivered prototypes and systems to corporations like Raytheon, DCNS or BAE Systems for a certain number of applications such as hybrid military vehicles, improved target acquisition systems or surface ship and submarine applications. In Saft's view, the lithium-ion technology will enable it to respond to market niches in the defense sector that remain relatively undeveloped to date, such as hybrid vehicles for the defense sector in particular.

- Aviation

In the area of aviation, the lithium-ion batteries produced by Saft make it possible to meet the new requirements of aircraft manufacturers, namely more effective electronic and electric systems and lower fuel consumption. Lithium-ion batteries fulfill these new requirements due to their extremely high energy density and their reduced weight, as they are around 50% lighter than traditional nickel batteries. The value of the lithium-ion battery systems installed in new generation aircraft represents approximately to three or four times that of the nickel batteries equipping current aircraft.

The Group is already positioned on lithium-ion batteries intended for new generations of military or civil aviation programs. The Group is involved in particular with the F35 Joint Strike Fighter and Airbus A350 programs.

The industrial project for construction of a lithium-ion battery production facility in Jacksonville in the United States (see section 1.3.1 below) should enable the Group to increase its capacity for the telecommunications, defense and aviation markets in particular.

#### **In new markets (storage of renewable energy and hybrid and electric vehicles)**

Saft also intends to develop its lithium-ion technology in new markets, in particular those for the storage of renewable energy and hybrid and electric vehicles.

- Storage of renewable energy

The development of renewable energies and their growing importance in energy production and consumption is giving rise to new needs and also new constraints that have favored the emergence of a large-scale energy storage market. Although it is difficult to make a precise assessment of the long-term development prospects for this market (see section 2 – “Risk Factors” of this Update), some analysts estimate that the size of this new grid energy storage market is potentially very large and could amount to \$2.5 billion in 2015 (source: *GreenTechMedia Research*) and \$4.1 billion in 2018 (source: *Pike Research*). More optimistic forecasts estimate that this market could represent as much as \$8.3 billion in 2016 (source: *Nano Markets*).

According to the above-mentioned study conducted by *GreenTechMedia Research*, 20% of this grid energy storage market could be covered by lithium ion-based components and batteries. Saft estimates that the lithium-ion batteries that it produces will make it possible to fulfill a certain number of needs in this new market for grid storage of renewable energies.

Moreover, the Group considers that the lithium-ion batteries will also enable it to establish itself in the specific market of distributed and residential applications which also represent significant market potential in the medium term.

The Group judges that it is well placed in these markets, particularly due to its good knowledge of the customers present on these markets. Saft has already entered into contracts, developed and delivered products for renewable energy storage projects, both for grid and residential applications, like the project developed jointly with ABB since 2008 relating to a new high-voltage Li-ion battery system intended to increase the stability of energy distribution grids.

These new renewable energy storage markets moreover benefit from three main factors that are favorable to their development: (i) political support related to the regulations (in particular European and US regulations) promoting the development of renewable energies and limiting greenhouse gas emissions (such as Directive 2001/77/EC of the European Parliament and of the Council of September 27, 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market), (ii) enhanced consumer awareness with regard to environmental policies and (iii) frequent abrupt rises in the price of oil and other fossil fuels as well as the anticipated lasting tendency towards a rise in their prices due to the gradual depletion of fossil fuel reserves and the continual increase in the costs of their extraction.

The industrial project for construction of a production unit for lithium-ion components and batteries in Jacksonville in the State of Florida in the United States (see section 1.3.1 below) should allow the Group to develop its activities on this promising market for the storage of renewable energies.

- Batteries for hybrid and electric vehicles

In 2006, Saft created a joint venture with its partner Johnson Controls Inc. to develop its lithium-ion activities for the clean vehicle market.

The Johnson Controls-Saft joint venture has already been selected as a supplier of lithium-ion batteries for hybrid and electric vehicles by Mercedes, BMW, Ford and Azure Dynamics. Johnson Controls-Saft already operates a plant to produce Li-ion batteries for hybrid and electric vehicles in Nersac, France. The only hybrid vehicle that is currently on the market that takes advantage of lithium-ion batteries (the Mercedes S400) is in fact equipped with a battery produced by Johnson Controls-Saft on this site in Nersac.

Johnson Controls-Saft has been selected by the global leaders in the automotive industry for projects covering the entire spectrum of clean vehicles (hybrid, rechargeable hybrid and all-electric cars), both for light vehicles and utility vehicles and for top-of-the-range and entry-level consumer models.

In the light of the significant development potential of this market, and the projects currently in progress with a certain number of automotive manufacturers, including Volkswagen and Jaguar/Land Rover, Johnson Controls-Saft is planning the construction in the near future of a large production facility for lithium-ion components and batteries in Holland in the State of Michigan in the United States (see section 1.3.2 below).

According to a study published in April 2009 by the Roland Berger firm, the world market (Western Europe, United States, Japan and China) for batteries for clean vehicles should amount to between €3.3 billion and €5.6 billion in 2014 depending on the scenario adopted. Other more optimistic studies with regard to the

development of this battery market predict a world market worth over \$10 billion by 2015 (see section 2 – “Risk Factors” of this Update).

### **1.3 Two major projects undertaken by Saft with regard to the development of its lithium-ion battery production activity**

The Group is currently undertaking two major industrial projects in the United States consisting of the construction and putting into operation by 2011-2012 of two lithium-ion battery production plants in Florida (a Saft project) and in Michigan (a project being conducted by the Johnson Controls-Saft joint venture).

These two projects have been selected to benefit from Federal public aid granted by the US Department of Energy under the provisions of the Federal American Recovery and Reinvestment Act (ARRA) of February 17, 2009. The projects undertaken by Johnson Controls-Saft and Saft were the main beneficiaries of ARRA subsidies in August 2009.

#### **1.3.1 Construction of a Saft plant for the production of Li-ion batteries in Florida**

The Saft project is aimed at the construction of a plant for producing lithium-ion batteries in Jacksonville, Florida. This high-capacity production facility should enable the Group, through its subsidiary Saft America Inc., to serve new markets by producing components and integrating Li-ion batteries for hybrid military vehicles, aviation, smart grids, telecom back-up power and renewal energy storage. The putting into operation of this plant, which will be carried out directly by Saft, should begin in 2011 and be completed by 2012.

This project, costing a total of approximately \$200 million to be expended from 2010 to 2012 (including both capital expenditure and operating expenses to bring the facility into operation), was selected to receive a cost-sharing subsidy representing 50% of the cost for a maximum amount of \$95.5 million under the provisions of the Federal American Recovery and Reinvestment Act (ARRA). The grant of this subsidy, which is to be paid in stages as the project progresses, nevertheless remains subject to the successful conclusion of the negotiations with the US Department of Energy (see section 2 – “Risk Factors” of this Update). This is the only project benefiting from these provisions which is not directly related to the automotive industry.

Saft has also been selected to receive additional assistance from the State of Florida and the City of Jacksonville which could amount to up to \$20.8 million. Most of this assistance and tax credits are spread out over several financial years (some over as many as 10 years or more). This assistance and tax credits will mostly result in reduced operational expenses for the Jacksonville plant in future years. In consideration of this assistance and tax credits, the Company will have to comply with a number of commitments primarily related to job creation and maintaining a minimum average wage.

This production unit, at the cutting edge of technology, should enable competitive battery solutions to be made available rapidly on both the US and international markets.

Saft considers that the plant in Jacksonville should operate at full capacity by 2015 and has set a target of annual revenues of \$200 million and an EBITDA margin of 15% to be generated from this unit by that date.

#### **1.3.2 Construction by the Johnson Controls-Saft joint venture of a Li-ion battery production facility for hybrid and electric vehicles in the State of Michigan**

Within the scope of the Johnson Controls-Saft joint venture (a detailed description of this joint venture and of the corresponding agreements can be found on pages 64 to 65 and 154 to 155 of the Reference Document), Saft and its partner have decided to develop a new Li-ion battery production plant for the hybrid and electric vehicles market, in addition to the plant in Nersac which is already operational. This large production unit will be located in Holland in the State of Michigan on an existing industrial site. The putting into operation of this plant should start in 2011 and be completed by 2012. This plant, which is intended to meet the demand of the US market as well as international markets for clean vehicles, will be used in particular to fulfill the production contracts already awarded to it by Ford, to equip for 5 years its first plug-in hybrid electric vehicle (“PHEV”) which will come on the market in 2012, as well as by Azure Dynamics to supply hybrid utility vehicles batteries for 5 years.

The production unit in Holland, the total cost of which is estimated by Johnson Controls-Saft at approximately \$300 million to be paid from 2010 to 2012 (capital expenditure and operating expenditure to bring the plant into operation), has been selected to benefit, in addition to Federal financing of 50% as described below, from a high level of aid from the State of Michigan (assistance and tax credits), which may total \$148.5 million. This amount is made up of the Battery Cell Manufacturing Refundable Tax Credit representing up to \$100 million (paid in four annual installments from 2012) and a collection of assistance and tax credits of up to a total of \$48.5 million. Most of this assistance and tax credits are spread out over several financial years (some over as many as 10 years or more). This assistance and tax credits will mostly result in reduced operational expenses for the Holland plant in future years. In consideration of this assistance and tax credits, Johnson Controls-Saft will be required to comply with a number of commitments primarily related to job creation and maintaining a minimum average wage.

The construction of the Holland production unit represents the first step in the joint venture's industrial project to construct production units for lithium-ion batteries in the United States, at a total cost of approximately \$600 million. This industrial project has been selected to receive cost-sharing subsidies representing 50% of the cost for a maximum amount of \$299 million (out of which \$13 million is intended to finance an investment made within the framework of the Holland project by a Johnson Controls-Saft supplier) granted under the provisions of the Federal American Recovery and Reinvestment Act (ARRA). The grant of these subsidies, which were requested by Johnson Controls Inc. for the benefit of the Johnson Controls-Saft industrial project and which are to be paid in stages as the project progresses, is nevertheless subject to successful conclusion of the negotiations with the US Department of Energy (see section 2 – "Risk Factors" of this Update).

The Holland production unit should rapidly enable the joint venture to develop its production activity for lithium-ion batteries in the hybrid and electric vehicles market. Saft has set a target for Johnson Controls-Saft to reach breakeven point in respect of EBIT for the Holland plant between 2012 and 2013, with annual revenue of \$175 million beginning in 2012-2013, and for the Holland plant to reach annual revenues of \$450 million once operating at full capacity.

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With the support of these two production units and the facility that is already operating in Nersac, France, the Group intends to take up a solid position in the Li-ion batteries markets in both its existing market segments (telecommunications, defense and aviation) and promising new markets for the storage of renewable energy and hybrid and electric vehicles. Against this backdrop, in order to finance the two above-mentioned industrial projects and to reinforce its financial flexibility, the Group is considering, depending on market conditions, carrying out a share capital increase with preferential subscription rights in the near future for an amount of approximately €120 million (issue premium included). The proceeds from this capital increase will be used to fully finance the portion of the cost of the Jacksonville and Holland projects described above that is not subsidized by the U.S. Department of Energy (which represents an estimated amount of \$104.5 million for the Jacksonville plant and \$73.5 million for Saft's portion of the Holland plant). This financing will thereby enable the Group to free cash flows generated from its existing activities and increase its financial flexibility.

## 2. RISKS FACTORS

A detailed presentation of the risk factors with regard to the Group's business activities is set out on pages 64 to 70 and 107 to 112 of the Reference Document. These risk factors are updated and supplemented by the information set out below:

### **Risks relating to industrial projects for the construction of production facilities for Li-ion batteries and components in the United States, and in particular, risks relating to anticipated government subsidies**

Over the next few months, the Group intends to launch the construction of two production facilities for Li-ion batteries and components in the United States. The first project is being undertaken by Saft alone in the State of Florida (on the Jacksonville site) while the second is being carried out within the scope of the joint venture with Johnson Controls Inc. in the State of Michigan (on the Holland site). A detailed description of these projects is set out in section 1.3 of this Update to the Reference Document.

#### *Complexity of the implementation of the industrial construction projects for production facilities for Li-ion batteries and components in the United States, and in particular, obtaining the necessary permits and approvals*

Carrying out these industrial projects is a complex process involving a large number of parameters. In particular, the construction of the two production facilities and putting them into operation will require various building permits and operational authorizations, as well as prior environmental studies.

#### *Subsidies granted by the U.S. Department of Energy*

The industrial projects undertaken by Saft and by the Johnson Controls-Saft joint venture have been selected by the U.S. Department of Energy to receive, respectively, subsidies of \$95.5 million for the production facilities in Jacksonville and \$299 million for the production facilities in Holland. However, the final grant of these subsidies and the practical terms and conditions of their payment (in particular the schedule of payments, which could extend over a period of several years) and their exact distribution remain subject to the successful outcome of negotiations with the U.S. Department of Energy. If the negotiations do not lead to the signing of final agreements or if the U.S. Department of Energy lays down conditions for obtaining the subsidies that Saft or Johnson Controls consider to be unacceptable from a commercial standpoint, the subsidies could be refused or granted only in part.

As the receipt of subsidies is a decisive factor in deciding to undertake the construction of new production facilities, the failure to obtain them on the terms in the amounts currently anticipated could lead to significant delays in the construction and the entry into production of the manufacturing facilities, which could cause the Group to consider changing the size of the project in Jacksonville and to analyze together with its joint venture partner whether it would be appropriate to change the size of the Holland-Michigan project. The occurrence of these events could therefore have a material adverse effect on the Group's business activities, its financial position, its results or its ability to meet its targets.

Furthermore, in consideration of the assistance and tax credits granted by the State of Florida and the City of Jacksonville for the Jacksonville project and by the State of Michigan for the Holland project, the Company has agreed to comply with a certain number of commitments primarily related to job creation, including a minimum average wage, which could lead to penalties or to the possible suspension of the subsidies if these commitments are not met.

Finally, the receipt of subsidies from the government gives the authorities who granted these subsidies a right of oversight concerning the results, cost estimates and expenses of Saft and Johnson Controls-Saft with respect to the projects for which the subsidies have been granted. This right of oversight could involve inquiries or administrative proceedings and could entail sanctions or the partial or total loss of the subsidies granted.

#### *Possibility of disagreements between the partners of the Johnson Controls-Saft joint venture*

The construction project for the Holland plant is being carried out by the Johnson Controls-Saft joint venture (for a description of the agreement between Saft and Johnson Controls Inc., see pages 64 to 65 and 154 to 155 of the Reference Document). Although the two partners currently have a good relationship based on a solid partnership, the possible occurrence of significant disputes between Saft and Johnson Controls Inc.

could have a material adverse impact on the successful completion of this project, although the operating agreement of the joint venture requires the agreement of both parties for all significant decisions.

### **Risks relating to the development of technologies**

#### *Uncertainties with regard to the success of the Li-ion technology and product safety*

The Group develops and markets Li-ion battery systems and components and. The market for Li-ion batteries is relatively new and the Group cannot provide any guarantees with regard to the success of this technology.

