



**Saft Groupe S.A.**

**2007 Interim report**

**August 31<sup>st</sup>, 2007**

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

The interim consolidated financial statements for the 6 months ended June 30, 2007 presented in this document have been approved by the Management Board, reviewed by the Audit Committee and approved by the Supervisory Board of Saft.

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

# **HALF-YEAR RESULTS PRESS RELEASE**

## Saft Groupe SA reports 2007 first half earnings

**Paris, 31 August 2007** – Saft, leader in the design, development and manufacture of high-end batteries for industry and defence, announces its results for the 6 month period ended 30 June 2007.

### First half results highlights

- Excellent first half sales growth of 10.5% at constant exchange rates (+7.5% as reported).
- EBITDA and EBIT impacted by high average nickel cost during H1, due to time lag before price increases take effect, in line with the sensitivity included in Saft's original guidance.

### Outlook for FY 2007

- Sales guidance maintained, despite adverse currency headwind. Full year 2007 sales still expected to be towards the top of the €580m - €600m guidance range (at average YTD 2007 exchange rates).
- Profit guidance maintained subject to the previously announced sensitivity for high nickel costs in H1, which averaged \$45k/t compared with guidance based on \$34k/t.
- H2 will benefit from price increases and recent fall in nickel costs.
- Hedging of a proportion of H2 nickel purchases with a cap of \$35k/t should result in FY average nickel cost of c.\$40k, and has reduced remaining sensitivity for FY 2007.
- Momentum in the business continues to be strong, helped by favourable market conditions.

*John Searle, Chairman of the Management Board, commented: "I am very pleased with Saft's performance in the first half, despite the adverse impact from inflated nickel costs. Sales growth has been excellent, driven by our competitive advantages in terms of technology, long term customer relationships, our leading position in key markets and good pricing power. In H2 we will start to benefit from the price increases implemented in H1, such that our margins can continue to be restored. The recent fall in nickel costs has also enabled us to hedge the majority of our H2 purchases and largely eliminate our sensitivity to nickel in H2. The momentum in the business continues to be strong, and we continue to manage costs tightly. I therefore expect our full year performance should be towards the top of our original guidance range, subject to an adjustment for the adverse nickel sensitivity in H1, and despite an unfavourable currency impact from the weakened US\$."*

**Consolidated results – first half 2007**

€m	----- 6 months ended -----				
	2007	2006 Excluding non-recurring	% growth	2006 As reported	% growth
<b>Sales</b>	302.1	280.9	7.5%	280.9	7.5%
<b>Gross profit</b>	81.8	88.5	(7.6%)	88.5	(7.6%)
<i>Gross profit %</i>	27.1%	31.5%		31.5%	
<b>EBITDA</b>	50,4	54.0	(6.7%)	54.0	(6.7%)
<i>EBITDA %</i>	16.7%	19.2%		19.2%	
<b>EBIT</b>	36.3	41.2	(11.9%)	41.2	(11.9%)
<i>EBIT %</i>	12.0%	14.7%		14.7%	
<b>Profit before income tax*</b>	22.3	32.2	(30.7%)	47.7	(53.2%)
<b>Net income**</b>	15.8	21.7	(27.2%)	31.1	(49.2%)
<b>EPS (€per share)</b>	0.86	1.17	(26.5%)	1.68	(48.8%)

Notes:

1. There have been no changes in consolidation perimeter between 2006 and 2007.
2. EBIT is defined as net income from operations, before restructuring costs and other income and expenses.
3. EBITDA is defined as net income from operations, before depreciation, amortisation, restructuring costs and other income and expenses.

\* Includes non-recurring profit before tax on creation of JC-S of € 15.5m in 2006.

\*\* Includes non-recurring profit after tax in connection with the creation of JC-S of € 9.4m in 2006.

*This press release includes the main financial statements as appendices.*

Also available on Saft's website [www.saftbatteries.com](http://www.saftbatteries.com) are :

- Saft's 2007 Interim Report, including the Interim Consolidated Financial Statements;
- A presentation on Saft's interim results.

## Key figures

- Sales were € 302.1m in the first half of 2007, compared with € 280.9m in the first half of 2006, an increase of 7.5% at actual exchange rates and 10.5% at constant exchange rates.
- EBITDA and EBIT have fallen in H1 2007 due to significantly increased nickel costs, and the time lag before associated price increases affect sales (particularly in IBG):
  - EBITDA was € 50.4m (16.7% of sales), compared with € 54.0m (19.2% of sales) in 2006;
  - EBIT was € 36.3m (12.0% of sales), compared with € 41.2m (11.9% of sales) in 2006.
- After excluding the non-recurring gain from the creation of JC-S in 2006, net income was € 15.8m compared with € 21.7m in 2006. In addition to nickel, net income was also adversely impacted by:
  - Increased losses at JC-S (equity accounted), Saft's joint venture with Johnson Controls to address the hybrid and electric vehicle market;
  - Foreign exchange movements on bank debt (loss of € 2.8m in H1 2007 v gain of € 2.1m in H1 2006).
- Earnings Per Share was € 0.86 compared with € 1.17 in 2006.
- Net debt at 30 June 2007 was € 309.0m, compared with € 300.6m at 31 December 2006. Net debt to EBITDA was 3.2x. The increase in net debt was due to a working capital outflow as a result of :
  - Growth;
  - The increased nickel content in working capital (which should reverse in H2 if nickel costs stay at current levels) ;
  - Seasonality – Saft's working capital is usually higher at mid-year than at year-end due to:
    - inventory build at mid-year in advance of factory summer shutdowns
    - higher payroll-related accruals at year-end

