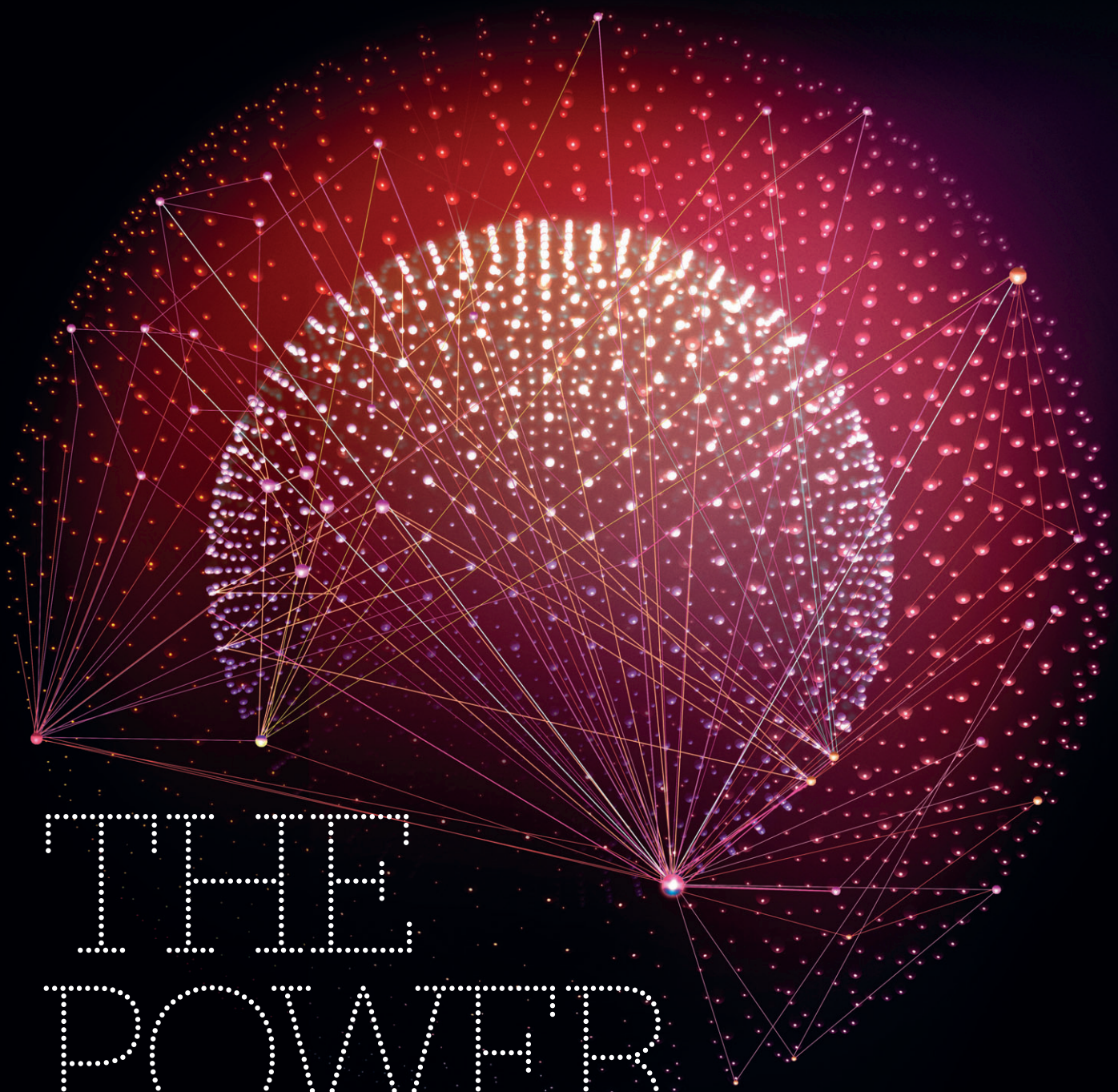
ANNUAL REPORT 2015

Registration Document including Annual Financial Report



THE POWER *of convergence*

SAFT, AT THE INTERSECTION OF CUSTOMER NEEDS AND MAJOR GLOBAL TRENDS

SAFT

Contents

LABEL TRANSPARENCE

This label recognises the most transparent Registration Documents according to the criteria of the Annual Transparency Ranking.

The information contained in the management report relating to the financial year ended 31 December 2015, presented in this document has been prepared by the Management Board and approved by the Supervisory Board of Saft.

Certain statements contained herein are forward-looking statements relating, in particular, to future events, trends, plans or objectives. By their nature, these forecasts are subject to known or unknown risks and uncertainties could cause Saft's actual results and objectives to differ materially from those expressed or implied in these forwardlooking statements.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of the 2015 Registration Document has been registered with the AMF. It is therefore the only version that is binding in law.

This Registration Document was registered with the Autorité des marchés financiers (AMF) on 24 February 2016, in accordance with the article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction if accompanied by a transaction vcircular approved by the AMF.

The annual Registration Documents are available on the Company's website: www.saftbatteries.com. Copies of the Registration Documents may also be obtained at the Company's registered office at 12 rue Sadi Carnot 93170 Bagnolet - France.

Chairman's message

In a market environment that has become more challenging in some of our activities and geographical zones, 2015 has been marked by significant commercial successes.

Sales during 2015 were driven primarily by our civil electronics activities,railway, aviation and telecommunication networks. The slowdown in demand in the oil sector impacted sales of batteries for industrial standby applications and we also recorded lower activity than expected in energy storage (ESS); consequently Saft was unable to reach the objectives which had been set.

Despite this difficult context, Saft has continued to stand out by signing important contracts, such as those signed with SNCF and BrightSource Energy Inc., as well as by securing new orders for smart meters on the Chinese market.

This year was above all a year of change for Saft. Since my arrival in may 2015, I have had the opportunity to measure the exceptionally high level of technology expertise, industrial know-how and talents that go into the Group's work in France and internationally, and which characterise its long held reputation within the industry.

In order that Saft can continue delivering its clients products that are increasingly high performing, innovative and reliable, I launched in November the "Power 2020" plan, which includes an update of the Group's strategic priorities, with the aim of reinforcing its profitability. It is structured around three pillars: greater market focus to ensure profitable growth, increased differentiation through high level tailored solutions for customers, and excellence throughout our operations. This new plan is supported by a new customer-centric organization, allowing us to respond even more effectively to their expectations and priorities.

The beginning of 2016 will see some important new steps in the development of our group, including the upcoming opening of a new manufacturing facility in Zhuhai, China. This site will be equipped with Saft's most advanced processes, and should double our production capacity for primary lithium components notably for smart meters: a very dynamic market and an important growth driver for the Group.

2016 will be a year of transition for the Group. Confident in the talent of our employees and the quality of our reinforced management team, I am certain of our ability to implement the new strategic plan decisively, to achieve our ambitions, and to reinforce Saft's position as a market leader.

Ghislain Lescuyer

Chairman of the Management Board

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Group presentation

1.1 GROUP PROFILE

Saft in brief

€759,4m
sales in 2015

4,140
staff worldwide

Around
9%
of sales invested in R&D in 2015

Over
3,000
customers

14
manufacturing sites worldwide

SAFT IS THE WORLD LEADER* IN ADVANCED-TECHNOLOGY BATTERY SOLUTIONS

With upwards of 100 years of experience, Saft is the leading designer, developer and manufacturer of advanced technology batteries for industry. Saft batteries power applications for businesses around the world – from industrial infrastructure and transportation systems to smart cities and medical devices, energy storage and telecom networks, industrial vehicles and defence systems, satellites and space applications. In 2015, sales grew by 1.9% at constant exchange rate, resulted in a consolidated turnover of €759,4 million, following sustained growth and robust performance for the past ten years.

Designed to serve a wide range of needs, Saft manufactures rechargeable and non-rechargeable batteries using the following technologies: nickel-based, primary (meaning non-rechargeable) lithium, lithium-ion (meaning rechargeable lithium) and silver-based technologies.

SAFT CATERS TO A DIVERSIFIED BASE OF INDUSTRIES AND MULTIPLE CUSTOMER SEGMENTS

Saft has more than 3,000 customers, including some of the world's largest manufacturing companies. Providing both specialty and industrial battery solutions, Saft holds leadership positions in 75-80% of its revenue base, including industrial standby, civil electronics, aviation, rail, defence, and satellites. Saft has built a strong reputation for providing tailored solutions with flexible manufacturing.

All of Saft's employees are dedicated to customer's satisfaction. Our sales & engineering forces work closely with original equipment manufacturers (OEMs), distributors and final end-users. Saft designs new generations of batteries for new applications, enhanced integration, after-sales services and through-life support in many market segments. Our main market segments being the following: civil electronics (metering, medical equipment and oil & gas drilling), industrial standby, transportation (mainly aviation, rail and mass transit systems), telecommunication networks, electricity grid,

* *Management estimates.*

defence, space, marine and industrial vehicles (such as forklift trucks, trucks and buses).

Until the end of 2015, Saft operated through two divisions:

- the **Industrial Battery Group (IBG)**, which manufactures rechargeable batteries for transportation, stationary back-up power applications, telecom and energy storage systems. In 2015, IBG sales represented 60% of the Group's consolidated turnover;
- the **Specialty Battery Group (SBG)**, which manufactures primary and rechargeable batteries for civil and military electronics activities, space and defence. In 2015, SBG sales represented 40% of the Group's consolidated turnover.

SAFT HAS AN INTERNATIONAL PRESENCE AND ORGANIZATION TO MEET CUSTOMER NEEDS

Committed to being close to its customers, Saft employs 4,140 people in 19 countries, with 14 production sites and 31 sales offices. Historically present in Europe and the United States, Saft is constantly developing in emerging countries, and is established in Asia, South America, and Russia. In January 2016 Saft opened a new subsidiary in Tokyo, Japan. This subsidiary will strengthen Saft's team in Asia. Saft's ambition is to boost its position in Japan with increased focus on transportation, telecom and grid, as well as civil electronics. An increased market focus will ensure profitable growth and anticipate the future needs of Saft's Japanese customers.

2015 key events are presented in the management report in chapter 5 of the Registration Document. Key dates of Saft history are presented in chapter 8.

1.2 GROUP STRATEGY AND POSITIONING

As change accelerates in industry, Saft must innovate with constant transformation and adaptation solidly anchored in experience and know-how. In the battery market, the number of applications is increasing and customer usage is changing fast. Saft, focused on industrial applications requiring optimal tailored solutions and providing a distinctive offer of high performance, reliability and safety. Continuous innovation and long-term relationships is what drives Saft, giving it a strong position to face new trends that are producing monumental changes in the world today.

1.2.1 MACROTRENDS DRIVING GROWTH

There are four forces at work today that can be seen as favourable trends in today's battery market, offering opportunities and set to drive demand for Saft's batteries.

- **The focal point of economic activity is shifting to emerging markets**, which are both industrialising and urbanising. This means more telecom network deployment, smart city and house programs, and household equipment.
- **Technological change is accelerating**, and its scope, scale and impact are broadening. Disruptive technologies are leading to autonomous energy development, including vehicles, increasing mobility and robotics, and the development of the Internet of Things (IoT).
- **Every day, the world is more and more interconnected on a global level**, resulting in the development of data centres, new communication satellites, and new aircraft programs.
- **At the same time, tension on resources and climate change** are leading to the development of renewable energies, increased need for energy efficiency and intensified grid management.

1.2.2 SAFT'S POSITIONING

Saft proposes a distinctive offer to respond to changes in customer usages. Based on a **broad portfolio of technologies** with nickel-based, primary lithium and lithium-ion solutions and systems, the Group develops **robust products** that provide high power and long life in extreme conditions. Saft has a deep understanding of customer needs and hence develops flexible **tailored solutions** jointly with customer. It has **expertise and a successful track record**, with strong customer references and a wide range of services.

Recent successes demonstrate Saft's strength on the battery market. Saft is setting the standard for advanced industries with GEO satellites, it is opening new frontiers with railways in Asia, it is providing solutions for fast-growing markets such as smart metering, and it is operating successfully in the harshest conditions with battery solutions for 3G/4G networks.

Furthermore, to strengthen its leadership position, on 16 November 2015, Saft launched **Power 2020**, its four-year transformation plan, effective from 1 January 2016. The plan is organised around four pillars:

- **focus market strategy** for profitable growth, capitalising on the market segments where it holds strong leadership positions – aviation, rail, space, civil electronics, industrial standby and defence – and growing selective high-end applications while strengthening its presence in fast-growing countries;
- **differentiate** through innovation and customised solutions in selected market segments, making the most of Research and Development excellence and know-how, to maintain a sustainable competitive advantage;
- **deliver** through operational excellence, upgrading system development organisation and processes, reducing costs of purchasing materials, strengthening manufacturing excellence and improving supply chain management

Implement a **new customer-centric organization** focused on business priorities, this organisation is designed to foster best practices in all divisions to achieve economies of scale and to promote talents. Saft has set out to build a focused roadmap to find the best solutions for each of its customers. Regional organisation and key account managers enable all of Saft's know-how and technologies to be brought together for every customer and adapted to the needs of that market segment.

Operations and transformation. Saft has a company-wide, cross-divisional operational excellence plan to bring more value to its customers. Saft supplies batteries for applications where there is no room for failure, particularly in the aviation, defence and space industries. Improving operational performance is the mind-set embedded in Saft's culture.

Since 1998, Saft World Class, an internal programme of on-going quality improvement, has been in place focusing on performance, processes and people, with comprehensive audits and external benchmarks. The current focus on excellence includes transformation management, optimistic operational excellence targets and empowering human relations management that fosters mobility and promotes talent.

Beginning 1 January 2016, Saft will be organized into four divisions: Civil Electronics, Industrial Standby, Space & Defence, and Transportation, Telecom & Grid.

1.2.3 RESEARCH AND DEVELOPMENT EXCELLENCE

Investing in ground-breaking Research and Development. Saft has a long-term commitment to R&D that, combined with a consolidated roadmap to use and reuse technology, constitutes a basis of its success. Building on the foundations of successful nickel-based products, Saft has brought about revolutionary changes with lithium-ion rechargeable technology that enables customers to deliver higher performing products. Saft continues to invest in innovation and knows that R&D is key to the future.

Saft has multiple research programs covering basic electrochemistry research, new materials, improved production processes, design, development and enhancement, systems and software, data management, maintainability, and more.

A major portion of Saft's R&D work is dedicated to creating new, cost-competitive products that meet specific customer requirements and offer every near-term benefits. In 2015, Saft invested nearly €67 million in Research and Development, representing more than 8.8% of sales. In 2015, 9 new patents were filed adding to Saft's portfolio of patents of around 153.

Li-ion technologies represent the majority of the Company R&D effort. Thanks to its R&D advances, Saft positions itself as a multi-chemistry lithium based battery provider. Primary lithium represents another area of significant growth opportunities for Saft in the future so the R&D team also works on improving traditional primary lithium products as well as bringing new products to market. Finally, R&D engineers continue to enhance Saft's nickel-based batteries to bring greater benefits to customers.

1.3 CORPORATE GOVERNANCE ENSURING THE BALANCE OF POWERS

Since its listing on the stock exchange in 2005, Saft Groupe SA has a dual corporate governance structure with a Supervisory Board and a Management Board to separate the strategic and operational function of the Management Board from the control function of the Supervisory Board. With a constructive dialogue between the executive and the supervisory functions, this structure ensures an effective balance of power between the governing bodies. It is guided by the applicable recommendations and provisions of Afep-Medef Code of Corporate Governance (November 2015 version).

MANAGEMENT BOARD

The Management Board is appointed by the Supervisory Board for a two-year term. It has the most extensive powers to act under any circumstances in the Company's name. It decides the strategy and priorities for Saft's activities. It is composed of four members on the day of publication of this report:

Ghislain Lescuyer
Chairman of the Management Board

Bruno Dathis
Group Chief Financial Officer

Thomas Alcide
Executive VP Transportation, Telecom & Grid division and President of Saft America Inc.

Franck Cecchi
Executive VP Industrial Standby division

MANAGEMENT COMMITTEE

A Management Committee (called Saft Management Committee or SMC) also exists within the Group, which serves as a forum for discussing and for implementing the Group's strategy. In addition to the members of the Management Board, the Management Committee is comprised of the following managers:

Annie Sennet
Executive VP Space & Defence division

Igal Carmi
Executive VP Civil Electronics division and General Manager of Tadiran Batteries Ltd

Glen Bowling
Group Senior VP Sales

Kamen Nechev
Group Chief Technology Officer

Pierre-Yves Tilly
Group Human Resources Officer

SUPERVISORY BOARD

The Supervisory Board exercises permanent control over management of the Board of Directors and its members are appointed by the Shareholders' General Meeting for a three-year term. It is assisted in its functions by an Audit Committee, a Remunerations and Nominations Committee and a Strategy and Technology Committee. It is composed of five members on the day of publication of this report:

Yann Duchesne
Chairman

Jean-Marc Daillance
Vice-Chairman and Chairman of the Audit Committee

Charlotte Garnier-Peugeot
Chairman of the Remunerations and Nominations Committee

Bruno Angles
Chairman of the Strategy and Technology Committee

Marie-Claire Daveu

Information relating to Saft Group governance is described in chapter 4 of this Registration Document.

1.4 ACTIVITIES

Saft's strategy of innovation entails proposing a portfolio of advanced technologies to multiple industrial markets.

1.4.1 TECHNOLOGIES

Batteries are stand-alone power sources that convert chemical energy into electrical energy through a chemical reaction. Saft produces two types of batteries:

- **non-rechargeable (primary) batteries** — The active materials in non-rechargeable batteries are irreversibly converted during the chemical reaction that produces energy. Saft's principal primary battery technologies are lithium-based;
- **rechargeable (secondary) batteries** — These batteries can be charged and discharged repeatedly. The achievable number of recharge cycles is an important competitive factor. Saft's main rechargeable battery technologies are nickel and lithium-ion (Li-ion). These advanced technologies offer better and more reliable performance, especially under extreme conditions, and have a longer life, reducing the frequency with which they must be maintained and/or replaced and therefore cutting costs for customers.

Saft's main battery technologies are:

- **nickel-based** — This is a key technology for stationary back-up power batteries. Advanced nickel-based batteries accounted for approximately 48% of the Saft's consolidated revenues in 2015;
- **primary lithium** — Non-rechargeable lithium batteries offer high end-storage and performance capabilities over a large range of formats. They accounted for approximately 32% of Saft's consolidated revenues in 2015;
- **lithium-ion** — Li-ion is a rechargeable lithium technology that is being increasingly used in advanced applications such as in the defence, marine, and transportation markets. Li-ion technology-based batteries accounted for approximately 17% of Saft's consolidated revenues in 2015;
- **other technologies** — Silver-based technologies are used to manufacture batteries for missiles and torpedoes. These batteries accounted for approximately 3% of the Saft's consolidated revenues in 2015.

1.4.2 APPLICATIONS AND MARKETS

Through the end of 2015, Saft's activities were divided into two main divisions: Industrial Battery Group and Specialty Battery Group, which cover a number of segments.

Industrial Battery Group (IBG)

Presentation

Saft's Industrial Battery Group (IBG) produces battery solutions for stationary back-up applications – for telecommunications, energy storage systems and industry – and for transportation - railways, aviation and industrial vehicles.

Nickel-based batteries are the traditional expertise of IBG and the basis of the Saft's lithium-ion technology, which is developed to meet the ever-diversified requirements of its customers, whose applications benefit from the smaller, lighter, longer-life and versatile batteries that Li-ion offers. IBG offers not only systems integration, for example in energy storage systems, but also full turnkey solutions that cover all aspects from installation to commissioning and as well as the training of local operatives on preventive and corrective maintenance, refurbishment and recycling.

Market segments[1]

Stationary back-up power

Industrial Standby

Industrial Standby provides emergency power back-up, starting power and cycling applications in the oil and gas industry, power generation and distribution, and railway signaling systems. Long life span, high performance, and little or no maintenance are key requirements. Industrial standby market size is about €2.2 to €2.5 billion. 85% of the market is using lead-acid batteries, the remaining being nickel-based batteries. We estimate Saft has about 60 to 70% of the nickel-based market.

Growth in this sector is generally correlated with GDP growth, and in particular with capital expenditures in the industrial sector. This market is driven by sustained industrialisation of emerging countries, increased global electricity demand, and Li-ion substituting for lead technologies.

For industrial standby applications, Saft designs and manufactures durable long-lasting nickel-based batteries, and safe and proven Li-ion solutions, all of which can perform under extreme conditions. One of Saft's latest successes came from Kentz, the global engineering specialist, that selected Saft Sunica.plus nickel-based batteries for wellhead systems in Qatar that require high cycling, long life, and low maintenance in very extreme temperature conditions.

Telecommunications

With growing use of cloud computing and data streaming, high-performance reliable back-up power is essential for the telecommunications industry. Remote locations and extreme conditions add difficulty and cost to maintenance. Telecom battery market size is worth €4 to 5 billion today and is expected to be a €5 to €7 billion market by 2020. The market is dominated by lead-acid batteries, nickel and lithium-ion technology only capturing 5 to 10% of the market today but the penetration of the lithium-ion technology is expected to increase to 15-20% by 2020. Saft is the leading supplier of nickel-based batteries for that market and is one of the main suppliers of lithium-ion batteries to the telecommunication networks market.

Growth in this market is generally driven by levels of capital expenditure in the telecommunications industry, and massive growth of around +29% over the four years is expected due to an increased number of connections, densification of existing infrastructure, and the development of datacentres.

Saft manufactures a large range of advanced, specialised batteries that are operational in very hot or cold climates, urban settings or remote hard-to-access locations where maintenance can be difficult and costly, with both long-life nickel-based batteries and Li-ion solutions. In 2015, Indian telecom operator Reliance Jio renewed major orders for Saft's Li-ion battery systems for pan-India 4G/LTE network, increasing back-up capacity to respond to growth in telecom traffic.

Energy storage systems

Energy storage plays a pivotal role in the transition of our energy system, which witnesses an unprecedented increase of fluctuating renewable resources. In particular wind and solar energy are variable in nature, decentralized and often installed in remote locations under extreme conditions.

The energy storage market size in 2016 is most likely near a billion euros market. It is a fragmented market covering numerous different applications. Main leaders on that market are the large Korean and Japanese battery producers.

Scalable and geographically independent, applicable also on local levels, storage solutions provide increased flexibility in the energy system and will help to unleash the full potential of our existing infrastructure. Storage can buffer and store

(1) Information about size of the different markets and Saft's market share in this section are management estimates based on Saft's market knowledge, expert's interviews and markets reports.

available energy sources, help reduce peak loads and globally contribute to grid stability in transmission and distribution grids.

Saft offers battery system solutions from several kilowatts up to 10s of megawatts, suitable for installations along with renewable generation plants, in micro- and distribution grids as well as on commercial or industrial end user sites. With high energy efficiency, Saft Li-ion technologies provide high performance, long life and limited maintenance solutions in both off-grid and on-grid schemes. Saft's extensive product offer is paired with recognized pre-project and project engineering capabilities, as well as installation, training and maintenance services to accompany our customers from early design phases until the final execution and operation of their storage systems. Saft containerized Li-ion battery systems have been installed on four continents in various wind, solar, microgrid and other grid-supporting schemes, one of the latest successes being a 2.3MW solution delivered for installation by Enercon to help the Faroe Islands stabilize the grid while increasing wind-power usage and reducing diesel consumption on the island.

Transportation

Rail

Railway and mass transit operators need reliable batteries to provide back-up power for lighting, air-conditioning and on-board communications, as well as critical safety applications such as emergency braking and door opening systems. Hybrid drive train for traction is seen as an emerging application. Batteries last ten to fifteen years and must operate under extreme weather conditions and strong vibrations.

The rail battery market size is about €300 to 400 to million, equally split between lead and nickel technologies. We estimate Saft's has about 50% of the nickel-based battery market.

The rail market is also demanding ever-more compact batteries that require little maintenance. The replacement and refurbishment of rolling stock as well as investments in mass transport systems drive growth in this market, as do infrastructure in emerging countries, new applications, and the transition away from lead.

Saft supplies an extensive range of robust, predictable and reliable nickel-based battery systems to the rail sector, along with innovative lithium-ion solutions, such as on-board batteries that drive trams and store kinetic braking energy for reuse. In a recent contract, the French railway SNCF chose to replace existing time-expired lead-acid batteries with Saft's specialized MRX batteries.

Aviation

As the consequences of power failure are significant for aircraft operators, batteries supplied to the aviation market must be irreproachably reliable and durable, especially in extreme conditions. They also need to be low maintenance and low weight, and have low cost of ownership and extended life.

The total aviation battery market is estimated to be €100 to €150 million. Saft is the leading player in that market with a 60 to 70% estimated market share. Commercial aviation is mainly using nickel-based batteries while other segments (business and private aviation) are mainly using lead-acid batteries. The civil aviation market continues to grow with increased air traffic and fleet size, a need for more battery capacity and the launch of first Li-ion batteries.

Saft is the world's leading supplier of battery systems for the aeronautics industry (original equipment manufacturers, distributors and airlines) and its batteries are aboard two thirds of the world's fleet of civil (passenger and freight) and military aircrafts. Saft nickel batteries are used mainly for back-up power and emergency systems, as well as for engine and turbine starting and flight preparation. Saft ultra low-maintenance batteries will power emergency back-up for Russia's Irkut MC-21 through a contract with Zodiac Aero Electric. Saft also provides high-power lithium-ion solutions that are smart, light, and easy to maintain for the Airbus A350 and the Joint Strike Fighter (F35).

Industrial vehicles

Commercial vehicles (on-road) for public and goods transportation, industrial vehicles (off-road) in material handling (warehouse, airport, seaport), construction and mining are all looking for alternative lithium-ion battery solutions providing a better total cost of ownership (fuel consumption and maintenance costs). Cities are leading the transition for electrification as seen in Paris, London and Amsterdam and some countries are imposing specific portion of their fleet to be electrified in 2025.

Saft develops and provides Li-ion battery solutions for the electrification of industrial vehicles and for motorsports. Both sectors require high performance and efficiency. In 2015, Saft

and Dietrich Carebus Group signed partnership agreement to equip Yutong's electric buses with lithium-ion battery systems.

IBG competitive environment

The main competition Saft faces is from lead-acid technology, which offers lower initial ownership cost, but also lower performance and shorter life than nickel batteries, especially in difficult climatic conditions leading to higher total cost of ownership (TCO) for lead batteries.

For its nickel battery activity, IBG is the leader on almost all its markets but faces competition from few manufacturers in Europe – mainly Hoppecke and GAZ in Germany –, HBL in India although their production capacity is smaller than Saft's.

The competitive landscape in Li-ion batteries has shifted from US start-ups to Asian competitors, mainly Korean and Japanese large battery manufacturers such as LG Chem, Samsung SDI, Toshiba, Panasonic and small and medium size Chinese competitors. Saft's financial strength gives it the power to constantly develop new products and be present worldwide to keep its leadership position in niche market.

With its deep knowledge of the high value-added markets for nickel-based activities, new Li-ion opportunities, world-class factories, and its extensive sales network, Saft has a unique multi-technology offer of high performance and competitive products for its targeted Markets.

Specialty Battery Group (SBG)

Presentation

Specialty Battery Group (SBG) is acknowledged as the world leader in the design, development and manufacturing of high-performance primary lithium and rechargeable lithium-ion battery systems for the civil electronics, space, marine and defence industries. The division also supplies silver-based batteries for conventional defence applications such as electric torpedoes. Saft develops batteries in cooperation with original equipment manufacturers, which generally leads to a supply contract and subsequent replacement sales to end-users.

Market segments

Civil electronics

Connected devices – smart meters, wireless sensors, data concentrators – need reliable batteries that are long-lasting in tough outdoor conditions. Similarly, robust, flexible, dependable batteries, capable of facing uncontrolled environmental conditions, are needed for wireless sensors, just as tough standards of reliability, durability and safety apply for medical devices.

The overall civil electronics market has been growing at a rate of about 5% over the last five years and is expected to grow at the same pace over the four to five years to come. This growth perspective is based on: utilities in Europe and China investments in smart metering, e-call in Europe, and development of new applications such as extended tracking and the Internet of Things (IoT). The metering market which represents about 50% of Saft's business in civil electronics is a €200 to €250 million market and Saft has an estimated market share of 40 to 50% of that market.

With a 20+ year no-maintenance lifespan, Saft's batteries perform in extreme temperatures, combining high energy density, low self-discharge rates, and high voltage readings, ideal for metering and wireless sensor networks. A tested, trusted partner for over thirty-five years to leading meter providers, Saft also provides battery systems for portable equipment, mobile workstations, patient-worn devices, respirators, ventilators, defibrillators and other medical devices.

Customers in this market include both specialised original equipment manufacturers and distributors. Recently, Saft reinforced its leadership in the world's largest metering market by winning contracts to supply over 45 million primary lithium batteries for smart meter installations in China with two major Chinese distributors. With about 45% of the market, Saft batteries can be found in key projects to power electricity, gas, water and heat meters deployed by local utilities.

Space

Space means long missions, vibrations, shocks, radiation, a vacuum, and extreme temperatures (-160°C to +200°C). Highly reliable, maintenance-free, lightweight, high-energy density batteries need to be small and long-life.

Demand in this segment is driven by telecommunications investment, defence and scientific projects. Space market size is difficult to assess due to military black programs but we estimate that market to be worth €70 to €80 million. Saft is the world's leading designer, developer and manufacturer of Li-ion batteries for communications, scientific and military satellites and is continually breaking new ground. Saft's share of this market is 40 to 45%. Satellites represent the

major share of Saft's space activity, and there are currently 160 satellites in orbit with Saft Li-ion batteries aboard. Saft also equips satellite launchers, where it has pioneered solutions combining lighter weight with improved thermal management.

Saft maintains long-term relationships with key players such as Lockheed Martin and Boeing to power satellites benefiting from Saft's lightweight Li-ion cells for a lighter overall satellite, resulting in significant launch cost savings.

Saft will be celebrating 50 years of experience in space in 2016.

The space market should continue to grow at a low pace over the coming years, the year on year activity remaining lumpy as dependent on the rhythm of launches.

Defence

The defence battery market size is around €2 billion, fragmented between many different applications mainly using lead-acid technology as the largest sub-segment of starting batteries for military vehicles. Saft's addressable market is thus much smaller, most likely few hundred million euros.

When time and urgency are critical, lightweight, compact batteries need to deliver exceptional reliability and performance, be it for infantry communications, base camps and weapon systems, torpedoes, aircraft, or hybrid armoured vehicles. Portable military applications such as radios and night vision goggles have size and weight restrictions, while torpedoes and missiles need robust, long shelf life, high-energy power sources. Defence applications require solutions that do not compromise a soldier's manoeuvrability and safety.

Saft is a leading designer, developer and manufacturer of field-proven, high-performance lithium solutions for defence applications that offer higher power density, superior longer life time, better cycling capability and reliability under extreme conditions. Long-term Saft/customer relationships with original equipment manufacturers are key on this market.

Saft main market, representing around 50% of its defence market sales, is primary lithium batteries for soldiers' radios and other portable electronics equipment's such as night vision googles and GPS's.

With the growing adoption of lithium-ion technology for use in high-power military aviation and ground tactical vehicles applications, Saft received an order from Thales Australia, which selected Saft to power Hawkei military tactical vehicles, the next-generation in protected mobility for defence forces.

The torpedo and missile business is driven by replacement cycles with highs and lows. Saft provides reliable silver-based customized batteries that operate under extreme conditions and has a strong market position.

Marine

Today, fuel savings, noise reduction, and reduced emissions are key concerns driving the growing demand for hybrid and all-electric marine craft. Offshore supply and drilling vessels require special high-power batteries, and all customers are facing tighter regulations and growing performance expectations. Fully reliable, efficient and safe batteries need to be economic and affordable.

Saft produces advanced compact, weight-saving lithium-ion technology that is well suited for work boats, ferries, cruise liners, cargo vessels and offshore vessels. Whether to power new hybrid ferries such as those with Imtech Marine, or fully battery-powered shuttles, Saft has specific solutions for each sector, including the high power and high voltage needed for offshore vessels. Saft focuses on safety, cost savings, long life and a full range of services for new crafts and retrofitting, with end-to-end service.

This market is just emerging and its size is most like few tens of million euros.

SBG competitive environment

In civil electronics markets, SBG offers a wide portfolio of primary lithium technologies and has a leading position in its strategic markets. It faces competition mainly from Asian companies – one Korean company (Vitzrocell), few large Japanese companies such as Hitachi Maxell and Panasonic, and more than a dozen small or middle sized Chinese companies offering a significantly smaller range of technologies with more limited quality and performance.

In space activities, Saft's principal competitors are: a large Japanese competitor – Melco, a subsidiary of Mitsubishi Electric Corporation – and a small European competitor – ABSL Space Products. However, thanks to Saft's demonstrated and proven technology heritage and ability to manufacture complete cells and batteries in both Europe and the United States, it holds a dominant market share in the space sector.

In the defence sector, Saft has no major global competitor that can reach out to all regions and markets, but faces multiple

small to medium sized regional manufacturers of cells and batteries depending on the geography, the market, the application and the technology. Main competitors are Ultralife Batteries Inc and EaglePicher Technologies LLC in the United States.

New organisation from January 2016

Since 1 January 2016, following the Group's restructuring under Power 2020 strategic plan, Group's business segments and monthly reporting are structured around the following four operating segments:

the Industrial Standby division, which manufactures batteries used for stationary back-up power in industrial infrastructures;

the Transportation, Telecom and Grid division, which manufactures batteries used for back-up power in telecommunication networks, back-up and traction power for aviation and rail applications as well as batteries for renewable energy storage;

the Civil Electronics division which mainly manufactures non rechargeable batteries for professional electronic devices such as electric meters (water, gas, electricity), automatic meter reading and road tolling systems, computer memory back-up systems, radios and other portable systems for soldiers;

the Space and Defence Division, which manufactures batteries for satellites and launchers, missiles, torpedoes and other military equipment as well as batteries for marine vessels.

1.5 SUSTAINABLE DEVELOPMENT

For Saft, the sustainable development principles of environment and corporate social responsibility are key priorities. The batteries manufactured by Saft supply electrical energy without producing any emissions during use. Their impact in the other phases of their lifecycles, during manufacturing and recycling in particular, are duly analysed in order to reduce their footprint, and the human dimension is a major strategic axis for Saft.

1.5.1 ENVIRONMENT

Efficient use of resources and reducing environmental impact are key issues. Saft is committed to high standards of environmental stewardship and is fully aware of its responsibility to develop sustainably responsible products. Saft's actions range from eco-design, life-cycle assessments, using recycled raw materials and reducing its own emissions, to ensuring that its customers have access to recycling solutions for batteries having reached their end of life. In addition to saving energy and reducing CO_2 emissions in its factories, Saft has brought about revolutionary changes with lithium-ion rechargeable technology, improving performance and extending the lifetime of industrial batteries and thus, reducing their environmental footprint.

Clean energy

All of Saft's batteries are emission-free boxed energy solutions that are designed to be light and long-lasting, which means they reduce fuel consumption of vehicles, for example. As they are replaced less often, they have less of an impact on the environment.

Of all of Saft's battery solutions, Li-ion technology in particular contributes to light-weight solutions in various applications. It is used to create sustainable solutions for future transport using electric and hybrid vehicles providing silent, CO_2 emission-free electric propulsion.

Li-ion battery technology also makes wind and solar energy available when and where it is needed, so that these renewable energy sources can be added to the energy mix. Wind and solar energy are intermittent and unpredictable by nature. Saft's energy storage solutions compensate for fluctuations, so that distribution grids can cope and avoid curtailment.

Sustainable design

Saft makes considerable Research and Development effort to continually reduce weight, lengthen life, and provide more power. Saft helps its customers to develop innovative solutions that reduce energy consumption and protect the environment by designing and producing high-technology batteries tailored

to specific needs. Saft's product developers cooperate with recyclers to include recycling-related constraints in the product's initial design without impacting performance.

Recycling

Since the 1990s, Saft has been recycling end-of-life industrial batteries through a network of battery Bring Back points spanning over 30 countries and 5 continents. These Bring Back points consolidate and deliver spent batteries to fully permitted recyclers located in the European Union, North America and Asia. Recycled materials are reused to produce new batteries or in other industries. Saft's Li-ion batteries are recycled using a cost-effective, environmentally friendly, certified and dedicated industrial process. The goal is to ensure a responsible use of resources.

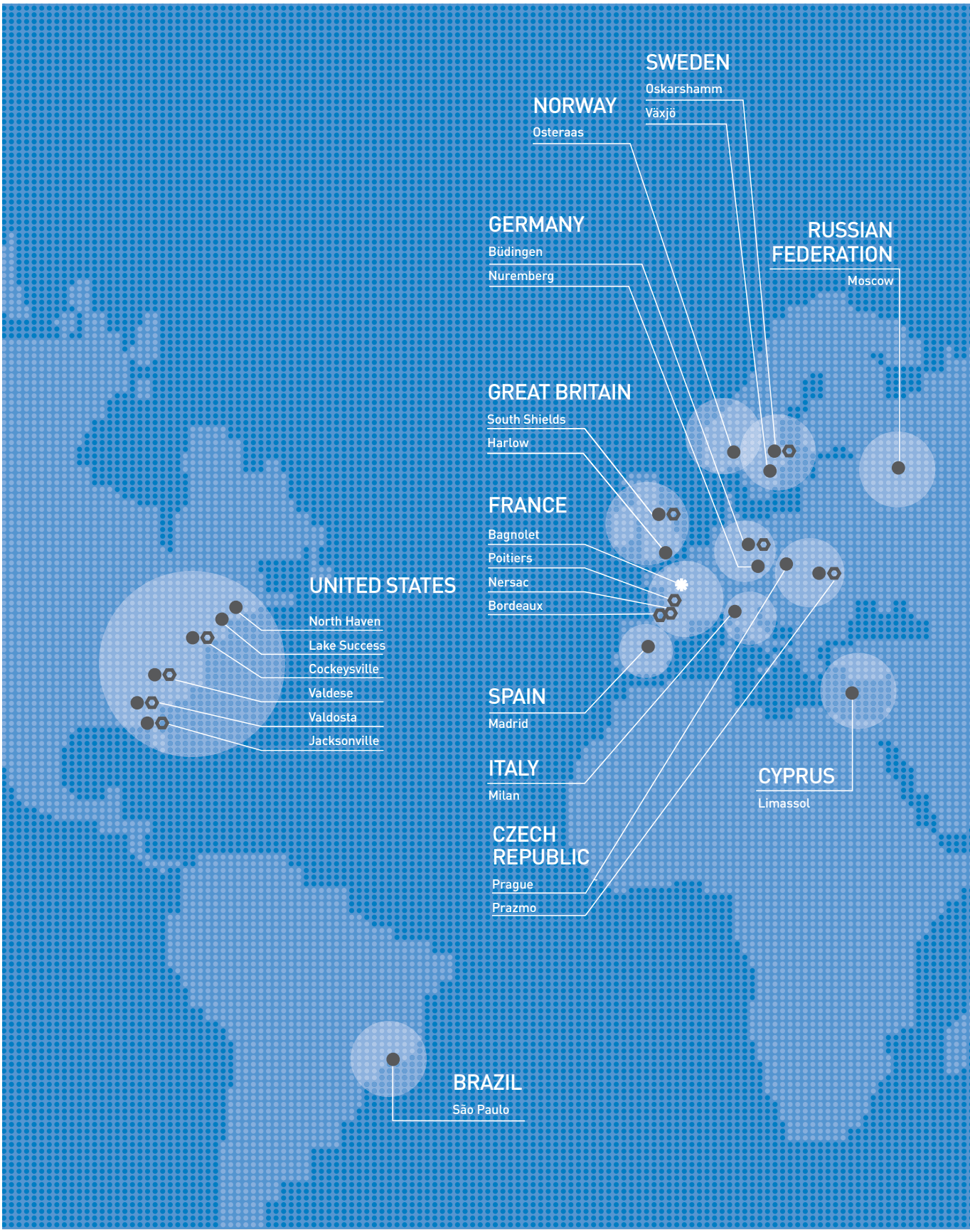
Manufacturing

Saft is committed to limiting the impact of its manufacturing process and is fully compliant with national laws and regulations. Saft's major sites meet ISO 14001 certification, and the Company monitors indicators to assess the impact of operations on the natural environment. Saft documents its regulatory compliance and shares results with local supervisory authorities. Saft performs well on emissions and releases, water usage and energy consumption, with impacts following a downward trend (see details in Section 3.1.7). Saft is also currently expanding its environmental reporting.