#### *Uncertainties relating to the speed of technological change and the development of emerging technologies*

Technology evolves rapidly in the advanced technology batteries market. Saft believes that the lithium batteries to be produced in the production facilities in Jacksonville (the Saft plant in Florida) and in Holland (the Johnson Controls-Saft plant in Michigan) may allow it to satisfy certain needs of its various business segments, particularly renewable energy storage and automotive. Nonetheless, it cannot be ruled out that technological developments in the production of batteries could make it possible for different technologies to meet the same needs. Finally, other companies have recently developed batteries based on emerging technologies that may compete with the technology developed by the Group.

In order to pursue the development of its business activities, the Group must be capable of anticipating and adapting to technological progress. From this perspective, research and development activity is a key factor for the Group's success. The difficulty or inability of the Group to keep pace with current or future technological developments or to obtain the resources and/or financing required for research and development, as well as competition from different emerging technologies, could have a material adverse impact on the Group's business activities, financial position and results or its ability to meet its targets.

### **Risks relating to the development of new markets for which Saft is constructing these production facilities**

#### *Uncertainties with regard to the prospects for development of the markets targeted by these production facilities, in particular due to the uncertainty surrounding developments in the energy and automotive industries*

The prospects for development of the Group's business activities on the basis of the products to be produced in the future production facilities in Jacksonville (Saft plant in Florida) and Holland (Johnson Controls-Saft plant in Michigan) remain subject to a number of risks as with any business activity.

Since 2008, the global economic climate has deteriorated sharply as a result of the economic and financial crisis, which has had impacts on the volatility of foreign exchange rates and energy costs in particular. It cannot be ruled out that the new markets for which Saft is implementing its production facilities projects will continue to be particularly affected by the current crisis, including the energy sector and the automotive industry which have recently experienced large reductions in volumes and strong pressure on prices. If these markets do not return to growth, or if their economic environment were to deteriorate even further, this could have a material adverse impact on the development prospects for the production facilities for Li-ion batteries and components.

#### *Dependence on national and international energy policies*

The Group intends to develop its presence in the hybrid and electric vehicle markets and in the renewable energy storage markets. These markets are heavily dependent on political decisions, both at the national and international level, which may lead to the implementation of subsidies and/or tax incentive mechanisms, or the adoption of various pieces of legislation specifically intended to reduce pollution. The Group cannot guarantee that the current policies favouring the development of these markets will continue or that the development of its business activities in these markets will be successful.

#### *Impact of commodity and energy prices*

The development of the new markets for which Saft is implementing these production facilities projects could be affected by fluctuations in prices and/or supplies of raw materials and/or fossil fuels (oil and natural gas, for example). In particular, demand for hybrid and electric vehicles (for which the Johnson Controls-Saft joint venture plant will be created) depends, among other things, on the cost of fossil fuels (oil and gas). A large

decrease in the price of fossil fuels could cause a reduction in demand for Li-ion batteries for hybrid and electric vehicles.

*Uncertainty with regard to the pace and outlook for the development of new markets*

The new markets in which Saft is positioning itself are relatively new, and their production volumes are currently limited. Moreover, although the prospects for development of these markets over the next few years are generally considered to be significant, estimates of these markets' potential vary significantly and the exact pace of this development remains uncertain. Accordingly, the development of these markets may not reach the envisaged levels and the future profitability of the investments could be affected.

Finally, the success of the Group's business activities related to the production facilities projects depends on the quality of the products to be developed at those sites. The Group cannot guarantee that these products will meet its customers' requirements at all times, and this could harm the Group's reputation and damage its competitive position.

The occurrence of these risks could affect the ability of the Group and its Johnson Controls-Saft joint venture to generate the expected profitability within the expected timeframe on these new production facilities, which could have a material adverse impact on the Group's business activities, financial position and results or its ability to meet its targets.

**Risks relating to competition in the new markets for which Saft is constructing these production facilities and to the related contracts**

Competition is fierce in the new markets being developed by Saft. The pressure such competition could exert on prices could force the Group to limit its prices and reduce its margins accordingly. Moreover, certain competitors that are already present in these markets or looking to enter them may have greater commercial, financial, technical or human resources than the Group. Some customers in these markets (such as automobile manufacturers purchasing batteries for hybrid and electric vehicles and, in particular, manufacturers who are to receive U.S. government subsidies for the production of this type of battery) could also in-source the design or production of the products and components offered by the Group and its Johnson Controls-Saft joint venture.

Furthermore, although the Group has a longstanding business relationship with some of its customers, existing contracts entered into by the Group in these new markets do guarantee that the Group will be able to maintain lasting relationships with its current co-contractors or that it will be able to enter into a sufficient number of new agreements to make these new production units profitable.

**Liquidity risk**

With respect to liquidity risk linked to indebtedness, the new terms and conditions of the Group's bank debt, refinanced on July 3, 2009, are described in note 6 to the consolidated financial statements for the period ended June 30, 2009 presented in section 4.1 of this Update. These terms and conditions provide for the repayment of the remaining debt outstanding on July 3, 2012, i.e., €150 million and \$240 million. The Group's liquidity has been improved by the refinancing of the debt and through the new maturity date.

The Company completed a specific review of its liquidity risk and believes it will be able to pay its debts as they become due.

### 3. RECENT EVENTS

At the date of this Update, the key events since January 1, 2009 are as follows:

#### January

Johnson Controls-Saft and Azure Dynamics Inc announced a five-year supply agreement for Li-ion hybrid battery technology to power commercial vehicles in North America.

Ford Motor Company awarded Johnson Controls-Saft the battery supply contract for its first plug-in hybrid electric vehicle. Johnson Controls-Saft will supply the complete battery system for Ford Motor Company's first series production plug-in hybrid electric vehicle (PHEV), which will be introduced in 2012. Ford announced plans for this contract at the Washington Auto Show.

The battery will power the car on full electric for 40 miles and can be recharged through a standard 120 volt electrical outlet.

#### February

Saft and DCNS signed a framework agreement that reinforces their cooperation in electrical energy storage technologies for military naval applications. The two companies will operate as a national centre for innovative technologies covering electrical energy storage for all military naval products, including frigates, submarines, torpedoes, and autonomous underwater or surface vehicles (AUV-ASV).

The Raytheon Company has awarded Saft a contract of more than \$13 million to supply its rechargeable lithium-ion (Li-ion) battery systems for the Improved Target Acquisition System (ITAS).

#### March

Boeing selects Saft for a Long Term Framework Agreement for satellite lithium-ion batteries. The two companies signed a five-year agreement for high-performance lithium-ion batteries. The lightweight batteries also reduce the overall size of the satellite, resulting in significant cost savings for spacecraft manufacturers.

#### April

Saft wins first major battery systems order for a Siemens Mobility project in China. Saft MATRICS MRX rail batteries, designed specifically for power backup applications, will deliver high level performance, reliability and low TCO for new Shanghai Metro Line 11 trains.

In a four-year contract, Saft will supply a consortium of Siemens Mobility and its Chinese partner, CSR Zhuzhou Electric Locomotive (ZELC), with the onboard batteries for 58 new trains currently under construction for the Shanghai Metro Line 11.

#### May

Tadiran Batteries, a wholly-owned subsidiary of Saft Groupe, has been awarded an exclusive two year contract for the supply of lithium batteries to a US based company, Neptune Technology Group Inc., one of the world's leading manufacturers of AMR/AMI meters for water utilities.

Tadiran Batteries' PulsesPlus™ batteries are suitable for demanding applications such as water and gas meters, AMR, toll tags, medical equipment, emergency locating and tracking systems as well as military applications.

Saft launches a range of smart VHT Nickel–Metal Hydride (Ni-MH) rechargeable battery modules specifically designed to meet the needs of off-grid photovoltaic (PV) and wind energy systems. The Smart VHT Module range offers better performance, lower total cost of ownership (TCO), and improved integration than traditional batteries.

Stand-alone renewable energy sources are increasingly used in applications ranging from street lighting and signage, water supply and irrigation, weather stations and environmental sensors, wireless local area networks and navigation aids. These applications benefit from reliable, maintenance-free and long-life energy storage with Smart VHT batteries.

## June

Saft announces the refinancing of its credit facilities. The new financing package secures the funding of the Group's existing business in the medium-term and will consist of two term loans of €150 million and \$240 million respectively as well as a €33.5 million 3-year revolving credit facility. These facilities have a 3-year bullet maturity with no scheduled amortization. Initially, the margin is set at 275 bps over Euribor on the Euro loans and at 300 bps over Libor on the US Dollar loan, and will be subject to a margin grid thereafter in January 2010. The new facility agreement which includes similar covenants to those in the existing facilities agreement, came into effect on July 3, 2009 (see note 6 to the condensed interim consolidated financial statements of June 30, 2009).

China's new ARJ21 regional jet aircraft relies on Saft's specialised aviation batteries for on-board back-up power. ARJ21 programme is Saft's first OEM application for a commercial jet designed and manufactured in China. Latest generation ULM® (ultra low maintenance) rechargeable batteries will provide on-board power for emergency back-up, APU starting and DC system.

NASA selects Saft America to develop next-generation Lithium-ion technology needed for NASA's future missions. Saft has been awarded a multi-million dollar contract to develop the next generation lithium-ion (Li-ion) technology for NASA. After a competitive review, Saft was selected for its expertise in electrochemistry and its ability to take products developed in the research lab to large-scale manufacturing.

In order to launch and operate rovers, landers, astronaut packs, portable life support systems and other space applications on the moon, the new technology must offer very high specific energy. Based on its existing high-energy Li-ion technology know-how, Saft is developing an advanced lithium-ion cell that will enable NASA to significantly reduce the weight of its next-generation missions.

## July

On July 28, Saft reported sales and earnings for the first half of 2009. Key financial figures for the six months ended June 30, 2009 are:

- Sales in the first half of 2009 of €287.4 million, a reduction of 6.2% as reported, 9.9% year on year at constant exchange rates.
- EBITDA (net income from operations, before depreciation, amortisation, restructuring costs and other income and expenses) reached €51.5 million, 17.9% of sales in line with the forecast. EBITDA margin for the first half of 2008 amounted to €54.8 million, 17.9% of sales.
- EBIT (net income before restructuring costs and other income and expenses) amounted to €35.7 million as compared to €40.6 million in the first half of 2008. EBIT margin reached 12.4% of sales in the first half of 2009 as compared to 13.3% in the first half of 2008.
- Net income down by 4.0% year on year to €21.6 million.
- Earnings Per Share of €1.14 in the first half of 2009 compared to restated EPS of €1.20 in the first half of 2008.
- Shareholders' equity amounted to €166.4 million as of June 30, 2009 as compared to €153.8 million as of 2008 year-end.
- Finally, cash generation over the period was strong with a free cash flow of €31.1 million before a €10.2 million debt repayment. Net financial debt as of June 30, 2009 was €265.0 million as compared to €281.1 million as of December 31, 2008.

## August

Saft was selected for U.S. Department of Energy funding for a Li-ion battery factory in Jacksonville, Florida. Saft will receive \$95.5 million grant from U.S. Department of Energy subject to successful contract negotiations. The funding is for a high-volume manufacturing plant to build advanced lithium-ion cells and batteries for military hybrid vehicles, aviation, smart grid support, broadband backup power and energy

storage for renewable energy. Subject to successful negotiation of contracts with the U.S. Department of Energy, the State of Florida and the city of Jacksonville, Saft will begin investment in the new plant immediately. Saft's state of the art manufacturing facility will ensure that competitive battery solutions will be imminently available to the U.S. and world markets from this Jacksonville, Florida facility.

Saft announces that an industrial project by its joint venture with Johnson Controls, Johnson Controls-Saft, has been selected to receive up to \$299 million in subsidies in connection with the American Recovery and Reinvestment Act (ARRA). The purpose of this project is to build its first facility for manufacturing elements and lithium-ion batteries for hybrid and electric vehicles in Michigan. The Company sees increasing opportunities for its lithium-ion technology in the United States as the clean vehicle market develops. The facility will be built in Holland, Michigan and will serve the Company's strategic global customers, in particular the series production contracts it has won with Ford for its first plug-in hybrid vehicle for 2012, and Azure Dynamics. Subject to successful negotiation of this contract, Johnson Controls-Saft will also receive a combination of assistance and tax credits from the State of Michigan totalling \$148.5 million.

A detailed description of these two projects can be found in section 1.3 of this document.

## September

Saft partners with Apollo Solar on the U.S. Department of Energy 'Solar Energy Grid Integration Systems' (SEGIS) project. Saft Li-ion battery system will provide 'time-shifting' renewable energy storage in project to develop innovative smart grid products. Saft is supplying a state-of-the-art lithium-ion (Li-ion) battery system to provide energy storage for one of the 'Solar Energy Grid Integration Systems' (SEGIS) projects funded by the US Department of Energy (DOE). The objective of the SEGIS program is to develop high performance products that will allow photovoltaics to become a more integral part of household and commercial Smart-Energy systems.

Saft wins €4.2 million order from the UK Ministry of Defence to be delivered between October and December 2009. The BA 5590 battery packs are designed to power various military radio communication devices and other vital systems, such as battle field surveillance and night sights.

Saft partners with Schneider Electric to deliver a ground-breaking off-grid solar energy scheme in Madagascar. This project is the first step in Schneider Electric's energy access program – known as BipBop, for Business, Investment, People at the Bottom of the Pyramid – that aims to create a virtuous circle combining business, innovation and social responsibility. Saft's role in the project is to supply the battery, based on its specialized Sunica.plus cells, for the off-grid electrification of Marovato, a village on Madagascar's east coast.

The new facility provides Marovato's 120 residents with clean, safe energy for around six hours per day – mainly in the evenings – as an alternative source of energy to the kerosene and hand-gathered wood traditionally used by the villagers.

## 4. FINANCIAL INFORMATION

### 4.1 Financial results for the first half of 2009

#### 4.1.1 Activity report for the first half of 2009

The figures presented below have been extracted from the Company's interim financial report dated July 29, 2009, excluding the sections titled "Other significant events during the first half", "Risks and uncertainties with regard to the second half of 2009" and "Outlook", as they are included elsewhere in this document and have been updated as applicable.

#### a. Sales and consolidated results highlights for the first half of 2009

Despite growth in some of the Group's activities, consolidated sales for the first half of 2009 declined by close to 10% compared to the first half of 2008 at constant exchange rates.

After challenging market conditions in the first half of the year, there are few signs today of a rapid recovery in the Group's market segments that were most affected during the first half of 2009. But the Group will benefit from a more favourable base of comparison during the second half of the year against 2008.

Still, despite the reduced sales, the Group's profitability in terms of EBITDA margin were in line with guidance and continue to be in line with the Group's results for 2008.