## Results by product line

Product line	6 months ended 30 June 2007				6 months ended 30 June 2006		
	Sales €m	Sales growth %	EBITDA €m	EBITDA margin %	Sales €m	EBITDA €m	EBITDA margin %
SBG	121.7	4.9%	28.9	23.7%	119.9	28.1	23.4%
IBG	137.3	16.6%	21.8	15.9%	120.7	30.4	25.2%
RBS	43.1	8.9%	1.7	3.9%	40.3	(1.8)	(4.5%)
Other	0.0		(2.0)		0.0	(2.7)	
<b>Total</b>	<b>302.1</b>	<b>10.5%</b>	<b>50.4</b>	<b>16.7%</b>	<b>280.9</b>	<b>54.0</b>	<b>19.2%</b>

*All at actual exchange rates, except sales growth % which is at constant exchange rates.*

### **Specialty Battery Group**

SBG sales increased by 1.5% as reported to € 121.7m, and by 4.9% at constant exchange rates, compared with H1 2006. This growth rate at constant exchange rates rises to 5.9% if the sales of Air Depolarised batteries are excluded from H1 2006 (€1.1m). This small activity was discontinued at the end of 2006 and the business was sold.

Growth was therefore in line with our medium term guidance for SBG of 4 - 5%. The only area of relative disappointment remains sales to the US Army where orders are being delayed as the major 5 year contract has expired and is due to be re-bid shortly. However, this is compensated for by double-digit growth rates in H1 for Li-ion batteries in the Satellites and New Defence Systems segments.

The EBITDA margin continues to be very strong, benefiting from the operating gearing effect of increased sales. SBG does not use material quantities of nickel and so was much less affected by commodity price increases.

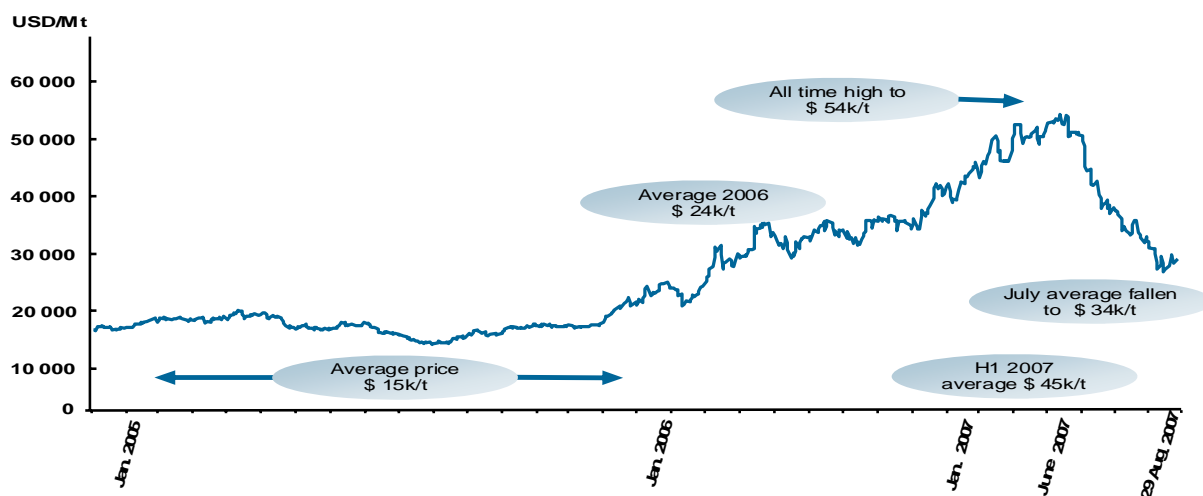
### **Industrial Battery Group**

In the first half, IBG sales increased by 13.8% as reported to € 137.3m, and by 16.6% at constant exchange rates, compared with H1 2006.

Saft estimates that approximately 3% to 4% of this sales increase is due to nickel-related price increases. All major segments have performed well in the first half, each with double digit growth rates. Telecom performed particularly strongly and gained market share, resulting in additional sales of Ni-Cd batteries, providing back-up power for AT&T's remote terminals in its fixed wire-line network. Saft continues to expect that Telecom projects will generate incremental sales in the coming years, albeit at lower margins than the rest of IBG's businesses.

The fall in IBG's EBITDA margin is largely due to the time lag in passing on nickel-related price increases. Average LME cash nickel costs increased from \$15k per tonne in H1 2006 to \$45k in H1 2007 (see chart below). IBG increased prices on 1 July 2006 , 1 January 2007 and 1 April 2007 . However, in each case, the price increases take approximately 6 months to be reflected in sales as they only apply to new orders from the date of the increase, and IBG typically has an order backlog of several months. Therefore, sales in H1 2007 only benefited from the first of these price increases. However, IBG's margins are expected to recover in H2 as:

- The second price increase will impact sales in H2;
- The third price increase will impact sales in Q4 07 and brings IBG's pricing in line with a nickel cost of c. \$35k per tonne;
- The average nickel cost in July 07 was \$33.4k;
- Saft announced at the end of July that, following a fall in nickel costs, it had hedged 70% of IBG's purchases for August – November 2007 with a cap of \$35k/t. Note that no hedging has yet been undertaken after this date.