1.5.2 CORPORATE SOCIAL RESPONSIBILITY

The human dimension is a major strategic axis for Saft, which makes every effort to exceed legal health and safety requirements to reduce risks, improve working conditions, safety, compensation, and training. Saft strives to be a high quality employer that empowers and promotes talents, recruiting and managing its employees in an ethical and responsible manner, and developing skills. In addition to human resource development and management and a reward and recognition systems, labour relations and occupational health and safety are key concerns. Saft encourages every employee to contribute to achieving the Company's sustainability goals by supporting economic progress, environmental stewardship and social development.

1.6 ORGANISATION AND LOCATIONS



SAFT WORLDWIDE

Our international network grew in 2016 with the opening of our Tokyo office, consistent with our strategy of being close to our customers so that we are there when they need us.

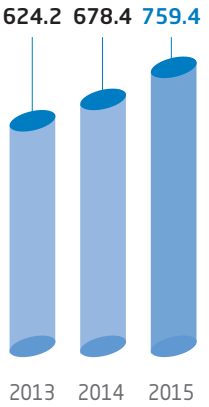
1.7 KEY FIGURES

**ANNUAL SALES GROWTH OF 1.9%
AT CONSTANT PERIMETER AND EXCHANGE RATES.**

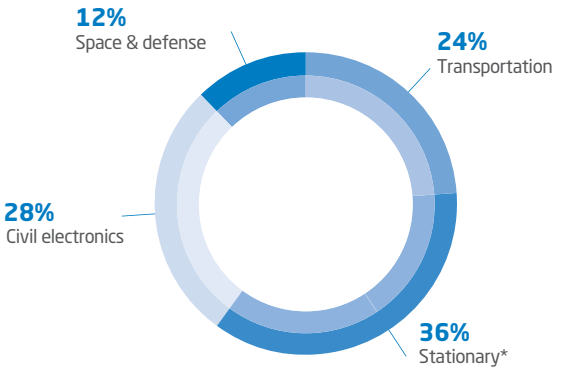
**REPORTED NET INCOME OF €13.6 MILLION.
ADJUSTED NET INCOME* OF €49.5 MILLION.**

SALES

(in € million)



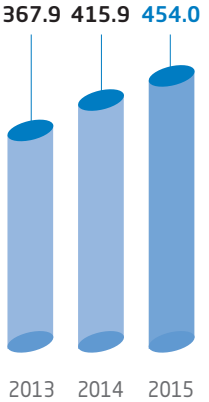
2015 CONSOLIDATED SALES BY MARKET SEGMENT



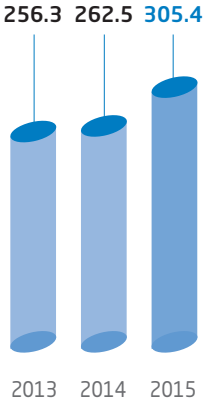
** Including sales of electrodes to Arts Energy.*

CONSOLIDATED SALES BY DIVISION

(in € million)



Industrial Battery Group



Specialty Battery Group

* *Net income, adusted for the impact, net of tax, of non current impairment of assets and restructuring costs.*

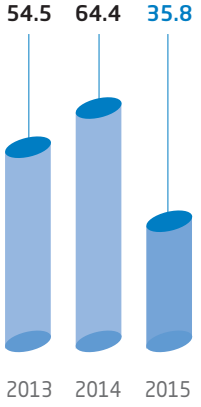
EBITDA[1]

(in € million)

(1) EBITDA is defined as operating profit, before depreciation, restructuring costs and other operating income and expenses.

EBIT[2]

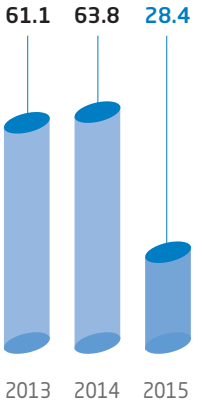
(in € million)



(2) EBIT is defined as operating profit before restructuring costs and other income and expenses.

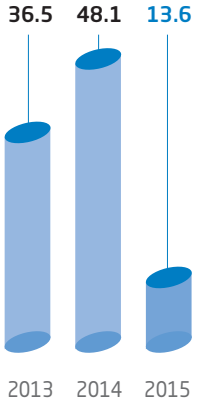
OPERATING PROFIT

(in € million)



NET INCOME

(in € million)

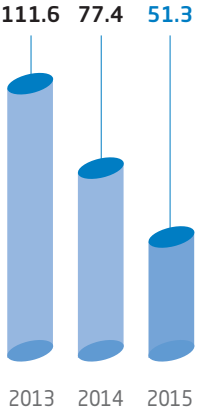


SHAREHOLDER'S' EQUITY

(in € million)

NET DEBT

(in € million)



1.8 SHAREHOLDERS AND STOCK MARKET INFORMATION

DIVIDEND FOR THE YEAR

2014	**0.82**
2013	0.78
2012	0.75

Saft will propose an ordinary dividend of €0.85 per share to shareholders at their annual General Meeting in May 2016.

IDENTIFICATION

Listing: Euronext Paris

Market: Eurolist Compartiment B

Indexes: SBF 120, CAC Mid 60, CAC IT, CAC Mid 100, CAC PME, Enternext PEA PME 150, CAC Industrial Index, TECH 40

ISIN code: FR 0010208165

Eligible security for French equity saving plan (PEA, PEA PME) and for deferred settlement service (SRD) for long positions.

FINANCIAL CALENDAR 2016

Extraordinary General Meeting:
March 07, 2016

Q1 turnover:
April 21, 2016

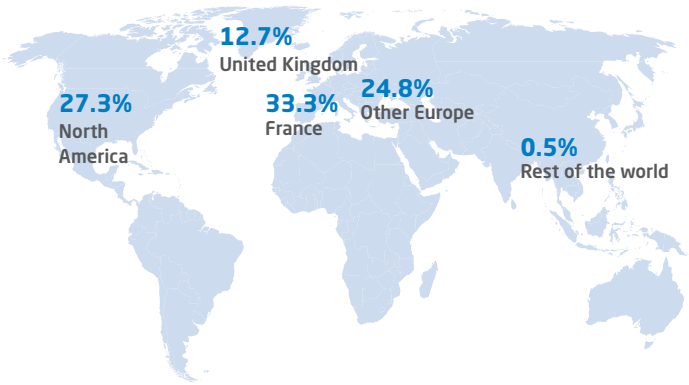
Shareholders Combined General Meeting:
May 12, 2016

Q2 turnover and half year earnings:
July 27, 2016

Q3 turnover:
October 20, 2016

CAPITAL DISTRIBUTION*

THE SPLIT BY REGION IS AS FOLLOWS:



85.9% Institutional shareholders
12.8% Individual shareholders including management of the Group
1.3% Treasury stock

MAIN SHAREHOLDERS

Harris Associates:	**8.61%**
UBS Group AG:	**5.28%**
Caisse des Dépôts et Consignations:	**4.25%**

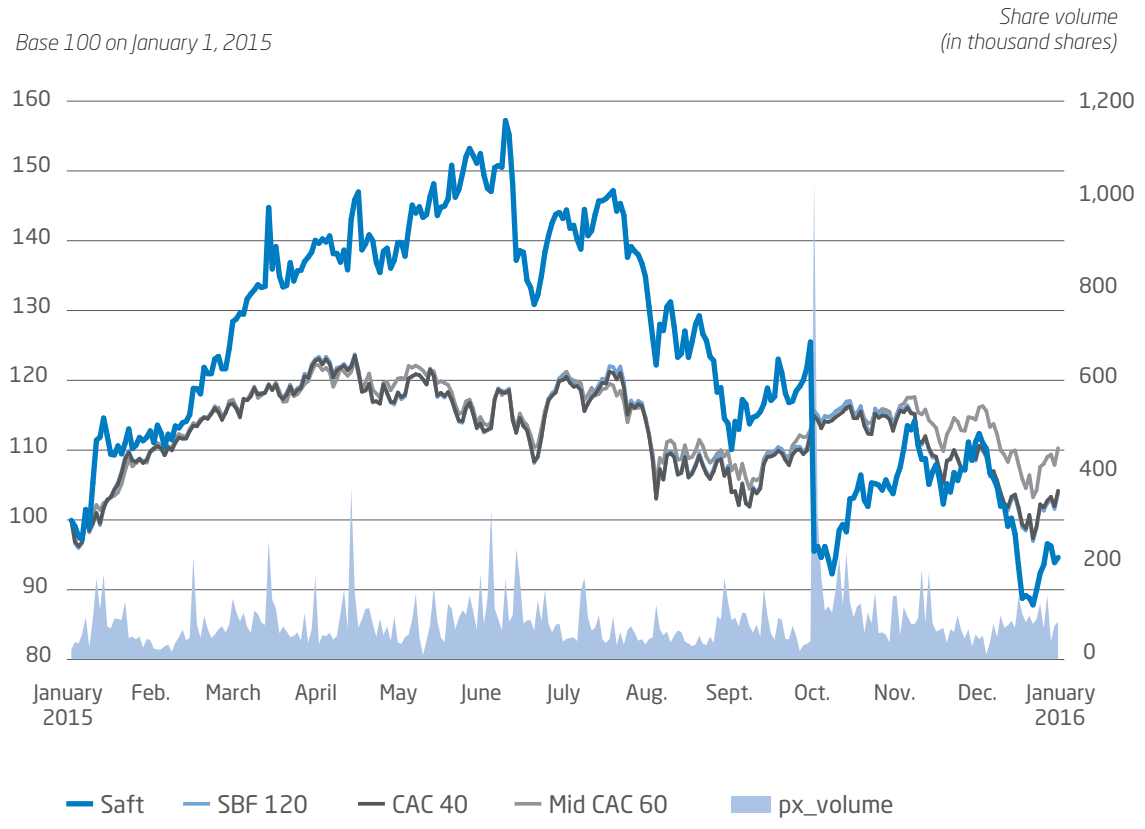
* *Based on an analysis of shareholdings at 09 february 2016.*

STOCK MARKET INFORMATION

(in euros)

Share price	2015	2014	2013
Highest	40.12	29.56	25.00
Lowest	23.50	22.30	16.67
Closing price for the year	28.09	25.15	25.00
Change in the year	12.4%	0.60%	41.24%
Change in the CAC 40 index during the year	8.5%	(0.54)%	17.99%
Change in the SBF 120 index during the year	9.0%	0.69%	19.49%
Change in the CAC Mid 60 index during the year	16.2%	9.31%	26.83%
Stock market capitalisation at 31 December ***(in million euros)***	744	669	646
Annual transaction volume ***(millions of shares)***	21.61	12.63	11.52
Number of shares comprising the share capital at 31 December	26,501,372	26,605,032	25,853,811
ANNUAL SHARE CAPITAL TURNOVER	**X 0.82**	**X 0.47**	**X 0.45**

SHARE PRICE EVOLUTION



2

Risk Factors

This Chapter describes the significant risks to which the Group considers it is exposed. Saft conducts its business in a constantly evolving, competitive and technological economy. Due to its worldwide operations it is exposed both to risks inherent in its business as well as to external risks.

To manage its risks, Saft's senior management and employees are responsible for the implementation of internal control and risk management procedures. The process for internal control and risk management is described in the report of the Chairman of the Supervisory Board presented in Chapter 4 "Corporate Governance" of this Registration Document.

Since 2004, the Saft Group has established a risk mapping process to identify the major risks to which it is exposed. This risk mapping, which is updated regularly, ranks all risks identified based on their potential impact, the probability that they will occur and on an assessment of the level of management for each one of them.

In the updating of the risk map at the end of the 2015 financial period, the Company performed a review of risks that could have a material adverse effect on its business, financial position or results and its ability to achieve its objectives, and it feels there are no risks, other than those listed below, that the Company deems relevant and meaningful (sections 2.1 to 2.5).

Some risks may be subject to a transfer as part of Saft's policy governing insurance. This procedure is described in section 2.6.

The Group, however, cannot provide an absolute guarantee that it will reach its objectives and eliminate all of its risks. It is possible that some risks that are not mentioned or not identified to date may potentially affect profits, objectives, its reputation or even the price of Saft's shares.

2.1 RISKS RELATED TO THE MARKET ENVIRONMENT AND THE GROUP'S ACTIVITIES

2.1.1 RISKS RELATED TO EXPOSURE TO A HIGH LEVEL OF COMPETITION AND PRICE PRESSURE

Types of risks

Certain segments of the Group's activities are exposed to competition from low-cost battery producers, mainly in Asia. The pressure that this competition exerts on prices could force the Group to reduce its prices, leading to a contraction of its margins.

Moreover, the possible relocation of some of the commercial or manufacturing operations of the Group's customers to Asia or other lower labour cost countries could lead to these customers deciding to source their batteries from competitors of the Group already located in these territories. This could have a considerable negative impact on the Group's business and its results.

Risk management

In order to minimise this risk, the Group prioritises its innovation strategy, with the aim of differentiating itself from its competitors in terms of the products it offers, while also seeking to improve its competitiveness. The Group has therefore implemented an investment policy in some low labour cost countries, such as the Czech Republic, China, India and Brazil, by setting up commercial units and/or manufacturing facilities there. In 2013, the Group created a subsidiary in Russia in order to develop sales of its products, then in the future to perform assembly of certain of its products.

2.1.2 RISKS RELATED TO TECHNOLOGIES USED

Loss of the Group's competitive advantage in an environment of fast changing technological development

Types of risks

Saft's business is focused on specialised markets for advanced technology batteries. Saft holds leading positions[1] in many of these markets because it provides high value-added products based on innovative technologies and its ability to customise its products according to changes in the specifications of its customers. However, the batteries market involves rapidly evolving technology. Therefore, it cannot be ruled out that the technological advances in the manufacture of batteries will not affect the competitiveness of the products made by Saft and lead to a loss of the competitive advantages currently held by the Group.

(1) Management estimate.

Risk management

To develop and gain access to new technologies, the Group channels significant resources into Research and Development. Accordingly, over the last three financial years, the Group has invested the equivalent of 9.3% in 2013, 9.5% in 2014 and 8.8% in 2015 of its revenue in Research and Development.

Uncertainties with regard to the success of lithium-ion technology

Types of risks

The Group currently develops and sells lithium-ion battery components and systems, which it believes will enable it to meet a range of requirements in a number of evolving sectors, notably those regarding storage of renewable energy and traction batteries. Saft has thus invested in the construction of a manufacturing plant for lithium-ion cells and batteries in Jacksonville, Florida (USA) and acquired the lithium-ion cell-manufacturing unit located in Nersac, France from Johnson Controls on 1 January 2013.

The Group cannot guarantee that this technology will be a success, and it cannot be ruled out that different technologies will meet the same needs. Thus, some companies have recently developed batteries using emerging technologies that are likely to be in competition with the lithium-ion technology developed by the Group.

Risk management

The Group has established a multi-year continuous development plan for this technology to best meet the expectations of the various markets addressed by the Group. In addition, it is pursuing Research and Development work in other technologies, while maintaining a forward-looking approach to its research activities at all times, and constantly monitoring the development of technologies that could potentially compete with lithium-ion.

2.1.3 RISKS RELATED TO DEVELOPMENT OF NEW MARKETS IN WHICH SAFT IS MAKING A SIGNIFICANT INVESTMENT

Types of risks

The outlook for growth of the Group's activities involving products to be manufactured at the Jacksonville, Florida (USA) and Nersac (France) facilities is, as with all commercial activities, subject to a certain number of risks. These risks are principally the following:

- uncertainties related to the development of emerging markets in which Saft is positioning itself, with lithium-ion products: Those emerging markets have currently low volumes, as for example, those relating to storage of renewable energy, as well as the markets for traction batteries for utility vehicles or buses. Moreover, although the prospects for development of these markets over the next few years are generally considered as significant, estimates relating to the level that these markets could reach vary significantly and the exact pace of this development remains uncertain. Accordingly, the growth of these markets might not reach the expected levels, and the future profitability of Saft's investments therein could be affected;
- dependence on national and international energy policies: The markets for energy storage are partly dependent on political decisions, both at the national and international level. These decisions may involve the introduction of subsidies and/or tax incentive mechanisms, or the adoption of various pieces of legislation;
- impact of commodity and fossil energy prices: The development of certain new markets for which Saft is investing in new lithium-ion production facilities in Jacksonville (USA) and Nersac (France) could be affected by fluctuations in prices, supplies of raw materials and/or fossil energies (oil and natural gas, for example). A large decrease in the price of fossil energies could thus cause a fall in demand for lithium-ion batteries to be used for energy storage;
- exposure to competition: in certain new markets, and in particular the markets for energy storage and traction batteries, Saft is exposed to strong competition:
  - some competitors, already present in these markets or seeking to establish themselves therein, may have more significant commercial, financial, technical or human resources than those of the Group,
  - some customers in these markets may consider insourcing the design or production of the type of components and products offered by the Group.

The pressure that this competition may exert on prices could force the Group to limit its prices and reduce its margins, and consequently could affect its ability to generate the expected profitability in the anticipated timeframe. This could have a considerable negative impact on the Group's business, financial position and results.

Risk management

In order to limit these risks, the Group strives:

- first, to maintain a balance between existing profitable activities and markets and developing activities and markets that generally consume cash; and
- secondly, to identify other markets or applications that can benefit from the advantages of lithium-ion products for which Saft has made significant investments.

2.1.4 RISKS RELATED TO THE GROUP'S DEPENDENCE ON CERTAIN CUSTOMERS OR CORE SECTORS

Types of risks

Saft's sales are made to many industrial customers present in very diverse sectors such as the aeronautics and rail industries, road infrastructure, public transport, oil industry, telecommunications, gas and electricity production, defence and space. However, the Group makes a significant portion of its sales to a few strategic customers. Thus, for the 2015 financial year, the Group's sales to its top 10 customers accounted for 27% of the Group's consolidated revenue. The Group's top customer in terms of revenue in 2015 accounted for less than 5% of consolidated revenue, as compared to less than 4% in 2014 and less than 5% in 2013.

Moreover, the Group's revenue and operating profit are partly related to the cyclical nature of certain activities. In particular, a significant portion of the Group's consolidated revenue is made from the Defence sector. In 2015, this represented 11% of consolidated revenue compared to almost 20% in 2009.

Defence spending for each country depends on a complex mix of geopolitical considerations and budgetary constraints. It may therefore vary significantly from year to year. Accordingly, a reduction in defence spending or the postponement of particular programmes could have a negative effect on the Group's sales, operating profit and cash flow, as well as having significant repercussions for certain production facilities.

Risk management

To limit this risk, Saft, on the one hand, constantly seeks to diversify its customer portfolio to avoid depending on a single client or on too limited a number of clients and, on the other hand, implements a global strategy aimed at striking a balance in its portfolio of activities.

2.1.5 RISKS RELATED TO THE GEOPOLITICAL ENVIRONMENT

Types of risks

The Group carries out a significant portion of its commercial and manufacturing operations in emerging countries, which have recently undergone or are likely to undergo periods of political or economic instability. In 2015, revenue recorded outside of the "Europe" and "North America" zones represented 26% of consolidated revenue. Moreover, some countries in which the Group operates have underdeveloped or un-protective legal frameworks, which can affect the Group's ability to enforce contractual rights.

Saft is therefore exposed to risks that could affect its financial position, notably:

- a more restrictive control of foreign exchange that could limit or block a currency from leaving a customer country and its ability to honour its debts;
- discriminatory measures taken against Saft that could pose a threat to the Group's business in a particular country (expropriation, nationalisation, etc.);
- an unexpected breach of contract or commitment;
- difficulties in protecting the Group's intellectual property.

Risk management

Although Saft's growing internationalisation enables it to spread geopolitical risk, the Group makes every effort to identify ways of limiting the financial impact of this risk. Where necessary, it may turn to insurers to take out appropriate insurance policies or resort to financial payment hedging instruments for certain countries (bank guarantees, Coface guarantees, etc.).

2.1.6 RISKS RELATED TO POTENTIAL DISAGREEMENTS BETWEEN SAFT AND ITS PARTNERS RELATING TO THEIR JOINT SUBSIDIARIES

Types of risks

As part of its manufacturing and commercial activities and in line with its strategic goals, Saft may decide to enter into joint venture agreements with specific partners. Should the relationship between Saft and any of its partners deteriorate, or the terms of their agreement no longer be respected, Saft's assets and commercial activities could be affected. Furthermore, any dispute between the parties, management disagreement or any decision to terminate the joint venture agreement could have a material adverse impact on the Group's commercial activities.

Risk management

In order to limit the risk inherent in any partnership and to safeguard its interests as best as it can, Saft endeavours to ensure that any such agreements contain a certain number of governance rules regarding the joint management of the Company including, for example, the need for the two parties to agree on all important decisions.

At present, the Saft Group's only joint venture is ASB, in which it holds a 50% interest, the same as the Airbus group. This company mainly produces thermal batteries for military use. Shareholder relations are governed by a shareholder agreement, which was renewed in 2006. This agreement contains provisions designed to protect the Group's interests, notably in the event of a change in control, as described in Chapter 10 of this Registration Document.

Note 28 to the consolidated financial statements details the key financial data concerning the Saft Group's joint venture as at the end of the 2015 financial year.

2.2 OPERATIONAL RISKS

2.2.1 RISKS RELATED TO NON-QUALITY AND SAFETY OF PRODUCTS

Types of risks

The success of Saft's business depends on the quality of its products and its relationships with customers. As the batteries manufactured are often complex and are mostly used in critical applications, Saft cannot guarantee that its customers will not encounter defects or quality problems with its products. In the event that its products or services fail to meet its customers' standards or in the case that their failure could cause damage to the products/systems in which they are installed, the Group's reputation could be harmed, which could adversely affect its marketing and sales efforts, and therefore have an impact on its competitive position.

The Group is also subject to the risks inherent in the development and production of new products, in particular delays in the management of projects that could lead to cost overruns and product failures.

Risk management

In order to mitigate these risks, Saft operates detailed development, manufacturing and testing processes, as well as quality control procedures, at all times. Product safety is taken into account through specific procedures in the product development phase.

Furthermore, Saft has brought all of its continuous improvement processes for quality and performance under a global umbrella programme called Saft World Class. Proven quality management procedures are thus deployed at all Group sites:

- quality standards: all of the Group's sites have ISO 9001 certification and most of them have supplementary certifications depending on the requirements of their markets;
- the 5S and visual management: each Saft production facility employs this type of management so that any anomaly can be rapidly identified and corrected. The methods for problem resolution such as the 8D are also implemented in the Group;
- process management: relies on various tools, such as equipment design standards, error-proofing systems and Statistical Process Control (SPC).

2.2.2 RISKS RELATED TO THE CAPACITY TO ATTRACT AND/OR RETAIN TALENT

Types of risks

Saft's success is highly dependent on the quality and experience of its management team, and of key employees responsible for manufacturing processes and Research and Development. These highly qualified employees have generally been at the Group for a number of years, and have an excellent knowledge of its business and the sectors in which it operates. The departure of one or more managers or key employees could lead to a loss of expertise and affect the Group's ability to grow some of its businesses or achieve certain strategic objectives.

The Group's future success will partly depend on its ability to attract, train, motivate and retain highly qualified employees and managers. However, given the intense competition to attract employees with such qualifications, there can be no assurance that Saft will be able to do so.

Risk management

In order to limit the impact of this risk, Saft HR policy is based, in particular, on programs of anticipating needs and talent retention:

- drafting of a succession plan for management teams and key employees;
- implementing a process for rewarding performance and retaining staff such as:
  - development of rewarding and challenging careers,
  - implementation of programs for skills development and change management through trainings,
  - implementation of an attractive remuneration system.

These measures are described in more detail in section 3.2 of this Registration Document.

2.2.3 RISKS RELATED TO THE FAILURE OF SUPPLIERS

Types of risks

As with any manufacturing company, Saft is exposed to a risk related to the quality and durability of its raw materials and components supplies. Like any company that manufactures high technology products, Saft regularly uses a number of

suppliers of specialised products. If one or more of these suppliers were to fail, it could have a significant impact on the Group's business and financial performance.

In 2015, Saft's first supplier represents 3% of the Group's cost of raw material and components; the first five 16% and the first ten 28%.

Risk management

In order to limit these risks, each unit has supplier *risk evaluation* procedures in place, at least annually, as does the management of the Group's Purchasing Department. In addition, progress plans and specific action plans are regularly drawn up and implemented according to the risk levels identified.

2.2.4 RISKS OF INTERNAL CONTROL FAILURE AND RISKS OF FRAUD

Types of risks

Saft's international profile means that its administrative, financial and operational processes are managed in various legal and regulatory environments, with varying degrees of Internal Control and risk management sensitivity from one entity to another. Moreover, they may be managed with different information systems.

In this context, Saft cannot rule out a failure of Internal Control or an instance of fraud that could have a significant financial impact and/or harm the Group's reputation.

Risk management

In order to mitigate these risks, Saft has set up a review process of its Internal Control, based on a set of rules and procedures that it has circulated to all its subsidiaries. In addition, regular audits of different Group sites or audits of processes are carried out according to a programme established and approved annually by Senior Management and the Audit Committee. Lastly, Saft has implemented a number of initiatives to raise the awareness of employees of risks relating to fraud, corruption or non-compliance with the Group's rules of ethics.

The process of evaluating risks is described in greater detail in the report prepared by the Chairman of the Supervisory Board, presented hereafter in Chapter 4 of this Registration Document.

2.2.5 RISKS LINKED TO INFORMATION SYSTEMS

Types of risks

Daily management activities include purchasing, production and distribution, billing operations, reporting and consolidation as well as exchange and access to internal information. It is based on a proper functioning of technical infrastructure and applications. The risk of failure or shutdown of systems and the risk of cybercrime or industrial espionage can not be ruled out, which could lead to significant financial impact and/or damage the image of the Group.

Risk management

To minimise the impact of these risks, the Direction of Information Systems of Saft Group has established strict rules on data backup, protection and access to confidential data, security of materials and applications. In addition, the Group has implemented and released an IT charter that defines best practices and responsibilities to contribute to IT security.

2.2.6 RISKS RELATED TO THE UNAVAILABILITY OF THE PRODUCTION TOOL

Types of risks

Saft's production sites may face industrial risks resulting from its activities such as machine breakdown, fire or even explosions.

Accidents of this nature, should they occur, could lead to significant delays in production and/or shipping of products to customers, and thus have an adverse effect on the Group's business, results, financial position or reputation.

Risk management

To limit this risk, Saft has established safety procedures in its Research and Development activities and production operations, and has taken steps to raise awareness among and provide regular training for its employees.

In addition, the Group implements an external insurance policy to cover these industrial risks. This policy is described in section 2.6 hereinafter.

2.3 FINANCIAL RISKS

2.3.1 LIQUIDITY RISK

Types of risk

Liquidity risk relates to the risk of Saft being unable to meet its monetary needs with the financial resources it generates from its business activities or those it mobilises through third parties. The Group's main liquidity risk is linked to its borrowings.

Risk management

Information on exposure to liquidity risk and its management is provided in note 3 of the consolidated financial statements.

The Company has conducted a review of its liquidity risk and considers that it is able to meet its future payment terms. These are presented in note 18 of the consolidated financial statements.

2.3.2 RAW MATERIAL PRICE RISKS

Types of risks

Some of the metals used by Saft in manufacturing batteries – nickel, cobalt, cadmium and silver in particular – are traded on international commodities markets. Other metals, such as lithium, are covered by international over-the-counter contracts. Raw material costs fluctuate based on supply and demand, or according to financial market forecasts, and cannot therefore be controlled by the Group.

In total, €254.8 million of raw materials and components were expensed in 2015, the first material was the nickel for 11% and the second was the lithium for 3%. The fluctuations may result in considerable variations in production costs and could therefore have a significant impact on the profitability as the Group cannot systematically transfer all of the price increases to its customers.

Risk management

Quantitative information on exposure to raw material price risk and its management is provided in note 3 of the consolidated financial statements.

2.3.3 FOREIGN EXCHANGE RISK

Types of risks

Given the Group's international presence, it is exposed to fluctuations in exchange rates:

- in relation to its operational activities, both industrial and commercial;
- in relation to its financing activities;
- but also during the euro conversion process of the accounts of its subsidiaries denominated in foreign currencies.

The Group's exposure to foreign exchange risk is mainly related to fluctuations of the US dollar, Swedish krona and pound sterling against the euro, and of the shekel and the Swedish krona against the US dollar.

Risk management

Information on exposure to foreign exchange risk and its management is provided in note 3 of the consolidated financial statements.

2.3.4 INTEREST RATE RISKS

Types of risks

The Group is subject to fluctuations in interest rates, almost exclusively as a result of its long-term debt.

Risk management

Information on exposure to interest rate risk and its management is provided in note 3 of the consolidated financial statements.

2.3.5 CREDIT RISKS

Types of risks

Credit risk is the risk that a debtor does not settle a debt in due time. Because of the nature of the Group's business, trade receivables constitute the main source of credit risk to which the Group is exposed.

Risk management

Information on exposure to credit risk and its management is provided in note 3 of the consolidated financial statements.

2.3.6 COUNTERPARTY RISKS

Types of risks

Counterparty risk is the inability of a counterparty to fulfil its obligations. The Group is exposed to counterparty risks in the transactions on the financial and banking markets that it uses to manage foreign exchange and interest rate risks and to manage its payment flows.

Risk management

Information on counterparty risk and its management is provided in note 3 of the consolidated financial statements.

2.3.7 SHARE PRICE RISK

Types of risk

The Group has implemented a liquidity contract in order to improve the liquidity of Saft Groupe SA stock on the Paris stock exchange (Euronext). The Group's exposure to equity market risks is solely linked to fluctuations in the price of treasury shares.

Risk management

The data relating to transactions in the Company's own shares throughout the financial year, and the measures taken to manage this risk, are presented in section 8.6 of this Registration Document.

2.4 CONTRACTUAL AND LEGAL RISKS

For all of the risks listed below, the Group's Legal Department assists operational people in the negotiation and drafting of sales contracts, as well as the management of litigation. It has also set up standard contracts and documentation accessible to all subsidiaries and provided special training on major risks.

2.4.1 RISKS RELATED TO PRODUCTS AND SERVICES SOLD

Types of risks

In selling its batteries, Saft guarantees the functioning and/or the compliance of its products with specifications defined by its customers, for periods between one and ten years. Moreover, in the event of the failure of a battery produced by Saft to function properly, Saft could face liability for bodily injury, or for pecuniary or immaterial damage suffered as a result. Saft could also face liability resulting from a design error of a complex battery or of the failure to function properly due to the interface with other systems. The failure of a battery to function properly could involve costs linked to the return of products by customers, require new development investment and monopolise technical and economic resources. Any such costs could have a significant impact on the Group's profitability and cash flow. Saft's commercial reputation could also be damaged, leading to a loss of certain customers and a significant reduction of its consolidated revenue.

Risk management

In order to prevent such risks, Saft has implemented quality procedures in production and subjects its manufactured products to functional tests. In the case of returned products, the nature and the origin of failures are analysed and corrective actions are implemented.

The Group has put in place insurance policies, in particular to cover its civil liability and the risk of product returns. The Group's insurance policies in place are analysed in section 2.6 hereinafter.

Finally, Saft accounts for provisions for guarantees calculated on the basis of historical statistics. These provisions are detailed in notes 2.22 and 21 to the consolidated financial statements.

2.4.2 RISKS RELATED TO EXPORT CONTROL

Types of risks

Exports represent a significant portion of Saft's business, and mainly involve batteries produced for sensitive sectors such as space or defence.

The export of these batteries from the countries in which they are manufactured may be restricted or subject to the granting of licences. This applies to the Group's exports from the USA, the UK, France, Israel and Germany. In addition, the geopolitical context leads States to adopt measures to restrict or ban exports of certain critical or strategic products for the defence. These measures may concern Saft batteries.

There is no guarantee that the export restrictions will not become stricter, which could reduce Saft's ability to fulfil contracts and could have a negative effect on its revenue, financial position and profitability.

Risk management

In order to limit the risks of sanction from the States having taken measures to restrict exports, Saft provides legal oversight on regulations on export controls and ensures the compliance of its operations to its legal obligations.

2.4.3 LITIGATION RISKS

Types of risks

To the Company's knowledge, as of the date of this Registration Document and for at least the last twelve months, there have been no exceptional developments, or governmental, judicial or arbitration proceedings (including any suspended or threatened proceedings known to the Company), which have had recently, or could have, any significant impact on the financial position or profitability of Saft Group.

Risk management

The amounts of provisions set aside for pending litigation is disclosed in note 21 of the consolidated financial statements.

2.4.4 RISKS RELATED TO INTELLECTUAL PROPERTY

Types of risks

In consideration of the highly technological nature of its products and of the importance of innovation in its strategy, the Group's activity relies in particular on the use of intellectual property, patents and know-how. The Group's patents, know-how and brand names ("intellectual property rights") represent a major part of its assets.

The unauthorised use of the Group's intellectual property is however difficult to control, in particular in foreign countries in which existing laws do not always effectively guarantee the protection of its rights. These rights may be infringed or used without Saft's consent, which could have a major negative effect on its reputation and on the results of its operations. Moreover, given the increasing complexity of systems and batteries designed by Saft, it cannot be totally excluded that Saft may infringe intellectual property rights of third parties.

Risk management

In order to limit the risk of counterfeiting, the Group's Research and Development Department provides technological monitoring and protects the inventions against any disclosure and files, when possible and/or desirable, patent applications in competent courts. Through this technological monitoring, this department ensures that systems developed by Saft do not infringe existing intellectual property rights.

The Group's Legal Department registers and renews brands and performs monitoring work to prevent or put an end to any infringement on its brands.

The protection of know-how is also organised by the implementation of policies relating to the retention of personnel, the transmission of knowledge, the inclusion of confidentiality clauses in employment contracts or contracts with third parties, and non-competition clauses in employment contracts.

Lastly, the Saft Group does not depend on any patent or licence the loss of which could have a material impact on its operations or profitability.

2.5 RISKS RELATED TO THE IMPACT OF THE GROUP'S BUSINESS ON THE ENVIRONMENT, HUMAN HEALTH AND SAFETY

2.5.1 ENVIRONMENTAL RISKS RELATED TO OPERATING FACTORIES

Types of risks

In each country where the Group operates an industrial facility, it is subject to a large number of local, national and international environmental protection laws and regulations. In particular, these laws and regulations impose increasingly restrictive rules on atmospheric emissions and waste water discharge; the use, storage and disposal of hazardous substances, soil protection; removal of asbestos; transport of products, collection, recycling and/or disposal of waste.

These environmental laws and regulations therefore expose the Group to the risk of having to bear significant costs and responsibilities, including in relation to assets sold, transferred or past activities:

- the Group could be required to incur significant additional operating expenses and significant investment obligations in the event that new laws, regulations or government policies are adopted, decided or required, or in the event of additional demands by competent authorities;
- additional regulations could limit the Group's ability to modify its processes or expand its factories or to continue to operate a facility;

- additional regulations could also oblige the Group to implement pollution prevention measures, or to incur new costs for the remediation of existing sites;
- the Group could be required, in the future, to contribute to the remediation of sites or plants owned or operated by third parties, and on or in which the Group has stored or disposed of the waste it has generated;
- failure to comply with these requirements could result in administrative or criminal sanctions (fines), or civil compensation claims.

Risk management

The Group invests significant sums to ensure that it minimises the risks of harming the environment in conducting its activities, and regularly makes the investments necessary to meet regulatory requirements. In particular:

- the Group's central objectives comply with these legal requirements and the control systems operated at each manufacturing site in order to ensure such compliance have been documented and certified in accordance with the international ISO 14000 standard for most European sites;
- the Group has progressively set up indicators that are used to evaluate the impact of its operations on the natural environment. These are provided to local supervisory authorities and are subject to consolidation and internal monitoring. Detailed information on these indicators is provided in section 3.1 of this Registration Document.

In addition, when Doughty Hanson acquired the Alcatel group's battery business, Saft Finance Sarl (a direct subsidiary of Saft Groupe SA) was granted a certain number of contractual guarantees in respect of environmental matters, including in particular – within certain limits – the costs of remediation of sites and land affected by the Group's operations prior to 2004. These guarantees were effective until the beginning of the year 2014. To the current knowledge it is not expected that the remediation of sites and land affected by previous operations achieved before 2004 lead in the future to significant expenses.

2.5.2 RISKS RELATED TO THE AVAILABILITY AND USE OF CHEMICAL SUBSTANCES

Types of risks

The Group's efforts to control the risks involve in particular the design of products and associated production processes to limit their impacts. This helps to minimise the regulatory and legal risks.

On 30 December 2006, a European Union regulation named REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) was published in the Official Journal of the European Union. The purpose of REACH is to improve the protection of human health and of the environment via systematic evaluation of the properties of chemical substances and the risks they pose. This regulation also provides for stricter rules to govern the use of certain chemical substances identified as "Substances of Very High Concern (SVHC)" by an authorisation process, which can provide their substitution by alternative substances when suitable replacements have been identified.

Three substances used by the Saft Group in the manufacturing of certain types of batteries have been evaluated as "Substances of Very High Concern". This registration could lead the European Chemical Agency (ECHA) to place these substances on the Authorisation List (Annex XIV REACH), at any time.