<i>(in millions of euros)</i>	2009	2008	2009/2008 Growth %	2007 Restated*	2008/2007 Growth %
Sales	287.4	306.4	(6.2)%	302.1	1.4%
Gross profit	82.6	85.6	(3.5)%	81.8	4.6%
Gross profit %	28.7%	27.9%		27.1%	
EBITDA *	51.5	54.8	(6.0)%	51.5	6.4%
EBITDA %	17.9%	17.9%		17.0%	
EBIT *	35.7	40.6	(12.1)%	37.4	8.6%
EBIT %	12.4%	13.3%		12.4%	
Profit before income tax	27.4	27.9	(1.8)%	22.3	25.1%
Net income	21.6	22.5	(4.0)%	15.8	42.4%
EPS (€ per share) **	1.14	1.20	(5.0)%	0.85	41.9%

(\*) EBITDA and EBIT presented above for the six month period ended June 30, 2007 include a €1.1m research tax credit. Up to 2007 year-end, research tax credits were accounted for under the line "Other operating income and expenses", below EBIT and were not included in the accounts mentioned above. This change in accounting treatment is set forth in the consolidated accounts at 3 June 2008. The research tax credit in the first half of 2009 and 2008 were €2.9m and €2.8m respectively.

(\*\*) 2008 EPS has been restated to take into account the 2008 dividend payments in shares. 2008 EPS before restatement was €1.22.

Group sales for the first half of 2009 amounted to €287.4 million, down by 6.2% as compared to the first half of 2008 at current exchange rates and by 9.9% at constant exchange rates.

After first quarter sales for 2009 of €145.8 million, which had fallen by 6.2% as against 2008 at constant exchange rates, sales of €141.8 million were posted for the second quarter of 2009, a 13.4% decrease as compared to those for the second quarter of 2008, based on constant exchange rates.

The greater than expected decrease in sales over the second quarter is primarily due to a sudden and sharp slowdown in activity in the civil lithium segment, in particular in the United States. In fact, no significant deterioration was observed during the second quarter as compared to the first, except in this segment where numbers of metering projects financed by local and regional authorities are currently being postponed due to the budget constraints.

Despite the fall in sales for the first half of 2009, the Group has maintained profitability with an EBITDA margin of 17.9% of sales, a level that remains unchanged compared to the first half of 2008. This good performance in line with the Group's expectations is due to an improvement of nearly 1% in the gross margin that now stands at 28.7%, following the implementation of cost reduction measures with regard to raw materials, components and labour costs.

## b. Results by product line

Second quarter sales by product line

	2nd quarter 2009	2nd quarter 2008	Growth / decline	
			At actual exchange rates	At constant exchange rates
<i>(in millions of euros)</i>				
IBG	69.0	76.6	(9.9)%	(13.9)%
SBG	59.0	60.6	(2.6)%	(7.1)%
RBS	13.8	19.3	(28.5)%	(30.8)%
	<b>141.8</b>	<b>156.5</b>	<b>(9.4)%</b>	<b>(13.4)%</b>

Results by product line

Product line	6 months ended 30 June 2009				6 months ended 30 June 2008		
	Sales		EBITDA		Sales		EBITDA
	€m	Sales growth* %	€m	margin %	€m	€m	Margin %
<b>IBG</b>	133.5	(14.1)%	28.8	21.6%	149.2	29.9	20.0%
<b>SBG</b>	125.0	2.2%	27.4	21.9%	117.6	25.4	21.6%
<b>RBS</b>	28.9	(29.5)%	(1.9)	(6.4)%	39.6	1.1	2.8%
<b>Other</b>	0.0	0.0%	(2.8)	0.0%	0.0	(1.6)	0.0%
<b>Total</b>	<b>287.4</b>	<b>(9.9)%</b>	<b>51.5</b>	<b>17.9%</b>	<b>306.4</b>	<b>54.8</b>	<b>17.9%</b>

(\*) Sales growth is at constant exchange rates.

### Industrial Battery Group (IBG)

During the first half of 2009, the division's sales decreased by 14.1% at constant exchange rates, to €133.5 million. This fall compared to the first half of 2008 amounts to 10.5% on a reported basis.

Sales for the second quarter fell by 13.9% at constant exchange rates, as against a 14.4% decline registered during the first quarter.

The downturn in sales during the second quarter is primarily due, as in the first quarter, to a sluggish aviation market and weak demand in the telecommunications market.

The fall in the Group's sales on the telecommunications segment accounts for 95% of the overall decrease in the division's sales during the first half of 2009. However, Saft is anticipating an improvement in demand in this market during the second half of the year with growth in sales of the new telecommunications product range. This new product line was qualified during the first half of the year by three North American operators and this can be seen as an encouraging sign.

The railway market continues to show promise and is set to continue to grow during the second half, supported by continued investment in urban transport systems.

Markets for standby batteries continued to grow during the second quarter. They were the division's most dynamic markets in the first half of 2009.

The division's EBITDA margin increased by 1.6% to 21.6% of sales, compared to a rate of 20% during Q1 2008. The cost reduction plans put in place by the division enabled it to post strong growth in its gross margin over the first half of the year, while maintaining investment in future developments.

### **Specialty Battery Group (SBG)**

Sales of the SBG division over the first half of 2009, amounting to €125.0 million, increased by 2.2% at constant exchange rates as compared to the first half of 2008 and by 6.3% on a reported basis.

Sales fell by 7.1% during the second quarter at constant exchange rates, in sharp contrast with the growth of 12.1% registered during the first quarter, at constant exchange rates.

Second quarter 2009 sales were affected by a sudden and sizeable reduction in sales on the civil lithium market, with a fall in the meters market in the US in particular. In the civil lithium market, sales during the second quarter dropped by over 20% at constant exchange rates compared to the same period in 2008.

Sales in military markets continued to remain strong in all market segments, with growth of 32% at constant exchange rates during the first half of 2009, as against weak sales during the first half of 2008.

The division's EBITDA margin for the first half of 2009 rose slightly by 0.3% to 21.9% of sales.

### **Rechargeable Battery Systems (RBS)**

In the first half of 2009, the RBS division reported sales of €28.9 million, down by 29.5% at constant exchange rates compared with the first half of 2008, with a decrease of 27.1% on a reported basis.

The decline in volumes is estimated at approximately 25%, to which should be added the negative effect of the drop in nickel prices due to the "nickel surcharge" mechanism.

This sharp fall in volumes led to a negative EBITDA percentage of 6.4% of sales for the first half of 2009. The initial cost reduction initiatives accompanying the merger of the IBG and RBS divisions effective as of July 1, 2009 have been implemented and the first benefits will be seen during the second half.

Finally, it should be noted that certain signs of recovery in demand were noted at the end of the second quarter as well as market share wins, following the withdrawal of certain competitors from the RBS division's traditional markets.

### **Other**

Expenses that are not allocated to the operating divisions and which mainly comprise the costs of the central functions such as IT, research, finance and administration and central management have led to an operating loss of €(2.8) million for this "Other" cost centre in the first half of 2009, as opposed to a loss of €(1.6) million for the first half of 2008.

The increase in the loss posted mainly results from the decrease in the amounts reinvoiced to the operating units and the increase in Research expenditure compared with the first half of 2008.

### **Johnson Controls-Saft Advanced Power Solutions LLC ("JC-S")**

From a sales standpoint, Johnson Controls-Saft won two new production contracts in the first half of 2009, bringing the total number of production contracts entered into to five.

The first concerns the supply, for an initial term of 5 years, of the complete battery system for Ford's first mass-produced plug-in vehicle, which is scheduled for launch in 2012.

The second was entered into with Azure Dynamics Inc. for the five-year supply of Li-ion batteries for North American hybrid commercial vehicles.

Finally, during the first half of 2009, the company began its deliveries to Daimler, from its facility in Nersac in France, of the batteries for the Mercedes S400 hybrid car that has been on sale since last June.

From an industrial standpoint, during the second quarter of 2009, Johnson Controls-Saft announced its project for the construction of its first production facility in the US dedicated to the production of Li-ion batteries for hybrid and plug-in vehicles. This production facility should enable the joint-venture to meet the needs of its customers throughout the world, and more specifically, fulfil the requirements of the production contracts that it has been awarded by Ford and Azure Dynamics.

Within the framework of this project, the joint venture has applied for a subsidy from the US Department of Energy pursuant to the American Recovery and Reinvestment Act (ARRA). Additional funding and subsidies are moreover expected from the State of Michigan.

Saft's share in the joint venture's operating losses for the first half of 2009 totalled €(4.8) million, compared to a share in losses of €(5.1) million during the first half of 2008.

The joint venture requested funding of \$55.4 million over the first half of 2009, with Saft's contribution amounting to €21.8m (\$27.1m). This amount has exceeded the initial forecast, mainly as a consequence of the JV partners' decision to strengthen the joint venture's financial structure and also following the increase in working capital requirements.

Additional cash contributions for the second half of 2009 are estimated at around \$20 million, with Saft's share being around \$10 million.

Additional financing may also be necessary in case of success of the project submitted by the joint venture to the US Department of Energy within the scope of the ARRA program described above.

### **c. Other items of consolidated income**

Half-yearly sales and distribution costs have increased slightly as against 2008. Besides the impact of salary increases, this rise is mainly due to the strengthening of the sales teams, particularly on the standby battery and telecommunications market segments, and the costs of presence at trade shows.

Administrative costs decreased slightly to €21.4 million for the first half of 2009 as opposed to €21.7 million in 2008.

Finally, Saft's research and development expenditure taken from income increased by €1 million due to the combined effect firstly of a €0.8 million decrease in capitalized expenditure during the first half of 2009 totalling €2.2 million, and secondly, the addition of new R&D resources during the first half of the year.

### **Restructuring costs**

Restructuring costs of €0.5 million were recorded during the first half of 2009, corresponding to the costs of closure of the Singapore sales office for the SBG and RBS divisions as well as the initial costs of the reorganisations made in the RBS division in connection with the merger with the IBG division, effective as of July 1, 2009.

### **Other operating income and expenses**

This heading amounted to €2.0 million for the first half of 2009 as opposed to €0.1 million for the first half of 2008 and mainly corresponds to compensation for the termination of a long-term lease.

### **Operating profit**

After restructuring costs and other operating income and expenses, the Group's operating profit amounts to €37.2 million for the first half of 2009, down 8.6% compared to the first half of 2008, the improvement in

gross margin having been partly cancelled out by the lower rate of fixed costs absorption due to lower volume of business.

### **Net Financial loss**

A net financial loss of €5.6 million has been posted for the first half of 2009 as compared to €8.3 million net loss for the first half of 2008. This improvement is primarily due to a decrease of €2.9 million in net interest expense, which comes in at €4.2 million, while other financial income and expenses, including foreign exchange gains and losses, remained globally stable at €(1.4) million as against €(1.2) million in the first half of 2008.

The composite interest rate of the Group's bank debt, after taking into account interest rate hedging transactions, stood at 2.99% for the first half of 2009 as opposed to 4.60% for the first half of 2008. In the light of the existing interest rate hedges, this reduction is mainly due to a decrease in Euribor.

Net financial loss includes accelerated amortisation of bank fees of €0.6 million linked to current bank debt which was refinanced in July.

### **Profit before income tax**

Profit before income tax amounts to €27.4 million for the first half of 2009, down by 1.8% as compared to the equivalent period in 2008. Besides finance costs, it includes the group's share in the Profit & Loss of the joint ventures in which the Group is involved.

The Group's share in Johnson Controls-Saft's losses thus amounted to €(4.8) million in the first half of 2009 as compared to €(5.1) million for the first half of 2008. Its share in the net income of the ASB group amounted to €0.6 million for the first half of 2009 (€0.6 million in 2008).

### **Income tax**

Income tax expense for the first half of 2009 amounted to €5.8 million to be compared with €5.4 million for the first half of 2008. As forecasted, in the absence of non-recurring items comparable to those recognised at 2008 year-end, the overall tax rate for the first half of 2009 has increased to 21.3% compared to a rate of 16.3% for the 2008 financial year.

### **Net income**

Net income for the first half of 2009 totaled €21.6 million, showing a slight decrease of €0.9 million and 4.0%, compared to net income for the first half of 2008.

Earnings per share, as adjusted to take into account the rights issued pursuant to the payment of the 2008 scrip issue, amounted to €1.14 at June 30, 2009, compared to €1.20 at June 30, 2008.

## **d. Main cash flows over the first half of 2009**

### **Cash flows from operating activities**

Net cash flows from operating activities amounted to €40.7 million, up by €10.1 million as compared with the first half of 2008. This change is primarily due to an increase in operating profitability (+ €2.5 million) as analyzed above, smaller interest flows (which have decreased by €3.4 million) and lower cash flows related to taxation (down by €2.0 million) and, finally, a limitation of the seasonal increase in working capital (+ €4.1 million as compared to an increase of €6.3 million at June 30, 2008). Working capital is historically higher prior to the shutdown of production facilities over the summer than at year-end.

### **Cash flows from investing activities**

Cash flows from investing activities amounted to €31.4 million as compared to €16.2 million in the first half of 2008. The increase is due to financing of the Johnson Controls-Saft joint venture, which amounted to €21.8 million in the first half of 2009 (as opposed to €3.8 million in the first half of 2008).

Group industrial capital expenditure amounted to €7.7 million during the first half of 2009, relating primarily to modernisation and automation projects intended to reduce production costs as well as, to a lesser extent, expenditure linked to the development of new products.

Capitalized development expenditure amounted to €2.2 million as compared to €3.0 million for 2008.

### **Cash flows from financing activities**

Cash flows from financing activities for the first half of 2009 exclusively relate to the amortization in January 2009 of part of the bank debt for €4.5 million and \$7 million, in accordance with the credit agreements.

### **Free Cash Flow**

Thus, free cash flow generated by the Group during the first half of the year amounted to €31.1 million before amortization of the bank debt for an amount of €10.2 million. Free cash flow for the first half of 2008 totalled €18.2 million.

### **e. Consolidated balance sheet**

The Group's balance sheet at June 30, 2009 shows the following:

- a slight increase in non-current assets amounting to €4.0 million,
- a reduction in current assets and liabilities reflecting the decrease in business activity,
- maintenance of a strong cash position,
- an increase of €12.6 million in equity to €166.4 million, which does not take into account a €5.5 million capital increase following the 2008 dividend paid in shares in July 2009,
- a decrease of €15.7 million in the Group's financial debt, €10.2 million of which was due to the repayment of the bank debt provided for contractually and the balance of which resulted from a favourable foreign exchange impact.

### **f. Related-party transactions**

The nature of the Group's related-party transactions remains unchanged as compared to the situation described in note 28 of the 2008 consolidated financial statements, as presented on page 134 of the 2008 Reference Document registered with the French financial markets authority (*Autorité des Marchés Financiers*) on April 2, 2009 under number R09-014.

The Group's share in the results of the ASB and Johnson-Controls Saft joint ventures, which it controls jointly, and its share of these joint ventures' respective balance sheets, for the first half of 2009 are presented in note 9 to the condensed interim consolidated financial statements.