### Rechargeable Battery Systems

In the first half, RBS sales increased by 6.9% as reported to €43.1m, and by 8.9% at constant exchange rates, compared with H1 2006.

Saft estimates that approximately 15% of this sales increase is due to pricing, offset by approximately 6% volume losses. However, in arriving at the group sales guidance for 2007, the assumption was for no sales growth for RBS, on the basis that sales value growth from price increases would be offset by volume losses. Over the first half year, this RBS assumption has been exceeded, partly due to a strong performance by the Professional Electronics segment.

The improvement in RBS's EBITDA margin is due to:

- Pricing – RBS introduced a nickel surcharge from 1 July 2006 (which was effective for all RBS sales in H1 2007), whereas H1 2006 suffered from the start of the increase in nickel costs;
- The benefits of restructuring – RBS implemented a restructuring plan during H1 2006, with benefits starting from H2 2006;
- Adverse labour inefficiency in H1 2006 during the implementation of the restructuring plan.
- RBS manufacturing some intermediate products for IBG's incremental Telecom sales.

### Other

- The "Other" cost centre includes central functions such as IT, research and central management, finance and administration, a proportion of which are recharged to the product lines.
- The fall in costs is principally due to increased sales, as the central recharge to the product lines is a % of sales.

## Johnson Controls – Saft Advanced Power Solutions LLC (“JC-S”)

Key JC-S developments in 2007 are:

- GM awarded JCS a development contract for a Li-ion battery for a plug-in hybrid (Saturn Vue Green Line SUV);
- DaimlerChrysler awarded JCS a contract to supply advanced Li-ion batteries for a test fleet of 20 Dodge Sprinter plug-in hybrid delivery vans in the US;
- JC-S has secured lease funding of up to € 15m from The Royal Bank of Scotland plc for the production line which is being installed at Saft’s RBS site at Nersac. This line is currently being installed and has already successfully produced various prototypes on schedule.

### Outlook

€m	H1 2006 Actual	FY 2006 Actual	H1 2007 Actual	FY 2007 Original Ni = \$34k/t	FY 2007 Revised Ni = \$40k/t
<b>Sales</b>	<b>280.9</b>	<b>560.2</b>	<b>302.1</b>	<b>580 - 600</b>	<b>590 - 600</b>
<b>EBITDA</b>	<b>54.0</b>	<b>99.3</b>	<b>50.4</b>	<b>99 - 103</b>	<b>96 - 98</b>
<b>EBIT</b>	<b>41.2</b>	<b>73.5</b>	<b>36.3</b>	<b>71 - 75</b>	<b>68 - 70</b>
<b>Net income</b>	<b>21.7</b>	<b>37.9</b>	<b>15.8</b>	<b>34 - 38</b>	<b>32 - 34</b>
€ v \$ rate	1.23	1.26	1.33	1.26	1.33
LME cash nickel (\$/t)	17.4	24.2	44.7	34.0	40.0
MTM FX on bank debt (€m)	2.1	4.0	(2.8)	0.0	0.0

Saft’s original 2007 guidance was based upon:

- An average LME nickel cost of \$34k per tonne, plus a sensitivity of a € 0.9m adverse impact on EBITDA and EBIT for each \$1k per tonne increase in nickel costs.
- The 2006 actual exchange rate of € 1 to \$1.26.

Saft’s revised guidance takes account of the following:

- Strong H1 sales mean that the sales guidance should be towards the top of the original guidance range;
- This is now based upon the actual 2007 H1 exchange rate of € 1 to \$1.33. With approximately 40% of Saft’s sales denominated in US\$, this is effectively a 2% increase in sales (and profit) guidance;
- An estimated full year 2007 average LME nickel cost of \$40k per tonne. This is based upon:
  - The average LME nickel cost in H1 was \$44.7k per tonne;
  - July’s average was \$33.4k per tonne;
  - Saft has hedged 70% of IBG’s needs for August to November with a cap of \$35k per tonne.

- This revised nickel estimate of \$40k per tonne, when compared with the original estimate of \$34k per tonne, results in a c. €5.4m sensitivity on EBITDA and EBIT.

Saft's net income guidance also assumes an effective tax rate of 33%, and excludes the impact of mark-to-market exchange movements on bank debt.

The fall in net income compared with 2006 also includes the effect of increasing operational expenditure at JC-S, plus increased interest rates and depreciation (all unchanged from original guidance).

It should also be noted that profitability in H1 is historically higher than in H2 due to the effect of summer and Christmas factory shutdowns.

### **About Saft**

Saft (Euronext: Saft) is a world specialist in the design and manufacture of high-tech batteries for industry. Saft batteries are used in high performance applications such as industrial infrastructure and processes, transportation, space and defence. Saft is the world's leading manufacturer of nickel-cadmium batteries for industrial applications and of primary lithium batteries for a wide range of end markets. The group is also the European leader for specialised advanced technologies for the defence and space industries. With approximately 3,900 employees worldwide, Saft is present in 17 countries. Its 16 manufacturing sites and extensive sales network enable the group to serve its customers worldwide.