Risk management

In 2008, Saft completed an evaluation of the impact of REACH on its operations and identified the steps necessary for compliance with this regulation. Following this study, Saft carried out, in the times required by the regulation, the first two steps for substance registration of which the Group is the producer or importer, and is preparing to carry out the required registrations by the third and last deadline of REACH. In addition, the Group contacted its suppliers to determine whether they had also completed the necessary formalities. Finally, Saft Group continues to carry out actions to ensure compliance with the other requirements of this Regulation.

To its current knowledge, Saft does not expect that the REACH authorisation process will lead to the Group having to stop making or selling any of its finished products in Europe.

The steps taken by Saft to comply with this regulation are described in section 3.1 of this Registration Document.

2.5.3 RISKS RELATED TO THE END OF LIFE OF PRODUCTS SOLD

Types of risks

On 26 September 2006, a directive on batteries and accumulators was published in the Official Journal of the European Union under the reference 2006/66/EC. The aim of this directive, which has been applicable since September 2008, is to:

- on the one hand, ensure that used batteries and accumulators are collected and recycled at the end of their life cycle;

- on the other, limit the use of mercury in batteries and accumulators for non-military purposes and of cadmium in most batteries for non-industrial, non-professional or non-military purposes.

The Group is not affected by the limitations of use of the substances described above, because the products manufactured and sold by the Group comply with the principles edicted by the directive. The European commission, however, may at any time re-examine the current derogations to the prohibition of certain substances and could propose additional limitations, that, if approved by the European Parliament and the European Council, could possibly affect market segments in which the Saft Group operates.

Risk management

In the mid 1980s, Saft has developed in Sweden and throughout northern Europe, a service to collect and recycle industrial nickel accumulators for the benefit of users of these products. In the 1990s, this service was extended first to all of Europe, then in the developed countries in which the Group operates. Finally, since 2000, this service is gradually deployed in emerging markets.

This initiative is based on continuously larger network of logistics partners, which act as free points of collection for users of these products, and also based on recycling plants that extract metals and plastics and ensure their reuse in industrial sectors.

Saft requires from all recycling partners, European as non-European, to comply with the objectives of recycling efficiency demanded by the European directive, thus guaranteeing a high level of environmental performance to all its customers, regardless their geographical location.

In addition, this program has been extended to ensure the collection of primary lithium batteries in European countries where Saft has a Producer status.

This network – see the http://www.saftbatteries.com website for details – enables users of those products to ensure, at lower cost, a correct end of life with respect to environment, while ensuring good management of natural resources. It also enables Saft to comply with the obligation for recovery and recycling imposed by the Directive 2006/66/EC since 2008 to producers of batteries and accumulators located in European Union countries. The steps taken by the Group on recycling are described in detail in section 3.1 of this Registration Document.

2.5.4 RISKS TO HUMAN HEALTH AND SAFETY

Risks related to the use of substances that are hazardous to human health

Types of risks

In the manufacture of its products, the Group has used and continues to use significant amounts of materials that are hazardous to human health. Some employees or sub-contractors may also have been or are being exposed to these substances which are harmful to health and could develop diseases for which they may seek to hold the Group liable.

Risk management

The corresponding risks are the subject of strict prevention measures and monitoring, such as the use of suitable protective materials, frequent training programmes as well as regular, compulsory health checks for employees.

2.6 INSURANCE

The Group has a policy of obtaining external insurance coverage for risks relating to the manufacture and sale of its batteries, and insuring such risks at reasonable rates. The coverage of insurable risks within the Group is reviewed regularly to take into account the emergence of new risks or changes in risks already insured, which could lead to an adjustment of deductible insurance or insurance limits. In order to obtain the best possible coverage for all the Group's companies, Saft relies on the services of an international insurance broker, which negotiates insurance policies on its behalf. In general, most of the Group's insurance policies contain a coverage limit that applies either per claim or per year and per claim. In some cases, coverage is limited by a certain number of exclusions or deductible insurance. They are regularly reviewed by Saft with regard to the Group's activities and risks.

The principal risks covered are as follows:

- the Group's civil liability in its activities resulting from bodily harm, property or consequential damage caused to third parties;

- damage to assets and resulting business interruption. This coverage is designed to prevent any significant loss and ensure continuation of operations in the event of an accident;
- damage caused by transport of its production assets or equipment, finished or semi-finished products or raw materials;
- the Group's liability due to its activities as a supplier to the aeronautics industry;
- the Group's liability due to its activities as a supplier to the space industry;
- financial losses resulting from fraudulent acts committed by third parties or by employees to the detriment of the Group or a customer of the Group;
- environmental risks related to the Group's production sites.

3

Sustainable Development

3.1 AREAS OF SUSTAINABLE DEVELOPMENT OF THE SAFT GROUP

A SUSTAINABLE INDUSTRIAL PROJECT IN WHICH INDIVIDUAL PERFORMANCE IS THE BASIS OF COLLECTIVE SUCCESS

The Saft Group believes that Human Resources management is an essential lever for development of its capacity for innovation, its international footprint and the satisfaction of its customers.

To be successful, the Saft Group must anticipate the needs of its clients and invest in new generation technologies, and it has a responsibility to develop the talent needed to sustainably support its growth.

The Group pursues a strategy to differentiate itself through innovation and adopt a policy that considers each creative initiative as a source of economic performance in the high technology sector.

Present on five continents, Saft's multicultural dimension is founded on a policy that promotes mobility and diversity. The frequent professional mobility that takes place in the Company each year is proof of our active career management.

A MEASURED ENVIRONMENTAL FOOTPRINT

While the products manufactured by the Group improve the environmental performance of its customers, the Group itself must however make sure that its environmental impacts are known and minimised. In this regard, the Saft Group has created an environment charter that guides its action in several areas:

- to acknowledge its legal obligations to insure regulatory compliance of its industrial sites;
- to identify the environmental challenges, quantify them and reduce the impacts in an environmentally responsible manner in the design, provisioning, manufacturing operations and end-of-life management of its products;
- to develop an environmental management system that promotes best practices internally and externally by proposing solutions to its clients that help them better control the impacts of their Saft products.

A COMPANY THAT TAKES PART IN ITS SOCIAL ENVIRONMENT

Within the Group, the health and safety of employees and subcontractors are a priority. Saft faces its industrial challenges by remaining a quality employer and a supplier with high professional standards.

In all of its operations throughout its activities, Saft adheres to the values of integrity and respect for fundamental rights. The Group therefore does not tolerate any violation of human rights or the rights of children, nor any serious breach in health and safety, nor fraud or corruption in any of its subsidiaries and suppliers.

3.2 ENVIRONMENTAL RESPONSIBILITY

Protecting the environment is a driving force within the Saft Group. This principle is applied to all Group subsidiaries and spans the whole life cyle of its products, from cradle to grave. The batteries manufactured by the Group supply electrical energy without generating any emissions during use. Furthermore, the environmental impacts of the products in the other phases of their life cycle, in particular during manufacturing and recycling, are duly analysed in order to reduce them. Saft also strives to maximise the use of secondary raw materials over primary raw materials, so that the Group's products make a valuable contribution towards sustainable development.

3.2.1 GENERAL ENVIRONMENTAL POLICY

Compliance with regulatory requirements and reducing the environmental impacts of the Group's activity has been at the core of the Group's values for many years. In order to implement this policy, the Group has created a dedicated team responsible for monitoring and minimizing the environmental impact of its activities and products throughout their life cycle.

Coordinated by the Environmental Director, this team consists of Environmental Managers located at each production site, an Eco-Design Manager and a Health and Environment Program Manager.

On-site Environmental Managers are under the direct authority of the plant directors who are themselves responsible for implementing Group policy at the operational level. Trained on the specific areas of impact of the site at which he or she works, they are in charged with carrying out environmental audits and participated in the implementation of improvement plans within the framework of our Environmental Management System.

This team of environmental specialists thus raises awareness and informs plant employees about environmental issues (air emissions, water releases, waste management and particularly waste sorting and recycling, celebration of World Environment day, etc.). It is also tasked with identifying any planned new environmental regulations in advance so that they can be incorporated into practical action plans in a timely manner. All new employees received a training dedicated to environmental protection.

The Eco-Design Manager implements the Life Cycle Assessment methodology (LCA) in the Group and provides specialized support to the development teams in each division. The goal is to identify and implement efforts to reduce the impact of products manufactured.

The Health and Environment Program Manager contributes her expertise to ensure compliance with environmental requirements applicable to batteries, notably on their end of life. She is also responsible for monitoring the Group's environmental performance by means of the performance indicators detailed below.

3.2.2 LEGAL AND REGULATORY COMPLIANCE

In every country in which Saft operates a production facility, this facility operates within a technical and legal framework as part of an "operating permit", which strictly governs industrial activities with a view to minimising impacts. Such permits cover handling, storage, and emissions of hazardous substances, as well as the management of waste generated at the site.

3.2.3 CHEMICAL SUBSTANCES - REACH REGULATION

Saft has registered all substances requiring registration before 1 December 2010 and before 1 June 2013, as well as several other substances for which the registration deadline is set at a later date (1 June 2018).

Saft is also monitoring the list of Substances of Very High Concern (SVHC), drawn up by the European Chemicals Agency (ECHA), and actively exchanges information with its supply chain to ensure the effective dissemination of all information regarding the presence of SVHC substances in a purchased preparation or item, thereby complying with its disclosure requirements towards the downstream chain.

3.2.4 END OF LIFE - BATTERIES DIRECTIVE (2006/66/EC)

Over the years, the Group has progressively introduced a policy of collecting and recycling its spent batteries and in particular its nickel-based range. The policy originated at Saft's Oskarshamn plant in Sweden, which built a recycling unit originally established for the recycling of production scrap. During the 1980s, the Swedish subsidiary started offering free recycling of spent batteries generated by Swedish industrial end users.

This recycling service was progressively extended to customers located in other Northern Europe. Then, during the 1990s, it became a full-fledged policy which was gradually extended to all customers located in the European Union and in North America. To this end, the Group established a network of voluntary bring-back points in a position to collect spent batteries from industrial end users, to sort them and re-dispatch them to specialized recycling facilities.

More recently, efforts have been devoted to identifying bring-back points within the new Member States of the European Union as well as in more distant countries, such as Thailand, Malaysia, Singapore, Taiwan, Australia and South Africa, and several other African countries. Today, on the Group focuses on the development of this recycling service in emerging economies where efficient waste management infrastructures are being gradually implemented.

As a result of this policy and network of partner that the Group has established, the vast majority of the Group's customers now have the option of dropping their spent batteries off at a designated bring-back point, from which the waste can be dispatched to an authorised recycler, in compliance with the rules governing cross-border waste transportation.

In 2006, a European Union directive (2006/66/EC) was adopted by the EU Council and Parliament with a view to regulating the design and end of life of batteries marketed in the European Union. This directive establishes some design limitations as well as an extended producer responsibility regarding the end of life and the recycling of spent batteries.

Thanks to the deployment of this take back policy over many years, a simple adaptation was sufficient to ensure compliance with 2006/66/EC directive and its obligations on collection, treatment and recycling of batteries.

More recently, this take back policy has evolved to cover different battery chemistries put on the market by the Group.

Finally, the design requirements mandated by this directive have been implemented by the Group: capacity labelling, marking with a crossed-out wheeled bin symbol and indicating the presence of certain substances.

3.2.5 ENVIRONMENTAL PERFORMANCE INDICATORS

The Saft Group has progressively developed a range of indicators to measure the impact of its activity on the environment. These indicators are consolidated and monitored for internal purposes but are also communicated to the local authorities responsible for issuing the operating permits under which our manufacturing sites operate.

Water usage

Water supply to production sites is provided by local authorities, private companies or extracted directly from groundwater. Such uses are conducted in compliance with public regulations governing the protection of water resources.

There are no particular constraints as regards the use of water from the natural environment surrounding industrial sites of the Group.

Incoming water is treated before it is used in battery manufacturing, washing and rinsing. Hence, the Group's water usage is directly correlated to production volumes and is strongly linked to its product mix. In fact, usage per facility varies greatly depending on battery technologies and manufacturing processes. It is therefore difficult to assess the evolution of water usage over time. Reduction in usage can be achieved by implementing more economical industrial processes or closed circuit systems (in particular for cooling systems).

It should be noted that only a minor fraction of the water used by the Group is incorporated into the Group's products. The majority of the water is returned, after proper treatment, to the environment (as a liquid or as and atmospheric release) in compliance with the quality specifications which govern releases to the environment.

In 2015, the water consumption of the Group represents 480 kt. The latter was not increased compared with the figures in 2012 in spite of the integration into the Group consolidated data of the Indian subsidiary water volumes. Since 2003, when consolidated tracking was implemented for this indicator, water usage overall has been reduced by 45%.

The table in section 3.2.7 shows the results of the Group's efforts to reduce water consumption.

Water releases quality

All chemical substances present in water releases and having an environmental impact have been identified and are monitored in terms of both concentration and absolute quantity released. Waste water is usually treated by on site water treatment plants or by public waste treatment plants with which the Group subsidiaries have agreements specifying the nature and the maximum admissible quantity of pollutants in order to remain safely within the treatment capabilities of these plants.

Various techniques are available for reducing the quantities of pollutants present in wastewater: process changes and release abatement.

With regard to process changes, performance requirements of the finished products drive to a large extent the manufacturing processes. Some of these processes are responsible for generating process waste water, and it is thus not always possible to modify those processes without altering battery performance.

More direct improvements on water releases are possible *via* the design and operation of water treatment stations.

In 2015, quantities of cadmium and nickel in water discharges have respectively fallen by 80% and 61% compared with 2003. This decreasing was obtained thanks to a better efficiency of water treatment processes (such as in the Oskarshamn facility, in Sweden) and process changes (such as in the Bangalore facility, in India).

Air emissions quality

Chemical substances with environmental impacts present in air emissions have been identified and are monitored for both concentration and absolute quantity released. Air emissions from our production sites are subject to appropriate treatment.

Several avenues can be used to reduce the quantities of pollutants emitted to air by improving the performance of air capture and filtration systems (*e.g.* filtration of particulate matters, condensation of substances such as solvents, etc.).

The results of the Group's efforts can be seen in the table presented in section 3.2.7 below. Since 2012, air emissions of cadmium and nickel have fallen by 38% and 18% respectively. These decreases in air emissions are due to improvement actions and in particular a more efficient filtration of particles.

The emission reduction plan, set up in 2015, on the site of Oskarshamn should be noted more particularly. Oskarshamn plant has reduced its emissions of cadmium and nickel by 82% and 25% respectively compared with the 2014 figures.

Type and amount of waste generated by the plants

All waste flows generated by the Group's sites are duly identified, weighed and then recorded in the waste register. Our waste flows are thus precisely monitored and recorded based on their characteristics (hazardous or non-hazardous) and final destination (recovery or elimination).

The quantities of waste generated may be reduced by improving control over manufacturing processes. However, since our products are constantly evolving and new products typically require novel manufacturing processes, we are often required to discard non-conforming products, treating them as waste.

Saft constantly strive to identify new recovery solutions and better segregate waste flows in order to decrease the fraction of non-recovered waste.

The amount of generated waste is presented in section 3.2.7 below. Since 2012, the amount of waste generated by the Group has increased by 3% due to, firstly, the organic growth in business and production volumes and secondly,

the acquisition on 1 January 2013 of a lithium-ion cells and batteries production unit in Nersac, France.

Furthermore, 45% of hazardous waste and 81% of non-hazardous waste undergo recovery, thereby allowing the materials extracted to be reused for industrial purposes. The recovery rate of nonhazardous waste is constantly increased for last five years.

Noise pollution

Acoustic measurements are done on some sites within the framework of their "operating permit". These measurements showed the ambiance noise level is well within standards. Therefore, the noise pollution does not represent a relevant indicator in Saft activity.

Energy consumption

All energy consumption is metered, whether it is electricity (from all sources), natural gas or steam. Energy consumption can be reduced by optimising the energy efficiency of industrial processes and buildings (heating, lighting, air conditioning, etc.).

Energy consumption has slightly increased by 2% since 2012 notwithstanding higher production volumes and the integration in 2014 into the Group's consolidated data of the Indian subsidiary energy consumption.

In 2015, an energy audit of the installations was realized on the French sites. This audit covers 65% of the energy consumption in France. Further to this audit, opportunities of improvement were identified and ranked according to various criteria such as the investment payback, the time line for implementation, the estimated investment and the impact QHSE.

ISO 14001 Certification

It is the Group policy to certify the environmental management systems that are implemented on our industrial sites:

11 ISO 14001 certified manufacturing operations ☑	Date of certification
Jacksonville – United States	2014
Saft Zhuhai – China	2010
Saft Bordeaux – France	2008
Saft Poitiers Space and Defence – France	2007
Saft Poitiers Lithium Battery division – France	2007
Saft Nersac – France	2007
Friemann & Wolf Batterientechnik – Germany	2004
Saft Ferak – Czech Republic	2000
Tadiran – Israel	2000
Saft Oskarshamn – Sweden	1999
Tadiran – Germany	1999

3.2.6 ENVIRONMENTAL OBJECTIVES ASSIGNED TO OUR FOREIGN SUBSIDIARIES

The Group makes no distinction between its sites and aims to apply the same policy as regards regulatory compliance, environmental impact reduction and sharing of best practices across all its sites. As new sites have been integrated, environmental impacts of production facilities have been fully included: Saft Zhuhai in China in 2010, Saft Jacksonville in the US in 2011. Group's environmental policies are being progressively rolled out within the Indian company Amco-Saft, in which the Group is a majority shareholder, the environmental data set out in the table below include the whole data of this company.

3.2.7 ENVIRONMENTAL IMPACT OF GROUP ACTIVITIES

	Units	2015	2014	2013	2012	Variations in comparison with 2012	Variation since measures consolidation
Quality of water releases							**2003**
Cd amount	kg	8.1 ☑	9.0	6.1	12.1	(33)%	(80)%
Ni amount	kg	44.8	61.9	31.6	57.4	(22)%	(61)%
Quality of air releases							**2003**
Cd amount[1]	kg	3.2 ☑	5.0	4.7	5.1	(38)%	(80)%
Ni amount[1]	kg	31.0	26.7	21.8	37.9	(18)%	(75)%
IPA	t	95	83	137	170	(44)%	n.a.
Water usage							**2003**
Total water consumption[1]	kt	480.0 ☑	487.8	495.6	481.5	0%	(45)%
City water[1]	kt	337.2	346.1	334.0	344.9	(2)%	(52)%
Well water[1]	kt	142.8	141.8	161.6	136.6	5%	(11)%
Waste generated							**2005**
Total waste generated	t	7,599	7,570	7,825	7,369	3%	14%
Hazardous	t	2,986	2,762	2,605	2,367	26%	22%
recovered fraction	t	1,358	1,207	1,271	809	68%	10%
Non-hazardous[2]	t	4,613	4,807	5,220	5,002	(8)%	10%
recovered fraction	t	3,719	3,725	3,579	3,301	13%	56%
Energy usage							**2005**
Total energy usage:	MWh	227,671 ☑	224,963	268,826	224,269	2%	(11)%
■ Electricity	MWh	141,732 ☑	140,166	144,360	134,235	6%	5%
■ Gas	MWh	70,611 ☑	67,710	108,024	73,619	(4)%	(36)%
■ Steam	MWh	15,327 ☑	14,867	16,442	16,415	(7)%	38%

n.a. : data not available.
(1) Use of data in 2014 for the site of Bodeaux and Nersac, in France by trouble with the subcontractor.
(2) Use of data in 2014 for the site of Tadiran, in Israel by problem with data conversion.

3.2.8 REMEDIATION OF CONTAMINATED SITES

In 2009, the Kalmar County Board and the Municipality of Oskarshamn, in which the Swedish facility of Saft AB is located, entered into two agreements with Saft AB under which Saft AB agreed to partly fund, up to a maximum of 41 million Swedish crowns, the cost of cleaning up the Oskarshamn harbour, where sediment was discovered.

Ninety percent of these costs are covered by various provisions of the agreement governing the sale in 2004 of Saft Groupe by Alcatel and the Group is thus reimbursed by Alcatel as these costs are incurred.

On the site of Valdosta, United States, an historical soil pollution surrounding one of the buildings has been detected previous to the sale of the site in 2004 by Alcatel. Following several studies conducted in connection with the direction of the "Georgia Department of Natural Resources", these soils were remediated in 2014. Remediation costs are covered by Alcatel under the provisions of the agreement governing the sale of Saft Groupe.

3.2.9 PROVISIONS FOR RECYCLING AND ENVIRONMENTAL RISKS

The Group has set aside provisions for environmental risks totalling €14.7 million as of 31 December 2015 (compared to €12.4 million and €11.7 million respectively for 2014 and 2013). These provisions cover the future cost of collecting and recycling spent batteries and certain costs which will be incurred to clean up contaminated sites, which in principle, would only be expected to be incurred if these sites were to be closed.

The increase of the amount in 2015 by comparison with the previous years is linked to the increase in the number of sites having established reserves for their activities.

3.2.10 RESOURCE CONSERVATION

Sustainable development also means preserving resources, and Saft recycling programs make a significant contribution towards achieving this goal. As detailed above, Saft endeavours to minimise its water and energy consumption in the course of its industrial activities.

Furthermore, the sophisticated technologies used in Saft batteries make it possible to save raw materials, as batteries have markedly longer life spans than traditional batteries.

The Group also supports the development of renewable energy. In fact, some batteries developed by the Group are used to store energy produced by solar and wind farms before being injected into the electricity grid, helping to reduce losses. Their use also contributes to reduce the impacts top the grid associated with intermittent power generation from wind and solar farms.

The installation of solar panels on the roof of the facility in Jacksonville makes it possible to provide up to 10% of the site's electricity needs.

Regarding land use, Saft does not have any direct mining activity and is only a moderate land user as battery production is not a surface intensive activity.Lastly the production sites of the Group are mainly localized within industrial zoning areas which are all regulated.

3.2.11 HELPING RESPOND TO AND CONTROL GLOBAL WARMING

The sites of the Group are not specifically threatened by the consequences of climate change. Moreover, the solutions of storages of energy developed by the Group contribute to the fight against the global warming.

In order to measure the impact of the Group's plants on the environment with an aim of limiting the impact on global warming, a greenhouse gas (GHG) inventory on French facilities has been conducted in 2012. This greenhouse gas emission inventory included scope 1 (direct emissions) and scope 2 (indirect emissions). It was updated in 2015 by using 2014 data. Total emissions (scope 1 and scope 2) correspond to 11,443 tons of CO_2 equivalent for the sites of Bordeaux, Poitiers, Nersac, and Bagnolet among whom 8,203 tons of CO_2 equivalent are direct emissions and 3,240 tons of CO_2 equivalent are indirect emissions.

GHG emissions decreased by 18% compared with 2011 thanks to a number of measures implemented by the Group whose primary aim was to decrease energy spending and which, as a consequence reduced GHG emissions.

Thanks to heat recovery system and to the recovery of energy during the discharge of batteries on bench tests, 240 tons of CO_2 emissions were avoided in 2014. A new action plan to reduce CO_2 has been set up with a goal to further reduce emissions.

Finally, emissions of the main Volatile Organic Compound (VOC); isopropyl alcohol (IPA), released by the plants, are measured. The data is consolidated in the table of environmental indicators.

The amount of IPA released globally decreased by 44% since 2012.

3.2.12 BIODIVERSITY

Biodiversity is managed locally, with actions being taken at a number of sites. Some actions can be mentioned: an ecotoxicological study of the surrounding water of a plant was generated, the analysis of ambient air at plant property line was conducted, and a plant pollution prevention plan was updated.

3.3 SOCIAL RESPONSIBILITY

The human resources policy is implemented by a network of professionals who act as business partners, locally and internationally close to the Managers and employee.

3.3.1 HUMAN RESOURCES DEVELOPMENT

In 2015, the Saft Group slightly increased its headcount in order to support its business and sales growth. As of 31 December 2015, the Group counted 4,140 ☑employees worldwide (versus 4,079 in 2014), a 1.5% increase compared to 2014.

Over the same scope, the average monthly headcount increased by 3.9% to 4,117 employees, compared to an average headcount of 3,962 employees in 2014.

Temporary contracts remained stable in 2015, representing an average of 11% of the total headcount.

Staff turnover

Over the past year, the Group hired 805 ☑ people including 337 on permanent contracts (out of which 105 engineers and Managers, 115 technicians and administrative staff, and 117 operatives) and 468 on non-permanent contracts (out of which 29 engineers and Managers, 68 technicians and administrative staff, and 371 operatives).

Over the same period, 744 employees left the Group, including 281 ☑ voluntary departures, 174 ☑ end of non-permanent contracts, 97 ☑ dismissals and 79 retirements.

In 2015, the staff turnover rate was 20% ☑ as in 2014, within this same rotation, the voluntary departure rate stood at 7% (resignations).

However, excluding the turnover in the Chinese production unit, the turnover rate amounted to 15% in 2015 (versus 14% in 2014) and a voluntary departure rate of 3.7% for the Group as a whole.

Breakdown of Group employees

A breakdown of employees by country☑and by professional category is shown below:

Country	2015	2014	2013
France	1,480	1,458	1,456
United States	847	889	870
Sweden	550	557	478
Israel	366	347	338
Czech Republic	251	232	202
Rest of the world	646	595	512
TOTAL	**4,140**	**4,078**	**3,856**

As of 31 December 2015, women represented 32% ☑ of the Group's total workforce, compared with 33% at the end of 2014. This value of more than 30% reflects Saft's proactive policy of promoting women's careers. At that date, the breakdown of men and women by professional category was as follows:

- "Managers and Engineers": 248 women/825 men (compared to 255 women/820 men in 2014);
- "Technicians and Administrative Staff": 317 women/761 men (compared to 307 women/662 men in 2014);
- "Operatives": 740 women/1,249 men (compared to 771 women/1,221 men in 2014).

3.3.2 VISION AND CULTURE

As part of the Power 2020 strategic plan for transformation, Pierre-Yves Tilly joined the Group as Human Resources Director. His mission is to launch initiatives for the adaptation and evolution necessary for the Group to allow it to face the different challenges of human resources management.

Strategy and responsibility

The human dimension is a major strategic axis for Saft that strives to be an exemplary benchmark employer.

At the end of 2015, the "Power 2020" plan was launched and is based on three focuses supported by the implementation of a new client- and market-centred organisation adapted by priorities of human capital development:

- differentiation by **talent** management;
- focalisation by a high level of employee **commitment**;
- **efficiency** by strengthening operational excellence and by accelerating the digitalisation of human resources management procedures.

Employee commitment is fundamental to the success of the Saft's Group's industrial and commercial project, whose expertise, passion and innovation are the foundation.

The employee loyalty rate is a concrete illustration of the Group's performance in this area. 25% ☑ of employees have 20 years of seniority. This stability of the teams is made long lasting by the skills transfers and the sharing of experiences on a global scale.

Saft ensures ethical and responsible human resources management, for the development of its employees' skills and the promotion of professional change by rewarding and challenging career paths.

Manager Charter

Considering that the role of Managers is at the core of its growth strategy, in 2013 the Group deployed a Manager charter. This charter, in line with Saft's intercultural dimension, is based on the fundamental values of its Leadership programme and on making Managers responsible. As a reflection of the managerial model of the Saft Group, it is a Registration Document for the evaluation of management and is based on four main pillars:

- to guarantee health and safety through training and awareness;
- to recognize and develop the teams through active communication, fair evaluation of performance and making employee responsible;
- to motivate and involve employee by regular information, promotion of ongoing improvement and the respect for commitments;
- to respect and have respected ethical foundations through exemplarity and non-discrimination.

Diversity and professional equality

Saft actively promotes diversity on a worldwide level. With a focus put on equality between women and men, it is considered a factor of progress, innovation and creation.

For example, in France Saft renewed its commitment in 2015 by signing the collective agreement on professional equality

for the 2015-2017 period. This agreement is the Company's commitment to a process for the prevention of gender-based discrimination and the promotion of women's careers.

Worldwide, nearly 30% of the Group's production sites are managed by women.

3.3.3 HUMAN RESOURCES MANAGEMENT

Attracting, developing and retaining talents throughout the world, strengthening and sustaining skills in many fields are major issues for Saft. Therefore, processes of induction, career management, skills development and remuneration policy are key to the Group's Human Resources strategy.

Induction program facilitating exchanges

Engineers and Managers newly-recruited are involved in an induction program organised at worldwide level every year around the visit of the three French production sites. In addition to an introduction to the Group's products, businesses and activities, the contribution of the Saft Management Committee (SMC) members is an important part of this program. By favouring interactions, this induction program also helps the participants gain an extensive understanding of the Group's cultures.

Employees' engagement and autonomy are key for the success of Saft who also relies on the richness of the exchanges between its multicultural teams.

Career management facilitating professional evolution

Within the Saft Group, career management is a matter of mobility. Upstream from this mobility, Saft strives to clearly define the professional, technical and sector-based skills and to know the motivations, relational aptitudes and especially the desires of these employees. Through effective, regular and transparent communication on these questions, Saft hopes that all workers become aware of their strengths and also their weaknesses. The Group believes that defining what one knows how to do and what one likes to do in order to know what one wants to do is a fundamental condition of effectiveness and success.

The Group therefore encourages the geographical and functional mobility of its workers and communicates broadly on the opportunities existing within the organization. The available positions are advertised through "Echo Job", the internal job posting system on the Group's intranet. In addition, career interviews are carried out by the local and corporate human resources teams, mainly aimed at facilitating employees' career development and promoting internal mobility.

In 2015, 162 employees changed position within the Group; 12 of those mobilities were inter-site. The professional mobility opportunities decrease compared to 2014 (168 moves).

To serve this policy, career management tools are used. "People Reviews" are held yearly in order to identify, track and develop high potential employees as well as establish succession plans for the management teams and other key employees for the organisation.

A constant skills development effort

The Saft Group firmly believes that professional training and career management are indissociable to support sustainable growth and competitiveness. Consequently, Saft makes big investments for the development of employees' skills and makes a commitment so that each can benefit from opportunities for professional development.

In 2015, 9,742 training initiatives took place involving 3,355 employees, which is 82% of the workforce (74% in 2014). These actions represent a total of 42,444 hours of training (51,017 hours in 2014).

The major recurring training topics are safety, quality, continuous improvement processes, management, technology and information systems.

Work time organisation

Saft Groupe abides by all the legal and contractual regulations regarding the organisation of the work time in each of its subsidiaries.

Change and innovation management

In 2015, the Saft Group redefined its strategic objectives. This redefinition had a significant impact on the organisation that must adapt itself to be prepared to meet the Group's economic challenges. The Group's Human Resources policy is thus also responsible for managing and directing this adaptation by linking employees to the reorganisation project, providing information on the objectives and progress of the project, and enabling the effectiveness of the means of communication to allow the Company's players to understand and take ownership of the changes necessary for the Group's growth.

3.3.4 REWARD AND RECOGNITION SYSTEMS

An attractive and coherent remuneration policy

Saft Group's firmly believes that a consistent and attractive remuneration policy for all employees strengthens the commitment and the involvement of its teams.

The Group's remuneration and benefits schemes, which take local factors into account, are transparently and equitably coordinated. In particular, they are founded on benchmarking

studies done by job category and geographical area, keeping the salary budget under control.

Remuneration positioning is analysed in order to manage its consistency with each local parameter, such as labour law, economic situation, labour market and competition.

Details of personnel costs are given in note 23 to the consolidated financial statements of this Registration Document.

Performance and salary review

A remuneration review cycle is carried out each year. This review is individualised for the Engineers and Managers category, based on performance criteria. For the other categories of employees, it is conducted on a collective basis, defined locally, based on inflation, practices and annual local profits.

The rules applicable to performance and salary review are transparent processes subject to procedures published on the Group's intranet.

Bonuses and variable incentives

The remuneration of engineers and Managers usually includes a fixed salary and variable incentives established according to performance objectives fixed at the beginning of the year.

The annual bonus depends on reaching both personal and collective objectives at the Group, division or site membership level. Bonuses are awarded according to populations and level of management.

These objectives are defined at the beginning of the year at the same time as the performance and salary reviews.

Contingency schemes, health care and social benefits

According to the local regulations and practices, Saft Groupe contributes to healthcare insurances, pension schemes, as well as contingency schemes offering several complementary guarantees to the employees. Details of these schemes are given in note 20 to the consolidated financial statements of this Registration Document.

Recognition for innovation

To enhance and value our teams' expertise, the Group rewards their successes notably through a Filling of Patents Award plan.

3.3.5 LABOUR RELATIONS MANAGEMENT AND COLLECTIVE AGREEMENTS STATUS

Staff representation

Saft encourages a permanent and constructive dialogue with employee representatives.

Staff representation in each entity of the Group and the frequency of meetings between management and staff representatives are exercised in compliance with the applicable local laws.

Saft makes sure that staff representatives' rights and freedom are strictly respected and that they have the same career and training opportunities as any other employee.

European Works Council

Saft's European Works Council (EWC) represents employees from the Group's European sites (France, UK, Sweden, Germany, Cyprus, Spain, Italy, Czech Republic, and Norway). This organisation currently covers 61% of the Group's global work force.

Meeting once per year, Saft's EWC is informed on the evolution of the Group and on the decisions which could substantially change the work organisation or work contracts within the European scope.

Collective agreements and working time organisation

In 2015, 30 ☑ collective agreements were signed within the Group (against 45 collective agreements in 2014). These agreements mainly concerned remuneration, labour conditions (including one on health and safety), and health coverage.

3.3.6 OCCUPATIONAL HEALTH AND SAFETY

Saft applies an active health and safety policy showing the Group's commitment to this subject, towards its employees, customers and the communities in which it is present.

Saft's action is part of a global politics in terms of environment, health and safety. The Group's objective is to reach a rate of zero work accident.

In 2015, the number of work accidents with days off was 78 ☑, compared to 86 in 2014, or a decline of 9% in the number of accidents, in parallel the 2015 frequency rate was 11.07 ☑, compared to 13.1 in 2014.

The rate of severity of accidents was 0.17 ☑in 2015 (0.16 in 2014). The number of working days lost for occupational accidents was 1,173 ☑ in 2015 (1,045 days in 2014). In 2015, 7 cases of occupational diseases were recorded in the Group.

Saft promotes the notion of safety at work through clear commitments. Thus, the industrial sites of South Shields (UK), Poitiers and Bordeaux (France) and Tel Aviv (Israel) are – partially or totally – OHSAS 18001 certified. Steps improving workplace ergonomics and layout are regularly taken.

In 2015, 3,800 ☑people were trained on safety, representing 89% of the headcount (including registered and temporary full-time equivalent staff), compared to 2,906 in 2014 (68% of the headcount) and 2,737 in 2013 (64% of the headcount).

3.3.7 OTHER EMPLOYMENT DATA

WORKFORCE ANALYSIS BY PROFESSIONAL CATEGORIES

	2015	2014	2013
Overall workforce			
Engineers and Managers	26%	26%	27%
Employees and technicians	26%	25%	25%
Operatives	48%	49%	48%
Women: 32% ☑ of workforce in 2015			
Engineers and Managers	23%	24%	23%
Employees and technicians	29%	31%	33%
Operatives	37%	39%	38%
Men: 68% ☑ of workforce in 2015			
Engineers and Managers	77%	76%	77%
Employees and technicians	71%	69%	67%
Operatives	63%	61%	62%
Age structure			
Under 25	8% ☑	7%	6%
25 to 39	35% ☑	31%	32%
40 to 49	24% ☑	26%	27%
50 and over	33% ☑	35%	35%
Length of service (years)			
0 to 4	39% ☑	36%	34%
5 to 14	26% ☑	27%	30%
15 to 24	16% ☑	16%	16%
25 years and over	18% ☑	21%	20%
Disabled employees (according to legal definitions of the countries concerned)			
Number of disabled employees	78	84	95
Absenteeism			
Total rate for the year	3.6% ☑	3.4%	3.6%

3.4 CORPORATE SOCIAL RESPONSIBILITY

3.4.1 2015-2016 ETHICS PROGRAMME

In 2015, the Group launched an ambitious programme to remake its ethics policy by rewriting its code of ethics and in compliance with its public commitment with respect to the United Nations Global Compact.

All of these works will be implemented in the beginning of 2016.

A stronger Code of Ethics combined with a compliance programme

The Code of Ethics being revised will reaffirm the Group's values, emphasising the way in which the Group would like to conduct its relations with respect to its stakeholders: employees, customers, investors and suppliers. It will apply to all the companies consolidated in the financial scope of the Saft Group and to all of its employees.

This code is also part of the Saft Group's adherence to the United Nations Global Compact and its ten founding principles, in particular the prohibition of child labour and forced labour, the opposition to all forms of corruption and the minimisation of the impact of its activities on the environment.

The Code of Ethics and its accompanying instructions provide clear rules of conduct for employees, in particular concerning conflicts of interest, the prevention of corruption and anti-competitive practices, and relations with third-parties.

This Code of Ethics will be translated into the main official languages of the countries in which the Group operates; it will be distributed to all employees in 2016 and published on the Group's website and intranet, providing access to stakeholders. Management relays this policy to the Group's employees.

Compliance programme

A world training programme on the compliance programme will be deployed via e-learning in 2016 in several languages. Designed and supervised by the Group's Legal Department, this programme aims to raise employee awareness of the rules of the Code of Ethics, by means of detailed pedagogical and practical recommendations and provide training on the effective regulations in their area of activity, in particular concerning the fight against corruption and conflicts of interest.

Responsible purchasing

Saft would like its suppliers to adhere to and follow the values conveyed in its Code of Ethics. It has thus put in place a variety of measures that enable it to make sure that its suppliers follow the values and rules that it implements within the Group. This is why Saft's suppliers must sign a statement containing the principles of the UN Global Compact, the Saft Code of Ethics, various applicable regulations such as rules on embargoes or "conflict minerals". This new policy is described in paragraph 3.4.3.

3.4.2 LOCAL, ECONOMIC AND SOCIAL IMPACT

Most of Saft's production facilities are long-standing operations and the Group is often recognised as being one of the major employers in the regions in which it operates.

On the economic and technological sides, Saft supports many scientific projects, in particular through partnerships with schools, universities and research laboratories in Europe and in the United States.

Saft's sites are involved in local industrial and economic development, taking part in professional and industrial associations and sitting on Chambers of Commerce and Industry and other Local Committees.

Community commitment

Saft plays an active role in local communities by supporting or participating in a range of social, environmental and humanitarian initiatives. In 2015, donations were made to communities or organisations of public interest (fire services, schools, social centres, etc.).

The Group is also supportive of the disabled, seniors and sick people in several countries, and takes part in charity initiatives for medical research associations and support initiatives for NGOs or international associations.

Saft regularly sponsors cultural centres and events as well as sporting events and clubs in Europe and United States.

Sponsorship activities in support of schools and professional associations are regularly conducted by the Group's different sites in the United States and Europe. This means inviting students to meetings with business professionals, hosting internships, factory visits, providing financial support to events or associations, partnerships with the engineering schools and universities as part of research programs, in France in particular and Europe more generally.