## 4.1.2 Condensed interim consolidated financial statements at June 30, 2009

### a. Consolidated balance sheet

#### ASSETS

<i>(in millions of euros)</i>	Note	At June 30, 2009	At Dec. 31, 2008	At Dec. 31, 2007
<b>Non-current assets</b>				
Intangible assets, net		231.9	236.0	242.2
Goodwill		106.2	107.3	103.5
Property, plant and equipment, net		110.7	112.6	108.0
Investment properties		0.2	0.2	0.4
Investments in joint undertakings	9	34.7	19.5	17.2
Deferred income tax assets		9.3	13.3	10.5
Other non current financial assets		1.2	1.3	2.6
		<b>494.2</b>	<b>490.2</b>	<b>484.4</b>
<b>Current assets</b>				
Inventories		72.3	79.2	78.5
Trade and other receivables		143.8	153.8	156.7
Derivative financial instruments		1.4	0.1	0.3
Cash and cash equivalents		69.2	68.8	42.3
		<b>286.7</b>	<b>301.9</b>	<b>277.8</b>
<b>Total assets</b>		<b>780.9</b>	<b>792.1</b>	<b>762.2</b>

#### LIABILITIES AND EQUITY

<i>(in millions of euros)</i>	Note	At June 30, 2009	Dec. 31, 2008	At Dec. 31, 2007
<b>Shareholders' equity</b>				
Ordinary shares		18.5	18.5	18.5
Share premium		(40.3)	(27.7)	(15.1)
Treasury shares		(1.0)	(1.0)	(0.7)
Cumulative translation adjustments		7.5	7.6	(3.0)
Fair value and other reserves		12.0	9.1	16.5
Group consolidated reserves		168.9	146.7	109.9
Minority interest in equity		0.8	0.6	0.8
<b>Total shareholders' equity</b>	5	<b>166.4</b>	<b>153.8</b>	<b>126.9</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Debt	6	322.3	324.3	332.4
Other non-current financial liabilities		6.2	5.5	6.1
Deferred income tax liabilities		66.4	66.8	68.5
Pensions and other long-term employee benefits		7.9	9.5	9.5

Provisions for other liabilities and charges	7	38.1	38.5	37.5
		<b>440.9</b>	<b>444.6</b>	<b>454.0</b>
<b>Current liabilities</b>				
Trade and other payables		146.9	152.9	153.1
Taxes payable		4.2	2.3	5.6
Debt	6	11.9	25.6	7.7
Derivative instruments		4.0	5.6	1.3
Pensions and other long-term employee benefits		0.7	0.2	0.2
Provisions for other liabilities and charges	7	5.9	7.1	13.4
		<b>173.6</b>	<b>193.7</b>	<b>181.3</b>
<b>Total liabilities and equity</b>		<b>780.9</b>	<b>792.1</b>	<b>762.2</b>

## b. Consolidated income statement

<i>(in millions of euros)</i>	Note	Period ended June 30, 2009	Period ended June 30, 2008	Period ended June 30, 2007
Revenues		287.4	306.4	302.1
Cost of sales		(204.8)	(220.8)	(220.3)
<b>Gross profit</b>		<b>82.6</b>	<b>85.6</b>	<b>81.8</b>
Distribution costs		(17.1)	(15.9)	(15.9)
Administrative expenses		(21.4)	(21.7)	(20.9)
Research and development expenses		(8.4)	(7.4)	(7.6)
Restructuring costs		(0.5)	0.0	(0.1)
Other operating income and expenses		2.0	0.1	(2.3)
<b>Operating profit</b>		<b>37.2</b>	<b>40.7</b>	<b>35.0</b>
Finance costs-net	8	(5.6)	(8.3)	(9.1)
Share of profit / (loss) of associates	9	(4.2)	(4.5)	(3.6)
<b>Profit before income tax</b>		<b>27.4</b>	<b>27.9</b>	<b>22.3</b>
Income tax expense	10	(5.8)	(5.4)	(6.5)
<b>Profit for the period</b>		<b>21.6</b>	<b>22.5</b>	<b>15.8</b>
Attributable to:				
<b>Equity holders of the company</b>		<b>21.4</b>	<b>22.5</b>	<b>15.8</b>
<b>Minority interest</b>		<b>0.2</b>	<b>0.0</b>	<b>(0.1)</b>
Earnings per share (in € per share): Basic	11	1.14	1.20	0.85
Earnings per share (in € per share): Diluted	11	1.14	1.20	0.85

### c. Consolidated statement of comprehensive income

<i>(in millions of euros)</i>	Note	Period ended June 30, 2009	Period ended June 30, 2008	Period ended June 30, 2007
<b>Profit for the period</b>		<b>21.6</b>	<b>22.5</b>	<b>15.8</b>
<b>Other comprehensive income</b>				
Fair value gains / (losses) on cash flow hedge		3.0	(0.7)	(2.3)
Fair value gains / (losses), net investment hedge	6	0.2	4.5	0.4
Actuarial gains and losses recognised against SCI		0.9	0.0	0.0
Currency translation adjustments		(0.2)	(4.9)	2.7
Tax effect on income / (expenses) recognised directly in equity		(1.1)	(1.0)	0.6
<b>Total other comprehensive income for the period, net of tax</b>		<b>2.8</b>	<b>(2.1)</b>	<b>1.4</b>
<b>Total comprehensive income for the period</b>		<b>24.4</b>	<b>20.4</b>	<b>17.2</b>
<b>Attributable to:</b>				
Equity holders of the company		24.2	20.4	17.2
Minority interest		0.2	0.0	0.0

### d. Consolidated statement of cash flows

<i>(in millions of euros)</i>	Period ended June 30, 2009	Period ended June 30, 2008	Period ended June 30, 2007
<b>Net profit for the period</b>	<b>21.6</b>	<b>22.5</b>	<b>15.8</b>
<b>Adjustments :</b>			
Earning of equity basis companies (net of dividends)	4.7	5.0	3.7
Income tax expense	5.8	5.4	6.5
Tangible and intangible assets amortisation and depreciation	15.8	14.2	14.1
Finance costs-net	5.6	8.3	9.1
Net movements in provisions	(1.6)	(4.7)	(3.7)
Other	1.4	0.1	(1.2)
	<b>53.3</b>	<b>50.8</b>	<b>44.3</b>
Change in inventories	6.9	(8.1)	(15.8)
Change in trade and other receivables	7.6	3.0	(17.3)
Change in trade and other payables	(18.6)	(1.2)	(1.7)
<b>Changes in working capital</b>	<b>(4.1)</b>	<b>(6.3)</b>	<b>(34.8)</b>
<b>Cash generated from operations before interest and tax</b>	<b>49.2</b>	<b>44.5</b>	<b>9.5</b>
Interest paid	(8.5)	(11.9)	(9.7)
Income tax paid	0.0	(2.0)	(3.2)
<b>Net cash provided by operating activities</b>	<b>40.7</b>	<b>30.6</b>	<b>(3.4)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	(21.8)	(3.8)	0.0

Purchase of property plant and equipment	(7.7)	(10.9)	(8.8)
Purchase of intangible assets	(2.2)	(3.0)	(2.6)
Proceeds from sale of property, plant and equipment	0.2	1.2	0.1
Proceeds from sale of available-for-sale financial assets <sup>(1)</sup>	0.1	2.4	1.2
Purchases of short-term securities <sup>(1)</sup>	0.0	(2.1)	(1.2)
Interest received	0.0	0.0	2.3
<b>Net cash generated from investing activities</b>	<b>(31.4)</b>	<b>(16.2)</b>	<b>(9.0)</b>
<b>Cash flows from financing activities</b>			
(Purchase) / Sale of treasury shares	0.0	0.0	(0.1)
Increase / (decrease) in debt	(10.2)	0.0	0.0
Increase/(decrease) in other long-term liabilities	0.0	0.4	(0.3)
Dividends paid to company shareholder's	0.0	0.0	0.0
<b>Net cash used in financing activities</b>	<b>(10.2)</b>	<b>0.4</b>	<b>(0.4)</b>
Net increase/(decrease) in cash	<b>(0.9)</b>	<b>14.8</b>	<b>(12.8)</b>
Cash and cash equivalents at beginning of period	68.8	42.3	61.6
Exchange gain / (loss) on cash and cash equivalents	1.3	(0.6)	(0.6)
<b>Cash and cash equivalents at end of period</b>	<b>69.2</b>	<b>56.5</b>	<b>48.2</b>

(1) Proceeds from sale of available-for-sale financial assets and purchase of short-term securities in 2007 and 2008 are relating to Saft share purchases and sales as part of the liquidity contract operated by a brokerage firm in order to improve the liquidity of Saft Groupe SA shares.

#### e. Consolidated statement of changes in equity

<i>(in millions of euros)</i>	Attributable to equity holders of the company			Minority interest	Shareholders' equity
	Share Capital	Share Premium	Consolidated reserves and retained earnings		
<b>Balance at January 1, 2007</b>	<b>18.5</b>	<b>(2.6)</b>	<b>90.8</b>	<b>0.7</b>	<b>107.4</b>
Employee stock option scheme (value of employees' services)	0.0	0.0	1.5	0.0	1.5
Dividend payable	0.0	(12.5)	0.0	0.0	(12.5)
Treasury shares	0.0	0.0	(0.1)	0.0	(0.1)
Total comprehensive income	0.0	0.0	30.5	0.1	30.6
<b>Balance at December 31, 2007</b>	<b>18.5</b>	<b>(15.1)</b>	<b>122.7</b>	<b>0.8</b>	<b>126.9</b>
Employee stock option scheme (value of employees' services)	0.0	0.0	0.8	0.0	0.8
Dividend payable	0.0	(12.6)	0.0	0.0	(12.6)
Treasury shares	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	20.5	(0.1)	20.4
<b>Balance at June 30, 2008</b>	<b>18.5</b>	<b>(27.7)</b>	<b>144.0</b>	<b>0.7</b>	<b>135.5</b>
Employee stock option scheme (value of employees' services)	0.0	0.0	0.9	0.0	0.9

Dividend payable	0.0	0.0	0.0	0.0	0.0
Treasury shares	0.0	0.0	(0.3)	0.0	(0.3)
Total comprehensive income	0.0	0.0	17.8	(0.1)	17.7
<b>Balance at December 31, 2008</b>	<b>18.5</b>	<b>(27.7)</b>	<b>162.4</b>	<b>0.6</b>	<b>153.8</b>
Employee stock option scheme (value of employees' services)	0.0	0.0	0.8	0.0	0.8
Dividend payable	0.0	(12.6)	0.0	0.0	(12.6)
Treasury shares	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	24.2	0.2	24.4
<b>Balance at June 30, 2009</b>	<b>18.5</b>	<b>(40.3)</b>	<b>187.4</b>	<b>0.8</b>	<b>166.4</b>

## f. Notes to the condensed interim consolidated financial statements

### Note 1. Information about the Company and the Group

Saft Groupe SA (the "Company", and collectively with its consolidated subsidiaries the "Group" or "Saft") was formed on March 23, 2005. Saft Groupe SA, whose registered office is at 12 rue Sadi Carnot, 93170 Bagnolet, France, has been listed on Euronext Paris (compartment B) since June 29, 2005.

On July 24, 2009, the Management Board approved and authorised publication of the Condensed interim Consolidated Financial Statements of Saft Groupe SA at June 30, 2009.

Unless otherwise indicated, the Condensed Interim Consolidated Financial Statements are presented in millions of euros.

### Note 2. Accounting policies

#### Basis of preparation of the consolidated financial statements

This Condensed Interim Financial information for the half year ended June 30, 2009 has been prepared in accordance with IAS 34, "Interim financial reporting". The Interim Condensed Financial report does not include the detailed information requested for the full-year consolidated statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2008 prepared in accordance with the International Financial Reporting Standards as approved by the European Union.

The accounting policies applied in these Condensed Interim Consolidated Financial Statements are consistent with those applied by the Company in its Consolidated Financial Statements for the year ended December 31, 2008 with the exceptions set out below.

New IFRS standards and IFRIC interpretations, as adopted by the EU for periods beginning from January 1, 2009 onwards, have been applied by the Company. They have not led to any significant changes in measurement and presentation.

With regard to presentation of the financial statements, the application of the revised IAS 1 standard has led the group to change the presentation of the following statements and notes to the financial statements:

- the Statement of Comprehensive Income, a statement that is similar to the consolidated statement of income and expenses recognized for the period ("CSIE" statement) previously presented by the Saft group, with inclusion on the first line of this statement of net income for the period;
- the Statement of changes in equity with the presentation on a single line entitled "Comprehensive Income", firstly of net income for the period and, secondly income and expenses not recognized in income that were previously presented under the heading "Results recognized directly in equity";

IFRS 8 (Operating Segments) has been applied by the group for the first time as of January 1, 2009 to replace IAS 14. This standard defines an operating segment as the component of an entity whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance (managerial approach). As the segments reviewed by the Management Board do not differ from the segments previously adopted on the basis of IAS 14, implementation of this new standard has had no impact on the choice of the reported segments.

With regard to presentation of the results by operating segments, this is based on EBITDA and EBIT, which are indicators that are used, like Operating Profit, by the Management Board to measure the performance of each segment. These indicators may be defined as follows:

- EBITDA is defined as operating profit before amortisation and depreciation, restructuring costs and other operating income and expenses.
- EBIT is defined as operating profit before restructuring costs and other operating income and expenses.

The Company has not anticipated the implementation of any standards and interpretations which are not mandatory in 2009.

### **Critical accounting estimates and assumptions**

The preparation of the Interim Consolidated Financial Statements in conformity with IAS 34 requires management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities at the balance sheet date and the amount of income and expenses for the reporting period. Actual results may differ from these estimates.

Where an estimate is revised, this does not correspond to the correction of an error. The impact of changes in accounting estimates is recognised for the period in which the change is made if it only affects such period or for the period in which the change is made and any subsequent periods that may be affected by the change.

Within the scope of preparation of the Interim Consolidated Financial Statements at June 30, 2009, the use of assumptions and estimates primarily related to the following, as it did at the time of preparation of the Consolidated Financial Statements for the financial year ended December 31, 2008:

- Impairment tests on goodwill and other fixed assets: the group carries out impairment tests on unamortized intangible assets and goodwill during the second half of each year.

Although the decreases in the operating income of the CGUs recognised at June 30, 2009 are substantially lower than those taken into consideration in the scope of the sensitivity tests of the value in use of the CGUs carried out at December 31, 2008, the estimates of the values in use of the goodwill made as of such date have not been revised when closing off the interim financial statements.

With regard to brands, the annual impairment tests that are carried out are based on discounting to present value of the royalties which would be paid by a third party wishing to use them, on the basis of sales guidance by brand. If a reduction of 10% in sales over the three years of the business plan with maintenance of the long-term growth rate used in 2008 is taken into account in the impairment tests, this does not lead to recognising any loss in value of the group's brands at June 30, 2009.