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

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

The financial information for the six month period ended 30 June 2007 presented in this document are excerpts from the interim consolidated financial statements of Saft Groupe SA for the six month period ended 30 June 2007 that have been approved by the Management Board, reviewed by the Audit Committee of the Management Board, approved by the Supervisory Board of Saft and subjected to a limited review by the statutory auditors of the company.

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

**INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS AT JUNE 30, 2007**

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## Interim consolidated balance sheet

### ASSETS

in € million	Note	At June 30, 2007	At December 31, 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net		106.6	107.5
Assets held under finance leases		3.3	3.3
Investments in associates	10	17.3	21.2
Investment properties		0.4	0.5
Goodwill		109.6	111.5
Intangible assets, net		244.4	247.7
Investments in related undertakings		0.4	0.4
Deferred tax assets		11.7	10.6
Financial receivables		2.3	2.3
		<b>496.0</b>	<b>505.0</b>
<b>Current assets</b>			
Inventories		86.1	71.3
Trade and other receivables		152.2	136.5
Derivative instruments		0.9	1.8
Cash and cash equivalents		48.2	61.6
		<b>287.4</b>	<b>271.2</b>
<b>Total assets</b>		<b>783.4</b>	<b>776.2</b>

## LIABILITIES AND EQUITY

in € million	Note	At June 30, 2007	At December 31, 2006
<b>SHAREHOLDERS' EQUITY</b>	5		
Ordinary shares		18.5	18.5
Share premium		(15.2)	(2.6)
Treasury shares		(0.7)	(0.6)
Cumulative translation adjustment		(1.3)	(3.9)
Fair value and other reserves		12.5	13.8
Group consolidated reserves		98.2	81.5
Minority interest in equity		0.7	0.7
<b>Total shareholders' equity</b>		<b>112.7</b>	<b>107.4</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contingent advances		5.2	5.2
Debt		347.8	352.4
Other non-current liabilities		2.6	2.9
Deferred income tax liabilities		65.1	63.7
Pensions and other long-term employee benefits		11.2	11.1
Provisions for other liabilities and charges	6	43.2	45.0
		<b>475.1</b>	<b>480.3</b>
<b>Current liabilities</b>			
Trade and other payables		164.3	150.8
Taxes payable		3.7	5.3
Debt		9.4	9.8
Derivative instruments		2.4	4.2
Pensions and other long-term employee benefits		0.2	0.3
Provisions for other liabilities and charges	6	15.6	18.1
		<b>195.6</b>	<b>188.5</b>
<b>Total liabilities and equity</b>		<b>783.4</b>	<b>776.2</b>

## Interim consolidated income statement

in € million	Note	At June 30, 2007	At June 30, 2006
Revenue		302.1	280.9
Cost of sales		(220.3)	(192.4)
<b>Gross profit</b>		<b>81.8</b>	<b>88.5</b>
Distribution costs		(15.9)	(17.2)
Administrative expenses		(20.9)	(21.3)
Research and development expenses		(8.7)	(8.8)
Restructuring costs		(0.1)	(0.2)
Other operating income / expenses	7	(1.2)	14.7
<b>Operating profit</b>		<b>35.0</b>	<b>55.7</b>
<b>Finance costs-net</b>	<b>8</b>	<b>(9.1)</b>	<b>(6.4)</b>
Share of profit / (loss) of associates	10	(3.6)	(1.6)
<b>Profit before income tax</b>		<b>22.3</b>	<b>47.7</b>
Income tax expenses		(6.5)	(16.6)
<b>Profit for the period</b>		<b>15.8</b>	<b>31.1</b>
Net income of minority		0.1	-
<b>Profit for the period after minority</b>		<b>15.9</b>	<b>31.1</b>
<b>Attributable to :</b>			
Equity holders of the company		15.8	31.2
Minority interest		0.1	(0.1)
<b>Earnings per share for profit attributable to the equity holders of the company during the year (in € per share)</b>			
Basic		0.86	1.68
Diluted		0.86	1.68

## Interim consolidated statement of income and expenses recognised in the period

in € million	6 months ended	
	June 30, 2007	June 30, 2006
Fair value gains / (losses), cash flow hedge	(2.3)	0.8
Fair value gains / (losses), net investment hedge	0.4	5.4
Actuarial gains and losses on defined benefit pension plan	-	-
Currency translation adjustments	2.7	(3.5)
Tax effect on income / (expenses) recognised directly in equity	0.6	(3.0)
Net income / (expenses) recognised directly in equity	1.4	(0.3)
Profit for the period	15.8	31.1
<b>Total recognised income in the period</b>	<b>17.2</b>	<b>30.8</b>
<b>Attributable to:</b>		
Shares	17.2	30.9
Minority interests	-	(0.1)

The analysis of equity is detailed in note 5.