Local commitments to equal opportunities

Through a partnership with the French association *(Nos Quartiers/Territoires ont des Talents)*, Saft leads concrete actions to promote equal opportunity. In 2015, the Bagnolet, Poitiers and Nersac production sites continued their commitments in support of employees who have agreed to mentor young graduates to help expand their employability.

By inviting employees to give a few hours of their working time, Saft participates to change the professional life of graduates in a difficult employment context.

3.4.3 SUBCONTRACTING AND SUPPLIERS

Saft Groupe makes sure to implement a responsible purchasing policy and to work with suppliers whose commercial and industrial practices respect this principle.

Saft's Code of Ethics details the rules to be respected by all employees in business dealings, and in particular when dealing with suppliers. In this respect, the Purchasing Department ensures that buyers are regularly made aware of the need to respect these rules.

The Group's suppliers must formally undertake to comply with Saft's values in terms of social responsibility, ethics and environmental responsibility. This statement that the suppliers must sign contains the principles of the United Nations Global Compact, the Saft Code of Ethics, agreements 29, 111, 138 and 182 of the International Labour Organisation and rules concerning "conflict minerals" in compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In the US, the Group complies with the obligations of the Federal Acquisition Act with regard in particular to respect for minorities and principles of non-discrimination.

In France, in the course of its dealings with sub-contractors, the Group particularly endeavours to follow the general recommendations of the report of 30 August 2010 of the *Médiateur des relations interindustrielles et de la sous-traitance*, detailing unfair practices. In the US, it complies with the provisions of the Davis-Bacon Act as regards daily rates paid to sub-contractors.

3.4.4 MEASURES TO PROMOTE CONSUMER HEALTH AND SAFETY

Saft products are used by industrial companies notably in the aeronautic and railway transportation, energy and defence sectors. They are usually not used in the consumer segment. The safety of Saft's products is taken into account through specific procedures starting in the product development phase. Saft implements procedures for continuous quality and performance improvement to ensure that the products it delivers meet the highest safety standards. During their use, they do not emit any release.

Finally, Saft's training programmes provide professional users with all the knowledge and skills necessary for safe installation, use and maintenance of the batteries.

3.4.5 HUMAN RIGHTS GROUP'S COMMITMENTS, INTERNATIONAL LABOUR ORGANISATION (ILO) AND MEMBERSHIP OF THE UN GLOBAL COMPACT

Beyond its compliance with national law and regulations of countries where it operates, the Saft Group joined the United Nations Global Compact programme three years ago and embraces its ten principles:

Human rights

1: Saft supports and respects the protection of internationally proclaimed human rights; and

2: Saft makes sure that the Group is not complicit in human rights abuses.

Labour

3: Saft supports the freedom of association and the effective recognition of the right to collective bargaining;

4: Saft upholds the principle of the elimination of all forms of forced or compulsory labour;

5: Saft upholds the principle of the effective abolition of child labour; and

6: Saft upholds the principle of the elimination of discrimination in respect of employment and occupation.

Environment

7: Saft supports a precautionary approach to environmental challenges;

8: Saft undertakes initiatives to promote greater environmental responsibility; and

9: Saft encourages the development and distribution of environmentally friendly technologies.

Anti-corruption

10: Saft is opposed to corruption in any and all form, including extortion and bribery.

These internal guiding principles are rooted in the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on fundamental principles and rights at work, the Rio Declaration on environment and development, and the United Nations Convention against corruption.

The Saft Code of Ethics, distributed to every employee in the Group, reflects principles of the UN Global Compact.

3.5 METHODOLOGICAL COMMENTS

Saft promotes sustainable development principles, based on three pillars: society, economy and environment. This approach draws in particular on the implementation of collecting, consolidating and communicating indicators designed to measure the Group's performance regarding its environmental, social and corporate responsibilities. These non-financial indicators are collated globally for publication in this Registration Document, in line with the provisions of articles R.225-104 and R.225-105 of the French Commercial Code, the ministerial decree Act no. 2010-788 of 12 July 2010 (known as Grenelle 2 law) and the order of 13 May 2013. In order to reflect its commitment to further enhancing these indicators, the Group undertook to have non-financial information audited by an independent third party beginning 2011.

SCOPE AND CONSOLIDATION METHOD OF NON-FINANCIAL DATA

The indicators relating to sustainable development are consolidated globally across all subsidiaries and companies whatever their activity, in which Saft holds a majority interest (> 50%). Changes in scope (opening or closing of new sites, production increases, hiring, etc.) are considered in the information supplied, thereby explaining certain year-on-year changes. In fact, it was decided not to freeze the scope but instead to have the financial information reflect the scope as financial reporting does. Thus, where these changes in scope give rise to variations that impact the consistency of the data or a proper understanding of how they have changed, additional explanations are given on key events during the financial year.

The above principles are applied subject to the following qualifications:

- the environmental indicators only concern the manufacturing facilities operated by the Group. They do not therefore cover the assembly and distribution units, in light of their marginal impact on the various environmental indicators tracked by the Group;
- where the numbers for an environmental indicator for December were not available when they were being collated for the purposes of this report, the information collated and published is, in order of descending preference:
  - the actual data for the December 2014-November 2015 period,
  - the actual data for the January 2015-November 2015 period, with an estimated amount being added for December 2015.

COLLATION AND CONSOLIDATION OF NON-FINANCIAL DATA

The data are tracked throughout the year by the reporting Managers designated at each site. The data are centralised annually by HQ, which collates, processes and consolidates the information.

Environmental data are reported via a common framework for all sites introduced since 2003 and yearly updated. An information note is included in order to specify the collation scope and define a few indicators.

The labour-related data are collated via a special reporting system in English language used by all sites within the collation scope, accompanied by a methodology note detailing how the requested data is defined. This procedure and documentation were put together in 2008 and are regularly updated. A consistency check is carried out by the Group HR Department, which also carries out a series of additional calculations, compares the data with those from the previous year and reconciles them with certain data reported elsewhere by group management controllers. Data comparison is done from monthly reporting notably on social data regarding the workforce and training.

METHODOLOGICAL LIMITATIONS

There may be limitations to the methodologies underpinning certain environmental and labour-related indicators by virtue of the absence of nationally or internationally recognised definitions and of required estimates. In particular, the collation of data on waste volumes is dependent on definitions as regards the hazardous or non-hazardous nature of waste, which is something that varies from one country to the next. The lack of agreement as regards definitions for certain labour-related indicators led the Group HR Department to establish a common framework. The Group thus established a common definition for statistics on occupational accidents (excluding commuting accidents, that resulted in at least one lost day).

GLOSSARY OF CALCULATED INDICATORS AND METHODOLOGICAL DETAIL

Environmental information

Hazardous and non-hazardous waste: definition of the hazardous nature is based on local regulations.

Recovered waste: the definition of recovery is based on local regulation.

Gas usage: gas usage is measured in MWh HHV (Higher Heating Value).

Social information

Headcount: Any individual who is recognised as an employee of Saft and on payroll under an employment with Saft according to national law, collective agreement, employment contract or practices.

Staff turnover: (Flow-in-Flow-out)/2 divided by prior year headcount.

Hours actually worked in a year: Registered employees in Full Time Equivalent (FTE) x Average number of hours worked in the day in a full-time job x Average number of days worked in a year by full-time job (without public holidays and paid leaves).

Yearly absenteeism rate: Measure of actual absenteeism as a percentage of days lost vs. theoretical worked hours for the same period. This rate is calculated as follows: Number of days off for work related unpaid absence, commuting and work accidents, sick absence and occupational disease (excluding long term sick absences and maternity & paternity leave) x Average no. of hours per day, all divided by the number of theoretical number of hours worked per year by the salaried workforce.

Accident Frequency Rate: Accident Frequency Rate: Number of accidents with day off/actually worked hours in the year x 1,000,000.

Accident Severity Rate: Number of Days Lost x 1,000/actually worked hours.

EXTERNAL AUDIT

The auditing of environmental, labour-related and corporate information by an independent third party is split into three separate phases:

- a review of the procedures used to collate information: chosen scope, organisation of collation process and systems used;
- the checking of the accuracy of data reported on a selection of labour-related and environmental indicators and on a representative sample of sites; the indicators that have been evaluated with a reasonable level are identified by the ☑ sign on the following pages;
- the review of the consolidation of indicators and a review of consistency of required information of article R.225-105-1 of the French Commercial Code.

The exact nature of the work done and the conclusions of this work are presented in the auditor's report on certain environmental, social and societal indicators, which can be found in section 3.6 of this Registration Document.

3.6 INDEPENDENT THIRD-PARTY REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PUBLISHED IN THE MANAGEMENT REPORT OF SAFT

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

Financial year ended 31 December 2015

Saft Groupe SA
12, rue Sadi-Carnot
93170 Bagnolet

To the shareholders,

As independent third-party, members of Mazars' network, statutory auditor's of Saft, whose accreditation was accepted by Cofrac under the number 3-1058 [(1)], we hereby present our report on the consolidated social, environmental and societal information provided in the management report prepared for the year ended 31 December 2015, (hereinafter referred to as "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code *(Code de commerce)*.

Responsibility of the Company

The Board of Directors of Saft is responsible for preparing a management report including the CSR Information required under article R.225-105-1 of the French Commercial Code, in accordance with the reporting criteria of the Company (hereafter the "Reporting Criteria") and available on request to the society headquarter.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics and by the provisions of article L.822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes documented policies and procedures designed to ensure compliance with deontological rules, professional standards and applicable legal texts and regulations.

Responsibility of the Independent Third Party

Based on our work, our role is to:

- attest that the required CSR Information is disclosed in the management report or, that an explanation has been provided if any information has been omitted, in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation of completeness of the CSR Information);
- provide limited assurance that, on the whole, the CSR Information is fairly presented, in all material respects, in accordance with the adopted Reporting Criteria (Fairness report regarding CSR Information);
- provide, at the request of the Company, a reasonable assurance as to whether the information identified by the symbol ☑ in the Chapter 3 of the management report was prepared, in all material respects, in accordance with the adopted Reporting Criteria.

Our work was carried out by a team of 5 people between November 2015 and January 2016, for a period of about 5 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the legal order dated 13 May 2013 determining the methodology according to which the independent third party body conducts mission and, on the reasoned opinion, in accordance with ISAE 3000 [(2)].

(1) Whose scope is available on the website www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

I. ATTESTATION OF COMPLETENESS OF THE CSR INFORMATION

We got acquainted with the direction that the Group is taking, in terms of sustainability, with regard to the social and environmental, consequences of the Company's business and its societal commitments and, where appropriate, the actions or programs that stemmed from it.

We compared the CSR Information presented in the management report to the list set forth in article R. 25-105-1 of the French Commercial Code.

In the event of omission of some consolidated information, we checked that explanations were provided in accordance with the third paragraph of the article R.225-105 of the French Commercial Code.

We checked that the CSR Information covers the consolidated scope, which includes the Company and its subsidiaries within the meaning of article L.233-1 of the French Commercial Code *(Code de commerce)* and the companies that it controls within the meaning of article L.233-3 of the French Commercial Code *(Code de commerce)*, subject to the limits set forth in the methodological note presented in the management report (Part 3.5 of Saft Registration Document).

Based on our work, and taking into account the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II. FAIRNESS REPORT WITH RESPECT TO CSR INFORMATION

Nature and scope of procedures

We conducted the interviews that we deemed necessary with thirty persons responsible for the preparation of CSR Information from the departments in charge of the process of gathering information and, where appropriate, responsible of the internal control and risk management to:

- assess the appropriateness of the Reporting Criteria in terms of relevance, completeness, neutrality, clarity and reliability, by taking into consideration, when relevant, the sector's best practices;
- verify the set-up within the Group of a process to collect, compile, process and check the CSR Information with regard to its completeness and consistency. We familiarized ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and extent of tests and controls depending on the nature and importance of CSR Information in relation to the characteristics of the Company, the social and environmental issues of its operations, its strategic priorities in relation to sustainable development, and the Industry best practices.

Concerning the CSR information that we considered to be most significant [(1)]:

- at Group level, we consulted source documents and conducted interviews to corroborate the qualitative information (organization, policies, actions); we implemented analytical procedures on the quantitative and verified, on the basis of sampling techniques, the calculations and consolidation of the information and we verified its consistency with the other information contained in the management report;
- at the level of a representative sample of entities [(2)] selected based on their activity, their contribution to consolidated indicators, their location and a risk analysis, we conducted interviews to verify the proper application of procedures and conducted substantive tests, using sampling basis, to verify the calculations performed and reconciled data with supporting evidence.

The selected sites contribution to Group data equals to 67% of headcount and between 28% to 100% of the quantitative environmental information tested.

(1) Global headcount and breakdown by gender and by geographical area, Pyramids by age and seniority, Number of recruitments, Number of dismissals, resignations, and end of fixed-term contracts, Turnover rate, Flow-in inter-site mobilities, Flow-out inter-site mobilities, Intra-site mobilities, Absenteeism rate, Number of collective agreements signed, Number of employees trained in safety, Number of work accidents, Frequency rate, Severity rate, Number of training hours, Number of people trained, Percentage of people trained, Number of training actions, Quantity of cadmium in the air, Quantity of cadmium in the water, Quantity of hazardous wastes generated, Quantity of hazardous wastes recovered, Quantity of non-hazardous wastes generated, Quantity of non-hazardous wastes recovered, Total waste generated, Number of ISO 14 001 certified sites, Total water consumption, Electricity consumption, Gas consumption, Steam consumption, Total energy usage.

(2) Social information: Bagnolet, Poitiers, Bordeaux, Oskarshamn, Ferak, Tel Aviv, Budingen, Friwo, Nersac.
Environmental information: Poitiers, Bordeaux, Oskarshamn, Tel Aviv, Ferak.

Regarding the other CSR consolidated Information, we assessed its fairness and consistency based on our knowledge of the Group

Finally, we assessed the relevance of the explanations relating to, where necessary, the omission of certain information.

We deem that the sampling methods and sample sizes we have learned by exercising our professional judgment allow us to formulate a conclusion providing limited assurance; a higher level of assurance would have required more extensive work. Because of the use of sampling techniques, and because of other limits inherent to any information and internal control systems, the risk of not detecting a material misstatement in the CSR Information cannot be completely eliminated.

Conclusion

Based on our work, we did not identify any material misstatements that would lead us to believe that the CSR Information, taken as a whole, has not been fairly presented, in all material respects, in accordance with the Reporting Criteria.

III. REASONABLE ASSURANCE REPORT ON SELECTED CSR INFORMATION

Nature and scope of procedures

Regarding information selected by the Group and identified by the symbol ☑, we conducted similar work as described in paragraph 2 above for CSR information that we consider to be most significant but of greater depth, especially regarding the number of tests.

The selected sites contribution to Group data equals to 67% of headcount and between 47% to 100% of the quantitative environmental information identified by the symbol ☑.

We deem this work allows us to express a reasonable assurance on the information selected by the Company and identified by the symbol ☑.

Conclusion

In our opinion, the Information selected by the Group and identified by the symbol ☑ was prepared, in all material respects, in accordance with the Reporting Criteria.

La Défense, 15 February 2016

The Independant Third Party

Mazars SAS

Emmanuelle Rigaudias

4

Corporate Governance

4.1 MANAGEMENT AND SUPERVISORY BOARDS

Saft Groupe SA was incorporated on 7 June 2005 in the form of a *société anonyme* (limited company) with *Directoire* (Management Board) and *Conseil de Surveillance* (Supervisory Board). This structure allows for separation between the management functions exercised by the Management Board and the oversight functions of the Supervisory Board, with no member of the latter being on the Management Board.

The Supervisory Board bylaws and the Charter of Ethics was adopted as a supplement to the articles of association. They establish the rules regarding how the Supervisory Board should operate, structure its interaction with the Management Board as well as how it is to be controlled. The Supervisory Board changing review and update regularly its bylaws; the current version dated 12 May 2014 is available on the Company's website.

4.1.1 MANAGEMENT BOARD

The Management Board and its Chairman are appointed by the Supervisory Board. The Chairman of the Management Board represents the Company vis-à-vis third parties.

The Management Board has the broadest powers to act in all circumstances on behalf of the Company for all matters falling within the scope of the Company's corporate purpose, subject to those powers expressly conferred by law or by the articles of association on the Supervisory Board or on the Shareholders General Meetings. Thus, in accordance with the law, the Supervisory Board's prior approval must be obtained for any sale of real property, the sale of all or part of equity interests, the granting of any sureties, endorsements and guarantees, in accordance with current regulations.

The Management Board must also obtain the prior approval of the Supervisory Board before committing the Company to any investment or divestment that would change the scope of consolidation of the Company and its subsidiaries. The Management Board must also obtain the prior approval of the Supervisory Board for any investment relating to an acquisition or any commitment representing over €30 million that is outside the scope of the Company's budget or is not a routine operating transaction. Finally, the Management Board must obtain the prior approval of the Supervisory Board before using any authorisation granted by the Annual General Meeting, including the issuance of shares or any other securities carrying immediate or deferred rights to conversion into Company equity.

The members of the Management Board must be individuals who can be chosen from outside the shareholders. The Management Board is appointed for a two-year term.

The Management Board had the following members in 2015, it should be noted that (i) Xavier Delacroix resigned his mandate as member of the Board on 23 October 2015 (ii) the mandate of Elizabeth Ledger as member of the Board was not renewed at the end term of office on 6 May 2015:

Name	Date appointed	Date of renewal	Date of end of term of office	Other activities and other main offices held
Ghislain Lescuyer Chairman of the Management Board since 4 May 2015	04/05/2015	06/05/2015	05/05/2017	Director of Saft Finance Sarl., Chairman of Tadiran Batteries Ltd.
Bruno Dathis Acting Chairman from the 1st January 2015 to 3 May 2015	05/05/2008	06/05/2015	05/05/2017	Chief Financial Officer, Chairman of Saft Acqisition SAS, Director of Saft Finance Sarl., Chairman of Aérospatiale Batteries (ASB), Director of MSB, an ASB subsidiary.
Thomas Alcide	22/04/2005	06/05/2015	05/05/2017	Director of the Transportation, Telecom & Grid division, Chairman and CEO of Group's subsidiaries: Saft America Inc., Saft Federal Systems Inc., Saft JV Holding Co., Saft Zhuhai (FTZ) Batteries Co. Ltd., member of the Board of Directors of Tadiran Batteries Ltd.
Franck Cecchi	21/07/2014	06/05/2015	05/05/2017	Director of the Industrial Standby division, Chairman of Saft SAS, Chairman of Saft Ferak AS Supervisory Board, Chairman of the Board of Directors of Saft AB (Sweden), Member of Strategic Committee of ez-Wheel SAS.
Xavier Delacroix	11/01/2007	07/05/2013	Resignation on 23/10/2015	General Manager of IBG division, Chairman of Saft Ferak AS Supervisory Board, Chairman of the Board of Directors of Amco-Saft India Ltd. and of Saft AB, Director of Saft Baterias SL.
Elizabeth Ledger	22/04/2005	07/05/2013	06/05/2015 Elisabeth Ledger was not renewed as the end term of office as Member of the Management Board	Director of Communications until 29 October 2015.

Short presentation of Management Board members:

GHISLAIN LESCUYER

Chairman of the Management Board since 4 May 2015

Born in 1957

French

Date appointed: 4 May 2015

Date term of office ends: 5 May 2017

Number of shares held as of 31 December 2015: 144

Business address:

Saft – 12, rue Sadi-Carnot – 93170 Bagnolet – France

Ghislain Lescuyer was appointed as Chairman of the Board of Saft Groupe SA on 4 May 2015 after serving almost a decade as member of the Supervisory Board and Chairman of the Strategy and Technology Committee. He was previously Chief Information Officer at Alstom Group where he also occupied the position of Senior Vice-President of Strategy and Development between 2010 and 2012. From 2007 to 2010 he was Executive Vice-President of Areva T&D. From 2003 to 2007 he was Senior Executive Vice-President of Thomson Multimedia and Managing Director of Europ@web between 2000 and 2003, Vice-Chairman of Bull since 1994 where he was appointed Co-Chairman of Bull Services in 1999. He started his carrier as management consultant at McKinsey & Company (1989-1993) and Sales Director of Hewlett-Packard (1983-1987). Ghislain Lescuyer holds an engineering degree from Télécom ParisTech and a MBA from INSEAD. Ghislain Lescuyer does not perform, nor has he performed over the past five years, any duties other than those mentioned in the table above.

BRUNO DATHIS

Member

Acting Chairman from the 1 January 2015 to 3 May 2015

Born in 1958

French

Date appointed: 7 May 2008

Date term of office ends: 5 May 2017

Number of shares held as of 31 December 2015: 6,096

Business address:

Saft – 12, rue Sadi-Carnot – 93170 Bagnolet – France

Bruno Dathis joined the Saft Group in March 2008 as Chief Financial Officer. He is a graduate of the Institut d'études politiques de Paris and holds a Master degree in economics from the University of Paris. He is also a Certified Public Accountant. A former audit partner with Ernst & Young, in 1999, Bruno Dathis was appointed Chief Financial Officer of Balmain and was a member of the Board of Directors. He joined Myers Industries Incorporated in 2004 as Chief Financial Officer for its European Allibert Buckhom division. Bruno Dathis does not perform, nor has he performed over the past five years, any duties other than those mentioned in the table above.

THOMAS ALCIDE

Member

Born in 1958

US National

Date appointed: 22 April 2005

Date term of office ends: 5 May 2017

Number of shares held as of 31 December 2015: 10,000

Business address:

Saft America Inc. – 13575 Waterworks Street, Jacksonville, FL.32221 – USA

Thomas Alcide has been the Director of Specialty Battery Group (SBG) division. Since the 1st of January 2016 and the reorganisation of the Group into four divisions, Thomas Alcide became the Executive VP of the Transportation, Telecom & Grid division. He joined Saft Group in 2008 and he was successively Director of SBG division from 2004 to 2015, Director of the Group's Lithium Batteries division from 2002 to 2004 and Director of the Valdese plant until 2002. Previously, he held various management positions within the Group in the United States. Before joining Saft in 1988, Thomas Alcide performed engineering duties at the Duracell company. He holds an engineering degree from California Coast University and an electronics technology degree from the Arizona Institute of Technology. Thomas Alcide does not perform, nor has he performed over the past five years, any duties other than those mentioned in the table above.

FRANCK CECCHI

Member

Born in 1964

French

Date appointed: 21 July 2014

Date term of office ends: 5 May 2017

Number of shares held as of 31 December 2015: 20,749

Business address:

Saft – 12, rue Sadi-Carnot – 93170 Bagnolet – France

Franck Cecchi has been the Director of Li-ion operations since April 2012. Since the 1st of January 2016 and the reorganisation of the Group into four divisions, Franck Cecchi became the Executive VP of the Industrial Standby division. He joined Saft Group in 1999 as Manufacturing Manager, and then Nersac Site Manager. In 2001, he became Director of the business unit RBS. In 2006, he joined the Johnson Controls-Saft joint venture as Director of Operations (COO). He started his carrier at Valeo and then held several positions with Exxon Chemical, prior to becoming Manager of the Industrial Organization at Sommer Allibert. He holds an engineering degree from the École centrale de Lyon. In addition to his duties at Saft Groupe, Franck Cecchi is a member of the Strategic Committee of ez-Wheel SAS company. Franck Cecchi does not perform, nor has he performed over the past five years, any duties other than those mentioned in the table above.

4.1.2 SUPERVISORY BOARD

The Supervisory Board currently has five members nominated for a period of three years. Under the bylaws of the Supervisory Board each member must hold a minimum of 100 shares in registered form throughout their term of office.

Supervisory Board members are bound by the "Bylaws of the Supervisory Board", the main provisions of which are presented in section 4.5 of this annual report.

The Supervisory Board appoints a Chairman and a Vice-Chairman from among its members.

The Supervisory Board had the following members during the 2015 financial year, it should be noted that Ghislain Lescuyer resigned as member of the Supervisory Board effective 3 May 2015 to became Chairman of the Board of Directors:

Name	Date appointed	Date of renewal	Date of end of term of office	Office held	Other positions and main offices
Yann Duchesne	12/05/2005	07/05/2013	AGM approving the accounts for 2015	Chairman of the Supervisory Board	Chief Executive Officer IBL Group (Mauritius), Director of Ipsos (France)[1], Member of the Supervisory Board of Laurent Perrier (France)[1],
Jean-Marc Daillance	12/05/2005	12/05/2014	AGM approving the accounts for 2016	Vice-Chairman of the Supervisory Board	General Manager at QALYO SAS (France), Operational partner at Jolt Capital (France), Senior advisor at Roland Berger.
Bruno Angles	12/05/2005	12/05/2014	AGM approving the accounts for 2016	Member of the Supervisory Board	Chairman France, Macquarie Infrastructure and Real Assets (Europe) Limited, Director of APRR (Autoroutes Paris-Rhin-Rhône) of AREA (France), of SAS Eiffarie (France), of SAS Financière Eiffarie (France), Director of Brussels Airport Company (Belgium), Member of the Supervisory Board of MacqPisto (France).
Marie-Claire Daveu	04/05/2015	-	AGM approving the accounts for 2015	Member of the Supervisory Board	Director of Crédit Agricole CIB[1], Director of Albioma.
Charlotte Garnier-Peugeot	04/05/2011	07/05/2013	AGM approving the accounts for 2015	Member of the Supervisory Board	Director of Marketing and Corporate Communications for the Edmond de Rothschild Group (France), Managing Director of Edmond de Rothschild Communication SA (Suisse), Director of Gitana France SA.

(1) Ipsos, Laurent Perrier and Crédit Agricole CIB are listed on Euronext.

Supervisory Board members resume:

YANN DUCHESNE

Chairman of the Supervisory Board

Born in 1956

French

Date appointed: 12 May 2005

Date term of office ends: Annual General Meeting approving the financial statements for the financial year ending 31 December 2015

Number of shares held as of 31 December 2015: 145

Business address:

IBL Group – IBL House – Caudan – Port Louis – Mauritius

Yann Duchesne has been Chairman of the Company's Supervisory Board since 12 May 2005. Currently he is the Chief Executive Officer of IBL group a global industrial federation. He has served as Senior Principal of Doughty Hanson in London for more then 12 years since January 2003. Previously, he held several positions at McKinsey & Company over a period of twenty years and headed the consulting firm's Corporate Finance and Private Equity Department in France for many years. In 1997, he became the General Manager of the Paris office of McKinsey & Company. Author of a book on economic policy (France SA), he has been awarded the French Legion of Honour. Yann Duchesne is a graduate of France's École polytechnique, the École des mines de Paris and the IEP de Paris. He is a member of the Supervisory Board of Laurent Perrier and Board Member at Ipsos.

JEAN-MARC DAILLANCE

Vice-Chairman of the Supervisory Board

Born in 1957

French

Date appointed: 12 May 2005

Date term of office ends: Annual General Meeting approving the financial statements for the financial year ending 31 December 2016

Number of shares held as of 31 December 2015: 144

Business address:

76-78, rue Saint-Lazare – 75009 Paris – France

Jean-Marc Daillance has been on the Company's Supervisory Board since 12 May 2005 and has served as Vice-Chairman of the Supervisory Board and Chairman of the Audit Committee since 14 May 2007. After holding a number of positions within the Zodiac group since 1984, he was appointed General Manager of Zodiac's Marine division and sat on its Management Committee from 2002 to August 2007, then serving as Chairman of the Management Board at Zodiac Marine Holding until January 2008.

He is an operational partner at Jolt Capital, an expansion fund that invests in European companies involved in semiconductors, mobility and Cloud, General Manager of QALYO, a healthcare Startup, and Senior Advisor at Roland Berger.

Over the past number of years, Jean-Marc Daillance has also held the following offices: Chairman of Zodiac European Pools (France), Zodiac International SASU (France), Zodiac Pool Care Europe SASU (France), PSA (France), Evac International O.y., Chairman of Zodiac group Australia Pty Ltd., Zodiac Pool Care Inc., Manager of Debes & Wunder GmbH, Manager of Zodiac Kern GmbH, General Manager of Marine Holding US Corp. Previously, he worked as an engineer at SAT (Paris) and at IBM Corporation in Raleigh (USA). Jean-Marc Daillance is a graduate of France's École polytechnique and holds a Master of Business Administration from the Harvard Business School.

BRUNO ANGLES

Member of the Supervisory Board

Born in 1964

French

Date appointed: 12 May 2005

Date term of office ends: Annual General Meeting approving the financial statements for the financial year ending 31 December 2016

Number of shares held as of 31 December 2015: 146

Business address:

Macquarie Infrastructure and Real Assets (Europe) Ltd. – 41, avenue George V – 75008 Paris – France

Bruno Angles has been a member of Saft's Supervisory Board since 12 May 2005 and Chairman of the Strategy and Technology Committee since 12 May 2015. He is Chairman France of Macquarie Infrastructure and Real Assets (Europe) Limited. In this capacity, he is Director of Autoroutes Paris-Rhin-Rhône, AREA, SAS Eiffarie, SAS Financière Eiffarie and of the Brussels Airport Company. He is also member of the Supervisory Board of MacqPisto (France).

Bruno Angles was formerly Senior Partner of Mercer Delta (2006-2007) after having been General Manager of Vinci Energies (2004-2005).

Before that, he held several positions at McKinsey & Company from 1996 to 2004 and became a principal in 2000. He also served as General Manager of the Mont Blanc Tunnel Company (STMB) (1994-1996), Technical Advisor to the office of Bernard Bosson (1993-1994), and Head of the Major Infrastructure Projects Department at the Direction départementale de l'équipement (DDE) in Ille-et-Vilaine (1990-1993).

Bruno Angles, a structural engineer, is a graduate of École polytechnique and of the Collège des Ingénieurs. He was the Chairman of the Association des Ingénieurs des Ponts et Chaussées (2003-2005) and was Chairman of the Fondation de l'École nationale des ponts et chaussées (2006-2011). He is the Chairman of the Association des Anciens Élèves et diplômés de l'Ecole polytechnique (AX).

Bruno Angles is a Knight of the National Order of the Legion of Honour and an officer of the National Order of Merit (France).

MARIE-CLAIRE DAVEU

Member of the Supervisory Board

Born in 1971

French

Date appointed: 4 May 2015

Date term of office ends: Annual General Meeting approving the financial statements for the financial year ending 31 December 2015

Number of shares held as of 31 December 2015: 100

Business address:

Kering, 10 avenue Hoche – 75008 Paris

Marie Claire Daveu was co-opted as member of the Supervisory Board on 4 mai 2015 and it was ratified by the Annual General Meeting of the shareholders on 12 May 2015. She is also member of the Audit Committee. She has been the Chief Sustainability Officer and Head of international institutional affairs of the Kering Group and she is also member of Kering's Executive Committee. Previously she occupied different posts in the public service and she was Chief of Staff to the Minister of Ecology and sustainable development, transport and housing. She was Senior Director of development at Sanofi-Aventis Group.

Marie-Claire Daveu is a graduate of the Paris Grignon National Institute of Agronomy (INA PG), the National Scholl of Rural Engineering, Water and Forests (ENGREF) and holder of a DESS (master's degree) in public administration from the University of Paris Dauphine.

CHARLOTTE GARNIER-PEUGEOT

Member of the Supervisory Board

Born in 1960

French

Date appointed: 4 May 2011

Date term of office ends: Annual General Meeting approving the financial statements for the financial year ending 31 December 2015

Number of shares held as of 31 December 2015: 140

Business address:

Groupe Edmond de Rothschild – 47, rue du Faubourg Saint-Honoré – 75008 Paris – France

Charlotte Garnier-Peugeot has been member of the Supervisory Board since 2011 and Chaiman of the Remuneration and Appointments Committee since 12 May 2015. She has been also Director of Marketing and Communications at the Edmond de Rothschild group since 2007, and member of the Group's Executive Committee since 2012.

Before that, from 1999 to 2002, she held the position of deputy Director of Communications at CCF (which became HSBC France in 2000). From 1994 to 1999, she worked as a manager at the Fortiter Expansion firm, which she also helped found. She previously worked for the Sun Expansion communications agency from 1991 to 1994, was a freelance writer from 1987 to 1991 and spent two years in the External Communications Department of IBM-France.

Charlotte Garnier-Peugeot is a graduate of Celsa where, in parallel with her day job, she also worked as a part-time lecturer in institutional communications from 1997 to 2000.

Independence of the Supervisory Board members

Following the recommendations of the Afep-Medef Code of Corporate Governance for Listed Companies, the status of each Supervisory Board member was examined by the Remuneration and Appointments Committee. All Supervisory Board members are independent as of 31 December 2015 as they meet the following criteria:

- they are not an employee nor member of the Management Board of the Company or of a company falling within its scope of consolidation and have not held such a position within the past five years;
- they are not a corporate officer of a company in which the Company directly or indirectly holds a directorship or in which any employee designated as such or corporate officer of the Company (either at the present time or within the past five years) holds a directorship;
- they are not a major customer, supplier, investment banker or commercial banker of the Company or of one of its consolidated subsidiaries;
- they do not have a close family tie with a corporate officer;
- they have not been a Company auditor during the previous five years;
- they have not been directors of the Company for more than twelve years; and
- they do not have legal ties with a shareholder who directly or indirectly holds over 10% of the share capital or voting rights of the Company.

Supervisory Board Committees

The Supervisory Board is assisted by three permanent committees, the remit and mode of operation of which are set out in the Supervisory Board's bylaws:

- an Audit Committee;
- a Remuneration and Appointments Committee;
- a Strategy and Technology Committee.

The members of the committees are:

Audit Committee

Jean-Marc Daillance, Chairman

Yann Duchesne

Marie-Claire Daveu

Remuneration and Appointments Committee

Charlotte Garnier-Peugeot, Chairman since 12/05/2015

Bruno Angles

Yann Duchesne

Strategy and Technology Committee

Bruno Angles, Chairman since 12/05/2015

Jean-Marc Daillance

Marie-Claire Daveu

Number of meetings held in 2015 by the Supervisory Board and its committees:

- Supervisory Board: 10 meetings;
- Audit Committee: 6 meetings;
- Remuneration and Appointments Committee: 4 meetings;
- Strategy and Technology Committee: 1 meeting.

The organisation of the work of the Supervisory Board and of its committees as well as that of the Company's Internal Control is described in the Supervisory Board Chairman's report in section 4.3 of this annual report.

4.1.3 MANAGEMENT COMMITTEE

A Saft Management Committee (SMC) also exists within the Group, which serves as a forum for discussing and implementing the Group's strategy. In addition to the members of the Management Board, the Management Committee is comprised of Igal Carmi, General Manager of Tadiran Batteries Ltd. And since 1st January 2016 Director of the Civil Electronics division, and Kamen Nechev, Group Technology Director. Following the reorganization as part of the Plan Power 2020 the Management Committee has expanded to include the new managers as Pierre-Yves Tilly Director of the Human Resources, Glen Bowling Senior VP Sales and Annie Sennet, Director of Space and Defence division. The Management Committee meets once a month.

4.1.4 CORPORATE GOVERNANCE REPOSITORY

The Company complies with the Afep-Medef Code of Corporate Governance for Listed Companies, revised in November 2015, with the exception of the items listed in the Supervisory Board Chairman's report included in section 4.3 of this annual report.

4.1.5 DISCLOSURES CONCERNING MANAGEMENT AND SUPERVISORY BOARD MEMBERS

On the date on which this annual report was filed and to the Company's knowledge:

- the Company's corporate officers have no family ties with any other corporate officers;
- during the past five years, the members of Supervisory Board and the members of Management Board have not been found guilty of fraud, have not been associated with any bankruptcy, receivership or liquidation; no charges have been made and/or no official public sanction has been ordered against them by statutory or regulatory authorities including trade associations, and they have not been prevented by a court from acting as members of the Board of Directors, Management Board or Supervisory Board of an issuer or from being involved in the management or conduct the business dealings of an issuer;
- there is no potential or current conflict of interest between the duties towards the Company, of the members of the Management Board and the members of the Supervisory Board and their private interest and/or other duties;
- no arrangement or agreement has been entered into with the core shareholders, customers, suppliers or others under which these persons have been selected to be corporate officers;
- these persons have not agreed to any restriction concerning the sale within a certain time span of their equity interests in Saft Groupe SA, other than those provided for by law and regulations and articles of association.

There is no service agreement between the members of the Management Board or Supervisory Board and the Company or any of its subsidiaries.

4.2 REMUNERATION AND SHAREHOLDING OF THE MANAGEMENT AND SUPERVISORY BOARD MEMBERS

4.2.1 PRINCIPLES AND RULES RELATED TO CORPORATE OFFICERS REMUNERATIONS

Supervisory Board members

No remuneration other than attendance fees is paid to Supervisory Board members. At the Combined Ordinary and Extraordinary General Meeting held on 12 May 2015, the maximum annual amount of attendance fees to be shared amongst members of the Supervisory Board for the 2015 financial year was set at €280,000.

Upon proposal of the Remunerations and Appointments Committee, the Supervisory Board, in compliance with article L.225-83 of the French Commercial Code, set the following individual attendance fee amounts which can be allocated in 2015, provided that the attendance requirement set by the Supervisory Board are fulfilled, as it is stated in the article 4.2.4 below.

The total amount of attendance fees paid for the 2015 financial year thus amounted to €198,080.

Detailed information on the remuneration and other benefits of any kind granted to Management Board members is provided in section 4.2.4.

Management Board members

The Management Board is composed of four members as of 31 December 2015:

- Ghislain Lescuyer, Chairman;
- Bruno Dathis, Member;
- Thomas Alcide, Member;
- Franck Cecchi, Member.

The annual remuneration of the Chairman and of members of the Management Board is set by the Supervisory Board, based on proposals from the Remuneration and Appointments Committee, in accordance with the principles set out in the Afep-Medef Code of Corporate Governance in force, and the internal rules and regulations of the Supervisory Board.

The annual remuneration of each member of the Management Board comprises a fixed annual portion and a variable portion.

Fixed remuneration is determined by the level of responsibility and experience of each member but also with reference to market practices.

In accordance with the recommendations of the Afep-Medef Code, the weight of the variable annual portion in the overall remuneration of the Management Board members had been increased in 2014. The performance criteria retained for the allocation of the annual variable remuneration are mainly quantitative and, to a lesser extent (15%), qualitative. The criteria quantitative are identical to those used to calculate all or part of the variable remuneration granted to managers, the latter being based on the Group's performance. For 2015, these criteria are:

- the annual revenue growth at constant exchange rate;
- the EBITDA margin of the financial year (EBITDA is defined as operating profit before amortisation and depreciation, restructuring costs and other income and expenses); and
- the cash generation as measured at the level of the consolidated financial statements of Saft Groupe SA.

To date, members of the Management Board have no variable remuneration calculated on the basis of multi-year performance criteria, but the Company envisages submitting shortly to the General Meeting a preference share plan.