- Calculation of pension and similar retirement benefit obligations: for the interim financial statements, pension expenses and similar retirement benefit obligations are estimated at half the amount of the annual expense, unless any specific event occurs to justify a specific update;
- Some provisions: contingency provisions and in particular specific provisions for projects are reviewed by Management at the end of each half-yearly closing.

With regard to current and deferred tax expense recorded in the interim financial statements, this expense is calculated by applying the average annual estimated rate of tax for the tax year in process for each entity or tax group to profit before income tax for the period.

## Seasonality

Saft's business is generally not seasonal, except for the following influences: working capital tends to be higher in the end of the first half of the year due to manufacturing shutdowns during the summer months.

## Note 3. Scope of consolidation

The scope of consolidation at June 30, 2009 is unchanged compared with December 31, 2008 and comprises the following companies:

Company name	Activity	Country	Percentage of control and interest	Consolidation method
<b>Saft Groupe SA</b>	<b>Group Holding Company</b>	<b>France</b>	<b>100</b>	<b>Full</b>
Saft Australia Pty Ltd	Holding	Australia	100	Full
Saft Batteries Pty Ltd	Assembly and commercial	Australia	100	Full
Saft Zhuhai (Ftz) Batteries Co, Ltd	Manufacturing and commercial	China	100	Full
Saft Nife ME Ltd	Commercial	Cyprus	100	Full
Saft Ferak AS	Manufacturing and commercial	Czech Republic	100	Full
Saft S.A.	Manufacturing and commercial	France	100	Full
Saft Acquisition S.A.S	Holding	France	100	Full
ASB	Manufacture of thermal batteries	France	50	EA
Johnson Controls-Saft Advanced Power Solutions SAS	Manufacturing and commercial	France	49	EA
Friemann & Wolf Batterietechnik GmbH (Friwo)	Manufacturing and commercial	Germany	100	Full
Saft Batterien GmbH	Commercial	Germany	100	Full
SGH GmbH	Holding	Germany	100	Full
Tadiran Batteries GmbH	Manufacturing and commercial	Germany	100	Full
Saft Hong Kong Ltd	Commercial	Hong Kong	100	Full
Amco-Saft India Ltd	Manufacturing and commercial	India	51.04	Full
Tadiran Batteries Ltd	Manufacturing and commercial	Israel	100	Full
Saft Batterie Italia Srl	Commercial	Italy	100	Full
Saft Finance Sarl	Holding	Luxembourg	100	Full
Saft Batterijen BV	Commercial	Netherlands	100	Full
Saft AS Norway	Commercial	Norway	100	Full
MSB	Manufacture of thermal batteries	Scotland	50	EA
Saft Batteries Pte Ltd	Holding and commercial	Singapore	100	Full
Saft Baterias SL	Commercial	Spain	100	Full
Alcad AB	Commercial	Sweden	100	Full
Fast Jung KB	Société civile immobilière	Sweden	100	Full
Saft AB	Manufacturing and commercial	Sweden	100	Full
Saft Sweden AB	Holding	Sweden	100	Full
Saft UK Ltd	Manufacturing and commercial	England	100	Full
Eternacell, Inc.	Dormant	United States	100	Full
Florida Substrate Inc. (=Saft PPF)	Manufacture of nickel-plated strips	United States	100	Full
Saft America Inc.	Manufacturing and commercial	United States	100	Full
Saft Federal Systems Inc. (=Tadiran)	Commercial	United States	100	Full
Saft JV Holding Co	Holding	United States	100	Full
ATB	Manufacture of thermal batteries	United States	50	EA
Johnson Controls-Saft Advanced Power Solutions LLC	Holding	United States	49	EA

In the above table above, "Full" signifies that the company is consolidated using the full consolidation method and "EA" ("Equity Accounted") signifies that a company is consolidated using the equity accounting consolidation method.

## Note 4. Information by business segment and geographical segment

### a) Information by business segment

Up to June 30, 2009, Saft Group comprised five segments:

- The **Specialty Battery Group (SBG)** division, which designs and manufactures high performance primary lithium and rechargeable Li-ion batteries for the electronics, defense and space industries and in particular for the following applications: satellites, utility meters, electronic toll collection, medical equipment, launchers, missiles, torpedoes, asset tracking, sonar buoys, military radios and night vision goggles.
- The **Industrial Battery Group (IBG)** division, which manufactures rechargeable nickel and lithium-based battery solutions used for standby power supplies for demanding industrial applications such as aircraft safety, high-speed trains, urban transit networks, subways and trams, oil and gas, industrial installations, ground-check and starting systems, power generation and distribution, hospital and public buildings, telecommunication networks, storage for renewable energy.
- The **Rechargeable Battery Systems (RBS)** division, which manufactures a specialised range of rechargeable batteries using nickel-based technologies (Ni-Cd and Ni-MH) and used in emergency lighting and professional electronics, such as portable medical devices, payment terminals, private mobile radio networks, professional audio and video equipment
- The **Johnson Controls-Saft (JCS)** division, which is specialised in the development, production and selling of advanced technology batteries for hybrid and electric vehicles.
- The **Other segment** comprises the Group's holding companies. It also includes central functions such as IT, research and central management, finance and administration.

Segment reporting data is based on the same accounting policies as those used for the Consolidated Financial Statements, as described in note 2. Performance measurement for each segment is based on EBITDA, EBIT and operating profit.

The **Industrial Battery Group (IBG)** division and **Rechargeable Battery Systems (RBS)** have been merged, effective July 1, 2009.

The tables below show the main half-year financial information for the four main operating divisions, and for the "Other" segment.

#### Operating profit by division

<b>As of June 30, 2009</b>						
<i>(in millions of euros)</i>	<b>IBG</b>	<b>RBS</b>	<b>SBG</b>	<b>JCS</b>	<b>Other</b>	<b>Total</b>
Total segment revenues	161.2	35.2	162.4	0	0	358.8
Intra-segment revenues	(27.7)	(6.3)	(37.4)	0	0	(71.4)
<b>Consolidated revenues</b>	<b>133.5</b>	<b>28.9</b>	<b>125.0</b>	<b>0.0</b>	<b>0.0</b>	<b>287.4</b>
<b>EBITDA</b>	28.8	(1.9)	27.4	0	(2.8)	51.5
Amortisation of intangible assets	(2.1)	(0.5)	(3.3)	0	0	(5.9)
Depreciation of property, plant & equipment	(3.8)	(1.2)	(4.4)	0	(0.2)	(9.6)
Impairment of Intangible assets	0	0	(0.3)	0	0	(0.3)
<b>EBIT</b>	22.9	(3.6)	19.4	0	(3.0)	35.7
Provisions for restructuring	0	(0.3)	(0.2)	0	0	(0.5)
Other operating income/expenses	0	0	2.0	0	0	2.0
<b>Operating profit</b>	22.9	(3.9)	21.2	0	(3.0)	37.2

Share of profit / (loss) of associates	0	0	0.6	(4.8)	0	(4.2)
<b>As of June 30, 2008</b>						
<i>(in millions of euros)</i>	<b>IBG</b>	<b>RBS</b>	<b>SBG</b>	<b>JCS</b>	<b>Other</b>	<b>Total</b>
Total segment revenues	186.7	53.4	154.2	0.0	0.0	394.3
Intra-segment revenues	(37.5)	(13.8)	(36.6)	0.0	0.0	(87.9)
<b>Consolidated revenues</b>	<b>149.2</b>	<b>39.6</b>	<b>117.6</b>	<b>0.0</b>	<b>0.0</b>	<b>306.4</b>
<b>EBITDA</b>	29.9	1.1	25.4	0.0	(1.6)	54.8
Amortisation of intangible assets	(2.1)	(0.5)	(3.3)	0.0	0.0	(5.9)
Depreciation of property, plant & equipment	(3.4)	(1.1)	(3.7)	0.0	(0.1)	(8.3)
Impairment of intangible assets	-	-	-	-	-	-
<b>EBIT</b>	24.4	(0.5)	18.4	0.0	(1.7)	40.6
Provisions for restructuring	0.1	(0.2)	0.1	0.0	0.0	0.0
Other operating income/expenses	(0.3)	0.0	0.4	0.0	0.0	0.1
<b>Operating profit</b>	24.2	(0.7)	18.9	0.0	(1.7)	40.7
Share of profit / (loss) of associates	0	0	0.6	(5.1)	0	(4.5)
<b>As of June 30, 2007</b>						
<i>(in millions of euros)</i>	<b>IBG</b>	<b>RBS</b>	<b>SBG</b>	<b>JCS</b>	<b>Other</b>	<b>Total</b>
Total segment revenues	172.7	56.4	153.4	0.0	0.0	382.5
Intra-segment revenues	(35.4)	(13.3)	(31.7)	0.0	0.0	(80.4)
<b>Consolidated revenues</b>	<b>137.3</b>	<b>43.1</b>	<b>121.7</b>	<b>0.0</b>	<b>0.0</b>	<b>302.1</b>
<b>EBITDA</b>	22.1	1.8	29.3	0.0	(1.7)	51.5
Amortisation of intangible assets	(2.0)	(0.4)	(3.0)	0.0	(0.1)	(5.5)
Depreciation of property, plant & equipment	(3.2)	(1.3)	(3.9)	0.0	(0.2)	(8.6)
Impairment of intangible assets	-	-	-	-	-	-
<b>EBIT</b>	16.9	0.1	22.4	0.0	(2.0)	37.4
Provisions for restructuring	0.0	(0.1)	0.0	0.0	0.0	(0.1)
Other operating income/expenses	0.0	0.0	(0.1)	0.0	(2.2)	(2.3)
<b>Operating profit</b>	16.9	0.0	22.3	0.0	(4.2)	35.0
Share of profit / (loss) of associates	0.0	0.0	0.2	(3.8)	0.0	(3.6)

#### Balance sheet and investments by business segment

<b>As of June 30, 2009</b>						
<i>(in millions of euros)</i>	<b>IBG</b>	<b>RBS</b>	<b>SBG</b>	<b>JCS</b>	<b>Other</b>	<b>Total</b>
Total assets	196.3	64.8	288.0	(15.6)	247.4	780.9
Total liabilities	75.4	12.0	82.6	3.6	440.9	614.5
Acquisitions of property, plant & equipment, intangible assets and capitalised development costs	(4.5)	(1.0)	(4.0)	0	(0.4)	(9.9)

<b>As of December 31, 2008</b>						
<i>(in millions of euros)</i>	<b>IBG</b>	<b>RBS</b>	<b>SBG</b>	<b>JCS</b>	<b>Other</b>	<b>Total</b>
Total assets	209.9	71.9	301.5	(10.3)	219.1	792.1
Total liabilities	46.7	17.5	82.7	3.1	488.3	638.3
Acquisitions of property, plant & equipment, intangible assets and capitalised development costs	(13.2)	(2.4)	(12.3)	-	(0.5)	(28.4)
<b>As of December 31, 2007</b>						
<i>(in millions of euros)</i>	<b>IBG</b>	<b>RBS</b>	<b>SBG</b>	<b>JCS</b>	<b>Other</b>	<b>Total</b>
Total assets	184.1	77.6	296.7	1.8	202.0	762.2
Total liabilities	53.8	22.4	97.2	1.7	460.2	635.3
Acquisitions of property, plant & equipment, intangible assets and capitalised development costs	(6.3)	(3.3)	(14.2)	-	(0.7)	(24.5)

## **b) Information by geographical segment**

### **Consolidated revenues by geographical segment**

Consolidated revenues, allocated by geographical segment according to the geographical location of the customer, are as follows as of June 30, 2009:

<i>(in millions of euros)</i>	<b>Period ended June 30, 2009</b>	<b>Period ended June 30, 2008</b>	<b>Period ended June 30, 2007</b>
Europe	148.1	160.6	151.2
North America	88.1	96.2	100.3
Asia/Oceania	33.0	29.6	31.2
Middle East and Africa	16.9	18.6	17.2
South America	1.2	1.4	2.2
Other	0.1	0.0	0.0
<b>Total</b>	<b>287.4</b>	<b>306.4</b>	<b>302.1</b>

### **Assets by geographical segment**

Assets, allocated according to the geographical location of the asset, are the follows:

<i>(in millions of euros)</i>	<b>Period ended June 30, 2009</b>	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>
Europe	597.0	614.8	601.7
North America	139.3	128.1	116.2
Asia/Oceania	19.5	21.8	16.9
Middle East and Africa	25.1	27.4	27.4
South America	0.0	0.0	0.0
Other	0.0	0.0	0.0
<b>Total</b>	<b>780.9</b>	<b>792.1</b>	<b>762.2</b>

## Acquisitions of property, plant and equipment, intangible assets and capitalisation of development costs

Acquisitions of property, plant and equipment, intangible assets and capitalisation of development costs, allocated according to the geographical location of the assets are as follows:

<i>(in millions of euros)</i>	Period ended June 30, 2009	Period ended June 30, 2008	Period ended June 30, 2007
Europe	(6.8)	(7.3)	(7.8)
North America	(1.8)	(5.3)	(2.8)
Asia/Oceania	(0.1)	(0.1)	(0.1)
Middle East and Africa	(1.2)	(1.2)	(0.7)
South America	0.0	0.0	0.0
Other	0.0	0.0	0.0
<b>Total</b>	<b>(9.9)</b>	<b>(13.9)</b>	<b>(11.4)</b>

### Note 5. Shareholders' equity

The statement of changes in shareholders' equity, previously presented as part of the notes to the condensed interim consolidated financial statements, is now presented with the primary statements.

#### Share capital

As of June 30, 2009, there were 18,514,086 ordinary shares of Saft Groupe SA, unchanged compared with December 31, 2008.

#### Dividend

At the annual shareholders' meeting of Saft Groupe SA on June 3, 2009, the shareholders set the dividend for the 2008 financial year at €2008 at 0.68 per ordinary share, with the possibility of opting for payment of a stock dividend on the basis of an issue price of €22.87 per share.

The period for exercising this option ended on June 25, 2009. Shareholders representing nearly 45% of the capital chose to opt for payment of a stock dividend.

Thus, 241,815 new ordinary shares were issued and delivered on July 6, 2009, representing a dilution rate of 1.3%.

Saft Groupe SA's share capital is raised, effective as from July 7, 2009, from €18,514,086 to €18,755,901 divided into 18,755,901 shares with a par value of €1, all of the same class and all paid up in full.

The total amount of the cash dividend paid to shareholders on July 6, 2009 thus amounted to €7.0 million compared with a dividend payout of €12.6 million in 2008.

#### Treasury shares

Following the expiration on December 6, 2008 of the authorisation granted by the annual shareholders' meeting of June 6, 2007 to trade in the Company's shares on the stock exchange, the liquidity contract between Saft Groupe SA and Exane BNP Paribas was suspended. As a result, no purchase or sale of shares was made during the first half of 2009 and, at June 30, 2009, the Company held 52,323 treasury shares (representing 0.28% of its capital), a number of shares that remains unchanged compared to December 31, 2008. Their total value, assessed on the basis of the purchase price, amounted to €1,175,753. The market value of these shares amounted to €1,474,985 at June 30, 2009.