## Interim consolidated statement of cash flows

in € million	Note	At June 30, 2007	At June 30, 2006
<b>Cash flows from operating activities</b>			
Cash generated from operations	9	9.5	39.5
Interest paid		(9.7)	(4.4)
Income tax paid		(3.2)	(8.0)
<b>Net cash provided by operating activities</b>		<b>(3.4)</b>	<b>27.1</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		-	(1.8)
Purchase of property plant and equipment (PPE)		(8.8)	(11.8)
Purchase of intangible assets		(2.6)	(3.2)
Proceeds from sale of PPE		0.1	0.1
Proceeds from sale of available-for-sale financial assets		1.2	1.3
Purchases of short-term securities		(1.2)	(2.1)
Interest received		2.3	0.1
<b>Net cash generated from investing activities</b>		<b>(9.0)</b>	<b>(17.4)</b>
<b>Cash flows from financing activities</b>			
(Purchase) / Proceeds from issuance of treasury shares		(0.1)	(0.8)
Increase / (decrease) in other long-term liabilities		(0.3)	(0.3)
<b>Net cash used in financing activities</b>		<b>(0.4)</b>	<b>(1.1)</b>
Net increase in cash and bank overdrafts		(12.8)	8.6
Cash and bank overdrafts at beginning of period		61.6	64.1
Exchange gain / (loss) on cash and bank overdrafts		(0.6)	(1.2)
<b>Cash and bank overdrafts at end of period</b>		<b>48.2</b>	<b>71.5</b>

## Notes to the interim consolidated financial statements

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

Saft Groupe S.A. (the "Company", and collectively with its consolidated subsidiaries the "Group" or "Saft") was formed in March 2005 and has been quoted on the Eurolist market of Euronext Paris since June 29, 2005.

Saft is the world's leading designer, developer and manufacturer of advanced technology batteries for industrial and defence applications :

- the world's leading manufacturer of industrial nickel-cadmium (Ni-Cd) batteries for use in air and rail transportation, standby power applications and emergency lighting ;
- the world's leading manufacturer of primary lithium batteries for the electronics and defence industries ;
- the world's second leading and the leading European supplier of specialised, advanced technology batteries for defence and space applications.

On August 29, 2007, the Management Board approved and authorised publication of the consolidated interim financial statements of Saft Groupe SA.

The parent company of the Group is Saft Groupe S.A., whose registered office is at 12 rue Sadi Carnot, 93170 Bagnolet, France.

Unless otherwise indicated, the consolidated financial statements are presented in millions of euros.

### Note 2. Basis of preparation

#### Statement of compliance

This condensed interim financial information for the half year ended June 30, 2007 has been prepared in accordance with IAS 34, "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended December 31, 2006 prepared in accordance with the International Financial Reporting Standards as approved by the European Union.

#### Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements for the year ended December 31, 2006.

Reminder : for the year ended December 31, 2006, the Group has decided to change the classification of the gains or losses on forward contracts for purchases and sales of commodities, where the hedging contracts do not satisfy the IAS 39 criteria for hedge accounting. The results of these operations previously presented within "Fair value remeasurement of financial instruments", within "Finance costs" are henceforth presented in "Other operating income and expenses". The impact of this change at June 30, 2006 was a loss of €2.1 million.

New IFRS standards and IFRIC interpretations as adopted by the EU for periods beginning from January 1, 2007 have been applied by the Company and have not led to any significant changes in measurement and presentation.

The Company has not anticipated the implementation of any standards and interpretations which are not mandatory in 2007.

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

The preparation of the consolidated interim 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.

### **Seasonality**

Saft's business is generally not seasonal, except for the following influences :

- sales tend to be lower in the third quarter due to manufacturing shutdowns during the summer months.
- sales in the Space and Traditional Defence sectors within SBG, which represent approximately 7% of group sales, can be biased towards the 4<sup>th</sup> quarter, due to the timing of contractual milestones.
- the net effect of the above influences is that sales, profitability and working capital needs are generally slightly higher in the first half of the year, compared with the second half.

### Note 3. Scope of consolidation

As described in Note 1, Saft Groupe SA was incorporated in March 2005 and is the Group's parent company.

The scope of consolidation at June 30, 2007 is unchanged compared with December 31, 2006 and comprises the following companies :

Company name	Country	Percentage of control and interest	Consolidation method
Saft Groupe SA	France	100	Full
Friemann & Wolf Baterietechnik GmbH (Friwo)	Germany	100	Full
Saft Batterien GmbH	Germany	100	Full
SGH	Germany	100	Full
Tadiran Batteries GmbH	Germany	100	Full
Saft UK Ltd	England	100	Full
Saft Australia Pty Ltd	Australia	100	Full
Saft Batteries Pty Ltd	Australia	100	Full
Saft Zhuhai Ftz	China	100	Full
Saft Nife ME Ltd	Cyprus	100	Full
MSB	Scotland	50	Equity Accounting
Saft Baterias SL	Spain	100	Full
Eternacell, Inc.	United States	100	Full
Florida Substrate Inc.	United States	100	Full
Saft America Inc.	United States	100	Full
Saft Federal Systems Inc.	United States	100	Full
Saft JV Holding Co	United States	100	Full
ATB	United States	50	Equity Accounting
Saft S.A.	France	100	Full
Saft Acquisition S.A.S.	France	100	Full
ASB	France	50	Equity Accounting
Saft Hong Kong Ltd	Hong Kong	100	Full
Amco-Saft India Limited	India	51.04	Full
Tadiran Batteries Ltd	Israel	100	Full
Saft Batterie Italia Srl	Italy	100	Full
Saft Finance Sarl	Luxembourg	100	Full
Saft AS Norway	Norway	100	Full
Saft Batterijen BV	Netherlands	100	Full
Saft Ferak AS	Czech Republic	100	Full
Saft Batterie Pte Ltd	Singapore	100	Full
Alcad AB	Sweden	100	Full
KB Fastjung 9	Sweden	100	Full
Saft AB	Sweden	100	Full
Saft Sweden AB	Sweden	100	Full
Johnson Controls-Saft Advanced Power Solutions LLC	United States	49	Equity Accounting
Johnson Controls-Saft Advanced Power Solutions SAS	France	49	Equity Accounting