The expected level of achievement of the quantitative targets set for managers has been defined in a precise manner. The Supervisory Board considers that this information should remain confidential. The Chairman and members of the Management Board all benefit from a motor vehicle, with the cost of rental and use of such vehicle being borne by the Company. The value of this benefit in kind is disclosed in the table that summarizes the remuneration of each Management Board member in section 4.2.3.

On 11 January 2016, the Supervisory Board authorised the Company to enter into an agreement concerning the severance compensation to be paid to the Chairman of the Management Board who does not have any employment contract with the Company, or with any one of its subsidiaries.

This severance compensation would be equal to twelve months of gross (fixed and variable) remuneration, plus 15% per year of length of service, for up to two years of gross remuneration. The basis for the calculation of the severance compensation will be the fixed remuneration of the year during which Mr Lescuyer leaves the Company and the average of the two most recent annual variable remunerations paid prior to his date of departure.

The severance compensation will only be paid in the event of the involuntary cessation or non-renewal of his position as Chairman of the Management Board, linked to a change of control or of strategy in accordance with the recommendations of France's Afep-Medef Code in force. It will not be due if the Chairman of the Management Board leaves the Company on his own initiative or is able to assert his rights to a full pension in the near future.

The severance compensation will be paid after the Supervisory Board has assessed the stipulated performance criteria in accordance with the provisions of article L.225-90-1 paragraph 5 of the Commercial Code.

The five performance criteria are defined as follows:

1. Allotment by the Supervisory Board of a variable remuneration portion that is at least equal to 50% on average over the three years ended preceding the year in which Mr Lescuyer leaves the Company;

2. Attainment of positive net income during the most recent year ended;
3. EBITDA margin on turnover above 14% during the most recent year ended;
4. The stock market performance condition will be deemed to be satisfied if the performance of Saft Groupe's share price during the 3 years prior to the date of departure is at least equal to 50% of the performance of the SBF 120 (France's 120 largest firms). This criterion will be calculated on the basis of the average of Saft Groupe's share price over the 60-day period preceding the date of departure and the average of the SBF 120 index over this same period, compared to the average of Saft Groupe's share price and of the SBF 120 index over the 60-day period observed three years prior to the date of departure;
5. Positive free cash-flow over each of the three years ended preceding the date of departure. Free cash-flow will be determined by the sum of the following items published in the Group's annual statement of consolidated cash flow:
   - net cash flow generated by activity,
   - net cash flow generated by investment transactions.

If Mr Lescuyer leaves the Company prior to the third year as of 1 January 2016, the above-mentioned performance criteria would be assessed on the year(s) ended during which the Chairman of the Management Board was present at the Company.

The severance compensation that can be received as final compensation will be calculated using the following scale:

- if five criteria are satisfied: 100% of the stipulated amounts;
- if four criteria are satisfied: 80% of the stipulated amounts;
- if three criteria are satisfied: 60% of the stipulated amounts;
- if two criteria are satisfied: 40% of the stipulated amounts;
- if less than two criteria are satisfied: 0% of the stipulated amounts.

The amount of the severance compensation of the Chairman of the Management Board will be submitted for approval to the Annual General Meeting of the shareholders to be held on 12 May 2016, which will reach a decision based on the special report of the Statutory Auditors. This report is in section 9.2 of this annual report.

Detailed information on the remuneration and other benefits of any kind granted to Management Board members is provided in tabular form in section 4.2.3.

Management Board members do not receive attendance fees for offices held in the Saft Group subsidiaries and/or joint ventures.

All Management Board members based in France benefit from the incentive and mandatory profit sharing schemes of Saft SAS.

The members of the Management Board employed in France benefit from the same defined contribution supplementary pension plan as all Group executives in France, in the form of a multi-employer pension plan ("PERI"), the financing of which is borne by the Group. Mr. Thomas Alcide, also member of the Management Board benefits from the same defined contribution pension plan as all employees of Saft America Inc. This is a voluntary participation plan. The financing of this plan is matched by Saft up to the annual contribution of the employees, with a limit of 7% of their annual salary. The annual cost incurred for the Group in the frame of this pension plan for these four members of the Management Board is detailed in section 4.2.9 below.

4.2.2 POLICY ON THE GRANTING OF STOCK OPTIONS

Nature of options

All stock options granted to date are options for the subscription of new shares approved by the Group's shareholders at Annual General Meetings.

Grant conditions

Stock options are granted, following a proposal by the Management Board, by a decision of the Supervisory Board. The beneficiaries of these stock options are Group executives. For each stock option plan, the number of beneficiaries of stock options is approximately 100-150 Group employees.

Conditions to exercise stock options are such that an employee and/or a member of the Management Board leaving the Group can only exercise vested stock options no later than three months after his/her departure. Therefore no stock option is granted to an employee or a member of the Management Board as soon as the departure date is known in a reasonable timeline. As of 31 December 2015, the total number of outstanding stock options represented 2.1% of the number of shares comprising the share capital of Saft Groupe SA.

With regard to Management Board members, the Supervisory Board has set the following rules for stock options to be granted:

- when making a new grant of stock options, the value of the stock options granted to each member of the Management Board, calculated pursuant to IFRS, must not exceed a maximum of 35% (thirty-five percent) of all the components of the annual remuneration of each beneficiary;
- the maximum percentage of stock options that may be granted to all members of the Management Board compared to the total overall number voted at the Annual General Meeting may not exceed 25% (twenty-five percent), and the maximum percentage granted to each Management Board member may not exceed 6% (six percent) of this total overall number.

  These two principles were validated by the Supervisory Board on 27 April 2009 and 25 January 2010 and are thus applicable to the stock option plans implemented after these dates;

- finally, the exercise by members of the Management Board of stock options granted to them since the plan implemented in 2012 is subject to certain performance conditions set by the Supervisory Board upon proposal by the Remunerations and Appointments Committee.

Frequency of stock option plans

The stock option plans are established at a frequency of more than one year. Six main plans have been implemented by the Management Board since the Company was listed: June 2005, November 2006, January 2008, March 2009, September 2010 and July 2012.

Stock option price

No discount may be applied at the time stock options are granted.

In addition, the current members of the Management Board take formal commitment that they won't have recourse to transactions to hedge the risks to which they are exposed, either on stock options or on shares resulting from the exercise of options.

Conditions for the exercise of stock options

Conditions for the exercise of stock options are the following: any prohibited periods of exercise are defined and communicated to all option beneficiaries. During these periods, no beneficiary may exercise his or her options.

With regard to Management Board members, the Supervisory Board has set the following supplementary rules:

- on each occasion that a member of the Management Board exercises some of his or her stock options, he or she must keep at least 15% of the shares thus issued throughout his or her term of office. This rule applies starting from plan no. 3 authorised by the Shareholders' General Meeting on 17 December 2007;
- the exercise by Management Board members of their stock options is dependent on achievement of the following performance conditions:
  - for stock options granted under the first four plans implemented, the Group's consolidated EBITDA margin must be positive in the year that the stock options are granted (where the stock options are granted by 30 June at the latest) and in the following two financial years (or the next three financial years if the stock option grant is made after 30 June),
  - for stock options granted starting under the plan adopted on 2 September 2010, the Group's consolidated EBIT margin must be positive in the financial year that the stock options are granted (if the grant takes place in the first half of the calendar year) and in the following two financial years or the next three financial years if the stock option grant is made in the second half of the year. This amendment was ratified by the Supervisory Board at its meeting on 2 November 2010,
  - for the stock options granted under the plan implemented on 4 July 2012, the number of shares that may be subscribed by the beneficiaries depends on performance criteria measured at the Group level for the financial years 2012, 2013 and 2014. The criteria for measurement of the Group's performance are the following:
    - the EBITDA margin as defined in the Group's published consolidated financial statements,
    - the ROCE (Return On Capital Employed), that defines the ratio between:
      - the consolidated EBIT margin after corporate taxes,
      - the capital used measured at the close of each financial period.

    The right for each beneficiary to exercise options that are granted to him/her is thus subject:
    - for 50% of the total of options granted, and each year by one third, to the level of the EBITDA margin reached by the Group for the financial years 2012, 2013 and 2014,
    - for 50% of the total of options granted, and each year by one third, to the level of the ROCE reached by the Group for the financial years 2012, 2013 and 2014;
- the Management Board members must abstain from exercising their options during the following windows:
  - a period of 60 days prior to publication of the press releases with regard to the annual results,
  - a period of 30 days prior to publication of the press release with regard to the half-year results,
  - a period of 15 days prior to publication of press releases on quarterly revenue.

Full information on stock option plans is provided below in sections 4.2.5 to 4.2.8.

4.2.3 REMUNERATION OF MANAGEMENT BOARD MEMBERS

The members of the Management Board of Saft Groupe SA received the following gross remuneration, stock options and other benefits of all kinds whether paid by the Company, by companies controlled (within the meaning of article L.233-16 of the French Commercial Code) by Saft Groupe SA or by companies controlling (within the meaning of the same article) Saft Groupe SA.

TABLE AND SUMMARY OF REMUNERATION AND STOCK OPTIONS GRANTED TO EACH MEMBER OF THE MANAGEMENT BOARD

	2013 Financial Year	2014 Financial Year	**2015 Financial Year**
Ghislain Lescuyer – Chairman of the Management Board since 04/05/2015			
Remuneration for the period			€502,927
Value of stock options granted during the period			
Value of performance or free shares granted during the period			
TOTAL	**N.A.**	**N.A.**	**€502,927**
Bruno Dathis – Member of the Management Board [1]			
Remuneration for the period	€312,162	€453,613	€440,986
Value of stock options granted during the period	-	-	
Value of performance or free shares granted during the period	-	-	
TOTAL	**€312,162**	**€453,613**	**€440,986**
Thomas Alcide – Member of the Management Board[2]			
Remuneration for the period	€300,347	€376,574	€504,555
Value of stock options granted during the period	-	-	
Value of performance or free shares granted during the period	-	-	
TOTAL	**€300,347**	**€376,574**	**€504,555**
Franck Cecchi – Member of the Management Board			
Remuneration for the period	n.a.	€290,137	€324,684
Value of stock options granted during the period	n.a.	-	
Value of performance or free shares granted during the period	n.a.	-	
TOTAL	**N.A.**	**€290,137**	**€324,684**
Xavier Delacroix – Member of the Management Board until 23/10/2015			
Remuneration for the period	€300,999	€376,268	€329,392
Value of stock options granted during the period	-	-	-
Value of performance shares granted during the period	-	-	-
TOTAL	**€300,999**	**€376,268**	**€329,392**
Elizabeth Ledger – Member of the Management Board until 06/05/2015			
Remuneration for the period	€171,635	€199,770	€177,357
Value of stock options granted during the period	-	-	-
Value of performance or free shares granted during the period	-	-	-
TOTAL	**€171,635**	**€199,770**	**€177,357**

(1) The remuneration of Bruno Dathis in 2014 and 2015, includes an additional compensation for his position as Acting Chairman of the Management Board from the 24/09/2014 until 03/05/2015.

(2) The remuneration of Thomas Alcide, which is expressed in euros above, is in fact calculated and paid in dollars.

n.a. not applicable.

The table below shows the breakdown by type of the "Remuneration for the period" row in the above table, along with the amounts actually paid during the financial year in question.

SUMMARY TABLE OF REMUNERATION OF EACH MEMBER OF THE MANAGEMENT BOARD

Ghislain Lescuyer – Chairman of the Management Board since 04/05/2015	2013 Financial Year		2014 Financial Year		**2015 Financial Year**	
	Amounts due	Amounts paid	Amounts due	Amounts paid	**Amounts due**	**Amounts paid**
Fixed remuneration					€318,095	€318,095
Variable remuneration					€106,240	
As a % of fixed remuneration[1]					*33%*	
Maximum % authorised[1]					*100%*	
Exceptional remuneration					€ 64,410	
Attendance fees						
Benefits in kind						
■ Company car					€14,182	€14,182
TOTAL	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**€502,927**	**€332,277**

Bruno Dathis – Member of the Management Board	2013 Financial Year		2014 Financial Year		**2015 Financial Year**	
	Amounts due	Amounts paid	Amounts due	Amounts paid	**Amounts due**	**Amounts paid**
Fixed remuneration[2]	€252,995	€252,995	€292,128	€292,128	€307,884	€307,884
Variable remuneration	€58,065	€0	€160,383	€58,065	€112,000	€160,431
As a % of fixed remuneration[1]	*23%*	-	*62%*	-	*36%*	
Maximum % authorised[1]	*50%*	-	*75%*	-	*75%*	
Exceptional remuneration	-	-	-	-	€20,000	€20,000
Attendance fees	-	-	-	-		
Benefits in kind						
■ Company car	€1,102	€1,102	€1,102	€1,102	€1,102	€1,102
TOTAL	**€312,162**	**€254,097**	**€453,613**	**€351,295**	**€440,986**	**€489,417**

Thomas Alcide – Member of the Management Board[3]	2013 Financial Year		2014 Financial Year		**2015 Financial Year**	
	Amounts due	Amounts paid	Amounts due	Amounts paid	**Amounts due**	**Amounts paid**
Fixed remuneration	€242,476	€242,476	€250,839	€250,839	€313,938	€313,938
Variable remuneration	€55,769	€0	€123,601	55,760€	€116,000	€148,042
As a % of fixed remuneration[1]	*23%*	-	*49%*	-	*37%*	
Maximum % authorised[1]	*50%*	-	*75%*	-	*75%*	
Exceptional remuneration	-	-	-	-	€68,932	€14,932
Attendance fees	-	-	-	-		
Benefits in kind						
■ Company car	€2,101	€2,101	€2,134	€2,134	€5,685	€5,685
TOTAL	**€300,346**	**€244,577**	**€376,574**	**€308,733**	**€504,555**	**€482,597**

(1) Variable pay measured as a percentage of its calculation basis, a fraction of fixed remuneration.
(2) The remuneration of Bruno Dathis in 2014 and 2015 includes an additional compensation for his position as Acting Chairman of the Management Board from the 24/09/2014 until 03/05/2015.
(3) The remuneration and benefits in kind allocated to Thomas Alcide, which are expressed in euros, are calculated and paid in dollars.

Franck Cecchi - Member of the Management Board	2013 Financial Year		2014 Financial Year		2015 Financial Year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	n.a.	n.a.	€190,893	€190,893	€196,911	€196,911
Variable remuneration	n.a.	n.a.	€93,791	€31,868	€74,000	€93,820
As a % of fixed remuneration(1)	*n.a.*	*n.a.*	*49%*	-	*38%*	
Maximum % authorised(1)	*n.a.*	*n.a.*	*75%*	-	*75%*	
Exceptional remuneration	n.a.	n.a.	-	-	€48,000	€15,000
Attendance fees	n.a.	n.a.	-	-		
Benefits in kind	n.a.	n.a.				
■ Company car	n.a.	n.a.	€5,453	€5,453	€5,773	€5,773
TOTAL	**N.A.**	**N.A.**	**€290,137**	**€228,214**	**€324,684**	**€311,504**

Xavier Delacroix - Member of the Management Board until 23/10/2015	2013 Financial Year		2014 Financial Year		2015 Financial Year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	€241,490	€241,490	€249,692	€249,692	€258,460	€258,460
Variable remuneration	€55,419	€0	€122,765	€55,419	€67,121	€122,802
As a % of fixed remuneration(1)	*23%*	-	*49%*	-	*26%*	
Maximum % authorised(1)	*50%*	-	*75%*	-	*75%*	
Exceptional remuneration	-	-	-	-		
Attendance fees	-	-	-	-		
Benefits in kind						
■ Company car	€4,090	€4,090	€3,811	€3,811	€3,811	€3,811
TOTAL	**€300,999**	**€245,580**	**€376,268**	**€308,922**	**€329,392**	**€385,073**

Elizabeth Ledger - Member of the Management Board until 06/05/2015	2013 Financial Year		2014 Financial Year		2015 Financial Year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	€142,755	€142,755	€147,385	€147,385	€147,480	€147,480
Variable remuneration	€24,694	€0	€48,083	€24,694	€25,575	€48,112
As a % of fixed remuneration(1)	*17%*	-	*33%*	-	*17%*	
Maximum % authorised(1)	*37.5%*	-	*50%*	-	*50%*	
Exceptional remuneration	-	-	-	-		
Attendance fees	-	-	-	-		
Benefits in kind						
■ Company car	€4,186	€4,186	€4,302	€4,302	€4,302	€4,302
TOTAL	**€171,635**	**€146,941**	**€199,770**	**€176,381**	**€177,357**	**€199,894**

(1) Variable pay measured as a percentage of its calculation basis, a fraction of fixed remuneration.
n.a. not applicable.

4.2.4 REMUNERATION PAID TO SUPERVISORY BOARD MEMBERS

At the Combined Ordinary and Extraordinary General Meeting held on 12 May 2015, the maximum annual amount of attendance fees to be shared amongst members of the Supervisory Board for the 2015 financial year was set at €280,000. Since 2015, and in accordance with the Bylaws of the Supervisory Board, revised in May 2014, the allocation of attendance fees comprises a fixed portion and a dominating variable portion determined according to the criteria established by the Supervisory Board on the proposal of the Remuneration and Appointments Committee. The total amount of attendance fees paid to members of the Supervisory Board for the 2015 financial year amounted to €199,080.

The attendance fees paid to members of the Supervisory Board during the last three years were as follows:

TABLE OF ATTENDANCE FEES AND OTHER REMUNERATION RECEIVED BY THE MEMBERS OF THE SUPERVISORY BOARD, NON-EXECUTIVE CORPORATE OFFICERS

Non-executive corporate officers	Amounts paid in 2013	Amounts paid in 2014	**Amounts paid in 2015**
Yann Duchesne			
Attendance fees	€51,796	€52,961	€54,020
Other remuneration	None	None	None
Jean-Marc Daillance			
Attendance fees	€34,532	€35,308	€36,015
Other remuneration	None	None	None
Bruno Angles			
Attendance fees	€34,532	€35,308	€36,015
Other remuneration	None	None	None
Ghislain Lescuyer			
Attendance fees	€34,532	€35,308	€29,953
Other remuneration	None	None	None
Charlotte Garnier-Peugeot			
Attendance fees	€34,532	€35,308	€36,015
Other remuneration	None	None	None
Marie-Claire Daveu			
Attendance fees	n.a.	n.a.	€6,062
Other remuneration	n.a.	n.a.	None
TOTAL	**€189,924**	**€194,193**	**€198,080**

Attendance fees paid from 1st January 2015 until 3 May 2015.
n.a. not applicable.

Only Supervisory Board members are eligible for attendance fees.

4.2.5 STOCK OPTIONS ALLOCATED BY THE ISSUER DURING 2015 TO EACH MEMBER OF THE MANAGEMENT BOARD

No stock option was granted to the members of the Management Board during the year 2015.

4.2.6 STOCK OPTIONS EXERCISED DURING THE 2015 FINANCIAL YEAR BY MANAGEMENT BOARD MEMBERS

The table below presents the summary of options exercised during the 2015 financial year by the Management Board members:

Name of the Management Board Member	N° and date of the plan	Number of options exercised during the financial year	Exercice price
Thomas Alcide	Plan n° 3 – 22/01/2008	13,935	€24.22
Thomas Alcide	Plan n° 5 – 02/09/2010	15,000	€25.34
Franck Cecchi	Plan n° 2 – 27/11/2006	8,916	€23.33
Franck Cecchi	Plan n° 3 – 22/01/2008	8,919	€24.22
Franck Cecchi	Plan n° 5 – 02/09/2010	10,000	€25.34
Xavier Delacroix	Plan n° 2 – 27/11/2006	11,145	€23.33
Xavier Delacroix	Plan n° 3 – 22/01/2008	13,935	€24.22
Xavier Delacroix	Plan n° 4 - 23/03/2009	6,769	€17.76
Xavier Delacroix	Plan n° 5 – 02/09/2010	15,000	€25.34
Bruno Dathis	Plan n° 3 bis – 05/11/2008	11,145	€23.33
Bruno Dathis	Plan n° 4 – 23/03/2009	14,494	€17.76
Bruno Dathis	Plan n° 5 – 02/09/2010	15,000	€25.34
Elizabeth Ledger	Plan n° 2 – 27/11/2006	8,916	€23.33
Elizabeth Ledger	Plan n° 3 – 22/01/2008	7,550	€24.22
TOTAL		**160,724**	

4.2.7 PERFORMANCE SHARES AND/OR FREE SHARES GRANTED TO MANAGEMENT

At 31 December 2015, the Group has not set up any performance share or free shares plans.

4.2.8 HISTORY OF STOCK OPTIONS GRANTED

The history of stock option plans put in place by the Group is as follows:

HISTORY OF STOCK OPTIONS GRANTED

Plan and date of Shareholders' Meeting	Plan No. 1	Plan No. 1 bis	Plan No. 2	Plan No. 3	Plan No. 3 bis	Plan No. 4	Plan No. 5	Plan No. 6
	29/06/2005	29/06/2005	22/06/2006	17/12/2007	17/12/2007	12/06/2008	09/06/2010	11/05/2012
Date of Management Board meeting	29/06/2005	28/09/2005	27/11/2006	22/01/2008	05/11/2008	23/03/2009	02/09/2010	04/07/2012
Total number of options granted	421,900	34,500	400,000	390,000	10,000	400,000	400,000	393,500
■ *of which number of options granted to Management Board members*[1]*:*								
Bruno Dathis	-	-	-	-	*10,000*	*13,000*	*15,000*	*18,000*
Thomas Alcide	*12,500*	-	*12,500*	*12,500*	-	*13,000*	*15,000*	*18,000*
Franck Cecchi	*8,000*	-	*8,000*	*8,000*	-	*9,000*	*10,000*	*18,000*
Xavier Delacroix	*6,000*	-	*10,000*	*12,500*	-	*13,000*	*15,000*	*18,000*
Elizabeth Ledger	*8,000*	-	*8,000*	*8,000*	-	*9,000*	*10,000*	*11,000*
Earliest date for exercise of the options	30/06/2009	28/09/2009	28/11/2010	23/01/2012	06/11/2012	24/03/2013	02/09/2014	04/07/2016
Date of expiry	29/06/2015	27/09/2015	27/11/2016	22/01/2018	05/11/2018	23/03/2016	01/09/2017	03/07/2019
Subscription price[2]	€23.33	€27.36	€23.33	€24.22	€23.33	€17.76	€25.34	€18.625
Details of exercise	-	-	-	-	-	-	-	-
Number of options subscribed at 31/12/2015:	308,048	26,773	300,391	241,709	11,145	369,549	210,500	-
■ by Management Board members	36,393	-	45,197	47,430	11,145	63,854	56,000	-
■ by employees other than Management Board members	271,655	26,773	255,194	194,279	-	305,695	154,500	-
Number of options cancelled or expired[3]:	124,745	11,060	89,511	92,891	-	47,831	54,500	137,500
■ *of which options granted to Management Board members*	*32,500*	-	*12,500*	-	-	-	-	*69,167*
■ *of which options granted to employees other than Management Board members*	*92,245*	*11,060*	*77,011*	*92,891*	-	*47,831*	*54,500*	*68,833*
Adjusted number of options available for exercise:	-	-	52,522	98,902	-	28,497	135,000	255,999
■ *of which held by Management Board members*	-	-	-	-	-	*1,534*	*9,000*	*13,833*
■ *of which held by employees other than Management Board members*	-	-	*52,522*	*98,902*	-	*26,963*	*126,000*	*242,166*

(1) Following several operations on the Company's share capital, performed after the attribution of stock options, the number of options available for exercise may be different from the number of options initially granted. The number of options available for exercise is detailed in the bottom of the table.
(2) Initial subscription price adjusted following financial operations subsequent to the attribution of the options.
(3) Initial number of options eventually adjusted following financial operations performed subsequent to the issuance and before the cancellation of these options.

Stock options granted at each stock option plan to the ten employees with the largest numbers of options and exercised during the year 2015 by the ten employees with the largest numbers of options are disclosed in the following table:

STOCK OPTIONS GRANTED TO THE TEN EMPLOYEES (OTHER THAN CORPORATE OFFICERS) IN RECEIPT OF THE LARGEST NUMBER AND OPTIONS EXERCISED BY THEM

	Year of attribution	Options granted during the year by the issuer to the 10 employees other than Management Board members, in receipt of the largest number of options		Options held exercised during the year 2015, by the 10 employees other than Management Board members having subscribed to the highest number of options	Options granted to the 10 employees other than Management Board members, cancelled or expired at 31/12/2015	Adjusted number of options available for exercise, held by the 10 employees other than Management Board members in receipt of the largest number of options[1]
		Total number of options	Adjusted weighted average price	Total number of options	Total number of options	Total number of options
Plans No. 1 & 1 bis	2005	70,000	€23.33	8,919	-	-
Plan No. 2	2006	63,500	€23.33	36,222	-	5,573
Plan No. 3	2008	60,500	€24.22	27,872	8,919	20,067
Plan No. 4	2009	63,500	€17.76	12,224	-	-
Plan No. 5	2010	69,000	€25.34	28,000	10,000	23,500
Plan No. 6	2012	75,500	€18,625	-	-	31,166

(1) Following several operations on the Company's share capital, performed after the attribution of stock options, the number of options available for exercise may be different from the number of options initially granted. The number of options available for exercise is detailed in the right column of the above table.

4.2.9 INFORMATION ON EMPLOYMENT CONTRACTS, PENSION PLANS AND TERMINATION COMPENSATION FOR MEMBERS OF THE MANAGEMENT BOARD

The status of each Management Board member with regard to employment contract, pension plans and termination compensation or other benefits is as follows:

Name of the Management Board member	Contract of employment	Supplementary pension plan	Compensation or other benefits payable (or liable to be payable) in the event of termination or change of function	Compensation as consideration for a non-compete clause
Ghislain Lescuyer Chairman of the Management Board since 04/05/2015 Appointment date: 06/05/2015 Date office ends: 05/05/2017	No	Yes (defined contribution plan)	Yes	None
Bruno Dathis Member of the Management Board Appointment date: 06/05/2015 Date office ends: 05/05/2017	Yes	Yes (defined contribution plan)	None	None
Thomas Alcide Member of the Management Board Appointment date: 06/05/2015 Date office ends: 05/05/2017	Yes	Yes (defined contribution plan)	None	None
Franck Cecchi Member of the Management Board Appointment date: 06/05/2015 Date office ends: 05/05/2017	Yes	Yes (defined contribution plan)	None	None

Pension plan for members of the Management Board

Four members of the Management Board (Elizabeth Ledger, Bruno Dathis, Franck Cecchi and Xavier Delacroix) benefit from the same defined contribution supplementary pension plan as all Group executives in France, in the form of a multi-employer pension plan ("PERI"), the financing of which is borne by the Group. The Group has also contributed to the financing of Mr Ghislain Lescuyer pension scheme. The amounts accrued or set aside under this plan on behalf of the Management Board members amounted to €84,060 in 2015. This overall sum breaks down as follows:

	2013 Financial Year	2014 Financial Year	**2015 Financial Year**
Ghislain Lescuyer	-	-	€15,995
Bruno Dathis	€11,292	€18,942	€24.193
Franck Cecchi	-	€9,095	€15.638
Xavier Delacroix	€10,611	€15,552	€21,524
Elizabeth Ledger	€2,731	€4,949	€6,710
TOTAL	**€24,634**	**€48,538**	**€84.060**

Mr. Thomas Alcide, also member of the Management Board benefits from the same defined contribution pension plan as all employees of Saft America Inc. This is a voluntary participation plan (401-K plan). The financing of this plan is matched by Saft up to the annual contribution of the employees, with a limit of 7% of their annual salary. The annual cost incurred for the Group in the frame of this pension plan for Mr. Alcide amounted to €16.255 in 2015 against €11,797 in 2014 and €11,568 in 2013 (these amounts are expressed in euros, but are calculated and paid in dollars).

Determination by the Supervisory Board of the overall remuneration of the members of the Management Board takes into account the benefit of this supplementary pension plan.

4.2.10 SHARES HELD BY MANAGEMENT IN THE COMPANY'S SHARE CAPITAL AS OF 31 DECEMBER 2015

SUPERVISORY BOARD MEMBERS

	Number of shares	% of share capital	% of voting rights
Yann Duchesne	145	n.m.	n.m.
Jean-Marc Daillance	144	n.m.	n.m.
Bruno Angles	146	n.m.	n.m.
Charlotte Garnier-Peugeot	140	n.m.	n.m.
Marie-Claire Daveu	100	n.m.	n.m.

n.m. not material.

MANAGEMENT BOARD MEMBERS

	Number of shares	% of share capital	% of voting rights
Ghislain Lescuyer	144	n. m	n. m
Bruno Dathis	6,096	0.02%	0.02%
Thomas Alcide	10,000	0.04%	0.04%
Franck Cecchi	20,749	0.08%	0.08%

n.m. not material.

4.2.11 TRANSACTIONS IN COMPANY SHARES BY MANAGEMENT AND PERSONS IN A SIMILAR POSITION

The transactions subject to mandatory reporting pursuant to articles 223-22-A *et seq.* of the general regulation of the Autorité des marchés financiers (AMF) and carried out in 2015 were as follows:

	Share purchases/ Exercise of stock options		Share sales	
Corporate officers	Date	Number of shares	Date	Number of shares
Thomas Alcide	19/02/2015	13,935	19/02/2015	13,935
Thomas Alcide	19/02/2015	15,000	19/02/2015	15,000
Thomas Alcide			12/03/2015	9,656
Franck Cecchi			20/02/2015	10,000
Franck Cecchi	06/03/2015	8,916	06/03/2015	8,916
Franck Cecchi			11/03/2015	10,000
Franck Cecchi	13/03/2015	8,919	13/03/2015	8,919
Franck Cecchi			16/03/2015	10,000
Franck Cecchi	27/04/2015	10,000	27/04/2015	10,000
Franck Cecchi			03/08/2015	10,000
Bruno Dathis	20/02/2015	12,494	20/02/2015	11,148
Bruno Dathis	24/02/2015	13,145	24/02/2015	11,173
Bruno Dathis	06/03/2015	15,000	06/03/2015	12,880
Xavier Delacroix	19/02/2015	11,769	19/02/2015	10,753
Xavier Delacroix	05/03/2015	6,145	05/03/2015	6,145
Xavier Delacroix	12/03/2015	13,935	12/03/2015	14,844
Xavier Delacroix	27/07/2015	5,000	27/07/2015	4,250
Xavier Delacroix	06/08/2015	10,000	06/08/2015	13,732
Elizabeth Ledger			12/01/2015	1,750
Elizabeth Ledger	23/02/2015	7,500	23/02/2015	7,500
Elizabeth Ledger	12/03/2015	1,416	12/03/2015	1,416
Elizabeth Ledger	29/04/2015	7,550	29/04/2015	7,550
Elizabeth Ledger			11/06/2015	14,243
Kamen Nechev	19/02/2015	7,500	19/02/2015	7,500
Igal Carmi	17/03/2015	8,919	17/03/2015	8,919
Igal Carmi	25/06/2015	8,916	25/06/2015	8,916

4.3 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

The report by the Chairman of the Supervisory Board, presented below, in accordance with the provisions of article L.225-68 of the French Commercial Code *(Code de commerce)* was approved by the Supervisory Board (hereinafter the "Board") on 15 February 2016, after an examination by the Supervisory Board's committees of the sections covering their respective areas of competence. It reports to the shareholders:

- on the composition of the Supervisory Board and the application of the principle of balanced representation of women and men on said Board, as well as the conditions for the preparation and organisation of its work (section 4.3.1); and
- the internal control and risk management procedures established by the Company (section 4.3.2);
- the provisions of the Afep-Medef Code, to which the Company refers, which have been complied with; and
- the principles and rules established by the Supervisory Board in order to determine the remunerations and benefits of any type granted to the company officers.

The Afep-Medef Listed Company Corporate Governance Code, revised in November 2015, is available on the site of Medef (www.medef.fr).

4.3.1 CORPORATE GOVERNANCE

a) Composition of the Supervisory Board and conditions for the preparation and organisation of its work

Supervisory Board

The Supervisory Board has five members, all of whom are independent members on the date of the drawing up of the report:

- Mr Yann Duchesne, Chairman;
- Mr Jean-Marc Daillance, Vice-Chairman;
- Mrs Charlotte Garnier-Peugeot and Mrs Marie-Claire Daveu and Mr Bruno Angles, members.

The criteria used by the Board to define the independence of one of its members are those established by the Afep-Medef Code. These criteria, which are stated in section 4.1 of this document, are reviewed each year. In 2015, the Remunerations and Appointments Committee once again noted that the members of the Supervisory Board do not, whether directly or indirectly, have any business relationship or other type of relationship with the Company or with one of its subsidiaries, and that they have been performing their Company officer duties at the Company for less than twelve years. Two of the Board's five members are women: *i.e.* 40% of its members are women. Accordingly, it is ahead of the provisions of French Act No. 2011-103 of 27 January 2011 regarding balanced gender representation on Supervisory Boards, and complies with the recommendations of the Afep-Medef Code.

All of the Board's members are French citizens. However, most of the Board's members have considerable international experience and hold positions in international firms or in companies having an international activity.

Internal Rules and Regulations and ethical charter of the Supervisory Board

The Supervisory Board's Internal Rules and Regulations had been updated on 12 May 2014 in order to take account of the various recommendations made in the Afep-Medef Code. It has not been modified since that date.

The Internal Rules and Regulations including the ethical charter are available on the Company's site (www.saftbatteries.com). Its main provisions are contained in section 4.5 of this document.

The Supervisory Board's duties

The Supervisory Board's duties, as defined by law, the Company's Articles of Association and the Internal Rules and Regulations, consist of carrying out an ongoing control of the Management Board's management. In this connection, the Board can, at any time of the year, carry out the checks and controls it deems appropriate and obtain from the Management Board the documents it deems useful to the performance of its duties. At least once each quarter, it will hear the Management Board's report on the management of the Company and of the Group. In addition, and in accordance with the Company's Articles of Association, certain Management Board decisions require the prior authorisation of the Supervisory Board (see b) below).

The Supervisory Board's functioning

The Supervisory Board meets as often as required by the Company's interests and at least once per quarter. The timetable of the Supervisory Board's meetings is determined one year in advance and the Supervisory Board shall receive prior to each session the documents and information concerning the subjects placed on the meeting's agenda. During the year 2015, the Supervisory Board met ten times. The average rate of attendance of the Supervisory Board's members at meetings is 96%.

During the year 2015, the Supervisory Board examined and covered the following subjects:

Closing of the financial statements:

- the Supervisory Board examined the consolidated financial statements and Company financial statements of the year 2014, as well as the 2014 Annual Financial Report, the half-yearly financial statements closed at 30 June 2015 and the associated financial report;

- it draws up the reports and resolutions presented at the Combined General Meeting of 12 May 2015;
- it heard from the Statutory Auditors, who attended the Supervisory Board's meetings having examined the annual and half-yearly financial statements and approved their fees for the year 2014.

Review of activity:

- several sessions during the first half of the year 2015 were devoted to the organisation of the Company's management following the passing of the Chairman of the Management Board at the end of 2014. After having appointed an interim Chairman of the Management Board in 2014, during the first quarter of 2015, the Supervisory Board completed the process to select a new Chairman of the Management Board, with the assistance of an executive recruitment firm;
- during the second half of the year, the Supervisory Board devoted several sessions to reviewing the updating of the Group's strategy proposed by the Management Board; on 4 September and 9 November 2015, under the aegis of the Strategy and Technologies Committee, the Supervisory Board reviewed the Company's strategy, which was then presented to investors on 16 November 2015. It also examined the proposals to reorganise the Company that were presented to it by the Chairman of the Management Board;
- the Supervisory Board presented its annual report for the year 2014 to the government's Auditor, in accordance with the agreement of 4 May 2005, signed between Saft and the French government (see section 8.4.4 of this document);
- it took note of the budget forecasts for the year 2015 and examined the Management Board's quarterly activity reports.

Financial communication:

The Supervisory Board reviewed all of the press releases concerning the Group's annual and half-yearly turnover and results, as well as the documents presenting these results to financial analysts and investors.

Remunerations:

- the Supervisory Board determined the amount and breakdown of the attendance fees of its members for the year 2015, by applying the criteria established by its Internal Rules and Regulations, which took effect in 2015;
- based on the recommendations of the Remunerations and Appointments Committee, the Supervisory Board:
  - determined the annual variable remuneration of the members of the Management Board and of the Executive Committee (SMC) on the basis of the level of performance obtained by the Group for the year 2014 and in accordance with the objectives that had been set for the members of the Management Board and the Executive Committee (SMC),
  - approved the objectives and the methods for calculating the annual variable remuneration of the members of the Management Board and of the members of the Executive Committee (SMC) for the year 2015,
  - examined a plan to allot free preference shares to management, to be submitted for a vote at the next General Meeting of the Shareholders.

Internal audit:

The Supervisory Board reviewed the work and assignments carried out in 2015 by the Group's Internal Audit and Control Department and approved the internal audit action plan for the year 2016.

Corporate governance:

Following the sudden passing of the Chairman of the Management Board in September 2014, the Supervisory Board began a process to select the new president and participated in the definition of his or her profile, under the aegis of its Remunerations and Appointments Committee and with the assistance of an executive recruitment firm. After having interviewed several candidates, the Supervisory Board appointed Ghislain Lescuyer as Chairman of the Management Board at its session of 13 March 2015, and defined the conditions for his remuneration. In this connection, the Supervisory Board decided that, unlike his predecessor, Mr Lescuyer will not have an employment contract with the Company, thereby following the recommendations of the Afep-Medef Code.

- In response to a proposal by its Remunerations and Appointments Committee, it examined the candidacy of Mrs Daveu, who has expertise in the area of sustainable development and energy and decided to co-opt her as a member of the Supervisory Board, replacing Mr Ghislain Lescuyer. This co-opting was approved by the Combined General Meeting of 12 May 2015.
- In May 2015, the Supervisory Board modified the composition of the committees – described below – in order to replace the areas of expertise on the committees and to ensure a more balanced sharing of responsibilities between its members.
- Finally, a point on the Supervisory Board's agenda was devoted, in 2015, to its composition, organisation and functioning, the conclusions of which are presented below in the paragraph "Assessment of the functioning of the Supervisory Board".

Specialised committees

The Supervisory Board has three specialised committees that prepare and provide guidance on the subjects falling within their area of expertise and submit to them their opinions and recommendations. The role of the committees is described in the Supervisory Board's Internal Rules and Regulations.

Audit Committee

The Group's Audit Committee is comprised of three independent members who are appointed on a personal basis and cannot be represented.

Chairman: Jean-Marc Daillance,

Members: Marie-Claire Daveu and Yann Duchesne.

Their professional experience (described in section 4.1 "Management and supervisory bodies") affords them the required expertise in accounting and financial auditing, in particular with respect to the Group's areas of activity.

Pursuant to applicable laws and regulations, the Audit Committee monitors:

- the financial information preparation process;
- the effectiveness of the internal control and risk management systems;
- the legal control of the annual financial statements and the consolidated financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors.