As the annual shareholders' meeting held on June 3, 2009 authorised the Management Board to trade in the Company's shares on the stock exchange in order to stabilise the secondary market or ensure the liquidity of the Company's share, the liquidity contract that had previously been suspended was reactivated on July 28, 2009.

## Stock options

The Group issued a new stock option plan during the first quarter of 2009, the main features of which are as follows:

- Number of stock options issued: 400,000
- Vesting period: 4 years in total
- Life: 7 years
- Exercise price: €19.80

The main criteria applied for the valuation of this new stock option plan were as follows:

- Share price at the time of allocation: €19.06
- Volatility of the Saft share: 40%
- Rate of dividend: 3.57%
- Risk-free interest rate: 2.75%
- Rate of turnover: 5%

These criteria lead to an estimated value of €5.48 for the stock option, i.e. an annual expense of €446,500 and an expense of €173,000 for the first half of 2009.

144 of the Group's employees are beneficiaries of this plan. Stock options granted to executive officers (members of the Management Board of Saft Groupe SA) represented 16% of the total number of stock options issued.

## Note 6. Debt

In accordance with the credit agreements, during the first half of 2009, the Group repaid part of its loans in euros and US dollars for respective amounts of €4.5 million and US \$7 million.

The Group's debt can therefore be analysed as follows at June 30, 2009:

### a) Breakdown of debt by type

<i>(in millions of euros)</i>	<b>Period ended June 30, 2009</b>	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>
<b>Non courant</b>			
Senior debt – Facility in Euro	149.0	148.6	157.2
Senior debt – Facility in USD	171.1	173.5	173.2
Other debt	0.7	0.7	0.3
Finance leases	1.5	1.5	1.7
	<b>322.3</b>	<b>324.3</b>	<b>332.4</b>
<b>Courant</b>			
Senior debt – Facility in Euro	4.5	9.0	-
Senior debt – Tranche B	5.0	10.0	-
Accrued interest	2.2	6.4	7.6
Finance leases	0.2	0.2	0.1
	<b>11.9</b>	<b>25.6</b>	<b>7.7</b>

## b) Breakdown by maturity of non-current debt

<i>(in millions of euros)</i>	Period ended June 30, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Between 1 and 2 years	320.8	323.6	19.0
Between 3 and 5 years	1.1	1.0	314.2
More than 5 years	0.4	0.6	0.7
	<b>322.3</b>	<b>325.2</b>	<b>333.9</b>
Bank fees	0.0	(0.9)	(1.5)
	<b>322.3</b>	<b>324.3</b>	<b>332.4</b>

## c) Breakdown of debt by currency

<i>(in millions of euros)</i>	Period ended June 30, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Euro	156.1	164.1	163.4
US dollar	178.1	186.7	178.2
	<b>334.2</b>	<b>350.8</b>	<b>341.6</b>
Bank fees	0.0	(0.9)	(1.5)
	<b>334.2</b>	<b>349.9</b>	<b>340.1</b>

At December 31, 2007 and 2008, and June 30, 2009, as the debt is at a floating rate, its fair value is the same as its carrying value.

### Debt refinancing

On July 3, 2009, the Company finalised the refinancing of its bank debt due to matured on July 5, 2010 with a group of six banks.

The main credit facilities entered into in order to ensure the medium-term financing of the Group's existing activities include:

- two term loans for €150 million and \$240 million respectively. These loans have a three-year maturity with repayment at the end of this period;
- a revolving credit for €33.5 million, also for a period of three years, with drawdowns on this facility being possible in various different currencies.

The initial margin is set at Euribor plus 275 bp for loans in euros and Libor plus 300 bp for the US dollar loan. Starting from January 1, 2010, the margin will be determined on a half-year basis depending on the Group's level of net indebtedness as compared to the Group's consolidated EBITDA percentage over the twelve-month period prior to the date when it is set. It may thus vary between 2.0% and 3.0% for facilities in euros and between 2.25% and 3.25% for the US dollar facility.

The new refinancing agreement includes, on the same basis as the previous agreement, a certain number of usual provisions for this type of agreement.

Thus, the Group's assets sales and acquisitions are subject to a certain number of usual conditions. Similarly, any additional loan entered into by the Group for an amount exceeding €90 million will be subject to contractual limitations.

The new agreement includes clauses with regard to a change in control of the company which, if implemented, could lead to the accelerated repayment or the complete cancellation of the financing on demand by a majority of the lenders.

The guarantees granted in respect of the new agreement remain limited to corporate guarantees (or equivalent guarantees) from some of the Group's companies, in compliance with the legal provisions in force.

Finally, pursuant to this new agreement, the granting and maintenance of the loans is subject to compliance with the following two financial ratios:

- a maximum ratio of net debt to contractual EBITDA\*\*:
  - 3.00 for each 12-month period ending on June 30 and December 31 up to June 2011;
  - 2.80 for each 12-month period ending on December 31, 2011 and June 30, 2012.
- a minimum ratio of contractual EBITDA to interest expense: 4.50 for each 12-month period ending on June 30 and December 31.

At June 30, 2009, the Group's net debt to EBITDA ratio amounted to 2.48 (2.55 at December 31, 2008) and the interest rate coverage ratio to 9.6.

### Interest rate risk management and hedging

There was no change in the conditions of management and hedging of interest rate risk during the first half of 2009, with the following hedges having been put in place in March 2007:

- a hedging contract concerning an amount of debt of €210 million in the form of a zero-premium collar, the floor for such contract being 3.145% per annum, while it is capped at 6.0% per annum;
- a hedging contract concerning an amount of debt of €130 million in the form of a cap, at a rate capped at 5.0% per annum.

Pursuant to the provisions of the new credit agreement, additional interest rate hedges will have to be put in place so that at least 50% of the outstanding loan amount is hedged for at least two years.

### Hedge of net investments in foreign entities

A portion of the Group's dollar-denominated debt contracted in the refinancing on July 5, 2005 has been designated as a hedge of the net investments in the Group's American and Israeli subsidiaries.

The positive translation adjustment of €0.2 million (€4.5 million at June 30, 2008 and €0.4 million at June 30, 2007) arising on the translation of this debt into euros at the balance sheet date has been recognised in fair value reserves in shareholders' equity for an amount of €0.1 million (€3.3 million at June 30, 2008 and €0.3 million at June 30, 2007) net of tax.

### Note 7. Provisions for other liabilities and charges

Group provisions as of June 30, 2009 are as follows:

<i>(in millions of euros)</i>	<b>Provisions for contractual claims</b>	<b>Provisions for restructuring</b>	<b>Other provisions</b>	<b>Total</b>
<b>At January 1, 2007</b>	<b>43.4</b>	<b>5.9</b>	<b>13.8</b>	<b>63.1</b>
Charges in year	6.5	0.0	0.6	7.1
Releases of provisions on use	(5.7)	(2.3)	0.0	(8.0)

\* Erratum: This sentence of note 6 of the consolidated financial statements for the period ended June 30, 2009 is corrected as follows: "The new agreement includes clauses with regard to a change in control of the company which, if implemented, could lead to the accelerated repayment or the cancellation of each lender's participation in the financing if a lender so requires."

\*\* Contractual EBITDA is similar to EBITDA as defined by the Group on page 6 of this Update.

Releases of unused provisions	(6.6)	(0.6)	(1.4)	(8.6)
Transfers	0.1	(0.1)	0.3	0.3
Translation adjustments	(2.0)	(0.1)	(0.9)	(3.0)
Adjustment to discount rate	0.1	0.0	(0.1)	0.0
<b>At December 31, 2007</b>	<b>35.8</b>	<b>2.8</b>	<b>12.3</b>	<b>50.9</b>
<b>At January 1, 2008</b>	<b>35.8</b>	<b>2.8</b>	<b>12.3</b>	<b>50.9</b>
Charges in year	7.1	0.1	0.4	7.6
Releases of provisions on use	(3.8)	(0.6)	0.0	(4.4)
Releases of unused provisions	(7.8)	(0.1)	(1.4)	(9.3)
Transfers	(0.2)	(0.4)	0.4	(0.2)
Translation adjustments	0.4	0.0	0.4	0.8
Adjustment to discount rate	0.1	0.0	0.1	0.2
<b>At December 31, 2008</b>	<b>31.6</b>	<b>1.8</b>	<b>12.2</b>	<b>45.6</b>
<b>At January 1, 2009</b>	<b>31.6</b>	<b>1.8</b>	<b>12.2</b>	<b>45.6</b>
Charges in year	1.9	0.1	0.2	2.2
Releases of provisions on use	(1.2)	0.0	0.0	(1.2)
Releases of unused provisions	(2.2)	(0.1)	(0.1)	(2.4)
Transfers	0.0	0.0	0.0	0.0
Translation adjustments	(0.1)	0.0	(0.1)	(0.2)
Adjustment to discount rate	0.0	0.0	0.0	0.0
<b>At June 30, 2009</b>	<b>30.0</b>	<b>1.8</b>	<b>12.2</b>	<b>44.0</b>

The breakdown of these provisions on the balance sheet is as follows:

<i>(in millions of euros)</i>	<b>Period ended June 30, 2009</b>	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>
Non current	38.1	38.5	37.5
Current	5.9	7.1	13.4
	<b>44.0</b>	<b>45.6</b>	<b>50.9</b>

#### **a) Provisions for contractual claims**

Provisions for contractual claims include provisions for product warranties and certain specific risks. At June 30, 2009, provisions for contractual claims break down as follows:

<i>(in millions of euros)</i>	<b>Period ended June 30, 2009</b>	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>
Provisions for warranties	22.0	23.6	29.8
Provisions for penalties	0.0	0.0	0.0
Provisions for litigation	1.8	1.4	1.3
Provisions for losses on long-term contracts	0.1	0.3	0.2
Other provisions	6.1	6.3	4.5
	<b>30.0</b>	<b>31.6</b>	<b>35.8</b>

At June 30, 2009, provisions for contractual claims in the IBG division included:

- a €1.5 million provision relating to Ni-Cd batteries for Electric Vehicles (€1.8 million at December 31, 2008 and €2.4 million at December 31, 2007);
- a €3.6 million provision for end-of-life recycling costs for batteries returned to Saft (€3.5 million at December 31, 2008 and €3.1 million at December 31, 2007);
- a €2.6 million provision for a warranty relating to the BESS contract in Alaska. (€2.6 million at December 31, 2008 and €1.0 million at December 31, 2007);
- a €2.2 million provision relating to Ni-Cd batteries for standby telecom use (€2.3 million at December 31, 2008 and €2.3 million at December 31, 2007).

At June 30, 2009, provisions for contractual claims in the SBG division related mainly to:

- a €4.0 million provision for guarantees given to the American government in respect of batteries for military applications (€4.8 million at December 31, 2008 and €5.9 million at December 31, 2007);
- a €2.2 million provision for customers of Tadiran Batteries Ltd in Israel (€2.3 million at December 31, 2008 and €2.3 million at December 31, 2007);

At June 30, 2009, provisions for contractual claims in the RBS division include €0.6 million for the replacement of defective batteries (€0.6 million at December 31, 2008 and €1.5 million at December 31, 2007).

#### b) Provisions for restructuring

At June 30, 2009, provisions for restructuring costs mainly concern a provision for battery recycling costs of €1.7 million relating to a Brazilian business which was sold in 2001 (€1.7 million at December 31, 2008 and €1.6 million at December 31, 2007).

#### c) Other provisions

At June 30, 2009, other provisions included €6.5 million for decontamination costs at the Valdosta site in the United States (€6.6 million at December 31, 2008 and €6.3 million at December 31, 2007) and €3.1 million for long-service awards in France (€2.9 million at December 31, 2008 and €3.6 million at December 31, 2007).

### Note 8. Financial costs

Net finance costs for the first half of the year break down as follows:

<i>(in millions of euros)</i>	<b>Period ended June 30, 2009</b>	<b>Period ended June 30, 2008</b>	<b>Period ended June 30, 2007</b>
Financial income from cash and cash equivalents	0.4	0.7	0.5
Finance costs on gross debt	(4.6)	(7.8)	(7.7)
Other financial income and expenses:	(1.4)	(1.2)	(1.9)
- <i>Unwinding of discounts on provisions</i>	(1.3)	(1.3)	(0.5)
- <i>Fair value remeasurement of financial instruments</i>	0.1	1.4	1.3
- <i>Foreign exchange gains/(losses)</i>	(0.2)	(1.3)	(2.7)
	<b>(5.6)</b>	<b>(8.3)</b>	<b>(9.1)</b>

Average interest rate on bank debt (including hedging) was 2.99% during the first half of 2009 compared to 4.60% in the first half of 2008.

By currency, these rates break down as follows:

- 2.15% on euro debt compared with 4.97% in the first half of 2008;
- 3.51% on US dollar debt compared with 4.10% in the first half of 2008.

Due to bank debt refinancing entered into on July 3, 2009, amortisation of the bank fee linked to current bank debt has been accelerated by €0.6 million to €0.9 million in the first half of 2009.

## Note 9. Investments in joint undertakings

The Group holds a 50% interest in the capital of ASB, a joint subsidiary with EADS, and an indirect 50% interest in the capital of MSB and ATB, companies that are 100%-owned by ASB.

The Group also holds 49% of the capital of JCS, a joint venture with Johnson Controls, which was created during 2006.

As mentioned in Note 2.2 to the 2008 consolidated financial statements relating to the consolidation methods, the sub-group ASB and Johnson Controls-Saft are consolidated under the equity method, being jointly controlled joint ventures.