In the table above, "Full" signifies that a company is consolidated using the full consolidation method and "Equity Accounting" 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**

The Saft Group comprises five segments:

- The **Specialty Battery Group (SBG)**, which manufactures batteries for applications including water, gas and electricity utility meters, automated meter readers and road tolling systems, computer memory back-up systems, satellites, radios and other portable systems for military use, missiles, and torpedoes.
- The **Industrial Battery Group (IBG)**, which manufactures batteries used for standby power supplies for industrial applications, telecommunications networks and the aviation and rail industries.
- The **Rechargeable Battery Systems (RBS)** division, which manufactures a specialised range of rechargeable batteries used in emergency lighting and professional electronics.
- 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 performance is measured by reference to operating profit.

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

**At June 30, 2007:**

in € million	IBG	RBS	SBG	JCS	Other	Total
Total segment revenues	172.7	56.4	153.4	-	-	382.5
Intra-segment revenues	(35.4)	(13.3)	(31.7)	-	-	(80.4)
<b>Consolidated revenues</b>	<b>137.3</b>	<b>43.1</b>	<b>121.7</b>	<b>-</b>	<b>-</b>	<b>302.1</b>
Operating profit	16.6	(0.1)	21.9	-	(3.4)	35.0
Share of profit / (loss) of associates	-	-	0.2	(3.8)	-	(3.6)
<b>Operating profit is stated after charging / crediting the following :</b>						
Depreciation of property, plant & equipment	(3.2)	(1.3)	(3.9)	-	(0.2)	(8.6)
Amortisation of intangible assets	(2.0)	(0.4)	(3.0)	-	(0.1)	(5.5)
Provisions for restructuring	-	(0.1)	-	-	-	(0.1)
Other operating income/expenses	-	-	(0.1)	-	(1.1)	(1.2)

**At June 30, 2006:**

in € million	IBG	RBS	SBG	JCS	Other	Total
Total segment revenues	142.8	51.1	151.0	-	-	344.9
Intra-segment revenues	(22.1)	(10.8)	(31.1)	-	-	(64.0)
<b>Consolidated revenues</b>	<b>120.7</b>	<b>40.3</b>	<b>119.9</b>	<b>-</b>	<b>-</b>	<b>280.9</b>
Operating profit	25.4	(3.5)	21.3	16.4	(3.9)	55.7
Share of profit / (loss) of associates	-	-	0.1	(1.7)	-	(1.6)
<b>Operating profit is stated after charging / crediting the following :</b>						
Depreciation of property, plant & equipment	(3.0)	(1.0)	(3.4)	-	(0.4)	(7.8)
Amortisation of intangible assets	(1.9)	(0.4)	(2.7)	-	-	(5.0)
Provisions for restructuring	0.1	(0.3)	-	-	-	(0.2)
Other operating income/expenses	(0.2)	-	(0.7)	16.4	(0.8)	14.7

**At June 30, 2007:**

in € million	IBG	RBS	SBG	JCS	Other	Total
Total assets	195.4	82.1	309.2	7.1	189.6	783.4
Total liabilities	84.9	25.8	106.3	2.7	451.0	670.7
Acquisitions of property, plant & equipment and intangible assets and capitalisation of development costs	(2.9)	(1.9)	(6.3)	-	(0.3)	(11.4)

**At December 31, 2006 :**

in € million	IBG	RBS	SBG	JCS	Other	Total
Total assets	184.6	70.5	296.9	11.1	213.1	776.2
Total liabilities	52.0	22.6	83.2	4.2	506.9	668.9
Acquisitions of property, plant & equipment and intangible assets and capitalisation of development costs	(9.7)	(2.4)	(15.3)	-	(0.6)	(28.0)

**b) Information by geographical segment**

- Consolidated revenues by geographical segment:

in €million	At June 30, 2007	At June 30, 2006
Europe	151.2	146.7
North America	100.3	94.7
Asia / Oceania	31.2	27.1
Middle East and Africa	17.2	11.3
South America	2.2	1.1
Other	-	-
<b>Total</b>	<b>302.1</b>	<b>280.9</b>

Revenues are allocated according to the geographical location of the customer.

- Total assets:

in €million	At June 30, 2007	At December 31, 2006
Europe	607.6	604.8
North America	129.8	128.2
Asia / Oceania	11.0	9.8
Middle East and Africa	35.0	33.4
South America	-	-
Other	-	-
<b>Total</b>	<b>783.4</b>	<b>776.2</b>

Assets are allocated according to the geographical location of the asset.