The Audit Committee reports on a regular basis to the Supervisory Board on the nature of the work it has carried out.

The Audit Committee met six times during the year ended and on 15 January 2016, its Chairman met with the Statutory Auditors, a meeting at which the senior executives were absent.

The average rate of attendance of the members of the Audit Committee at the meetings was 100% in 2015.

During its meetings, the Audit Committee examined, *inter alia*, in accordance with the work schedule it defined for itself at the beginning of the year, the following subjects and matters, before sending this information to the Supervisory Board:

Preparation of financial information:

- at the time of the closing of the 2014 annual financial statements and the 2015 half-yearly financial statements, the Audit Committee verified the closing of the financial statements, reviewed the financial statements and other associated financial information and concluded that there had been no change in accounting standards or methods during the year 2015; it met with the Group's Financial Director, heard the Statutory Auditors and took note of their reports;
- it examined the various financial press releases mainly on quarterly turnover and the annual and half-yearly results, as well as the various documents presenting these results to financial analysts;
- it examined the 2015 annual budget, as well as the Management Board's quarterly activity reports.

Review of activity:

- on 21 April 2015, the Audit Committee attended a presentation by the Company's Director of Information Systems concerning, notably, the security of the Group's information systems and the measures taken to reinforce the protection of networks and combat cybercrime.

Activity of the Statutory Auditors:

- the Audit Committee took note of the audit plan of the Statutory Auditors for the year 2015 and examined the conclusions of the interim work on internal control. This review enabled the Audit Committee to ensure the consistency of the results of the work of the external auditors to review internal control;
- it revised the amount of the fees paid to the Statutory Auditors for the year 2014.

Internal control, risk management and governance:

- on 10 June, 2015, the Chairman of the Audit Committee met with the new director of auditing and internal control who presented its organisation and its priorities with respect to auditing, internal control and risk management to the Audit Committee on 20 October 2015;
- finally, the Audit Committee reviewed the Chairman's report on the conditions for the preparation and organisation of the Supervisory Board's work, the internal control and risk management procedures and on the principles and rules for the determination of the remunerations of the Company officers.

The Remunerations and Appointments Committee

The Remunerations and Appointments Committee is comprised of three independent members who are appointed personally and cannot be represented.

Chairperson: Charlotte Garnier-Peugeot,

Members: Yann Duchesne and Bruno Angles.

The main duties of the Remunerations and Appointments Committee are to examine and to make proposals to the Supervisory Board on the following points:

Remunerations:

- the amount and breakdown of the attendance fees of the Supervisory Board's members;
- the remunerations and benefits of the members of the Management Board and of the members of the Executive Committee;
- any stock option and/or bonus share plans.

Appointments:

- the appointment and reappointment of the members of the Management Board and the proposal to the General Meeting of the members of the Supervisory Board;
- the structure and composition of the Supervisory Board and its committees;
- the review of the expected changes to the Executive Committee's management resources, as well as the succession and/or reappointment of its members;
- the review of the independence of the members of the Supervisory Board, in accordance with the criteria defined by the Afep-Medef Code.

The Remunerations and Appointments Committee met four times during the year ended and the attendance rate of its members at meetings was 100% in 2015.

During these meetings, the Remunerations and Appointments Committee examined the following subjects on which it communicated its recommendations to the Supervisory Board:

- following the sudden passing in September 2014 of John Searle, Chairman of the Management Board, the committee participated in the definition of the background sought for the position of Chairman of the Management Board and participated in the process of selecting candidates to be introduced to the Supervisory Board; at the end of this process, carried out with the assistance of an executive recruitment firm, the candidacy of Mr Ghislain Lescuyer was recommended for the position of Chairman of the Management Board. The Remunerations and Appointments Committee also recommended that, in accordance with the recommendations of the Afep-Medef Code, the Chairman of the Management Board, who is a Company officer, not be covered by an employment contract, unlike his predecessor. It participated in the determination of the fixed and variable remuneration of the Chairman, on the basis of a variety of analyses of the practices noted in companies that are very similar to the Saft Groupe;
- the Remunerations and Appointments Committee carried out an analysis of the terms and conditions of the allotment of the severance compensation of the Chairman of the Management Board and proposed to the Supervisory Board the associated performance criteria;
- it participated in the preparation of a long-term incentive plan for management in the form of the allotment of bonus performance shares that will be submitted for a vote to the shareholders at an upcoming General Meeting;
- it proposed to the Supervisory Board the Group's performance objectives used as the basis for the calculation of the variable portion of the 2015 remuneration of the members of the Management Board and of the Executive Committee (SMC);
- it examined the independence of the members of the Supervisory Board, based on the criteria of the Afep-Medef Company Governance Code, and concluded that all of the members were independent, and that none of them have a business relationship, whether directly or indirectly, with the Company and all of the mandates of the Supervisory Board's members have been in progress for less than twelve years.

Strategy and Technologies Committee

The Strategy and Technologies Committee is comprised of three independent members who are appointed personally and cannot be represented.

Chairman: Bruno Angles,

Members: Jean-Marc Daillance and Marie-Claire Daveu.

The purpose of the Strategy and Technologies Committee is to assist the Supervisory Board in the assessment of the Group's major strategic and technological guidelines proposed by the Management Board. Accordingly, it examines on a regular basis the Company's strategic objectives and assesses the implementation of the strategy by the Management Board.

After the appointment of Mr Ghislain Lescuyer as Chairman of the Management Board, the Strategy and Technologies Committee organised several days dedicated to a detailed examination of the Company's strategy. All of the members of the Supervisory Board participated in these days. At the end of this work, a morning meeting was held to present the strategy and the new organisation to investors and analysts, on 16 November 2015. The new strategic plan, called Power 2020, will be deployed over the next four years.

The attendance rate at the meetings of the Strategy and Technologies meetings was 100%.

Assessment of the functioning of the Supervisory Board

After having carried out a formalised review of its functioning in 2013 and 2014, guided by the Secretary of the Supervisory Board under the supervision of the Remunerations and Appointments Committee, in 2015, the Supervisory Board devoted a point on its agenda to the assessment of its work. The Supervisory Board declared itself satisfied with the time devoted in 2015 to the Group's strategic challenges. This point had been identified as area for improvement in 2014. The co-opting of Mrs Marie-Claire Daveu to the Supervisory Board, approved by the Combined General Meeting of 12 May 2015, enhanced the diversity and complementarity of the various types of expertise of the Supervisory Board's members. In the future, the Supervisory Board aims to focus on the examination of the Company's strategic human resources and talent management and to set up a new succession plan for the members of the Management Board following the changes which have occurred in the last years.

The Company's compliance with the recommendations of the Afep-Medef listed company Corporate Governance Code

in 2015, the Company remedied two areas of non-compliance that had been identified concerning the recommendations of the Afep-Medef Code and that had been declared in the previous annual report. Firstly, the Chairman of the Management Board, appointed by the Supervisory Board on 13 March 2015, is not bound to the Company or to any one of its subsidiaries by an employment contract, but rather, by a Company officer contract.

Secondly, on 12 May 2014, the Supervisory Board modified its Internal Rules and Regulations in order for the breakdown of the attendance fees to be comprised of a fixed portion and a dominant variable portion, which is determined based on criteria established each year by the Supervisory Board in accordance with a proposal by the Remunerations and Appointments Committee.

At this time, the Company is in conformity with the recommendations of the Afep-Medef Code, with the exception of the following points:

Recommendation of the Code Afep-Medef Code	Saft practice
Policy regarding the allotment of stock options and/ or free preference shares	
Afep-Medef recommends making allotments during the same calendar periods, which should limit the windfall effects.	Any stock option programme authorised by the General Meeting must then be authorised by the Supervisory Board, which helps to eliminate any windfall effect. Moreover, the Company has not offered any stock option plan since 2012.
Succession of the Company officers	
Afep-Medef recommends to the Remunerations and Appointments Committee to establish a succession plan for the Company officers in order to be able to propose succession solutions to the Board, notably, in the event of an unforeseeable vacancy (art. 17.2.2)	Given the new organisation set up in the Company in November 2015, there is no succession plan for the Company officers on this report's publication date.
Fixed remuneration of the Company officers	
Afep-Medef recommends that the fixed remuneration of the Company officers only be reviewed on a relatively infrequent basis, for example, every three years.	The fixed remuneration is re-examined each year, in order to adjust the remunerations of the members of the Management Board to the observed practices on the market of equivalent firms.
Examination of the financial statements by the Audit Committee	
Afep-Medef recommends that the period of time for examining the financial accounts must be sufficient (at least two days prior to examination by the Board).	For practical reasons and due to the limited number of the members of the Board not participating on the Audit Committee, the latter does not necessarily meet at least two days prior to the Supervisory Board. However, a specific Audit Committee meets in December for the closing of the annual financial statements. This meeting is an opportunity for the Board to examine the terms and conditions of the closing of the financial statements well before the Supervisory Board meeting held in February, during which the annual financial statements are approved.

b) Limitations placed on the Management Board's powers by the Supervisory Board

The Management Board has the broadest powers to act in all circumstances in the name of Saft Groupe SA regarding all matters falling within the scope of the Company's corporate purpose, except for powers reserved by law for other persons or bodies.

The Company's articles of association provide, however, that certain decisions require the prior approval of the Supervisory Board in the following matters:

- disposals of properties and shareholdings, and granting of guarantees;
- investments or divestments changing the Group's scope of consolidation;
- investments relating to an acquisition or any commitment over and above a certain amount;
- issuance of bonds, and the implementation of any authorisation in this area.

In addition, any forecasting and management documents and related analytical reports drawn up by the Management Board must be provided to the Supervisory Board.

c) Statutory provisions governing shareholders' participation in the Annual General Meeting

Shareholders' participation in the Annual General Meeting is governed by articles 13, 14 and 21 of the Company's articles of association. These articles are presented in chapter 8 of this annual report. Articles of association can be consulted on the website www.saftbatteries.com under the section "Investor Centre/Regulated information".

d) Principles and rules adopted to determine the remuneration and benefits of any kind granted to the corporate officers

The determination of the remunerations of the directors of the Company is placed under the responsibility of the Supervisory Board which based its decisions upon opinions and recommendations of the Remunerations and Appointment Committee. Main principles and rules relating to corporate officers remunerations are described in section 4.2.1 of this annual report.

e) Policy on the granting of stock options and performance shares

Group policy for granting stock options is described in section 4.2.2 of this annual report.

There is no performance shares or free shares program within the Group.

4.3.2 INTERNAL CONTROL AND RISK MANAGEMENT

The Saft Groupe has internal control and risk management procedures that enable it to ensure the reliability of the financial data produced and its control on the Group's companies.

a) Definition and objectives

The Group has adopted a definition of internal control that is compatible with the definition established by the Committee of Sponsoring Organization of the Treadway Commission (COSO), whose conclusions, published in 1992 in the United States, were updated in 2013. The Group's existing internal control organisation and procedures do not vary significantly from the principles described in the Reference Document prepared by the AMF and its application guide.

Within the Group, internal control is defined as a series of processes contributing to the control of its activities and to the efficiency of its operations, in order to ensure rigorous and effective management of the Group.

The purpose of the Group's internal control system is to provide reasonable assurances concerning the attainment of the following objectives:

- compliance with laws and regulations in force, the policies defined by the Group and with internal procedures;
- the protection of the Group's assets;
- the prevention and control of fraud and errors, in particular, accounting and financial fraud and errors;
- the reliability of accounting and financial information.

It also seeks to prevent and control the risks resulting from the Group's activity.

However, as is the case with any control system, it cannot provide an absolute guarantee concerning the attainment of the aforementioned objectives and the control of all risks.

The likelihood of attaining these objectives is subject to the limits inherent to any internal control system, in particular, to human errors made, deliberate collusion between several persons that eludes the established control procedures, or if the setting up, or even the continuation, of a control, would be more onerous than the risk it is supposed to offset.

b) Scope of application

The control system is applied to the entire Saft Groupe, which is defined as parent company Saft Groupe SA and its subsidiaries consolidated in accordance with the consolidation of subsidiaries method. The Group does not include ASB, a joint venture, which is consolidated using the equity method.

The internal audit and control procedures implemented by the Saft Groupe in the ASB joint venture are limited to the review of quality standards by the Group's *World Class* department.

c) Persons responsible for internal control and risk management

The internal control and risk management system is designed and implemented by the Management Board and is applied and deployed by all employees under the responsibility of the Group's managers. It is monitored by the Supervisory Board, which periodically obtains information on the results of the functioning of the system and on the actions deployed.

The internal audit and control activities are managed by a manager who is fully dedicated to this function and who reports to the Group's Financial Director; however, this person can refer a matter directly to the Chairman of the Management Board and/or to the Audit Committee if necessary. The person responsible for auditing and internal control makes regular use of specific external resources to perform certain assignments.

d) Components of the system

The Group structures its internal control approach around the five components contained in the aforementioned COSO Reference Document:

- the control environment;
- risk assessment;
- control activities;
- information and communication; and
- management of internal control.

Control environment

The Group has set up a strong control environment that is based, notably, on the role of the Management Committee ("Saft Management Committee" or SMC), which is the body that discusses and implements the Group's strategy. The SMC meets at least once a month under the authority of the Chairman of the Management Board. Based on the subjects that are presented to it and on the information exchanged at these meetings, it provides the impetus necessary to the guidelines and decision-making of the Group's management bodies and manages activities and projects at the highest level.

The Group also has an Audit Committee, a Remunerations and Appointments Committee, and a Strategy and Technologies Committee.

The control environment is subject to a continuous improvement process that is consistent with the Group's objectives. Accordingly, over the past few years, the Group has created the following tools:

- a Code of Ethics defining Saft's values and the Code of Conduct to be complied with, both collectively and individually;
- a specific committee dedicated to information systems security (ISSC or Information Systems Security Committee). This committee's main purpose is to reinforce the control environment associated with information systems, to deploy dedicated data, network and information system protection tools, in order to maintain a high level of data availability, confidentiality and integrity.

Since 2012, a person completely dedicated to this function has been responsible for IT security;

- a manual promoting awareness of fraud and corruption issues is distributed to the Group's managers;
- a guide covering delegations of authority applicable to all of the Group's key processes; this guide is updated on a regular basis;
- an information systems security policy guide, the content of which was significantly updated in 2015.

Risk assessment

The analysis of the risks to which the Group is exposed is part of a continuous process involving the identification, assessment and management of risks (internal and external) that could potentially affect the attainment of the objectives defined by the Saft Groupe. Risk assessment is used to guide and define the appropriate control activities. This assessment is based on a process involving the mapping of risks, which identifies, analyses and monitors changes to major risks. The identification of risks is managed by the person responsible for auditing and internal control, with the assistance of an external consultancy and in close cooperation with a representative panel of the Group's management (approximately thirty people). The assessment is made using a score that is based on an assessment scale that reflects potential impact, the likelihood of occurrence and the control measures of each identified risk, in order to establish the level of exposure, which:

- on the one hand, makes it possible to establish a hierarchy of risks based on their potential impact should they occur; and
- on the other, to assess the level of control for each of them.

The mapping of the Group's risks was updated at the end of 2015 (the mapping is updated every three years). The new mapping was approved in a session by the Group's Management Committee and was presented to the Audit Committee at its session held on 16 December 2015.

Among the dozen or so risks identified during this update as being the most critical for the Group and therefore requiring specific monitoring at the level of the Group's Executive Committee, two risks were not present at the time of the previous mapping. These concern, respectively, product safety and the unavailability of production equipment.

Each of the major risks identified by this mapping will be monitored by a "risk owner" using key indicators. This person must also define and implement action plans, if any, in order to improve the management of said major risks.

The audit plan prepared for 2016 includes several theme-based assignments, the purpose of which is to ensure that the level of control of certain risks identified during the updating of the mapping is consistent with the level measured at the time of the mapping.

The main risks to which the Group believes it is exposed and the procedures for managing said risks (including the list of external insurance policies taken out) are described in Chapter 2, "Risk factors" of this Reference Document.

Control activities

These activities concern, on the one hand, the monitoring of the activity and the performance of the Group's divisions, and, on the other, the application of the standards and procedures that contribute to the implementation of Group Management guidelines, and finally, compliance with laws and regulations in force.

The Group has introduced rigorous and dynamic monitoring of the performance of each division and the application of the Group's policies with the following participants:

- the department in charge of management control, which is responsible for the detailed monthly monitoring of the activity of the subsidiaries and operational units based on the budget, and actual figures and forecasts that are updated on a periodic basis. The monthly reporting prepared by each operating unit or subsidiary using a dedicated computerised tool (the Magnitude software package) is closely reviewed by the division management controllers and the SMC, and undergoes specific examinations with the subsidiary, if necessary;
- the Chairman of the Management Board, the Finance Director and the Directors of the Group's divisions, who meet each month in order to analyse the monthly performance of each division and of the units that comprise them, whether these are commercial (in particular, orders, sales, etc.) or financial, as well as forecasts and their periodic updating. The sales and marketing managers of each division also participate regularly in these reviews.

These control activities are based on a certain number of tools. Firstly, under the impetus of the Management Committee, a body of rules and procedures has been defined for each of the senior managements of the Group's divisions.

Secondly, the Group has an internal control manual that covers all of the key controls of the Group's major processes, *i.e.* those considered essential for the smooth functioning of Saft's operations. This manual is updated as necessary. This internal control manual is the Reference Document of a periodic process whereby each operating entity carries out a self-assessment of the quality of its internal control. The self-assessment questionnaires cover the five key components of the internal control system.

Information and communication

The purpose of this component of the Group's internal control system is to identify, collect and disseminate in an appropriate form and within appropriate time limits, the relevant information that enables each of the Group's employees to act in a manner consistent with his/her duties and powers. These flows of information underpin effective internal control procedures, from the guidelines defined by the Management

Board to their execution in each of the Group's units and companies.

The Group has tools enabling an optimal sharing of information between the Management Board, the Management Committee and the subsidiaries and operating units, through its intranet and messaging systems, which afford each of its participants access to relevant qualitative and quantitative information concerning their responsibilities.

This information is shared by assigning to each category of information an appropriate and effective communications channel which is used to transmit:

- information concerning budget monitoring;
- the accounting and financial information sent by the subsidiaries to the Group's head office;
- the operational and functional information exchanged between the Management Committee and the Management of each industrial division.

By way of illustration, the subsidiaries undergo financial control by the division management controllers and by the persons responsible for the management control of each unit or subsidiary and submitted to the Management Committee using the following documents:

- a strategic plan updated each year. The current strategic plan, called "Power 2020", covers the period 2016-2019;
- the budget prepared once a year and that is analysed for variances and a complete update (reforecast) at the very least at the end of each quarter;
- the monthly financial reporting structured by the dedicated Magnitude software package.

Similarly, a specific information and control system exists with respect to deciding on and monitoring investments. In 2015, an Investment Committee was set up with four members. This committee meets periodically in order to examine any investment request of an amount in excess of €250,000.

Finally, Saft strives to reinforce the information management and supply tools, such as the Intranet and the shared databases making it possible, within the Group, to share high-quality information effectively. By way of example, in 2011, Saft created a tool intended to improve the management of risk and changes of positions, thereby making it possible for the Group's various entities to communicate to standardised forward information to the Group Treasury Department. Similarly, since the beginning of the year 2014, Saft has improved the Group's commercial data analytical tool.

Management of internal control

The internal control systems must be supervised in order to assess their relevance over time.

An ongoing monitoring system has been set up, in particular, via internal audit, for this purpose.

The purpose of the Saft Groupe internal audit function is to carry out audit missions on all of the Group's entities, activities and processes. Its audit program is approved by the Audit Committee before being presented to the Management Committee. The action plans developed by the Group's entities that were subjected to an internal audit systematically result in monitoring. The purpose of internal auditing is to independently verify the existence and effectiveness of the internal control procedures and to apply the professional internal audit standards required by international professional organisations (in particular, the Institute of Internal Auditors, IIA).

As part of its 2015 plan, the Internal Audit Department:

- audited all of the processes at the Tadiran Batteries subsidiary in Israel. This audit led to the issuance of a report containing recommendations, which will be monitored in 2016;
- monitored the implementation of specific points of improvement identified during the operational unit audits carried out in 2014, for the Zhuhai production sites in Chine, Poitiers (lithium unit and a space & defence unit) and Nersac (chemicals unit and lithium-ion unit) in France and in Valdosta in the United States, as well as two business units, Hong Kong and Singapore;
- carried out a thematic assignment to audit the management of industrial machinery provided by production suppliers. The recommendations and the corrective actions will be monitored in 2016;
- prepared two self-assessment questionnaires on the following processes: the management of credit risk (all of the Saft Groupe entities) and the overall internal control of the commercial subsidiaries not integrated in production units;
- updated a number of procedures.

The results of the work carried out by the Internal Audit Department in 2015 and the audit plan for the year 2016 were presented to the Audit Committee in December 2015.

e) Internal control procedures regarding the preparation and processing of Saft Groupe's financial and accounting information

The Saft Groupe's financial and accounting information is prepared by the Finance Department, which coordinates the closing of the financial statements of Saft Groupe SA and of its subsidiaries. In addition to the points regarding the accounting and financial information mentioned above in each of the components of the internal control process, it is important to highlight the following specific points:

- a Group consolidation software program is used, through a standard reporting package, to homogenously pass on the accounting and financial information needed by Senior Management and for the purposes of informing the public. This information is regularly enhanced in order to improve the quality of the financial information available at the Group level;

- the statutory accounting and financial information is produced on the basis of a timetable and a series of formalised procedures and controls. The traceability of closing entries is ensured by the preparation of a closing file for each of the entities;
- The Saft Groupe's Finance Department draws, notably, on the resources of the Finance Departments of each subsidiary and on the Group's management control and budget control procedures. This organisation is used to define objectives and to collect and analyse accounting and financial information at the various levels of the organisation and to react immediately to any excesses observed;
- The Saft Groupe has established and uses a series of accounting and consolidation procedures to be used by the Group's companies. These procedures are updated on a regular basis as and when changes are made to IFRS standards and/or when the Group's activities change and define the assessment methods used by the Group. They define the consolidation rules to be complied with and include a detailed analysis of IFRS standards and their application methods in the Saft Groupe. Each quarter, consolidation instructions issued by the Group are sent to each entity. These instructions are modified on a regular basis in order to take account of changes in information needs and in control procedures;
- the making available, on the Group's intranet, of a base of regularly revised and updated accounting and financial procedures.

4.3.3 INFORMATION THAT COULD POTENTIALLY HAVE AN IMPACT IN THE CASE OF A PUBLIC OFFER (ARTICLE L.225-100-3 OF THE FRENCH COMMERCIAL CODE)

With the exception of the change of control clauses contained in loan agreements and described in the notes to the consolidated financial statements, the Company has not entered into any significant agreements that would be modified or that would automatically terminate in the event of change of control of the Company.

The Company's commitments to France and to Israel are described in section 8.4, "Significant contracts and commitments" of this Reference Document.

4.4 STATUTORY AUDITORS' REPORT, PREPARED IN COMPLIANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF SAFT GROUPE SA

This is a free translation into English of the Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Supervisory Board of Saft Groupe SA, issued in the French language 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.

Year ended 31 December 2015

Saft Groupe SA
12, rue Sadi-Carnot
93170 Bagnolet

To the Shareholders,

In our capacity as Statutory Auditors of Saft Groupe SA, and in accordance with article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L.225-68 of the French Commercial Code for the year ended 31 December 2015.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L.225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing on financial and accounting information;
- to attest that the report also includes the other information required by article L.225-68 of the French Commercial Code, it should be noted that it is not our responsibility to assess the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L.225-68 of the French Commercial Code.

Other information

We attest that the Chairman of the Supervisory Board's report sets out the other information required by article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, on 17 February 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Françoise Garnier	Juliette Decoux

4.5 MAIN PROVISIONS OF THE SUPERVISORY BOARD BYLAWS

Supervisory Board bylaws, and the attached Code of Ethics, in line with Apef/Medef Code recommendations, were approved and implemented by the Supervisory Board at its meeting of 22 April 2005 and were subsequently modified in 2006, 2010, 2011 and 2014. These bylaws are available on the Company's website (www.saftbatteries.com).

The main provisions of the bylaws are as follows:

4.5.1 PREPARATION AND ORGANISATION OF SUPERVISORY BOARD MEETINGS

a) Strategic objectives

The Supervisory Board makes decisions regarding the Company's overall strategic, economic, social, financial and technological objectives and ensures that they are implemented by management.

Saft's medium-term business strategy is defined in an annual business plan that is drawn up in draft form and presented by the Management Board to the Supervisory Board for approval. This draft business plan includes forecasts for Saft's key operating and financial indicators as well as a provisional annual budget.

The Management Board is responsible for implementing the strategies set out in the business plan.

The Management Board must obtain prior authorisation from the Supervisory Board before carrying out any acquisitions or divestments that would change the Group's scope of consolidation.

Prior approval from the Supervisory Board is also required for any investment made in connection with an external growth transaction, or any commitment representing over €30 million that is not included in the Company's budget and does not correspond to a routine operating transaction.

The Chairman or any other member of the Management Board must inform the Supervisory Board of any problem or any other factor that could affect the implementation of the strategies contained in the Group's Business Plan.

b) Information provided to members of the Supervisory Board

All Supervisory Board members shall be provided with the agenda of Board meetings as well as any documents that will enable them to make fully informed decisions.

At each Board meeting, the Chairman informs the members of the main significant events relating to the Group that have occurred since the previous meeting.

Any Supervisory Board member wishing to visit a Group site in order to obtain information required to carry out his or her duties should make a written request to the Chairman of the Management Board through the secretary of the Supervisory Board, stating the aim of the visit.

c) Controls carried out by the Supervisory Board

The Chairman of the Supervisory Board or the Chairman of the Audit Committee may refer matters to the Supervisory Board for checks or controls.

Where the Supervisory Board decides that such checks or controls are required, the Board will precisely define the purpose, terms and conditions thereof in the minutes of the related meeting. The Supervisory Board may carry out such checks or controls itself or entrust them to one of the Board committees, a Supervisory Board member or an external party.

If the Supervisory Board decides to entrust the checks and controls concerned to one of its members or an external party, that person's assignment shall be defined as set out below.

The Chairman of the Supervisory Board defines the terms and conditions of the checks or controls to be performed. In particular, measures shall be taken in order to ensure that these checks and controls cause minimum disruption to the Group's business.

Meetings may be held with Group employees where required.

The Chairman of the Supervisory Board is responsible for ensuring that any information that may be useful in performing the checks or controls is provided to the person carrying out the assignment.

Any party performing such checks or controls may not interfere in the management of the Group's business.

When the controls or checks are completed, a report shall be presented to the Supervisory Board. The Board then specifies the measures to be subsequently adopted.

d) Specific assignments carried out by Supervisory Board members

When the Supervisory Board decides to entrust a specific assignment to one or more of its members or one or more third parties, the Board shall draw up the principle terms and conditions of the assignment concerned.

If such an assignment is to be carried out by one or more members of the Supervisory Board, the members concerned shall not take part in the vote concerning their appointment.

Following the meeting held to appoint the persons responsible for a specific assignment, the Chairman of the Supervisory Board shall draw up a draft engagement letter which:

- defines the precise aims of the assignment;
- specifies the type of report required on conclusion of the assignment;
- sets the duration of the assignment;
- fixes the amount of compensation payable to the person(s) responsible for the assignment, as well as payment terms and conditions, after consultation with the Remuneration and Nominations Committee where required;
- where appropriate, sets a ceiling for the reimbursement of travel and other expenses incurred during the performance of the assignment.

Where relevant, the Chairman of the Supervisory Board shall submit this draft engagement letter to the Relevant Board Committees for their opinion, and shall provide a copy of the signed letter to the Chairmen of said committees.

In addition, a copy of the assignment report shall be given to Supervisory Board members by the Chairman of the Board.

The Supervisory Board subsequently decides what action to take based on the assignment report.

e) Board committees

In order to help with the preparation of its work, the Supervisory Board has set up an Audit Committee, a Remuneration and Appointments Committee and a Strategy and Technology Committee.

The modus operandi and terms of reference of these committees are determined by the Supervisory Board's bylaws.

f) Supervisory Board meetings

On the recommendation of its Chairman, each year the Supervisory Board draws up a list of meeting dates for the coming twelve months.

This list includes the dates of the Board's routine meetings – for reviewing the first- and third-quarter sales figures, first-half results and the annual financial statements and for preparing General Shareholders' Meetings – as well as, where appropriate, any dates that the members of the Supervisory Board should keep free for possible additional Supervisory Board meetings.

The Chairman of the Board is responsible for approving the agenda of each Board meeting and circulating the agenda to the Board members within a reasonable timeframe and by any appropriate method.

The Chairman shall provide the Board members with the documents required to enable them to make informed decisions concerning the items on the agenda at least forty-eight hours before the meeting concerned, except in urgent cases or where such communication is impossible for confidentiality reasons.

In urgent cases, the Chairman of the Board may propose additional matters for discussion that were not included in the original meeting agenda.

Part of one Board meeting per year shall be devoted to reviewing the Board's performance.

g) Participation in Supervisory Board meetings by video conferencing link

Subject to compliance with the applicable laws and regulations, Supervisory Board members may participate in meetings by video conferencing link.

The Chairman of the Supervisory Board shall ensure that a video conferencing link or other means of telecommunication that continuously broadcasts the meeting is provided to Board members wishing to take part in a meeting.

4.5.2 DUTIES AND RESPONSIBILITIES OF SUPERVISORY BOARD MEMBERS

The duties and responsibilities of the members of the Supervisory Board are set out in the Code of Ethics below which forms an integral part of these bylaws.

Code of Ethics for the members of the Supervisory Board

Presentation

The Supervisory Board has approved this Code of Ethics which sets out the rights and duties of the Board's members.

The purpose of the code is to enhance the quality of work performed by the Supervisory Board, in line with the Company's overriding corporate governance principles of independence, integrity, loyalty and professionalism.

The members of the Supervisory Board undertake to comply with and apply the guidelines contained in this Code of Ethics.

Acting in the best interests of the Company

Each Supervisory Board member must act in all circumstances in the best interests of the Company and consider himself as representing all of the shareholders, irrespective of the reason for his appointment.

Compliance with the law and the Company's articles of association

Before accepting their position, Supervisory Board members must be fully aware of their rights and obligations. In particular, they must familiarise themselves with and comply with all the legal and regulatory provisions concerning their office, as well as the applicable corporate governance codes and best practices, and the Company's own rules as set out in its articles of association and the Supervisory Board's bylaws.

Independence

Supervisory Board members must in all circumstances ensure that they retain their independence as regards their analysis, judgment, decisions and actions.

Similarly, during their term of office each Board member must act independently at all times and in the sole interest of the Company.

Conflicts of interest

Supervisory Board members must do everything in their power to avoid any conflict between their personal/material interests and those of the Company or any other Group company.

Each member of the Supervisory Board becoming aware of a current or potential conflict between his direct or indirect personal interest and the interest of the Company has to report it immediately, by all means, to other Supervisory Board members. This report has to be confirmed in a timely manner in writing to the Supervisory Board Chairman or to the Vice-Chairman if the conflict concerns the Chairman.

During the Supervisory Board meetings taking place after this notification, the member affected by a conflict of interest shall have to, as the case may be, either:

- refrain from participating to the discussions and to the vote of the related resolution; or
- refrain from attending the Supervisory Board meeting as long as he is affected by the conflict of interest; or
- resign from his position as Supervisory Board member.

Duty of confidentiality

Supervisory Board members personally undertake to treat as strictly confidential all of the information they receive, as well as the debates in which they participate and the votes taken.

In general, they are not authorized to issue any external communications in their capacity as Board members, especially to the press.

The Chairman of the Supervisory Board informs Board members of any information to be released to the markets and provides them with the wording of any press releases issued for that purpose in the name of Saft Groupe SA.

If a Board member breaches his duty of confidentiality, the Chairmen of the Board committees shall meet to discuss the matter and give their opinion to the Chairman of the Supervisory Board. The Chairman of the Supervisory Board subsequently reports to the Board on the action to be taken in relation to said breach (which may include legal proceedings where appropriate).

Inside information and trading in the Company's shares

The members of the Supervisory Board must not use any inside information to which they are privy for their own personal benefit or the benefit of any third party. In particular, Supervisory Board members must not use any information concerning the Company that is not in the public domain, for the purposes of carrying out trades in the Company's shares, either directly or through a third party.

Supervisory Board members shall also comply with the following:

- shares owned by members of the Supervisory Board must be held in registered form. This requirement applies both to shares already held at the start of a Board member's term of office and any shares subsequently acquired during said term;
- Supervisory Board members must provide to the Chairman of the Board, in a timely manner, the information to be disclosed to the French securities regulator (Autorité des marchés financiers) concerning any trades they may have carried out in the Company's shares;
- Supervisory Board members shall not:
  - trade in the shares of any Group company that is listed on a regulated market if they hold any inside information,
  - directly or indirectly carry out short sales of said shares.

The first above-mentioned trading prohibition particularly applies during periods of preparation of quartely, half yearly and annual published data and information. It also applies during periods of projects preparation or transactions that require the application of said prohibition.

The Chairman of the Supervisory Board sets or confirms the start and end dates of the above blackout periods and informs the Supervisory Board thereof in a timely manner. The Chairman of the Supervisory Board reports to the Board on the measures taken to ensure that the above-mentioned rules are also respected by any Saft employees holding inside information as a result of their position or duties or participating in a project or transaction as mentioned in point (iii) above.

Duty of due care, professionalism and involvement

The members of the Supervisory Board undertake to devote the necessary time and attention to their duties. In particular, they have to:

- ensure that the overall number of Supervisory Board positions and/or directorships that they hold and the ensuing responsibilities enable them to have the requisite time and availability to perform their duties for the Company, particularly if they hold an executive position as well;
- ensure that they are appropriately informed about the Company's businesses and specific characteristics as well as its goals and corporate values, including by putting questions to Management;
- devote the necessary time to examining issues dealt with by the Supervisory Board and by any committee(s) of which they are a member;
- request any additional information that they deem necessary for them to make fully informed decisions concerning matters that fall within the Supervisory Board's remit and use their best efforts to obtain such information on a timely basis;
- take all necessary measures to keep abreast of all issues and information that may be useful to them in their role as a Supervisory Board member. To that end, they may receive

training – particularly when they are first elected to the Board and where they deem it necessary – in order to better understand the specific characteristics of the Saft Group, including its businesses, industry and financial affairs;

- actively participate in all meetings of the Supervisory Board and the committees of which they are members, unless they have a valid reason for being absent;
- attend all General Shareholders' Meetings.

If they consider accepting a new mandate in a listed company, whether in competition with the Company activities or not, they have to report it in writing to the Supervisory Board Chairman or the Vice-Chairman if it is the Chairman, prior to any acceptance. The Supervisory Board issues an opinion on the contemplated new mandate at the next meeting.

Duty of effectiveness

Supervisory Board members are expected to (i) contribute to the cohesion and effectiveness of the Board and its committees and (ii) help continually enhance the quality of the information provided to shareholders.

They must also ensure that the Board's bylaws are complied with and make any and all proposals aimed at improving the working conditions of the Board and its committees, notably during the Board's self-assessment procedure.

In addition, Supervisory Board members must agree to any assessment of their own work within the Board.

Each member of the Board undertakes to tender their resignation if they consider in good faith that they are no longer in a position to effectively perform their duties.

5

Comments on the 2015 financial year

5.1 ACTIVITY AND CONSOLIDATED RESULTS

In a sometimes difficult economy, especially in our markets linked to oil activities, the 2015 financial year was characterized by excellent growth of 11.9% in revenue as reported, and growth limited to 1.9% of revenue at constant scope and exchange rates.

This good performance was driven by a very contrasted sales within the various market segments as analysed by division here below. Along with this sales performance, a 6.2% increase in EBITDA at €110.4 million was posted but also a strong decrease in operating and net incomes under the double impact of non-current lithium-ion assets impairment for an amount of €36.4 million and restructuring charges for €6.5 million.

The key figures in the 2015 income statement are the following:

	Year ended 31 December		
(in € million)	**2015**	2014	% growth[1]
Revenue	759.4	678.4	1.9%
Gross profit	177.6	193.3	(8.1)%
Gross profit *(%)*	23.4%	28.5%	
EBITDA[2]	110.4	104.0	6.2%
EBITDA *(%)*	14.5%	15.3%	
EBIT[3]	35.8	64.4	(44.4)%
EBIT *(%)*	4.7%	9.5%	
Operating profit	28.4	63.8	(55.5)%
Net profit for the period	13.6	48.1	(71.7)%
EPS *(€ per share)*	0.51	1.83	(72.1)%

(1) Changes are measured at current exchange rates except for the change in revenue, which is measured at constant exchange rates.
(2) EBITDA is defined as operating profit, before depreciation (net of the depreciation of deferred subsidies on assets), restructuring costs and other operating income and expenses.
(3) EBIT is defined as operating profit before restructuring costs and other income and expenses.

The Group's €177.6 million gross profit in 2015 is down 8.1% compared to the financial year 2014 and totals 23.4% of revenue, compared to a gross profit margin of 28.5% one year earlier.

This overall growth includes an improvement in the gross margin of nickel battery sales and primary lithium batteries following the increase in activity volumes in these traditional technologies but a degradation in the performance of lithium-ion activities, taking into consideration the depreciation of certain assets in this technology in the amount of €36.4 million.

The Group's EBITDA for the financial year 2015 stood at €110.4 million, up 6.2% compared to the year 2014. This growth results from a clear increase of 10%, *i.e.* €35 million, in the margin on variable production costs and a near stability of fixed costs of production – excluding the depreciation expense, at constant exchange rates. Sales and marketing costs as well as Research and Development costs recorded more sustained growth, partly due to the strengthening of the dollar against the euro.

The 2015 EBITDA margin rate is thus 14.5% of revenue, versus a rate of 15.3% in 2014.

Depreciation, amortisation and impairment of the Group's non-current assets amounted to €74.6 million, an increase of €35.0 million over the previous year. This increase is mainly explained by the accelerated depreciation of capitalised costs of development and equipment for production of lithium-ion batteries mentioned above.

These non-current assets write-downs are resulting from impairment tests carried out in an environment marked by a slower than initially anticipated adoption of lithium-ion technology in some specialty markets addressed by Saft. Without questioning the long-term vision of the development of this technology, this has impacted prospects for some Group activities in the short and medium terms. These impairment charges have no impact on Saft's cash position or liquidity.

The EBIT margin for the 2015 financial year stood at €35.8 million or 4.7% of revenue, versus a rate of 9.5% in 2014.

Restructuring costs and other operating income and expenses in 2015 represented a total net expense of €7.4 million, versus net income of €0.6 million recorded in 2014. Restructuring costs amounting to €6.5 million were mainly linked to departure costs of employees of the Group.

Operating profit thus stood at €28.4 million in 2015, representing 3.7% of revenue, marking a decrease of €35.4 million compared to the operating profit of the previous financial period.