The Group's share of the balance sheets of ASB and Johnson Controls-Saft (neither of which are listed on a stock market) at June 30, 2009 is as follows:

	Period ended June 30, 2009		Year ended December 31, 2008		Year ended December 31, 2007	
	JCS	ASB	JCS	ASB	JCS	ASB
<i>(in millions of euros)</i>						
Non-current assets	21.6	8.1	20.4	7.9	12.3	7.6
Current assets	9.6	9.5	8.1	10.2	5.9	8.8
	<b>31.2</b>	<b>17.6</b>	<b>28.5</b>	<b>18.1</b>	<b>18.2</b>	<b>16.4</b>
Non-current liabilities	5.2	0.0	5.5	0.0	0.0	0.0
Current liabilities	2.5	6.4	14.5	7.1	11.5	5.9
	<b>7.7</b>	<b>6.4</b>	<b>20.0</b>	<b>7.1</b>	<b>11.5</b>	<b>5.9</b>
<b>Net assets</b>	<b>23.5</b>	<b>11.2</b>	<b>8.5</b>	<b>11.0</b>	<b>6.7</b>	<b>10.5</b>

The Group's share of the income statements of ASB and Johnson Controls-Saft for the six-month period ended June 30, 2009 is as follows:

	Period ended June 30, 2009		Period ended June 30, 2008		Period ended June 30, 2007	
	JCS	ASB	JCS	ASB	JCS	ASB
<i>(in millions of euros)</i>						
Revenues	1.8	6.3	2.3	6.3	0.8	5.0
Cost of sales	(2.0)	(4.1)	(1.5)	(4.0)	0.0	(3.8)
Operating expenses	(4.6)	(1.3)	(5.9)	(1.1)	(4.6)	(0.9)
Financial income and expenses	0.0	0.1	0.0	(0.1)	0.0	0.0
Income tax expense	0.0	(0.4)	0.0	(0.5)	0.0	(0.1)
<b>Net income for the year</b>	<b>(4.8)</b>	<b>0.6</b>	<b>(5.1)</b>	<b>0.6</b>	<b>(3.8)</b>	<b>0.2</b>

## Note 10. Income taxes

### a) Breakdown of income tax expense

The income tax charge breaks down as follows:

<i>(in millions of euros)</i>	Period ended June 30, 2009	Period ended December 31, 2008	Period ended December 31, 2007
Current tax expense	(3.0)	(9.6)	(7.9)
Net deferred tax expense	(2.8)	2.8	(3.4)
<b>Income tax expense recognised in income statement</b>	<b>(5.8)</b>	<b>(6.8)</b>	<b>(11.3)</b>

### b) Tax proof

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

<i>(in millions of euros)</i>	Period ended June 30, 2009	Period ended December 31, 2008	Period ended December 31, 2007
<b>Profit before tax (equity basis included)</b>	<b>27.4</b>	<b>41.9</b>	<b>38.2</b>
Notional tax charge (based on French tax rate)	(9.4)	(14.3)	(13.1)
Impact of differences in tax rates between France and other countries	1.1	3.3	0.1
Effect of change in tax rates	1.3	2.6	0.5
Permanent differences ( including Research Tax Credit)	0.4	(1.2)	0.0
Use of prior year losses for which no deferred tax asset was recognised	0.9	3.2	1.6
Tax los of the current period on which no deferred tax was recognised	(0.1)	(0.4)	(0.4)
<b>Income tax expense recognised in income statement</b>	<b>(5.8)</b>	<b>(6.8)</b>	<b>(11.3)</b>
Effective tax rate	21.3%	16.3%	29.6%

## Note 11. Earnings per share

Earnings per share are calculated on the basis of the actual average number of Saft Groupe SA shares in issue during the year, treasury shares held on average over the same period being deducted. For each of the periods shown below, this number takes into account the 241,815 shares issued on July 6, 2009 following the scrip issue.

There were no potentially dilutive equity instruments at June 30, 2007, 2008, and 2009.

	<b>Period ended June 30, 2009</b>	<b>Period ended June 30, 2008</b>	<b>Period ended June 30, 2007</b>
Weighted average outstanding number of Saft Groupe SA ordinary shares <sup>(1)</sup>	18,755,901	18,755,901	18,755,901
Less average number of treasury shares held	(52,323)	(35,164)	(58,829)
<b>Number of shares used to compute basic earnings per share</b>	<b>18,703,578</b>	<b>18,720,737</b>	<b>18,697,072</b>
Effect of dilutive potential ordinary shares : unexercised options	-	-	-
<b>Number of shares used to compute diluted earnings per share</b>	<b>18,703,578</b>	<b>18,720,737</b>	<b>18,697,072</b>

<sup>(1)</sup> This number includes the 241,815 ordinary shares issued on July 6, 2009 following the dividend payment in shares.

## Note 12. Post balance sheet events

With the exception of the bank debt refinancing disclosed in Note 6 to the condensed interim consolidated financial statements, no event has occurred since the balance sheet date which is likely to have a material effect on the Group's consolidated financial position.

#### 4.1.3 STATUTORY AUDITORS' REVIEW REPORT ON THE 2009 INTERIM FINANCIAL INFORMATION

*This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

*"To the Shareholders,*

*In compliance with the assignment entrusted to us by your shareholders' meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier) , we hereby report to you on:*

- *the review of the accompanying Condensed Interim Consolidated Financial Statements of Saft Groupe SA, for the six months ended 30 June 2009;*
- *the verification of the information contained in the interim management report.*

*These condensed interim consolidated financial statements are the responsibility of the Board of Directors and have been established, as for the 2008 annual financial statements, in the context described in the activity report of an economic and financial environment making it difficult to assess business outlook. Our role is to express a conclusion on these financial statements based on our review.*

##### **Conclusion on the financial statements**

*We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

*Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRS as adopted by the European Union applicable to interim financial information.*

##### **Specific verification**

*We have also verified the information given in the interim management report on the Condensed Interim Consolidated Financial Statements subject to our review. We have no matters to report as to its fair presentation and consistency with the Condensed Interim Consolidated Financial Statements."*

Neuilly-sur-Seine, July 28, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

MOORESTEPHENS SYC  
SYC SA

Bruno TESNIERE

Serge YABLONSKY

## 4.2 Third quarter 2009 sales

Saft, leader in the design, development and manufacture of advanced batteries for industry and defence, announces its sales for the third quarter of 2009.

### Main highlights

- Q3 2009 sales were €123.2m, an 11.9% reduction YoY as reported, and a 13.2% reduction at constant exchange rates.
- Sales reduction in Q3 was stable compared with Q2.
- YTD end September sales were €410.6m, down by 8.0% YoY at current exchange rates and down 10.9% YoY at constant exchange rates.
- The company believes the negative effect of customer destocking has started to decline.
- FY 2009 sales guidance of (7) to (10)% at constant exchange rates is maintained. Year end sales are likely to be towards the bottom of this guidance.
- EBITDA guidance maintained at a minimum of 18% of sales, excluding costs related to the Jacksonville investment project, estimated at \$1.5m in Q4 2009.

John Searle, Chairman of the Management Board, said:

*“Challenging market conditions seen in H1 continued into Q3. However, while Saft has not seen a recovery in overall demand during the quarter, I do believe that we have reached, or are close to, the lowest point in the demand cycle. Activities the most impacted during H1 have performed slightly better during the last quarter and I believe that aggressive customer destocking is past its worst.*

*Anticipating an improving Q4 performance, I can confirm that our sales guidance for the full year remains unchanged, although sales are likely to be towards the bottom of the revised range advised in July. In addition, I can confirm that we expect year-end profitability to be in line with previous guidance.*

*More strategically, Saft remains very focussed on its exciting medium term growth prospects, with high performance Li-ion batteries and is delighted that its projects have been chosen by the US Government to receive grants to build new factories in North America. These investments will have a major impact on Saft’s medium term growth and give Johnson Controls-Saft potential production capacity in the US to meet the needs of Ford and I hope other customers.”*

### TURNOVER (€ millions, under IFRS)

#### Third quarter

Period	Q3 2009	Q3 2008	Growth / decline	
			at actual exchange rates	at constant exchange rates
Exchange rate	Actual 2009	Actual 2008		
IBG *	70.1	84.9	(17.4)%	(18.4)%
<i>IBG excl. RBS *</i>	55.7	67.0	(16.9)%	(18.2)%
<i>Former RBS *</i>	14.4	17.9	(19.5)%	(19.5)%
SBG	53.1	55.0	(3.4)%	(5.0)%
<b>Total</b>	<b>123.2</b>	<b>139.9</b>	<b>(11.9)%</b>	<b>(13.2)%</b>

\* Effective from 1<sup>st</sup> July 2009, the IBG and RBS Divisions have been merged into an enlarged IBG Division. For comparison, figures for the activities under the earlier perimeter have been given. The average exchange rate in Q3 2009 was €1 to \$1.43 (compared with €1 to \$1.50 in Q3 2008). There was no change in perimeter between Q3 2008 and Q3 2009.

## YTD (9 months to September)

Period	Sep YTD 2009	Sep YTD 2008	Growth / decline	
			at actual exchange rates	at constant exchange rates
Exchange rate	Actual 2009	Actual 2008		
IBG*	232.5	273.7	(15.1)%	(17.7)%
<i>IBG excl. RBS*</i>	189.2	216.2	(12.5)%	(15.4)%
<i>Former RBS*</i>	43.3	57.5	(24.6)%	(26.4)%
SBG	178.1	172.6	3.2%	(0.1)%
<b>Total</b>	<b>410.6</b>	<b>446.3</b>	<b>(8.0)%</b>	<b>(10.9)%</b>

\* Effective from 1<sup>st</sup> July 2009, the IBG and RBS Divisions have been merged into an enlarged IBG Division. For comparison, figures for the activities under the earlier perimeter have been given.

The average exchange rate in YTD September 2009 was €1 to \$1.36 (compared with €1 to \$1.52 in YTD September 2008).

There was no change in perimeter between YTD September 2008 and YTD September 2009.

### Industrial Battery Group (IBG)

Under the new perimeter, sales in Q3 totalled €70.1m, a reduction in sales of 18.4% at constant exchange rates and 17.4% at actual rates.

Industrial standby activity was weaker during Q3 and rail activity was affected by unfavourable project phasing. There was no notable change in the aviation market during the quarter.

The decline in telecom sales in Q3 was less marked with the new Tel.X product range starting to achieve sales with a number of operators, but with volumes increasing slowly.

In contrast, small battery activity (ex. RBS) saw sales decline less sharply than during the previous quarter with signs that customer destocking is declining while some market share has been gained in the emergency lighting market.

The merger of the IBG and RBS Divisions has taken place effective the 1<sup>st</sup> July 2009 and initial cost savings will be seen during H2 2009. The full impact of the synergies should be achieved in 2011 with around €5m of annual savings.

### Specialty Battery Group (SBG)

Sales in Q3 totalled €53.1m, a YoY reduction of 3.4% at actual rates and a YoY reduction of 5% at constant exchange rates.

Demand from metering and electronics remained at similar levels to those seen during Q2 although again the effect of customer destocking is beginning to decline.

In sharp contrast, military and space had another strong performance. Demand from Saft's main military markets remains good and there was a favourable contribution from long term contracts.

### Strategic investments for Saft

During August 2009, Saft announced that it had been selected by the US DoE to benefit from a 50% funding of the project cost of up to \$95.5m on a \$200m investment, in order to build a high volume Li-ion cell and battery plant, subject to successful contract negotiation. The plant, to be based in Jacksonville, Florida, will

manufacture batteries for a number of Saft's existing markets (telecom back-up power, aviation and military), but most importantly, it will address the developing market for renewable energy storage.

Recent studies estimate the potential of this market to be very significant by 2015. Saft will complete this investment in 2012. The plant's objective is to generate sales of up to \$200m p.a. in 2015 when running at full capacity.

In addition to the DoE grants, this investment has been selected to benefit from additional subsidies and tax credits from both the City of Jacksonville and the State of Florida totalling up to \$20.8m. The contract with the US DoE is anticipated to be signed before year end and construction would start immediately.

### **Johnson Controls-Saft**

In addition to Saft's success above, Johnson Controls-Saft's industrial project in America was selected in August to receive from the US DoE a 50% funding of the project cost of up to \$299m (including \$13m for a supplier of the joint venture), subject to successful contract negotiation. The initial investment by the joint-venture, estimated at \$300m, will be a facility in Holland, Michigan. In addition, this investment has been selected to benefit from subsidies and tax grants from the State of Michigan of up to \$148.5m, including \$100m of investment-related, refundable tax credit.

The plant's objective is to generate sales of up to \$450m p.a. at full capacity. It will be addressing the clean vehicle market which has been independently estimated to have potential to be in excess of €5bn in 2014-2015. The contract with the DoE is expected to be signed before year end with again the investments to start immediately.

The Johnson Controls-Saft venture already has a facility in Nersac France, which is fully operational and currently produces Li-ion batteries for Mercedes and will very shortly produce for BMW. Production capacity is being expanded to meet demand in 2010.

Finally, Johnson Controls-Saft has also recently been selected by Volkswagen to supply battery products for a fleet of electric vehicles and by Jaguar Land Rover for an HEV development that should lead to a future production programme, and by Ford for an electric commercial vehicle with Azure Dynamics.

### **Financial calendar 2010**

2009 turnover + Q4 turnover	28 <sup>th</sup> January 2010
2009 Earnings release	19 <sup>th</sup> February 2010
2010 Q1 turnover	29 <sup>th</sup> April 2010
2010 Q2 turnover + Half year earnings	28 <sup>th</sup> July 2010
2010 Q3 turnover	3 <sup>rd</sup> November 2010

## **5. GUIDANCE AND OUTLOOK**

### **5.1 Guidance for the 2009 financial year**

In July 2009, the Company revised the sales guidance provided included in the 2008 Reference Document (sales between -5% and 0% at constant exchange rates). The Group then indicated that projected sales for the 2009 financial year would decrease by 7% to 10%, at constant exchange rates and constant consolidation perimeter, compared to 2008. The Company confirms the above guidance and in light of the sales made during the first nine months of the financial year and the Group's visibility for year-end, indicates that year-end sales are likely to be toward the bottom of this guidance range.

The Group's profitability guidance for the 2009 financial year remains unchanged, with an EBITDA margin of at least 18% of sales (excluding the impact of the Jacksonville project estimated at \$1.5 million).

The forecasts presented above are based on data, assumptions and estimates considered reasonable by the Group's management. These data, assumptions and estimates may change or be modified due to uncertainties related to the economic, financial, accounting, competitive, regulatory and tax environments. Furthermore, the occurrence of certain risks described on pages 64 to 70 and 107 to 112 of the Reference Document, as updated and supplemented by this Update, could have a material impact on the Group's business, financial position, results of operations or on its ability to achieve its objectives. The Group provides no guarantee that it will achieve the projections presented in this section.

### **5.2 Main assumptions underlying the guidance**

The guidance set out above was prepared in accordance with accounting methods in line with those used by the Group to prepare its historical financial information.

It is primarily based on the following assumptions:

- The sales guidance is given based on constant exchange rates (including an average €/€ parity of 1.47 for 2008 financial year).

It is important to point out the sensitivity of Group sales and EBITDA to the fluctuations of the exchange rate of the euro as compared to the US dollar. This sensitivity is estimated as follows:

- a sensitivity in the same direction of 4% of sales for a 10% change in the €/€ exchange rate;
- a sensitivity in the same direction of 6-7% in EBITDA for a 10% change in the €/€ exchange rate.
- continuation over the fourth quarter of 2009 of the business activity trends currently observed in the main business segments in which the Group is present, without any significant improvement or deterioration, in either emerging or mature markets.
- an unchanged scope of consolidation as compared to December 31, 2008.

Finally, it should be specified that in the light of the Group's risk management policy in respect of changes in nickel prices, the main raw material (excluding energy) used by the Group, the fluctuations in the price of this commodity in November and December should not have a significant impact on the guidance described in section 5.1 above.