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

in €million	At June 30, 2007	At June 30, 2006
Europe	7.8	8.7
North America	2.8	3.7
Asia / Oceania	0.1	1.5
Middle East and Africa	0.7	1.1
South America	-	-
Other	-	-
<b>Total</b>	<b>11.4</b>	<b>15.0</b>

Acquisitions of property, plant and equipment and intangible assets are allocated according to the geographical location of the asset.

**Note 5. Statement of changes in consolidated shareholders' equity**

in € million	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, 2006</b>	<b>18.5</b>	<b>15.5</b>	<b>39.0</b>	-	<b>73.0</b>
Appropriation of previous year results	-	(6.1)	6.1	-	-
Employees share option scheme (value of employee services)	-	-	0.5	-	0.5
Dividend to be paid	-	(12.0)	-	-	(12.0)
Treasury shares	-	-	(0.8)	-	(0.8)
Acquisition of AMCO-Saft India Ltd	-	-	-	0.8	0.8
Net income / (expenses) recognised directly in equity*	-	-	(0.2)	(0.1)	(0.3)
Net income for the period	-	-	31.1	-	31.1
<b>Balance at June 30, 2006</b>	<b>18.5</b>	<b>(2.6)</b>	<b>75.7</b>	<b>0.7</b>	<b>92.3</b>
Employees share option scheme (value of employees services)	-	-	0.6	-	0.6
Treasury shares	-	-	0.2	-	0.2
Net income / (expenses) recognised directly in equity*	-	-	(1.5)	-	(1.5)
Net income for the period	-	-	15.8	-	15.8
<b>Balance at December 31, 2006</b>	<b>18.5</b>	<b>(2.6)</b>	<b>90.8</b>	<b>0.7</b>	<b>107.4</b>
Employees share option scheme (value of employees services)	-	-	0.8	-	0.8
Dividend to be paid	-	(12.6)	-	-	(12.6)
Treasury shares	-	-	(0.1)	-	(0.1)
Net Income / (expenses) recognised directly in equity*	-	-	1.3	0.1	1.4
Net income for the period	-	-	15.9	(0.1)	15.8
<b>Balance at June 30, 2007</b>	<b>18.5</b>	<b>(15.2)</b>	<b>108.7</b>	<b>0.7</b>	<b>112.7</b>

(\*) See the Interim Consolidated Statement of income and expenses recognised in the period

## Note 6. Provisions for other liabilities and charges

in € million	Provisions for contractual claims	Provisions for restructuring	Other provisions	Total
<b>At January 1, 2006</b>	<b>50.1</b>	<b>8.5</b>	<b>14.4</b>	<b>73.0</b>
Charges in period	8.5	0.4	0.7	9.6
Releases of provisions on use	(4.2)	(2.4)	(0.4)	(7.0)
Releases of unused provisions	(8.6)	(0.4)	(0.4)	(9.4)
Transfers	(0.4)	(0.1)	0.2	(0.3)
Translation adjustment	(2.1)	(0.1)	(0.9)	(3.1)
Adjustment to discount rate	0.1	-	0.2	0.3
<b>At December 31, 2006</b>	<b>43.4</b>	<b>5.9</b>	<b>13.8</b>	<b>63.1</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 period	2.8	-	0.2	3.0
Releases of provisions on use	(2.6)	(1.2)	-	(3.8)
Releases of unused provisions	(2.7)	(0.1)	(0.1)	(2.9)
Transfers	(0.1)	(0.1)	0.3	0.1
Translation adjustment	(0.5)	-	(0.2)	(0.7)
Adjustment to discount rate	0.1	-	(0.1)	-
<b>At June 30, 2007</b>	<b>40.4</b>	<b>4.5</b>	<b>13.9</b>	<b>58.8</b>

in € million	At June 30, 2007	At December 31, 2006
Non-current	43.2	45.0
Current	15.6	18.1
	<b>58.8</b>	<b>63.1</b>

### Detail of provision for contractual claims

Provisions for contractual claims include provisions for product warranties and certain specific risks. At June 30, 2007, provisions for contractual claims break down as follows :

in € million	At June 30, 2007	At December 31, 2006
Provisions for warranties	34.0	36.4
Provisions for penalties	-	0.1
Provisions for litigation *	1.3	1.3
Provisions for losses on long-term contracts	0.3	0.1
Other provisions **	4.8	5.5
	<b>40.4</b>	<b>43.4</b>

(\*) The company estimates that no litigation, taken individually, is material.

(\*\*) Mainly comprises provisions for end-of-life battery recycling costs.

## Note 7. Other operating income / expenses

This item comprises:

in €million	At June 30, 2007	At June 30, 2006
Loss / Gain on commodity hedging contracts	(2.2)	(2.1)
Research tax credit	1.1	1.3
Creation of JCS	-	15.5
Losses on disposal of non-current assets	(0.1)	-
	<b>(1.2)</b>	<b>14.7</b>

In its French business, the Saft Group benefits from a research tax credit calculated on the basis of its research expenses. The benefit, recognised in "Other income", amounts to €1.1 million at the end of June 2007.

## Note 8. Finance costs - net

in €million	At June 30, 2007	At June 30, 2006
Financial income from cash and cash equivalents	0.5	0.4
Finance costs on gross debt	(7.7)	(8.2)
Other financial income and expenses	(1.9)	1.4
	<b>(9.1)</b>	<b>(6.4)</b>

Other financial income and expenses in 2007 include foreign exchange losses of €2.8m (2006 = gains of €2.1m) on the euro-denominated debt held by the Group's subsidiaries in Sweden and the Czech Republic.