Net finance costs for the 2015 financial year amounted to €6.9 million, compared with €2.1 million in 2014. The 2015 net finance costs mainly included the net interest expense related to the Group's bank debt, or €7.2 million, a very slight increase of €0.3 million compared to the 2014 period. The net foreign exchange gains totalled €2.9 million in 2015, compared to a net gain of €7.2 million in the previous period. These gains were primarily generated by the strengthening of the dollar against the euro. In 2015, these net foreign exchange gains were almost entirely offset by other bank fees and financial costs in the amount of €2.6 million.

The tax expense amounted to €10.5 million for fiscal year 2015. Adjusted for the impact of non-current asset impairments and restructuring costs, the overall Group tax rate is 25.6% against an overall tax rate of 24.4% in 2014.

As such, 2015 net profit stood at €13.6 million, versus a net profit of €48.1 million in 2014.

The 2015 net earnings per share stood at €0.51, versus earnings per share of €1.83 in 2014.

Excluding the impact of non-current assets impairment and restructuring charges, 2015 adjusted net income amounts to €49.5 million, a 2.9% year-on-year increase and the adjusted earnings per share is €1.82.

Net cash flows generated in 2015 by operating activities totalled €96.1 million, up €17.2 million or 21.8% compared to those generated in the 2014 financial year.

Investments made in 2015 totalled €33.2 million. They were overall stable compared to those made in the year 2014.

Flows from financing activities led to to a net cash-out of €32.4 million in 2015, versus a net cash-out of €4.0 million in 2014. The main cash flows from financing activities included, on the one hand, the payment of a dividend in the amount of €10.1 million and, on the other hand, proceeds of €18.2 million arising from capital increases, and finally from share buybacks for cancellation in the amount of €34.4 million at 31 December 2015.

The Group's free cash flow [1] in 2015 reached €62.9 million, compared to a positive free cash flow of €46.2 million in 2014, representing 57% of EBITDA for the period.

At the close of the 2015 financial year the Group's cash position amounted to €190.6 million. This allowed to propose, to the Ordinary General Meeting of 12 May 2016 the distribution of an ordinary dividend of €0.85, up by 3.7% and representing, on the basis of the number of shares outstanding at 31 December 2015, excluding treasury shares, 45.1% of 2015 adjusted net profit.

5.2 RESULTS BY DIVISION

The following table shows changes in revenue and EBITDA margin by division:

	2015				2014		
	Sales (€ M)	**Change (%)**	**EBITDA (€ M)**	**EBITDA margin (%)**	Revenue (€ M)	EBITDA (€ M)	EBITDA margin (%)
IBG	454.0	(0.5)%	43.7	9.6%	415.9	47.2	11.3%
SBG	305.4	5.6%	75.2	24.6%	262.5	62.6	23.8%
Other[1]	-	-	(8.5)	n.a.	-	(5.8)	n.a.
TOTAL	**759.4**	**1.9%**	**110.4**	**14.5%**	**678.4**	**104.0**	**15.3%**

All data contained in the table above are expressed at current exchange rates, except for changes in revenue that are expressed at constant exchange rates.
(1) The cost centre "Other" includes central services costs, mainly information technology, research, general management, finances and administration.
n.a. not applicable.

(1) Defined as the cash generated from operations and not allocated to investing and financing activities, but before equity investments and before payment of dividends, and excluding cash flows linked to discontinued activities.

Changes in consolidated revenue by market segment are shown below:

	2015	2014	Change at constant exchange rates
Stationary backup and energy storage applications	258.9	243.3	(4.0)%
Transportation (aviation, rail and vehicles)	182.7	158.5	6.2%
Components sales	12.4	14.1	(13.6)%
TOTAL IBG	**454.0**	**415.9**	**(0.5)%**
Civil electronics	216.4	179.3	9.5%
Space and Defence	89.0	83.2	(2.4)%
TOTAL SBG	**305.4**	**262.5**	**5.6%**
TOTAL CONSOLIDATED REVENUE	**759.4**	**678.4**	**1.9%**

5.2.1 INDUSTRIAL BATTERY GROUP (IBG)

At €454.0 million, the Industrial Battery Group division's sales recorded a slight drop of 0.5% at constant exchange rates. At current exchange rates, the activity's growth was up by 9.2% compared to the 2014 financial year. This performance covers, as analysed here below, a contrasted evolution of the various markets in which the division operates.

Markets for batteries for stationary backup power and energy storage applications reached €258.9 million in 2015, representing a decline in revenue of 4.0% at constant exchange rates.

This overall performance covers a growth of nearly 10% in sales of batteries for ***telecommunications networks*** resulting from the growth in sales of Evolion® lithium-ion batteries, mainly to the Indian operator Reliance Jio Infocomm Limited in India. Despite some difficulties in procurement and production encountered during the second half that are now resolved, in 2015 sales of lithium-ion batteries represented more than 50% of total sales in this market segment. Sales of nickel batteries recorded a slight downturn in 2015, in particular due to the postponement of a certain number of projects in United States in 2016.

Sales of nickel batteries for ***stationary industrial applications*** were virtually flat, it is a good performance in an economy marked by a slowdown in demand in the sector of oil exploration in the second half of the year. The weakness of sales in this market were offset by growth in sales in several other market segments such as that of batteries for railway signalling systems in the United States and that of batteries sold to manufacturers of electricity generating systems and other emergency systems. The replacement activity through sales to distributors also grew in 2015. Sales in Europe thus recorded significant growth in 2015, whereas sales in North America and Asia decreased in the period.

On the other hand, sales of lithium-ion batteries for ***energy storage applications***, for which we had anticipated strong growth in 2015, recorded a strong slowdown, mainly in the United States, with an overall decline of nearly 60% in revenue at constant exchange rates in a competitive market in which a repositioning of our offering has been undertaken as part of our transformation plan.

After two consecutive years of double-digit growth, sales in **the transportation segment** (aviation, rail and vehicles) in 2015 recorded growth of 6.2% at constant exchange rates.

The strongest growth was recorded in the ***rail market*** with revenue growth of more than 10% as in the two previous financial periods. This excellent performance results both from success in emergency applications and in the area of traction energy. In this last area, several lithium-ion traction projects where carried out in the financial period in the United States and the Middle East. Sales of batteries in the rail market grew strongly in the United States and Europe and stable in Asia.

Activity in the ***aviation market*** also recorded sales growth of more than 5% in 2015, all over the world. This growth results from the evolution of sales of nickel batteries in the civil market in line with the growth in the air transport market and strong growth in civil and military lithium-ion battery sales. Airbus delivered its first A350 equipped with Saft lithium-ion batteries in the fourth quarter of 2015.

Finally, sales in the ***industrial vehicles market*** slowed down in 2015, resulting from the conclusion of a certain number of lithium-ion development projects whose commissioning is expected in 2016. On the other hand, sales of batteries related to OEM production programmes (Original Equipment Manufacturer) did not grow as rapidly as expected in 2015.

It should finally be mentioned that the division's **sales of components** are mainly sales of electrodes to the company Arts Energy, the Group's former small nickel batteries ("SNB") activity, sold in June 2013.

Concerning the profitability of the division, the financial year 2015 was marked by an EBITDA decrease of €3,5 million to €43,7 million, a decline of 7.4%. The EBITDA margin reached 9.6% of revenue, versus a rate of 11.3% in 2014.

This declining profitability of the operations of the division resulted mainly from a decrease in the gross profit margin from 24.5% to 15.5% of revenue between 2014 and 2015. Restated to exclude the €36.4 million impact of impairment of capitalised development costs and industrial assets in lithium-ion technology, the reduction in the gross profit of the division is 90 basis points, a decline due to lithium-ion activities.

In fact, the gross profit on sales of nickel batteries was stable compared to the previous period, as the positive impact of foreign exchange linked to the strengthening of the dollar against the euro had been partly neutralised by pressure on sales prices, in particular in the oil sector. Moreover, the Group did not benefit, due to its hedging policy and the strengthening of the dollar, from the decline in the price of nickel during the 2015 financial year. About this, it should also be mentioned that in 2015, the Group modified its policy for hedging against nickel price risk by extending the hedging period. The Group is thus now substantially hedged for its nickel needs in 2016 and 2017. These hedges, in the form of forward purchase contracts (swaps), are intended to preserve the profitability of a large portion of the current and future order book of the Group's nickel technology activities.

Concerning the lithium-ion activities, outside the Space and Defence markets managed within the SBG division, the 8% decline in sales recorded during the period led to an increase in their negative contribution to the division's profits with an increase of €5.8 million in the cumulative negative gross profits of the Jacksonville and Nersac units, excluding the exceptional depreciation smentioned above. EBITDA of the division's lithium-ion activities, measured by the cumulative contribution of these two production units thus reached €(21.3) million in 2015, an increase of €8.2 million compared to the previous year.

Finally, concerning the division's fixed costs outside of production, it should be noted that the division's R&D expenses increased by €2.6 million and sales and marketing expenses continued to grow by more than 6% at constant exchange rates, mainly under the effect of recruitment made during the previous year that took full effect in 2015. General and administrative expenses were noticeably down, at constant exchange rates, compared to the 2014 financial year.

From a commercial point of view, with respect to the development of traditional and new markets, the 2015 financial year was marked by a large number of successes, and in particular:

- in emergency applications for the rail market, in China where Saft nickel batteries will equip the subway cars of several emerging urban centres such as the cities of Chengdu and Nanchang, the new Ningtian of Nanjing intercity subway lines or even the future electric automotive cars (EMU) of Bombardier Sifang Transportation for high-speed lines, but also in the area of traction applications such as in Qatar where Saft lithium-ion batteries will equip energy recovery traction systems in the Siemens eco-tram in the city of Doha;
- in the aviation segment, Saft maintained its leadership with the gain in the emergency batteries market for the new Russian commercial aircraft IRKUT MC-21;
- in the area of energy storage, with the gain of a contract to supply the energy storage system with Intensium® Max 20M containers that must be operated in extreme meteorological conditions to meet the energy storage requirements of isolated communities and micro networks in Alaska or yet the supply to the Langa Solar group, alongside Schneider Electric, of lithium-ion energy storage systems connected to photovoltaic energy generation facilities in Corsica.

Finally, the division's capital expenditure and Research and Development expenditure amounted to €14.5 million in 2015, compared to an overall amount of €18.3 million in 2014, as no major project was started by the division in the financial period. It should be mentioned that during the year the decision was made to recognise an exceptional depreciation of certain capitalised development expenses and of certain industrial equipment for lithium-ion technology in a total amount of €11.5 million.

5.2.2 SPECIALTY BATTERY GROUP (SBG)

The 2015 revenue of the Specialty Battery Group division amounted to €305.4 million, an increase of 5.6% at constant exchange rates, and of 16.3% as reported. This overall growth covers a contrasted evolution of its two main markets.

Sales in **civil electronic markets** recorded very sustained growth of 9.5% in 2015, continuing the strong growth recorded in the year 2014. This growth in the activity results mainly, as in 2014, from strong demand in the utility metering market in Europe and Asia, with the launch of national programmes for new water and gas metering equipment in several countries. This market segment thus recorded sales growth of more than 20% in 2015. For some products, our production capacities did not enable the division to fully meet the increase in demand. New production capacities will be operational in China in the second quarter and during the summer of 2016 in Israel

and in France. Among the specialties markets in which the division is present, the market for primary lithium batteries for oil drilling consistently recorded a very strong decline of approximately 30% during the period. The portable medical devices market recorded a slight slowdown, mainly in the United States, whereas the segment for applications linked to the asset tracking showed very strong growth in sales in 2015, in particular in the automotive market. Finally, sales to distributors increased very slightly compared to the previous year.

On the other hand, the **space and defence markets** recorded a slight overall decline in activity of 2.4% in 2015, a decline attributable to space activities and linked to the timing of deliveries of batteries for satellites. After four consecutive years of declines, sales in the defence markets were overall stable in 2015. Overall, the Group's defence sector sales, including those of the IBG division in the aviation sector, represent only 11% of the Group's revenue in 2015, versus more than 20% in 2009.

In 2015, the SBG division recorded excellent sales success, including the following highlights:

- in the space market, the renewal of two long-term contracts for the supply of lithium-ion batteries for satellites with the American leaders Lockheed Martin and Boeing, but also the five-year extension of a framework agreement with JCS ISS, the main Russian commercial satellite company, for the supply of lithium-ion batteries;
- in the military domain, two first successes for the new Xcelion 6T™ lithium-ion battery designed to replace lead batteries in military vehicles with the first contract with Thales Australia for the supply of batteries to power Hawkei tactical military vehicles and, on the other hand, the selection of this battery by Lockheed Martin for power supply for light tactical vehicles as part of the JLTV (Joint Light Tactical Vehicles) programme;
- in the metering domain, the major breakthrough in the Asian market for electric meters with a contract for the supply of approximately 5 million batteries to equipment makers in China, India, and Taiwan and then, at the end of the year, the strengthening of our leadership in this area in China with two orders for more than 45 million batteries for use in intelligent meters;
- in the rapidly growing field of industrial robotics, the first order in China for lithium batteries for use in emergency power supplies for the memories of industrial robots.

The profitability of the SBG division noticeably increased in the period with a 2015 EBITBA margin of 24.6% of revenue, up by 80 basis points compared to the profitability recorded in 2014. This improvement in profitability results almost equally from the growth in volumes and, an favourable currency impact of a stronger US dollar against the euro.

Total investments and capitalised development costs of the SBG division amounted to €18.5 million in 2015, versus €14.6 million in 2014. The growth of investments in this division responds to the need to enlarge our production capacities in primary lithium in all geographical areas in which the Group is present in order to face the growing demand for batteries in the civil electronics markets. Capacity investments are thus in progress in our factory in Zhuhai in China, Poitiers in France and in our Israeli subsidiary Tadiran. Capacity investments represented nearly 50% of the division's capital expenditure in 2015.

5.2.3 OTHER ACTIVITIES

Expenses not allocated to the operational divisions, that mainly include central operating expenses such as Research, Cell development activity, General Management, the Finance and IT, resulted in negative EBITDA of €8.5 million in 2015, versus an EBITDA loss of €5.8 million in 2014. The increase in costs of support activities comes, on the one hand, from outside fee relating to the strategic review of our activities and our product positioning, a review that led to the launch of the Power 2020 plan, and on the other hand, from the increase in certain risks provisions and, finally, from a reduction in the cost of activities of development of lithium-ion cells.

5.3 OTHER ITEMS OF CONSOLIDATED INCOME

5.3.1 OTHER ITEMS OF OPERATING PROFIT

Analysed globally at the level of the Group, the expenses not incorporated in the cost of sales, and thus in the gross profits, changed as follows during the period:

Sales and marketing expenses for the 2015 financial year increased by 12.4% over 2014 at current exchange rates, an increase of 5.4% at constant exchange rates. This change results from the increase in salaries but also from the full effect on the financial year 2015 of the increase in resources during the year 2014.

The Group's **Research and Development costs** recognised in the income statement grew by €3.0 million during the financial year, reaching €38.4 million, for a growth of more than 6.4% at constant exchange rates. This change covers both an increase in the costs of new product development and a decrease in the share of these costs capitalized in the Group's balance sheet. The Group's overall gross Research and Development effort represented 8.8% of revenue in 2015, versus 9.5% of revenue in 2014. This is further analysed in section 5.4 below.

At €54.5 million for the 2015 financial year, **general and administrative costs** increased by 5.8% as reported but remained stable compared to 2014 at constant exchange rates.

The Group's **restructuring expenses** in 2015 reached €6.5 million compared to €0.5 million in 2014. These are mainly the departure costs of employees of the Group.

Other operating expenses reached €0.9 million, compared to an expense of €0.1 million for the 2014 financial year and relate mainly to the closing of a unit for production of perforated strips in Florida.

5.3.2 OPERATING PROFIT

The Group's 2015 operating profit totalled €28.4 million, down €35.4 million or 55.5%, compared to that of 2014. The Group's operating profit stood at 3.7% of revenue in 2015, versus operating profit of 9.4% in 2014. Restated for the €36.4 million exceptional depreciation of lithium-ion technology assets and restructuring costs as part of the implementation of the Power 2020 strategic plan, adjusted operating profit reached 9.4% of the Group's 2015 revenue, stable compared to 2014.

5.3.3 NET FINANCE COSTS

The Group's net financial expense amounted to €6.9 million in 2015, versus a net expense of €2.1 million in 2014.

Net borrowing costs, after factoring in income from cash investments and interest rate risk hedging, amounted to €7.2 million in 2015, slightly higher compared to a net expense of €6.9 million in 2014. The composite interest rate on the Group's borrowings, after taking into account hedging transactions, amounted to 3.21% as compared to 3.23% in 2014.

During the 2015 financial year, the Group posted a net foreign exchange gain of €2.9 million, compared to a net foreign exchange gain of €7.2 million in 2014.

5.3.4 PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

Profit before income tax reached €24.1 million in 2015, compared to a profit before tax of €63.6 million in 2014, *i.e.* a decrease of 62.1%.

In addition to the financial result, the profit before tax takes into consideration the Group's 50% share in the profit of joint venture ASB with the Airbus group. Saft's 50% share in ASB's net profit totalled €2.6 million in 2015, versus €1.9 million for the 2014 financial year. The growth in the income of this joint venture specialised in the manufacture of thermal batteries for defence markets results mainly from the growth in sales and improvements in operating performances, in particular under the positive effect of the strengthening of the dollar against the euro.

5.3.5 INCOME TAX EXPENSE ON PROFIT FROM CONTINUING OPERATIONS

The tax expense amounted to €10.5 million for fiscal year 2015. Adjusted for the impact of asset impairments and restructuring costs recorded in 2015, the overall Group tax rate is 25.6% against an overall tax rate of 24.4% in 2014.

5.3.6 NET PROFIT FOR THE PERIOD, EARNINGS PER SHARE AND DIVIDEND

The Group's net profit for the 2015 financial period amounted to €13.6 million, compared to a net profit of €48.1 million in 2014, after an exceptional depreciation of lithium-ion technology assets in the amount of a €36.4 million and restructuring costs of €6.5 million. Earnings per share, calculated on the average weighted number of shares outstanding in the financial year, stood at €0.51, versus earnings per share of €1.83 for the financial year 2014.

Restated for the impact of non-current assets impairment and restructuring costs described above, the adjusted net profit of the Group reached €49.5 million, a 2.9% year-on-year increase, and the adjusted earnings per share amounts to €1.82.

	Impact of impairment of assets and restructuring costs					
(in € million)	2015 As reported	Assets impairment	Restructuring costs variance	2015 Adjusted	2014 As reported	% Variance
Gross profit	**177.6**	**36.4**		**214.00**	**193.30**	**10.7%**
Gross profit (%)	*23.4%*			*28.2%*	*28.5%*	
EBITDA	**110.4**			**110.4**	**104.0**	**6.2%**
EBITDA (%)	*14.5%*			*14.5%*	*15.3%*	
Amortisation and depreciation of intangible assets	(13.5)	2.9		(10.6)	(12.8)	
Amortisation and depreciation of porperty, plant & equipment	(61.1)	33.5		(27.6)	(26.8)	
EBIT	**35.8**	**36.4**	**0**	**72.2**	**64.4**	**12.1%**
EBIT (%)	*4.7%*			*9.5%*	*9.5%*	
Restructuring costs	(6.5)		6.0	(0.5)	(0.5)	
Other operating income and expenses	(0.9)			(0.9)	(0.1)	
Operating Income	**28.4**	**36.4**	**6.0**	**70.8**	**63.8**	**11.0%**
Finance costs net	(6.9)			(6.9)	(2.1)	
Share of profit/(loss) of associates	2.6			2.6	1.9	
Income Tax	(10.5)	(4.4)	(2.1)	(17.0)	(15.5)	
Net profit	**13.6**	**32.0**	**3.9**	**49.5**	**48.1**	**2.9%**
Net profit (%)	*1.8%*			*6.5%*	*7.1%*	
EPS TOTAL (€ PER SHARE)	**0.51**	**1.17**	**0.14**	**1.82**	**1.83**	**(0.5)%**

The Ordinary General Meeting of 12 May 2016 will be asked to approve an ordinary dividend of €0.85 per share, an increase of 3.7% compared to the dividend paid in 2015 for the year 2014. This dividend represents a rate of distribution of the adjusted net profit of 46.7%.

5.4 RESEARCH AND DEVELOPMENT

Gross Research and Development costs and investments totalled €67.0 million, representing 8.8% of consolidated revenue in 2015, versus 9.5% of consolidated revenue in 2014.

Excluding the development costs borne by customers, grants and research tax credits received, 64% of the Research and Development costs were paid for by the Group in 2015, versus 62% in 2014.

Investment in specific Research and Development equipment totalled €1.4 million in 2015, versus €1.7 million in 2014.

As in the previous financial period, Research and Development efforts dedicated to lithium-ion technology represented approximately three-fourths of the Group's total Research and Development effort.

5.5 INVESTMENTS AND FIXED ASSETS

5.5.1 INVESTMENTS

Group investments in 2015 totalled €34.1 million, versus €33.9 million in 2014.

Capital expenditure in 2015 reached €30.6 million, compared to €28.8 million in 2014. The main investments were related to the development of our production capacities in primary lithium technology within the SBG division, in China, Israel, the United States and France. The Group's investments for intangible assets totalled €3.5 million in 2015, versus €5.3 million in 2014. It comprised mainly capitalised Research and Development costs, relating to the development of new generations of lithium-ion products. These costs reached €2.7 million in 2015 compared to an investment of 4.5 million in 2014.

Future investment commitments made by the Group amounted to €4.5 million as of 31 December 2015.

5.5.2 PROPERTY, PLANT AND EQUIPMENT

The Group's main manufacturing locations are fully-owned by the Group. They are not subject to any major individual charge.

5.6 CASH FLOW AND FINANCING

5.6.1 CASH FLOWS FROM OPERATING ACTIVITIES

Cash flow from operations

Net cash flows generated in 2015 by operating activities totalling €96.1 million are strongly up by €17.2 million, compared to the 2014 financial year. This increase results mainly from a €5.4 million increase in the cash flow from operations, to €113.6 million and the near stagnation of operating working capital.

Cash flow from investment activities

The net cash flows used by investment operations overall stood at €33.2 million, versus €32.8 million in the 2014 financial year, the new capital expenditure was mostly used to increase our capacities for producing primary lithium cells and batteries throughout the world.

Cash flow from financing activities

The Group's financing activities led to a net cash-out of €32.4 million in 2015, versus cash-out of €4.0 million during the 2014 financial period. The main cash flows in 2015 result from the following:

- on the one hand, a dividend payment of €10.1 million, knowing that more than 55% of shareholders chose the option offered for payment in shares;
- on the other hand, capital increases made in the total amount of €18.2 million resulting from the exercise of stock options by a certain number of the Group's employees;
- finally, from the implementation of the share buyback programme initiated by the Company on 24 November 2015. As part of this programme in a maximum amount of €60 million and limited to 2,500,000 Company shares, 1,445,227 shares were acquired as of 31 December 2015, for a total amount of €39.2 million. At 31 December 2015, 1,273,089 purchased shares were already cancelled.

Free cash flow[1]

The free cash flow generated by the Group for the year 2015 totalled €62.9 million, versus free cash-flow of €46.2 million in 2014. This growth results almost exclusively from the growth in cash flows generated by the operations analysed above.

(1) Defined as the cash generated from operations and not allocated to investing and financing activities, but before equity investments and before payment of dividends, and excluding cash flows linked to discontinued activities.

5.6.2 CASH AND DEBT

At the end of the 2015 financial year, the Group's cash position stood at €190.6 million, versus €150.2 million at 31 December 2014.

Taking into account financial liabilities of €241.9 million at the close of the 2015 financial year (versus €227.6 million at the end of 2014), the Group's net debt stood at €51.3 million at the end of the 2015 financial year, versus €77.4 million one year earlier.

The net financial debt to EBITDA ratio stood at 0.41[2] at 31 December 2015, versus a ratio of 0.65 at 31 December 2014 and a contractual maximum of 3.0.

The interest coverage to EBITDA ratio was 16.1 for the 2015 financial year, versus 16.0 in 2014. The contractual minimum is 4.5.

5.7 CONSOLIDATED FINANCIAL POSITION

The Group's statement of financial position, at €1,095.1 million as of 31 December 2015, shows the following main changes compared to 2014:

- a decrease of €20.5 million for non-current assets, after taking into account the exceptional impairment of lithium-ion assets for an amount of €36.4 million;
- a very limited increase of less than 1% of current assets;
- a strengthened cash position by more than €40 million to €190.6 million;
- the Group's financial debt increased by €14.3 million to €241.9 million, impacted by the rise of the US dollar on the Group's bond debt in that currency;
- lastly, shareholders' equity totalled €475.3 million, versus €474,9 million as of 31 December 2014. The increase in shareholders' equity, after taking into account the net profit of €13.6 million for the year 2015, results, on the one hand, from the payment of €10.1 million in dividends, on the other hand, from capital increases made following the exercise of stock options by a certain number of the Group's employees in the amount of €18.2 million and, finally, from the cancellation of 1,273,089 treasury shares in the amount of €34.4 million, acquired as part of the share buyback programme initiated in November 2015.

5.8 OTHER KEY EVENTS IN FINANCIAL YEAR 2015

5.8.1 ANNUAL GENERAL MEETING AND DIVIDEND

At the Annual General Meeting of 12 May 2015, Saft Groupe SA's shareholders voted an ordinary dividend of €0.82 per share for the 2014 financial year, an increase of 5.1% over the previous year. They also approved the option for payment of dividends in the form of shares. Taking into consideration the procedures used, the issue price of shares was fixed at €31.34 per share. Shareholders representing more than 55% of the share capital opted for dividend payment in shares. The capital increase that followed therefrom is described in note 16 to the consolidated financial statements.

On the other hand, the shareholders renewed the authority of the Executive Board to intervene, within certain limits, on the Company's shares as part of but also outside the security's liquidity contract. The prevailing authorisations regarding capital increases are detailed in Chapter 8 of this Registration Document.

(2) In accordance with contractual procedures for calculating this ratio, procedures presented in note 3 to the consolidated financial statements of the Group presented in this annual report.

5.8.2 INVESTMENT PROJECTS

The main investments expected in 2016 concern, as in 2015, growing our productive capacities mainly in primary lithium technology. As such, we will bring the Group's current production capacity in China from 28 million items (or batteries) to 40 million items during the second quarter of 2016. Our Tadiran subsidiary will also grow its production capacities by about 15% in 2016 then again in 2017 for several ranges of products.

The capacity investments in this technology are thus estimated at it about €20 million over the 2016/2017 period, knowing that the Group anticipates annual investment of 5% to 6% of annual revenue over the 2016–2019 period.

5.9 RELATED-PARTY TRANSACTIONS

The nature of the transactions made by the Group with related parties did not change significantly during the 2015 financial year.

The information related to the Group's holdings in related companies and transactions with related parties is presented in note 28 to the consolidated financial statements.

5.10 2015 CHANGE IN SCOPE

The subsidiary Florida Substrates Inc. (PPF) producing strips of perforated electrodes was closed during the 2015 year and as a result, came out of the scope of consolidation.

The Japanese commercial subsidiary Saft Japan, created at the end of 2015, will only be consolidated by full integration starting from 1 January 2016. There has been no further change in the scope of consolidation during the year 2015.

5.11 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with EC Regulation 1606/2002 of 19 July 2002 on international accounting standards, Saft Groupe SA's consolidated financial statements for the financial year ended 31 December 2015 were prepared in accordance with the IFRS accounting basis, as adopted in the European Union and in compliance with the IFRS as issued by the IASB.

The Company applied the new standards and interpretations applicable for the financial periods open starting 1 January 2015. They have not led to any significant change in the methods of evaluation and presentation of the financial statements. They are presented in note 2.1 to the Group's consolidated financial statements.

The Company has not opted for the early application of standards and interpretations which are not mandatory in 2015.

5.12 RECENT EVENTS AND DIRECTIONS IN 2016

5.12.1 POST-BALANCE SHEET EVENTS

No event has occurred since 31 December 2015 which is likely to have a material effect on the financial position of the Group.

However, it is worth mentioning that on 26 January 2016 the Group has completed its share buy-back program launched on 23 November 2015. 2,289,932 shares to be canceled have been repurchased for a total amount of €60 million.

5.12.2 2016 OUTLOOK

2016 trends per Saft's main markets should be as follows:

Transportation, Telecom and Grid division:

- a steady growth in rail and aviation,
- a continuous growth momentum in telecom and increased competition,
- a growing grid market with some opportunities in niche markets.

Industrial standby division:

- a utilities market growing at GDP, driven by Middle-East and Asia,
- a sustained low demand in Oil&Gas market,
- a market of opportunities in infrastructures, rail signaling and data centers.

Space and Defense division:

- a low single digit growth in the space market,
- some potential growth in new lithium-ion defense systems driven by product lifecycle cost,
- a growing marine battery business.

Civil Electronics division:

- a good momentum in utility metering driven by Europe and China,
- a stable market in distribution and batteries for radios and other portable devices for soldiers,
- low demand for oil drilling batteries.

The year 2016 opens in a volatile and uncertain economic environment, will be a year of transition for Saft, with the implementation of Power 2020 strategic plan.

Saft confirms its medium term targets as part of its Power 2020 plan disclosed last November: revenue above €900 million and an EBITDA of at least 16% in 2019.

5.13 SAFT GROUPE SA ACTIVITY AND RESULTS

Saft Groupe SA is a financial holding company. It owns 100% of the shares of Saft Finance Sarl which owns, directly or indirectly, the different subsidiaries of the Saft Group.

Revenue for the financial year 2015 amounted to €7.4 million, up by €0.6 million compared to that of the year 2014. This was mainly generated from the different services provided by the Company to the various Saft Group subsidiaries.

Operating expenses amounted to €11.6 million, versus €8,1 million in 2014. They primarily consisted of fees and the cost of services provided by Saft SAS. As such, operating losses stood at €3.4 million, versus losses of €1.3 million in 2014. The increase in operating losses results mainly from outside expenses committed as part of strategic thoughts on our activities and our product positioning, a review that led to the launch of the Power 2020 plan.

Net financial costs stood at €2.2 million compared to a positive net financial revenue of €4.8 million in the previous period. This change results, on the one hand, from the €1.8 million decline in dividends received and, on the other hand, from provisions for latent foreign exchange losses resulting from the revaluation of the Company's loans in US dollars at the end of the financial period.

The loss from non-recurring operations totalled a net expense of €0.5 million, compared to net proceeds of €0.2 million in 2014. This net expense corresponds mainly to outside expenses committed as part of the implementation of the Group's restructuring plan.

During the financial year, Saft Groupe SA recorded a tax expense of €0.2 million, versus expense of €1.5 million in 2014.

Saft Groupe SA's 2015 net loss thus totalled €6.3 million, versus net profit of €2.1 million in 2014.

The amount of 2015 non tax deductible expenses addressed in article 39-4 of the CGI (French Tax Code) was nil as for previous years.

The balance sheet total amounted to €656.7 million, versus €643.9 million at the close of the previous financial period.

Non-current assets, up €19.2 million compared to the preceding financial year include 100% shareholding in Saft Finance Sarl for an amount of €309.0 millions, loans to subsidiaries for €240.1 million, and shares buy-back for €4.8 million.

Current assets were mainly composed of various receivables (mainly tax credits) plus cash of €59.3 million at the close of 2015, versus cash of €70.4 million one year earlier. Cash is mostly made of a current account with the Group's cash pool.

The Company's share capital including issue premiums totals €319.0 million, down by €4.0 million compared to the end of the preceding year. This change results from capital increases carried out, on the one hand, following the exercise by more than 53% of shareholders of the option for dividend payment in shares (€12.2 million) and, on the other hand, following the exercise of stock options (€18.2 million) by a certain number of the Group's employees and the capital reduction by €34.4 through cancellation of 1,273,089 treasury shares as part of programme to buyback shares for cancellation launched by the Group in November 2015.

After distribution of €10.1 million in cash dividends and taking into consideration the net profit of the financial year, the shareholders' equity of Saft Groupe SA is down by €32.7 million to €334.7 million.

The Company's financial liabilities amounted to €239.9 million and consist, on the one hand, of a medium-term credit facility for €100.0 million and, on the other hand, of bonds for US$150 million held by a group of qualified institutional investors in the US private market.

Lastly, the Company's current liabilities amounted to €29.6 million, versus €27.1 million at the end of the previous financial year. These liabilities only relate to unmatured debts.

5.14 ACTIVITY OF SAFT GROUPE SA SUBSIDIARIES AND CONTROLLED ENTITIES

Revenue posted in 2015 by the fully-consolidated subsidiaries of Saft Groupe SA is as follows:

(Revenue in € thousand, excluding inter-company transactions)

Company name	Country of incorporation	Activity	2015	2014	2013
Saft Groupe SA	**France**	**Holding company**	**-**	**-**	**-**
Friemann & Wolf Batterietechnik GmbH (Friwo®)	Germany	Manufacturing and commercial	3,667	3,628	3,524
Saft Batterien GmbH	Germany	Commercial	2,113	1,364	1,522
SGH GmbH	Germany	Holding company	-	-	-
Tadiran Batteries GmbH	Germany	Manufacturing and commercial	40,649	30,240	23,966
Saft UK Ltd.	United Kingdom	Manufacturing and commercial	7,745	7,009	6,039
Saft Australia Pty Ltd.	Australia	Holding company	-	-	-
Saft Batteries Pty Ltd.	Australia	Assembly and commercial	3,393	3,436	4,299
Saft do Brasil Ltda	Brazil	Commercial	1,456	2,328	1,279

(Revenue in € thousand, excluding inter-company transactions)

Company name	Country of incorporation	Activity	2015	2014	2013
Saft Zhuhai (Ftz) Batteries Co., Ltd.	China	Manufacturing and commercial	23,032	15,556	10,297
Saft Nife® ME Ltd.	Cyprus	Commercial	6,224	8,702	10,035
Saft Baterias SL	Spain	Commercial	9,277	6,428	9,169
Saft JV Holding Co.	United States	Holding company	-	-	-
Florida Substrate Inc. (Saft PPF)	United States	Manufacture of nickel-plated strips	-	1,262	408
Saft America Inc.	United States	Manufacturing and commercial	253,129	221,965	205,988
Saft Federal Systems Inc. (Tadiran US)	United States	Commercial	46,617	35,797	37,268
Saft SAS (previously Saft SA)	France	Manufacturing and commercial	198,475	194,091	173,641
Saft Acquisition SAS	France	Holding company	-	-	-
Saft Hong Kong Ltd	Hong Kong	Holding company and commercial	11,681	13,916	13,559
Amco-Saft India Ltd (51%)	India	Manufacturing and commercial	9,097	8,824	6,579
Tadiran Batteries Ltd	Israel	Manufacturing and commercial	17,626	15,328	13,805
Saft Batterie Italia Srl	Italy	Commercial	1,062	931	605
Saft Finance Sarl	Luxembourg	Holding company	-	611	396
Saft AS	Norway	Commercial	1,191	1,039	928
Saft Batterijen BV	Netherlands	Commercial	-	61	131
Saft Ferak® AS	Czech Republic	Manufacturing and commercial	14,211	11,658	13,733
Saft LLC	Russia	Commercial	845	-	-
Saft Batteries Pte Ltd	Singapore	Holding company and commercial	6,501	3,020	4,799
Alcad® AB	Sweden	Commercial	42,159	38,981	35,254
Fast Jung KB	Sweden	Property investment company	-	-	-
Saft AB	Sweden	Manufacturing and commercial	59,266	52,176	46,948
Saft Sweden AB	Sweden	Holding company	-	-	-
TOTAL			**759,416**	**678,351**	**624,172**

Saft Groupe SA's percentage control of and interest in the Group's subsidiaries can be found in note 4 of the consolidated financial statements.

Revenue recorded in 2015 by the jointly controlled enterprise ASB consolidated using the equity method is the following:

(Revenue in € million)

Company name	Country of incorporation	Activity	Percentage of shares held by Saft Groupe	2015	2014	2013
ASB group	France	Manufacturing and sale of thermal batteries	50%	34.4	27.8	28.0

6

2015 consolidated financial statements

IMPORTANT LEGAL INFORMATION AND CAUTIONARY STATEMENTS:

The consolidated financial statements for the year ended 31 December 2015 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.