### 5.3 Statutory Auditors' report on guidance

*"To the Chairman of the Board of Directors*

*In our capacity as statutory auditors and in compliance with EU Regulation N°809/2004, we hereby report on SAFT Groupe SA's profit forecasts for the 2009 fiscal year, which are included in section 5 of the update dated November 2, 2009 to its Registration Document.*

*In accordance with EU regulation N° 809/2004 and relevant CESR guidance, you are responsible for the preparation of these forecasts together with the material assumptions on which they are based.*

*Based on our analysis, it is our responsibility to express our conclusion, pursuant to Appendix 1, paragraph 13.3 of EU regulation N° 809/2004, as to the proper preparation of these profit forecasts.*

*We have performed those procedures that we considered necessary in accordance with professional guidance issued by the French national auditing body (Compagnie nationale des commissaires aux comptes). Our work consisted of an assessment of the procedures carried out by management for preparing the forecasts, as well as the procedures implemented to ensure that the accounting methods applied are consistent with those used for the preparation of SAFT Groupe SA's consolidated financial statements for the fiscal year ended on December 31, 2008. We also gathered all the information and explanations that we deemed necessary to obtain reasonable assurance that the profit forecasts have been properly prepared on the basis of the assumptions stated.*

*It should be noted that, given the uncertain nature of forecasts, the actual figures may be significantly different from the forecasts presented and that we do not express a conclusion as to whether or not these forecasts will materialize.*

*In our opinion:*

- These profit forecasts have been properly prepared on the basis stated;*
- The accounting methods applied in the preparation of these profit forecasts are consistent with the accounting methods used by SAFT Groupe SA, as presented in the appendix to the consolidated financial statements for the fiscal year ended on December 31, 2008.*

*This report is issued for the sole purpose of filing the first update of the 2008 Registration Document with the AMF and, if applicable, of the public offering in France and other European Union countries in which a prospectus including this update of the Registration Document, as approved by the AMF, is published, and may not be used for any other purpose."*

**Neuilly sur Seine, on November 2, 2009**  
**The Statutory Auditors**

**PricewaterhouseCoopers Audit**  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

**MOORESTEPHENS SYNC**  
**SYNC SA**  
15, rue du Midi  
92200 Neuilly-sur-Seine

## 6. CORPORATE GOVERNANCE

### 6.1 Organisation and functioning of the Management and Supervisory Boards

On April 27, 2009, the Supervisory Board renewed the mandates of each member of the Management Board and of the Chairman of the Management Board, John Searle, for a two-year period ending May 15, 2011.

### 6.2 Share subscription options allocated by the issuer during 2009 to members of the Management Board

Name of the Management Board members	Plan number and date of stock option plan	Type of options (share subscription or purchase)	Fair value of options granted as calculated for the consolidated accounts	Number of options granted during the current year	Exercise price	Exercise period
John Searle	N° : 4 Date :March 23, 2009	Subscription	316,800 €	16,000	19.80 €	from 23/3/2013 to 23/3/2016
Thomas Alcide	N° : 4 Date :March 23, 2009	Subscription	257,400 €	13,000	19.80 €	from 23/3/2013 to 23/3/2016
Bruno Dathis	N° : 4 Date :March 23, 2009	Subscription	257,400 €	13,000	19.80 €	from 23/3/2013 to 23/3/2016
Xavier Delacroix	N° : 4 Date :March 23, 2009	Subscription	257,400 €	13,000	19.80 €	from 23/3/2013 to 23/3/2016
Elizabeth Ledger	N° : 4 Date :March 23, 2009	Subscription	178,200 €	9,000	19.80 €	from 23/3/2013 to 23/3/2016
<b>TOTAL</b>				<b>64,000</b>		

On April 27, 2009, the Supervisory Board set the performance conditions for future grants of stock options to members of the Management Board.

### 6.3 Share subscription options exercised since January 1, 2009 by members of the Management Board

As of the date of the this Update, new share subscription options exercised since January 1, 2009 by members of the Management Board are as follows:

Name	Transaction type	Transaction date	Unit exercise price (€)	Number of shares	Total value (€)
Thomas Alcide	Exercise of share subscription options	12/08/2009	26.00	12,500	325,000
Elizabeth Ledger	Exercise of share subscription options	26/08/2009	26.00	8,000	208,000
Xavier Delacroix	Exercise of share subscription options	27/08/2009	26.00	4,464	116,064

## 6.4 Interests of management in the share capital of the Company as of the date of this Update

Members of the Supervisory Board:

	Number of shares	% of share capital	% of voting rights
Yann Duchesne	103	NS	NS
Jean-Marc Daillance	100	NS	NS
Bruno Angles	102	NS	NS
Ghislain Lescuyer	102	NS	NS

Members of the Management Board:

	Number of shares	% of share capital	% of voting rights
John Searle	235,246	1.24%	1.24%
Elizabeth Ledger	60,000	0.32%	0.32%
Thomas Alcide	36,420	0.19%	0.19%
Xavier Delacroix	23,459	0.12%	0.12%
Bruno Dathis	309	NS	NS

## 6.5 Transactions in the Company's shares by Directors and management

Transactions performed between January 1 and the date of this Update, within the scope of sections 222-22A *et seq.* of the AMF's General Regulations, are as follows:

Name of the Management Board members	Shares sold	Date	Shares purchased *
Thomas Alcide	12,500	August 12, 2009	n.a.
Elizabeth Ledger	8,000	August 26, 2009	n.a.
Xavier Delacroix	4,000	August 27, 2009	-
	464	August 27, 2009	

\* excluding exercise of share subscription options and excluding exercise of the option of receiving dividend in the form of newly issued shares.

Details are available on the following website: <http://www.saftbatteries.com>.

## 6.6 Other information on members of the Management and Supervisory Boards

The Group applies the AFEP-MEDEF Recommendations of October 2008 to the compensation of the members of its Management Board, with the notable exception of the dual compensation of John Searle as Chairman of the Management Board and under his employment contract. Taking into account the length of his service within the Group, the Supervisory Board confirmed on July 31, 2009 the maintenance of the employment contract of John Searle, Chairman of the Management Board.

## **7. INFORMATION ON THE COMPANY AND THE SHARE CAPITAL**

### **7.1 Transactions affecting the share capital between January 1, 2009 and the date of the Update**

#### **Option for the payment of a stock dividend**

At the annual shareholders' meeting on June 3, 2009, Saft Groupe SA's shareholders set the dividend for the 2008 financial year at €0.68 per share of common stock, with the option of payment in new shares of the Company.

The issue price for these new shares delivered to pay the dividend was set at €22.87. This price corresponds to 90% of the average of the opening trading prices of the Saft share on Euronext Paris during the 20 trading sessions prior to the date of the annual shareholders' meeting minus the dividend and rounded up to the immediately higher euro cent.

The shareholders had the possibility to exercise this option from June 9 to June 25, 2009 inclusive. After this latter date or in the absence of any choice made by shareholders, this dividend was paid in cash. Shareholders representing nearly 45% of the capital chose to opt for payment of a stock dividend.

On July 7, 2009, the Company's share capital was increased to take into account the 241,815 newly issued shares delivered to the shareholders who had opted for the scrip issue. These new shares, which were immediately identical in all respects to the existing shares, carry dividend rights as from January 1, 2009. They were admitted for trading on Euronext Paris starting from July 6, 2009.

Following this transaction, the share capital was increased by €241,815 to €18,755,901. Share premium has been increased by €5,297,115.48 up to €169,710,789.

#### **Increase in share capital through the exercise of stock options to subscribe for new shares of the Company**

Two increases in capital were carried out by Saft Groupe SA between January 1, 2009 and the date of this Update following the exercise of stock options for subscription of new shares of the Company:

- on September 14, 2009, the share capital was increased to take into account the 112,764 new shares issued following the exercise of stock options to subscribe for new shares. At the end of this transaction, the Company's share capital amounted to €18,868,665 and the corresponding share issue premium has been increased by €2,819,100 up to €172,529,889.
- on October 12, 2009, the share capital was increased to take into account the 94,700 new shares issued following the exercise of stock options to subscribe for new shares. Upon completion of this transaction, the Company's share capital amounted to €18,963,365 and the corresponding share issue premium has been increased by €2,367,750 up to €174,897,639.

#### **Share capital as of the date of this Update**

As of date of this Update, the Company's share capital amounted to €18,963,365, divided into 18,963,365 shares with a par value of €1 each, all of the same class and paid up in full.

As of September 30, 2009, the number of Saft Groupe SA shares held by the Company stripped of voting rights ("treasury shares") amounted to a total of 27,716 shares.

### **7.2 Acquisition by the Company of its own shares**

Pursuant to their decision made at the annual shareholders' meeting on June 3, 2009, the shareholders authorised the Management Board to trade in the Company's shares within the scope of a liquidity contract in respect of the Saft share. The previous authorisation had ended on December 6, 2008. In July 2009, the Group therefore reactivated the previous contract suspended on December 6, 2008.

The purpose of the share repurchase plan within the scope of a liquidity contract is to enable stabilisation of the secondary market or the liquidity of the Company's share by an investment services provider acting

independently within the scope of a liquidity contract complying with an ethics charter recognised by the AMF. The investment service provider taking action to stabilise the Saft share price was Exane BNP Paribas (16 avenue Matignon – 75008 Paris) which had financial resources of €1,700,000 for this purpose.

At September 30, 2009, the Company held 27,716 of its own shares (representing 0.15% of the share capital) within the framework of the liquidity contract.

### 7.3 Grant of share subscription options to employees and members of the Management Board

On March 23, 2009, the Management Board decided, on the basis of the authorisation given by the annual shareholders' meeting on June 12, 2008, to grant stock options for the subscription of shares to 144 beneficiaries, concerning a total of 400,000 stock options (a figure which includes the grant of stock options to the Board members mentioned in section 6.2 above).

The main features of this plan and the criteria adopted for its valuation are disclosed in Note 5 to the condensed interim consolidated financial statements at June 30, 2009 set out above.

Accordingly, as of September 30, 2009, the main features of the stock option plans are as follows:

Date of the Shareholders' Meeting	Number of options authorised by the Shareholders' Meeting	Date of the Board of Directors' meeting granting the options	Number of options granted	Expiration date	Exercise price per share	Number of options void or cancelled as of September 30, 2009	Number of options exercised as of September 30, 2009	Balance of exercisable options	Of which: Options exercisable by members of the Executive Committee	Of which: Number of members of the Executive Committee concerned
29/06/2005	720,000	29/06/2005	421,900	29/06/2015	€26.00	100,500	204,464	116,936	16,536	2
29/06/2005	720,000	28/09/2005	34,500	28/09/2015	€30.50	3,000	0	31,500	0	0
22/06/2006	400,000	27/11/2006	400,000	27/11/2016	€26.00	30,000	0	370,000	50,500	4
17/12/2007	400,000	22/01/2008	390,000	22/01/2018	€27.00	11,500	0	378,500	48,000	4
17/12/2007	400,000	05/11/2008	10,000	05/11/2018	€26.00	0	0	10,000	10,000	1
12/06/2008	400,000	23/03/2009	400,000	23/03/2016	€19.80	1,000	0	399,000	64,000	5

### 7.4 Resolutions adopted by the Annual Shareholders' Meeting on June 3, 2009

All of the resolutions were approved by the annual shareholders' meeting of June 3, 2009 with the exception of the 9<sup>th</sup> resolution relating to the grant of share subscription options for employees and members of the Management Board.

#### 7.4.1 Approval of the dividend

At the annual shareholders' meeting on June 3, 2009, Saft Groupe S.A.'s shareholders set the dividend for the 2008 financial year at €0.68 per share, with the possibility of opting for payment of a stock dividend. The terms and conditions adopted for the issue of the related shares are described in section 7.1 above.

#### 7.4.2 Financial authorisations

The annual shareholders' meeting of June 3, 2009 also approved the authorisations (or their renewal) for issuances and/or delegations of power to the Management Board for the purpose of deciding on the issuance of ordinary shares and securities granting access to the share capital, with or without preferential subscription rights, in accordance with the conditions appearing in the table below.

Authorisation description	Authorisation date	Expiration date	Authorised limits	
			Ordinary shares (nominal value of the issuance)	Securities giving access to share capital
Capital increase by issue of shares and/or securities giving access, immediately or in the future, to the share capital of the Company, with maintenance of preferential subscription rights	Shareholders' meeting of June 3, 2009 (10 <sup>th</sup> Resolution)	August 3, 2011	Maximum nominal amount of the capital increases that may be carried out immediately or in the future: €9.5 million maximum	
Capital increase by issue of shares and/or securities giving access, immediately or in the future, to the share capital of the Company, with suppression of preferential subscription rights and option to confer priority rights	Shareholders' meeting of June 3, 2009 (11 <sup>th</sup> Resolution)	August 3, 2011	Maximum nominal amount of share capital increases that may be carried out immediately or in the future: €3.7 million maximum.	
Capital increase by issue of ordinary shares reserved to participants in a company savings plan open to employees of the Company and related companies with suppression of preferential subscription rights	Shareholders' meeting of June 3, 2009 (13 <sup>th</sup> Resolution)	August 3, 2011	€250,000 (nominal amount)	

## 8. PERSONS RESPONSIBLE FOR THE UPDATE OF THE REGISTRATION DOCUMENT

### Persons responsible for the Registration Document and its Update

John SEARLE, Chairman of the Management Board

Bruno DATHIS, member of the Management Board and Chief Financial Officer

### Persons responsible for financial information

Bruno DATHIS, member of the Management Board and Chief Financial Officer

### Statement from the persons responsible for the Update

We hereby certify that, having taken all reasonable care to ensure that such is the case, the information contained in this Update of the Registration Document, to the best of our knowledge, conforms to the facts and contains no omission likely to affect the fairness of the presentation.

We have obtained a completion letter (*lettre de fin de travaux*) from the statutory auditors in which they confirm having verified the information regarding the financial situation and accounts contained in this Update, and having read the Update in its entirety.

A handwritten signature in black ink, appearing to read "John Searle". The signature is written in a cursive style with a large initial 'J'.A handwritten signature in blue ink, appearing to read "Bruno Dathis". The signature is written in a cursive style with a large initial 'B'.

## 9. CROSS-REFERENCE TABLE

In accordance with Annex 1 to Commission Regulation (EC) n° 809/2004.

Information		Page numbers in the Registration Document	Page numbers in the Update to the Registration Document
<b>1</b>	<b>Persons assuming responsibility for the document</b>	<b>163</b>	<b>54</b>
<b>2</b>	<b>Auditors</b>	<b>162</b>	<b>n.a</b>
<b>3</b>	<b>Selected financial data</b>	<b>6, 7</b>	<b>16, 17</b>
<b>4</b>	<b>Risk factors</b>	<b>64, 107</b>	<b>12 to 14</b>
<b>5</b>	<b>Information about Saft</b>		
5.1	History and development of the Company	12, 154	4 to 10
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<b>6</b>	<b>Business overview</b>		
6.1	Principal activities	14 to 39	n.a
6.2	Principal markets	14 to 39	n.a
6.3	Exceptional events	n.a.	n.a
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6.5	Elements on which all issuer representations regarding its competitive position are based	01	n.a
<b>7</b>	<b>Group chart</b>		
7.1	Summary description of the Group	12, 13	n.a
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