During the period ended June 30, 2007, Saft benefited from the following interest rate swaps:

- a fixed rate of 2.295% on euro denominated senior debt of €51.8m
- a fixed rate of 3.95% on dollar denominated senior debt of \$250m

These swaps expired on July 5, 2007, such that all of the Group's senior debt is now at floating rates. However, the Group has taken out the following derivative instruments for the period July 5, 2007 to July 5, 2010 to limit the extent of any interest rate increases over the remaining term of the debt:

- a cap of 5% on 6 month EURIBOR on euro denominated senior debt of €130m
- a cap of 6% and a floor of 3.145% on 6 month LIBOR on dollar denominated senior debt of \$210m

## Note 9. Cash flow from operating activities

Cash flow generated by operating activities:

in € million	At June 30, 2007	At June 30, 2006
Profit for the year	15.8	31.1
<b>Adjustments for :</b>		
- Earning of equity basis company (net of dividends declared)	3.7	1.9
- Net income of minority for cash flow	(0.1)	-
- Tax	6.5	16.6
- Intangible assets amortisation	5.5	5.0
- Fixed assets depreciation	8.4	7.8
- Assets impairment	0.2	-
- Employee shares offering & stock option plans	0.8	0.6
- Finance costs - net	9.1	6.4
- Mark to market	(1.9)	2.1
- Profit on creation of JCS	-	(16.4)
- Other variable cost/income – lease part	(0.1)	(0.1)
- Net movements in provisions	(3.7)	(5.4)
- Net (gain) / loss on disposal of non-current assets	0.1	0.9
<b>Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation) :</b>		
- inventories	(15.8)	(5.2)
- trade and other receivables	(17.3)	1.5
- trade and other payables	(1.7)	(7.3)
<b>Cash generated from operations</b>	<b>9.5</b>	<b>39.5</b>

## Note 10. Investments in associates

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 the MSB and ATB companies 100% owned by ASB. The ASB sub-group is consolidated under the equity method. The Group also holds 49% of the capital of JCS, a joint venture with Johnson Controls, which was created during 2006.

The Group's share of the balance sheets and the income statements of the ASB Group and Johnson Controls-Saft (none of which are listed on a stock market) are as follows:

in € million	At June 30, 2007		At December 31, 2006	
	JCS	ASB Group (ASB-MSB-ATB)	JCS	ASB Group (ASB-MSB-ATB)
Non-current assets	8.3	6.8	4.7	5.8
Current assets	3.0	9.0	9.6	8.7
	<b>11.3</b>	<b>15.8</b>	<b>14.3</b>	<b>14.5</b>
Non-current liabilities	-	1.0	-	0.9
Current liabilities	4.2	4.6	3.2	3.5
	<b>4.2</b>	<b>5.6</b>	<b>3.2</b>	<b>4.4</b>
<b>Net assets</b>	<b>7.1</b>	<b>10.2</b>	<b>11.1</b>	<b>10.1</b>

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in € million	6 months ended			
	June 30, 2007		June 30, 2006	
	JCS	ASB Group (ASB-MSB-ATB)	JCS	ASB Group (ASB-MSB-ATB)
Revenues	0.8	5.0	0.5	4.8
Cost of sales	-	(3.8)	-	(4.1)
Administrative and selling expenses	(4.6)	(0.9)	(2.2)	(0.8)
Financial income and expenses	-	-	-	-
Income tax expense	-	(0.1)	-	0.2
<b>Net income for the year</b>	<b>(3.8)</b>	<b>0.2</b>	<b>(1.7)</b>	<b>0.1</b>

**CERTIFICATE OF THE PERSONS RESPONSIBLE  
FOR THE INTERIM REPORT**

## **CERTIFICATE OF THE PERSONS RESPONSIBLE FOR THE INTERIM REPORT**

We attest that, to the best of our knowledge, the interim condensed consolidated financial statements are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the interim management report gives a fair view of the information referred to in Article 222-6 of the “Règlement Générale” of the “Autorité des Marchés Financiers”.

**John Searle**  
**Chairman of the Management Board**

**Nicholas Smith**  
**Member of the Management Board  
and Chief Financial Officer**

**STATUTORY AUDITORS' REVIEW REPORT**

PRICEWATERHOUSECOOPERS AUDIT

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92208 Neuilly-sur-Seine

MOORESTEPHENS SYC  
SYC SA

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**STATUTORY AUDITORS' REVIEW REPORT ON FIRST HALF-YEAR FINANCIAL INFORMATION  
FOR 2007**

**(Period from January 1, 2007 to June 30, 2007)**

*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 our capacity as statutory auditors and in accordance with the requirements of article L 232-7 of French Commercial Law ("*Code de Commerce*"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Saft Groupe SA, for the period January 1 to June 30, 2007,
- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

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 half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

In accordance with professional standards applicable in France, we have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine, August 29, 2007

The statutory auditors

PricewaterhouseCoopers Audit

MOORESTEPHENS SYC  
SYC SA

Bruno TESNIERE

Serge YABLONSKY