6.1 CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

(in € million)	Note	2015	2014	2013
Revenue	*6*	759.4	678.4	624.2
Cost of sales	*23*	(581.8)	(485.1)	(453.4)
Gross profit		**177.6**	**193.3**	**170.8**
Distribution and sales costs	*23*	(48.9)	(43.5)	(40.6)
Administrative expenses	*23*	(54.5)	(51.5)	(47.4)
Research and Development expenses	*23*	(38.4)	(33.9)	(28.3)
Restructuring costs		(6.5)	(0.5)	0.5
Other operating income and expenses	*24*	(0.9)	(0.1)	6.1
Operating profit		**28.4**	**63.8**	**61.1**
Finance costs, net	*25*	(6.9)	(2.1)	(10.5)
Share of profit/(loss) of associates	*28*	2.6	1.9	1.5
Profit before income tax from continuing operations		**24.1**	**63.6**	**52.1**
Income tax on continuing operations	*26*	(10.5)	(15.5)	(10.4)
Net profit/(loss) from continuing operations		**13.6**	**48.1**	**41.7**
Net profit/(loss) from discontinued operations[1]		-	-	(5.2)
Net profit for the period		**13.6**	**48.1**	**36.5**
Attributable to owners of the parent company		***13.8***	***48.0***	***36.5***
Attributable to non-controlling interests		***(0.2)***	***0.1***	***-***
Earnings per share *(in € per share)*	*27*			
■ basic		0.51	1.83	1.44
■ diluted		0.50	1.82	1.44
Earnings per share of continued operations *(in € per share)*				
■ basic		0.51	1.83	1.64
■ diluted		0.50	1.82	1.64
Earnings per share of discontinued operations *(in € per share)*				
■ basic		-	-	(0.20)
■ diluted		-	-	(0.20)

(1) Net profit/(loss) from discontinued operations for 2013 relate to the "SNB" small nickel batteries activity, sold on 28/06/2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	2015	2014	2013
Net profit for the period		**13.6**	**48.1**	**36.5**
Other comprehensive income				
Actuarial gains and losses recognised against Statement of Comprehensive Income	*20*	0.6	(3.9)	1.0
Tax effect on actuarial gains and losses recognised against Statement of Comprehensive Income		(0.1)	1.3	(0.4)
Items that will not be reclassified to profit or loss		**0.5**	**(2.6)**	**0.6**
Fair value gains/(losses) on cash flow hedge		(5.8)	(1.1)	(0.9)
Fair value gains/(losses), net on investment hedge	*18*	(14.2)	(14.8)	4.9
Currency translation adjustments		30.8	26.6	(12.8)
Tax effect on income/(expenses) recognised directly in equity	*26*	6.8	5.5	(1.4)
Items that may be reclassified subsequently to profit or loss		**17.6**	**16.2**	**(10.2)**
Total other comprehensive income for the period, net of tax		**18.1**	**13.6**	**(9.6)**
Total comprehensive income for the period		**31.7**	**61.7**	**26.9**
Attributable to:				
Owners of the parent company		31.7	61.3	27.4
Non-controlling interests		-	0.4	(0.5)

6.2 CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Note	2015	2014	2013
Net profit for the period from continuing operations		**13.6**	**48.1**	**41.7**
Adjustments				
Share of net profit/(loss) of associates (net of dividends received)		(1.6)	(0.8)	(0.5)
Income tax expense from continued activities	*26*	10.5	15.5	10.4
Property, plant and equipment and intangible assets amortisation and depreciation[1]		74.6	39.6	38.0
Finance costs, net		6.9	2.1	10.5
Stock option plans		0.3	0.7	1.0
Net movements in provisions	*21*	7.2	(1.7)	-
Other		2.1	4.7	(6.1)
		113.6	**108.2**	**95.0**
Change in inventories		0.6	0.9	(19.2)
Change in trade and other receivables		(2.2)	(13.8)	(3.1)
Change in trade and other payables		(6.1)	6.2	2.5
Change in other receivables and payables		9.0	(4.9)	(6.8)
Changes in working capital		**1.3**	**(11.6)**	**(26.6)**
Cash flows from operations before interest and tax		**114.9**	**96.6**	**68.4**
Interest paid		(7.7)	(7.2)	(7.3)
Income tax paid		(11.1)	(10.5)	(6.9)
Net cash generated by operating activities		**96.1**	**78.9**	**54.2**
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		-	0.2	(8.7)
Purchase of property, plant and equipment		(30.6)	(28.8)	(42.0)
Purchase of intangible assets		(3.5)	(5.3)	(6.3)
Proceeds from sale of property, plant and equipment		0.9	1.1	0.3
Variation of other non-current financial assets and liabilities		-	-	(0.2)
Net cash used in investing activities		**(33.2)**	**(32.8)**	**(56.9)**
Cash flows from financing activities				
Capital increase		18.2	5.7	1.7
Share buyback and liquidity contract		(39.7)	1.0	0.5
Grants related to assets and insurance indemnities		-	0.2	9.0
Increase/(decrease) in other long-term liabilities		(0.8)	(1.1)	(0.4)
Dividends paid to Company shareholders		(10.1)	(9.8)	(9.0)
Net cash generated by/(used in) financing activities		**(32.4)**	**(4.0)**	**1.8**
Net cash generated by/(used in) continuing operations		30.5	42.1	(0.9)
Net cash generated by/(used in) discontinued operations[2]		-	-	(8.4)
Net increase/(decrease) in cash		**30.5**	**42.1**	**(9.3)**
Cash and cash equivalents at beginning of period		150.2	101.4	114.5
Impact of changes in exchange rates		9.9	6.7	(3.8)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**190.6**	**150.2**	**101.4**

(1) Net of amortisation of deferred grants related to assets.
(2) Net cash used in discontinued operations for 2013 relate to the "SNB" small nickel batteries activity, sold on 28/06/2013.

6.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in € million)	Note	31/12/2015	31/12/2014	31/12/2013
Non-current assets				
Intangible assets, net	*7*	191.2	199.8	205.9
Goodwill	*8*	127.2	117.7	107.8
Property, plant and equipment, net	*9*	234.1	260.5	245.1
Investment properties	*9*	-	0.1	0.1
Investments in joint undertakings	*28*	16.1	14.6	13.8
Deferred income tax assets	*26*	12.1	8.5	6.5
Other non-current financial assets	*11*	0.3	0.3	0.5
		581.0	**601.5**	**579.7**
Current assets				
Inventories	*12*	106.3	101.2	97.1
Tax credits		14.9	24.2	22.5
Trade and other receivables	*13*	202.1	194.7	173.0
Derivative financial instruments	*14*	0.2	0.4	1.0
Cash and cash equivalents	*15*	190.6	150.2	101.4
		514.1	**470.7**	**395.0**
TOTAL ASSETS		**1,095.1**	**1,072.2**	**974.7**

LIABILITIES

(in € million)	Note	31/12/2015	31/12/2014	31/12/2013
Shareholders' equity	*16*			
Ordinary shares		26.5	26.6	25.9
Share premium		100.4	104.3	88.9
Treasury shares		(5.7)	(0.5)	(1.5)
Cumulative translation adjustments		69.9	39.9	13.7
Fair value and other reserves		(20.4)	(7.7)	5.4
Group consolidated reserves		302.0	309.7	280.9
Minority interest in equity		2.6	2.6	2.2
Total shareholders' equity		**475.3**	**474.9**	**415.5**
Liabilities				
Non-current liabilities				
Financial debt	*18*	236.6	222.4	208.3
Other non-current financial liabilities	*19*	2.1	2.5	3.2
Deferred grants related to assets	*17*	45.5	53.7	52.7
Deferred income tax liabilities	*26*	63.4	66.6	69.9
Pensions and retirement indemnities	*20*	14.9	15.0	10.2
Provisions	*21*	38.5	33.1	32.4
		401.0	**393.3**	**376.7**
Current liabilities				
Trade and other payables	*22*	183.9	181.3	164.4
Income tax payable	*26*	10.4	8.4	6.3
Financial debt	*18*	5.3	5.2	4.7
Derivative instruments	*14*	7.2	2.0	0.6
Pensions and retirement indemnities	*20*	0.9	1.2	1.2
Provisions	*21*	11.1	5.9	5.3
		218.8	**204.0**	**182.5**
TOTAL LIABILITIES AND EQUITY		**1,095.1**	**1,072.2**	**974.7**

6.4 STATEMENT OF CHANGES IN EQUITY

		Owners of the parent company						
(in € million)	Number of shares making up the capital	Share capital	Share premium	Reserves	Total comprehensive income for the period attributable to equity	Total	Non-controlling interests	Shareholders' equity
Balance at 31/12/2012	**25,174,845**	**25.2**	**78.1**	**257.0**	**31.4**	**391.7**	**2.7**	**394.4**
Appropriation of 2012 comprehensive income		-	-	31.4	(31.4)	-	-	-
Employee stock option plans (value of employee services)		-	-	1.0	-	1.0	-	1.0
Capital increase by exercise of stock options	95,370	0.1	1.6	-	-	1.7	-	1.7
Dividend paid	-	-	-	(9.0)	-	(9.0)	-	(9.0)
Dividend paid in shares	583,596	0.6	9.2	(9.8)	-	-	-	-
Purchase/Sale of treasury shares		-	-	0.5	-	0.5	-	0.5
Total comprehensive income		-	-	-	27.4	27.4	(0.5)	26.9
Balance at 31/12/2013	**25,853,811**	**25.9**	**88.9**	**271.1**	**27.4**	**413.3**	**2.2**	**415.5**
Appropriation of 2013 comprehensive income		-	-	27.4	(27.4)	-	-	-
Employee stock option plans (value of employee services)		-	-	0.8	-	0.8	-	0.8
Capital increase by exercise of stock options	283,591	0.2	5.5	-	-	5.7	-	5.7
Dividend paid		-	-	(9.8)	-	(9.8)	-	(9.8)
Dividend paid in shares	467,630	0.5	9.9	(10.4)	-	-	-	-
Purchase/Sale of treasury shares		-	-	1.0	-	1.0	-	1.0
Total comprehensive income		-	-	-	61.3	61.3	0.4	61.7
Balance at 31/12/2014	**26,605,032**	**26.6**	**104.3**	**280.1**	**61.3**	**472.3**	**2.6**	**474.9**
Appropriation of 2014 comprehensive income		-	-	61.3	(61.3)	-	-	-
Employee stock option plans (value of employee services)		-	-	0.3	-	0.3	-	0.3
Capital decrease	(1,273,089)	(1.3)	(33.1)	-	-	(34.4)	-	(34.4)
Capital increase by exercise of stock options	777,185	0.8	17.4	-	-	18.2	-	18.2
Dividend paid		-	-	(10.1)	-	(10.1)	-	(10.1)
Dividend paid in shares	392,244	0.4	11.8	(12.2)	-	-	-	-
Purchase/Sale of treasury shares		-	-	(5.3)	-	(5.3)	-	(5.3)
Total comprehensive income		-	-	-	31.7	31.7	-	31.7
BALANCE AT 31/12/2015	**26,501,372**	**26.5**	**100.4**	**314.1**	**31.7**	**472.7**	**2.6**	**475.3**

6.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DETAILED SUMMARY OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 INFORMATION RELATIVE TO THE COMPANY

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

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

NOTE 2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to European Regulation 1606/2002 of 19 July 2002 on international accounting standards, the consolidated financial statements of Saft Groupe SA for the year ending 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards as approved by the European Union. These standards are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

The consolidated financial statements have been prepared in accordance with the historical cost convention, except for derivative financial instruments which are measured at fair value. For comparative purposes, they include figures for the years ended 31 December 2014 and 31 December 2013 prepared under the same reporting standards.

The Group consolidated financial statements have been prepared using the accounting principles and policies described below. These are consistent with those applied by the Company in its consolidated financial statements for the years ended 31 December 2014 and 31 December 2013.

The main assumptions and estimates made in preparing the consolidated financial statements are set out in note 2.3 below.

New IFRS standards, revisions, amendments or interpretations of existing standards, as adopted by the EU for periods beginning from 1st January 2015, have been applied by the Company. They have not led to any significant changes in the measurement and presentation of assets, liabilities, income and expenses. The Company has not opted for the early application of standards and interpretations that do not have to be mandatorily used in 2015. These standards are presented in note 2.2 below.

2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS ALREADY PUBLISHED AND WHICH HAVE NOT BEEN APPLIED EARLY

The following new standards, interpretations and amendments to IAS/IFRS standards which could be early adopted for reporting periods starting 1 January 2015 are:

- amendment to IAS 1 clarifying some points of the standard on financial statement presentation;
- amendments to IFRS 11 relating to accounting for acquisitions of interests in joint operations;
- amendment to IAS 19 relating to employee contributions to defined benefit plans;
- amendments to IAS 16 and IAS 38 clarifying the acceptable methods of depreciation and amortisation;
- amendments to IFRS 10 and IAS 28 relating to the sale or contribution of assets between the Group and its associates or joint ventures.

The Group does not expect these new standards to have a significant impact on its consolidated financial statements.

2.3 USE OF ASSUMPTIONS AND ESTIMATES

The preparation of consolidated financial statements, in accordance with the IFRS conceptual framework, requires the use of estimates and assumptions that affect amounts shown in the financial statements, such as depreciation, amortisation and provisions.

These estimates are prepared on a going concern basis using information available at the time of preparation. They may be revised if new information leads to a change in the circumstances on which they were based. Actual results may differ from these estimates.

Revision of an estimate does not constitute correction of an accounting error.

The use of assumptions and estimates in the preparation of the consolidated financial statements mainly relates to:

- assessment of the recoverable value of goodwill and other assets (see further, note 10);
- the calculation of pension and retirement benefit obligations and other provisions (see further, note 20);

- the determination of certain provisions (see further, note 21);
- financial derivatives (see further, note 2.28);
- the recognition of revenue and results relating to construction contracts (see further, note 2.23);
- the recognition of deferred tax assets (see further, note 26).

2.4 CONSOLIDATION METHODS

The consolidated financial statements at 31 December 2015 include the Financial Statements of Saft Groupe SA and its subsidiaries. The Financial Statements of consolidated subsidiaries and associates have been restated in accordance with Group accounting policies.

Subsidiaries are consolidated from the date on which the Group takes control of the entity until the date on which control of the subsidiary is transferred outside the Group. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Companies under sole control are fully consolidated. When a company under sole control is consolidated for the first time, its identifiable assets and liabilities are re-measured at fair value. The residual difference is recognized as goodwill (see note 2.9).

Jointly-controlled undertakings are consolidated using the equity method.

The equity method is also used to account for all other companies over which the Group exercises significant influence, which is presumed to exist when the percentage of voting rights held by the Group exceeds 20%.

Investments in associates and the related goodwill are initially recognized in the balance sheet at cost and are subsequently adjusted upward or downward for post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in value.

Group's share in net income of associates for the period is recorded in the consolidated income statement under the heading "Share of profit/(loss) of associates".

Material inter-company transactions are eliminated on consolidation.

Accounting for discontinued operations and assets held for sale

A discontinued operation is defined, according to IFRS 5, as a component of the Group's activity that either has been disposed of, or is classified as held for sale and which represents a separate major line of business or geographical area of operations that forms part of a single coordinated disposal plan.

In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations":

- assets held for sale and related liabilities are presented on two specific lines of the balance sheet, without offsetting. Previous years balance sheet data not being restated;
- the net profit or loss from discontinued operations is reported as a single amount on a specific line "Net profit/(loss) from discontinued operations" in the consolidated income statement;
- cash-flows from discontinued operations are reported on a specific line of the consolidated statement of cash-flows, except for cash flows related to financing if they cannot be identified separately for sales of assets;
- no further depreciation or amortisation is recorded on depreciable/amortisable assets once they are classified as held for sale.

The following conditions must be met for an asset to be classified as held for sale:

- the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- the sale is highly probable;
- the carrying amount is recovered principally through a sale rather that continuing usage.

Assets held for sale, net of the associated liabilities, are measured and recognized at the lower of net book value and market value less costs necessary to complete the sale. Any losses are charged to income from discontinued operations.

If the fair value of a group of assets held for sale is lower than the carrying value of non-current assets valued in accordance with IFRS 5, non-current assets have to be impaired for the difference, according to accounting standards applicable to them.

2.5 BUSINESS SEGMENT INFORMATION

A business segment is a component of an entity:

- that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same 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; and
- for which discrete financial information is available.

The Saft Group has two operating segments, indiscriminately called "divisions" or "product lines." These two sectors are described in note 6.1 below.

The business segment is the primary reporting format used by the Group and the geographical segment is the second format.

Financial information on business segments as per the Group reporting and as hereafter disclosed is prepared in accordance with the same accounting standards as those used for the preparation of the consolidated financial statements, as disclosed in current note 2.

Each business segment's performance is measured by reference to EBITDA, EBIT and Operating Profit. EBITDA and EBIT aggregates are defined as follows:

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

2.6 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Items recognized in the Financial Statements of each individual Group entity are measured using the currency of the principal economic environment in which the entity operates (the functional currency).

Accordingly, transactions denominated in foreign currencies are initially recorded in the functional currency of the entity using the exchange rate at the date of the transaction.

At the balance sheet date, monetary assets and liabilities of individual entities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. All exchange gains and losses arising on translation are recognized in the income statement as financial income or expense.

2.7 TRANSLATION OF FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCY

The consolidated financial statements of Saft are presented in euros.

The balance sheets of companies whose functional currency is not the euro are translated into euros using the exchange rate at the balance sheet date, and their income statements and statements of cash flow are translated into euros using an average exchange rate for the period.

Translation differences resulting from the use of different exchange rates for the opening balance sheet position, the net profit/(loss) for the period and the closing balance sheet position are recorded directly in equity. These translation differences are only recorded in the income statement when the entity in question is sold.

Translation differences arising on the Group's net investments in entities whose functional currency is not the euro, and on debt and other currency instruments designated as hedges of such investments, are taken to shareholders' equity under "Translation reserves".

Goodwill and other fair value adjustments arising on acquisitions of foreign entities whose functional currency is not the euro are treated as assets or liabilities of such entities and are translated into euros at the closing exchange rate.

The table below shows the main exchange rates used in the preparation of the consolidated financial statements. The closing rate is used in the preparation of the statement of financial position, and the average rate for the year is used in the preparation of the income statement and statement of cash flow.

	2015		2014		2013	
	Average rate for the year	Closing rate at 31 December	Average rate for the year	Closing rate at 31 December	Average rate for the year	Closing rate at 31 December
Swedish krona	9.35	9.19	9.10	9.39	8.65	8.86
US dollar	1.11	1.09	1.33	1.21	1.33	1.38
Pound sterling	0.73	0.73	0.81	0.78	0.85	0.83

2.8 INTANGIBLE ASSETS EXCLUDING GOODWILL

In accordance with IAS 38 "Intangible assets", assets are only capitalised if the cost of the asset can be measured reliably and it is probable that the future economic benefits attributable to the asset will flow to the Group.

Intangible assets are derecognised when the risks and rewards incidental to ownership of the asset are transferred or when there is no future economic benefit expected from the asset's use or sale.

The Group's main intangible assets are:

- brand names and customer relationships from the acquisition of the battery operations of the Alcatel group in January 2004;
- purchased technologies from the above-mentioned business combination, most of them being protected;
- Research and Development projects capitalised in accordance with IAS 38.

Brand names were valued using the same royalty-based method as was applied in the valuation of existing technologies. Regular investments are made with regard to brand names that have an indefinite useful life and are not amortised.

The value attributed to customer relationships was the present value of future surplus profits to be generated from such customers over the remaining life of the commercial relationship. The resulting asset is amortised using the straight-line method applied over the estimated period of expected benefits, which are as follows:

- Specialty Battery Group division: twenty years;
- Industrial Battery Group division: fourteen years.

Saft owns an extensive portfolio of technologies thanks to its substantial R&D capacity, the majority of which is devoted to product development and standardisation. Most Saft technologies are protected because of their strategic importance.

On the acquisition of the Alcatel group's battery operations, Saft's technologies were valued using the royalty method, which involves estimating the value of the royalties a third party would have to pay Saft to use the technologies.

Each technology is amortised by the straight-line method on the basis of their estimated useful lives and commercial prospects. The periods used are:

Lithium-ion	21 years
Primary Lithium	11 years
Nickel-Cadmium	11 years
Nickel-Metal Hydride	7 years
Other Technologies	4 years

Research and Development costs

Research and Development expenditure is recognised as an expense in the year in which it is incurred, except for some development costs that are capitalised as an intangible asset in accordance with IAS 38 when all of the following six criteria are strictly met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the existence of a market for the output of the intangible asset;
- the availability of adequate technical, financial and human resources to complete the development; and
- the ability to measure the expenditure attributable to the intangible asset during its development reliably.

The cost of a capitalised development project is the sum of expenditure incurred from the date when the project first meets the six criteria listed above. Development expenditure initially recognised as an expense is not capitalised in subsequent periods.

Capitalised development costs are amortised over:

- the useful life (of a process) or the commercial life (of a product), if this can be determined; or
- the useful life of the underlying technology.

Amortisation of capitalised development costs starts when the development is finished.

Capitalised development costs are generally amortised over a period of between three and 21 years. These periods are reviewed annually, and any adjustments required as a result of these reviews are recognised prospectively.

Billable Research and Development expenditure incurred under a contract with a customer is included in long-term contract work in process.

2.9 GOODWILL

In accordance with IFRS 3 "Business combinations", at the acquisition date, the difference between the acquisition cost of the subsidiary and the Group's interest in its net assets stated at fair value, is accounted for as goodwill.

Goodwill is not amortised but is tested for impairment as soon as an indication of potential impairment appears and at least on an annual basis.

Goodwill is allocated to the Cash Generating Units (CGUs) or groups of CGUs to which it relates to carry out impairment tests. In accordance with IAS 36 "Impairment of assets", the methodology used by the Group to identify potential impairments primarily involves comparing the recoverable amount of each CGU or group of CGUs with the carrying amount of their respective assets.

The recoverable amount is the higher of the fair value less exit costs or the value in use determined as the present value of future cash flows associated with the CGU.

Recoverable amounts of CGUs are determined on the basis of:

- projections of cash flows generated by operations for the relevant CGU over its four-year business plan, plus a terminal value;
- discounting such projected cash flows at the Group's Weighted Average Cost of Capital (WACC).

Any impairment losses identified are charged to the income statement in the operating profit. Impairment losses recognised against goodwill may not be reversed.

The main assumptions and estimates used for these calculations by the end of 2015 are described in note 10.

2.10 PROPERTY, PLANT AND EQUIPMENT

In accordance with IAS 16 "Property, Plant and Equipment" assets are only capitalised if the cost of the asset can be measured reliably and it is probable that the future economic benefits attributable to the asset will flow to the Group.

Items of property, plant and equipment are derecognised when the risks and rewards incidental to ownership of the asset are transferred or when there is no future economic benefit expected from the asset's use of sale.

Any gain or loss arising from the derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement in the period in which the asset is derecognised.

Items of property, plant and equipment are initially recognised at historical cost of acquisition or production.

The historical cost of property, plant and equipment is reduced by accumulated depreciation and by recognised impairment losses.

Depreciation is usually charged over the estimated service life for the relevant asset:

■ Buildings used for administrative and selling activities and related fixtures	10 to 40 years
■ Industrial buildings and plants:	
■ industrial buildings	20 to 30 years
■ industrial buildings held under finance lease	15 years
■ infrastructure works	10 to 20 years
■ technical installations, plant equipment and tooling	5 to 10 years
■ small tools	3 years

The Group applies the straight-line method of depreciation. Depreciation is calculated on the basis of acquisition cost or production cost net of any residual value, when it is deemed significant.

The initial and remaining useful service lives of assets are reviewed at each balance sheet date, and adjusted if necessary.

Finance leases

Fixed assets acquired under finance leases (as defined in IAS 17) are capitalised in the balance sheet as described in note 2.30.

2.11 IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible assets which have an indefinite useful life and are not amortised, are tested for impairment annually, or whenever events or changes in market conditions indicate that they might be impaired. Amortisable intangible assets and depreciable items of property, plant and equipment are also tested for impairment whenever events or changes in market conditions indicate that they might be impaired. Impairment tests involve comparing the carrying amount of an asset with the discounted future operating cash flows expected from that asset.

If the test shows that these estimated future cash flows are less than the carrying amount, the Group takes account of the effect on future cash flows of alternative strategies.

If there is still a shortfall, an impairment loss is recognised in the form of a provision, reducing the carrying amount of the asset to its value as measured by reference to discounted future operating cash flows (or, if it can be determined, to its fair value).

The main assumptions and estimates used for these calculations by the end of 2015 are described in note 10.

2.12 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets are measured and recognised in accordance with IAS 39 "Financial instruments".

Available-for-sale securities

Investments in non-consolidated undertakings are "available-for-sale" financial assets, and are therefore measured at fair value. In the case of listed securities, fair value is the listed market price. If fair value cannot be measured reliably, the investment is measured at cost. Changes in fair value are taken directly to shareholders' equity. If there is objective evidence that a financial asset is severely and permanently impaired, that impairment must be recorded through the income statement.

Loans and other financial receivables

Loans are initially recognised at fair value, and subsequently measured at amortised cost. If there is objective evidence that a loan is impaired, a provision for impairment is recorded. The impairment loss, equal to the excess of the carrying amount of the loan over its recoverable amount, is recognised through the income statement; it is reversible if the carrying amount increases in the future.

Other financial receivables mainly comprise security deposits paid.

The Group reviews its investments in non-consolidated undertakings and other financial assets at each balance sheet date in order to assess if there is objective evidence of impairment.

2.13 INVENTORIES

Inventories and industrial work in process are measured at the lower of cost (including some indirect production costs) and net realisable value. Cost is usually calculated using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 TRADE AND OTHER CURRENT RECEIVABLES

Trade receivables are measured at fair value net of any required provisions for impairment.

A provision for impairment of trade and other current receivables is recorded when it becomes probable that a receivable will not be collected in full. Impairment losses are recognised through the income statement, in the operating profit.

2.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the consolidated cash flow statement comprise cash at bank and in hand plus short-term investments that are liquid and easily convertible into a measurable amount of cash.

Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

The same definition also applies to cash and cash equivalents as shown in the balance sheet.

In accordance with IAS 39 "Financial Instruments", short-term investment securities are measured at fair value.

Changes in the fair value of securities classified as held-for-trading are taken to financial profit or loss without exception.

2.16 EQUITY

Share capital

Ordinary shares are classified in "Share capital". Costs incurred on new share issues are offset against the issue proceeds.

Other equity components

In addition to share capital, consolidated equity includes the following:

- "share premium", which corresponds to the excess paid by shareholders of the parent company over the par-value price of a stock issue;
- "treasury shares", deducted from equity at their acquisition cost. Any gains or losses from the sale of these shares are recognised directly in equity and not taken to the income statement;
- "cumulative translation adjustment", which records currency translation adjustments deriving from the translation of the financial statements of foreign subsidiaries having a functional currency different from the euro;
- "fair value and other reserves", which primarily records changes in market values of derivatives designated as cash flow hedges and investment hedges;
- "consolidated reserves", which comprises the non-distributed net income of the parent company as well as the Group's share in the retained earnings of fully-consolidated companies and companies accounted for by the equity method since their first consolidation date;
- "Minority interest in equity", which comprises the non-distributed net income share of non-Group shareholders in consolidated subsidiaries;
- Actuarial gains and losses on defined pension plan benefits.

2.17 SHARE-BASED PAYMENTS

The Group has put in place long-term remuneration plans which will be settled in equity instruments (stock options). The fair value of services rendered by employees in exchange for the grant of the options is recognised in expenses, with a double entry to shareholders' equity. The total amount recognised in expenses over the vesting period is determined on the basis of the fair value of the options granted, without

taking into account conditions for vesting which are not market conditions. Conditions for vesting which are not market conditions are taken into account in the assumptions concerning the number of options that are likely to become exercisable.

At each balance sheet date, the entity reviews the number of options that are likely to become exercisable. If necessary, it recognises the impact of changes in its estimates through profit and loss with a corresponding double entry adjusting shareholders' equity.

Amounts received when the options are exercised are credited to the "Share capital" and "Share premium" captions, net of directly attributable transaction costs.

2.18 DEBT

In accordance with IAS 39 "Financial Instruments", debt is initially recognised at cost, which is the fair value. Subsequent to initial recognition, debt is measured at amortised cost using the effective interest method. The effective interest rate is the rate which makes it possible to equalise the net cash of the loan with all the cash flows produced by servicing the loan. Amortised cost is calculated taking into account all issuance costs and any redemption discounts or premiums.

2.19 OTHER NON-CURRENT LIABILITIES

Other non-current financial liabilities are measured and recognised in accordance with IAS 39 "Financial instruments". They mainly include contingent advances, which consist of reimbursable Government advances to subsidise research.

2.20 DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognised on all temporary differences between the taxable amount of assets and liabilities and their value for the purposes of the "consolidated financial statements".

Main temporary differences are resulting from:

- the elimination of entries made in the individual company financial statements of subsidiaries to reflect elective tax treatments that differ from accounting rules;
- adjustments made to restate financial statements of consolidated subsidiaries in accordance with Group accounting policies.

However, in accordance with IAS 12, deferred tax assets or liabilities are not recognised on temporary differences resulting from goodwill for which amortisation is not deductible for tax purposes.

Deferred tax assets and liabilities are stated using the liability method, based on tax rates adopted or virtually adopted at the balance sheet date.

The effects of changes in tax rates are recognised in net income for the year in which the change in rate is enacted.

A deferred tax liability is recognised for temporary differences arising from dividends which may be distributed from reserves by subsidiaries unless the Group controls the dividend policy and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are presented at their net amount when taxes are levied by the same taxation authority and the latter authorises such netting.

Deferred tax assets are recognised in the balance sheet when it is likely that they will be recovered in future years. Factors taken into account in assessing the Group's ability to recover deferred tax assets include the following:

- any taxable timing difference;
- estimates of future taxable profits and losses;
- the extent to which exceptional expenses that are unlikely to recur in the future were included in past tax losses; and
- finally, actual taxable profits and losses for previous years.

2.21 PENSIONS, RETIREMENT INDEMNITIES AND OTHER EMPLOYEE BENEFITS

The Group offers its employees pension, retirement benefits and healthcare plans in accordance with the law and custom in the countries in which it operates.

In France, each Group employee is entitled to a lump sum retirement benefit. In other countries, the type of plan depends on local legislation, and on the business activities and historical practice of the subsidiary.

In addition to basic State schemes, pension plans are of two types: defined-contribution and defined-benefit. Defined-benefit plans are partially or wholly funded by earmarked investments in plan assets such as equities, bonds, insurance policies or other types of investment.

Basic State schemes

In some countries, including France, Saft contributes to basic State social security schemes. The cost recognised in respect of these schemes is the amount of contributions payable to the social security authorities.

Defined-contribution plans

The benefits paid depend entirely upon the cumulative contributions paid and the return on the investments in which these contributions are invested. The Group has no obligation beyond the contributions paid, which are recognised as an expense.

The Group participates in a multi-employer defined contribution plan in Sweden.

Defined-benefit plans

The Group's obligation under defined-benefit plans is calculated annually by independent actuaries using the "Projected Unit Credit" method, in accordance with the provisions of IAS 19 "Employee benefits".

Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. These actuarial calculations build in assumptions regarding:

- retirement dates;
- employee turnover;
- mortality tables;
- future salary increases and inflation rates;
- discount rates.

The expected returns on the plan's assets are evaluated with the discount rates used for the evaluation of the benefit obligation.

The estimated future benefits are discounted using rates appropriate to each country. Discount rates are determined by reference to the high-quality corporate bonds.

The amount recognised in the balance sheet is the net amount of the obligation less the fair value of dedicated plan assets at the balance sheet date.

Two types of defined-benefit plan are operated by Saft:

- annuity: retirees are paid a pension throughout their retirement (the pension plan in Germany and an additional retirement scheme for "cadres" in France);
- lump sum on retirement or cessation of employment (the pension plan in France and Israel).

Actuarial gains and losses are generated when differences arise between actual figures and the assumptions previously used, or following a change in actuarial assumptions.

In the case of post-employment benefits, such actuarial gains and losses are recognised directly in shareholders' equity in the year in which their amount is determined.

In the case of long-term benefits payable during the period of employment, actuarial gains and losses are recognised directly in operating profit/(loss) in the year in which they arise (long-service awards or equivalent).

2.22 PROVISIONS AND CONTINGENT LIABILITIES

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recorded when the Group has a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be necessary to settle the obligation, and the amount of the obligation can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation; this applies in particular to provisions for end of life battery recycling costs.

The costs actually incurred by the Group may differ from these estimates, which may have a material impact on its financial position.

Where the Group expects the amount provided for to be reimbursed to it in full or in part, for example under an insurance policy or a vendor's guarantee of liabilities, the reimbursement is recognised only if recovery is certain.

Provisions for restructuring

Restructuring costs are provided for immediately and in full in the year when the Group has an obligation towards third parties, arising from a decision by an appropriate corporate body, which is evidenced before the balance sheet date by the announcement of the decision to the third parties involved. The amount of this provision mainly corresponds to severance payments, termination notice periods paid but not worked by employees, costs for retraining of employees made redundant, and some site closure costs.

Impairment of fixed assets and inventories and other assets directly attributable to restructuring plans are also included in these provisions.

Provisions for product warranties and claims

Provisions for product warranties primarily cover the risk of valid product returns during the warranty period. Depending on products, the warranty period ranges from twelve months for standard batteries up to ten years or more in some specific cases. The Group mainly determines the necessary level of provisions for product warranty from statistical data compiled on the basis of past experience.

Provisions for claims and/or litigation are estimated on the basis of a risk analysis, the latter particularly taking into account any third party claims and the available technical data on products subject to the claims and/or disputes.

2.23 REVENUE AND CONSTRUCTION CONTRACTS

Revenue comprises income derived from sales of bought-in goods, manufactured goods and services in connection with the Group's principal activities, net of customer discounts and contract penalties.

In accordance with IAS 18 "Revenue recognition", revenue from the sale of goods and equipment is recognised when there is a formal agreement with the customer, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Group, and the Group has transferred substantially all the risks and rewards of ownership to the purchaser. If the contract requires formal acceptance of the goods, equipment or services by the customer, revenue recognition is deferred until the date of such acceptance.

Revenue is measured at the fair value of the consideration received or receivable. Where payment is deferred and the effect on fair value is material, this effect is taken into account by discounting the future payments.

For products sold through distributors, revenue is recognised on delivery to the distribution network. Product returns, estimated in accordance with contractual commitments and statistics on past sales, are recognised at the same date.

Construction contracts

IAS 11 defines a "Construction contract" as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in term of their design, technology and function or their ultimate purpose of use.

Group sales from constructions contracts are primarily for the construction or design of specific batteries, mainly in military applications, satellites and large energy storage systems.

In accordance with IAS 11, in recognising revenue and profits on construction contracts the Group applies the percentage of completion method based on contractually-agreed milestones.

Probable losses on completion are recognised immediately.

In the event of uncertainty regarding customer acceptance, or in the case of relatively short-term contracts, revenue is only recognised up to the amount of recoverable costs.

Work in process on long-term contracts is recorded at production cost and does not include any administrative or selling expenses.

Movements in contract penalties (late delivery or non-compliance) are recognised as a deduction from revenue.

Partial payments received under construction contracts are recognised as a liability in the balance sheet under "Prepayments on long-term contracts" for the portion of such payments corresponding to work not yet carried out. The amount of costs incurred, plus recognised gains and less recognised losses (in particular provisions for losses to completion), is calculated individually for each contract. If this amount is positive, it is recorded as an asset under "Long-term contract receivables". If negative, it is recorded as a liability under "Prepayments on long-term contracts".

2.24 COST OF SALES

Cost of sales mainly includes:

- the cost of production, which includes the acquisition cost of raw materials and other components used in production, direct production costs (mainly salaries), and indirect production costs that are attributable to the production of the goods sold;
- depreciation and impairment of property, plant and equipment and amortisation of intangible assets;
- depreciation of deferred grants related to assets;
- provisions for product returns; and
- direct selling costs (freight, packaging and sales commissions).

2.25 GROSS PROFIT

Gross profit is calculated as net revenue less cost of sales.

2.26 OPERATING PROFIT/(LOSS)

Operating profit is made up of gross profit, administrative and selling expenses, Research and Development expenses, other operating income/expenses and restructuring costs.

Other operating income and expenses consists primarily of:

- gains or losses on available-for-sale securities;
- gains or losses on disposals of investments, of property, plant and equipment, and of intangible assets;
- income and expenses that are non-recurring during the Group's day-to-day operations. They are characterised by their unusual nature and/or amount.

Operating profit excludes net financial expense and income tax expense.

2.27 FINANCIAL INCOME AND EXPENSES

Financial income and expenses include interest income and expense, changes in the fair value of held-for-trading financial assets, impairment losses on other non-current financial assets, foreign exchange gains and losses, changes in the fair value of financial instruments (excluding net investment and cash-flow hedge transactions).

Financial expenses also include the financial component of pension costs and the effect of unwinding of discount on assets and liabilities.

Interest income and expense is accounted for on a time-proportion basis in accordance with the effective interest rate method.

2.28 DERIVATIVE FINANCIAL INSTRUMENTS

The use of derivative financial instruments is carried out through interest rate risk, exchange rate and price of certain metals management group policies. Above listed risks and group policies implemented for their management are described in note 3.

Financial derivatives (contracts whose value is affected by the variation of one or more observable variables, that do not require significant investment and that are settled at a future date) that qualify for hedge accounting according to IAS 39 are classified as hedges. Financial derivatives that do not qualify for hedge accounting, although set up for the purpose of managing risk, are designated as and accounted for as trading instruments.

Financial derivatives are measured at fair value.

Financial derivatives held for trading are classified as current assets or liabilities.

2.29 HEDGE ACCOUNTING

Cash flow hedges

A cash flow hedge makes it possible for the Group to protect itself against the risk of future changes in one or more cash flows affecting consolidated income. The hedged cash flows may derive from contracts on financial or non-financial assets already translated in the statement of financial position, or future transactions not yet translated in the statement of financial position, when these transactions are highly probable.

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, changes in the fair value of the derivative financial instruments are taken to other comprehensive income for the effective part and profit or loss for the ineffective part. Gains or losses accumulated in equity must be reclassified in income, in the same section as the element hedged – namely operating profit for hedges of operating flows and financial income for other hedges – during the same periods in which the hedged cash flow affects income.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point is retained in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

Fair value hedge

A fair value hedge makes it possible for the Group to protect itself against the risk deriving from changes in the fair value of assets, liabilities, such as fixed-rate loans and borrowings or assets, liabilities or firm commitments in foreign currencies.

Fair value hedge accounting is used when a financial derivative is designated as a hedge of the variability of the fair value of a recognised asset or liability (or firm commitment).

The hedging instrument is measured at fair value with changes in fair value recognised in net profit/(loss) for the period. The hedged item is re-measured symmetrically to its fair value. These two re-measurements offset each other in the consolidated income statement, with the exception of the ineffective part of the hedge.

Hedge of net investments

A hedge of a net investment makes it possible for the Group to protect itself against the currency risk of a net investment (investments, long-term loans, provisions to branches, unrepatriated income) in an entity consolidated abroad.

Hedges of net investments in foreign entities are recognised in the same manner as cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity; the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss, as financial income or expense.

Cumulative gains and losses recognised in equity are recognised to profit and loss when the foreign entity is sold.

2.30 FINANCE LEASES

Under IAS 17, leases, which transfer to the Group substantially all the risks and rewards incident to ownership of the leased asset, are classified as finance leases. They are recognised as

assets on inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases under which the lessor retains substantially all the risks and rewards incident to ownership of the leased asset are classified as operating leases.

Payments made as lessee under an operating lease are recognised as an expense in the income statement on a straight-line basis over the lease term.

NOTE 3 MARKET RISKS AND FINANCIAL RISKS MANAGEMENT POLICIES

3.1 CAPITAL RISK MANAGEMENT

In managing its capital structure, the Group's objectives are to ensure its ability to continue as a going concern whilst providing returns to shareholders, benefits to other stakeholders and maintaining an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buyback shares and cancel them, issue new shares, or sell assets to reduce debt.

It should also be noted that the Group has put in place a liquidity contract in order to improve the liquidity of Saft Groupe SA shares on the stock market.

Exposure to share market risks only relates to variations in the price of own shares held.

The data relating to transactions in the Company's own shares during 2015, and the measures taken to manage this risk, is presented in the "Information on the Company and its Capital" section of this annual report.

3.2 LIQUIDITY RISK

Risk identification and measurement

Liquidity risk is the risk of not having the necessary funds to honour commitments when they fall due. It involves, firstly, the risk that assets cannot be sold quickly under satisfactory conditions if need be and, secondly, the risk that liabilities will be called in advance or that the Group would not have access to credit on satisfactory terms.

With respect to financial assets, with the exception of financial assets allocated to finance its pension obligations, severance packages and other long-term commitments to employees (see note 20 below) and trade receivables (see credit risk in section 3.5 below), the Group has mainly cash and cash equivalents (see note 15 below). Hence, the Group does not have a significant amount of financial securities that could pose a liquidity risk.

With respect to the liquidity risk stemming from its indebtedness, the Group's bank debt and its amortisation terms and conditions are disclosed in note 18.

The future ability of the Group to access the financial market will depend on various external factors such as new regulations (Basles III & Solvency II), economic environment or perceived credit rating of Saft. Difficulties to obtain financing at reasonable cost could:

- oblige the Group to allocate a significant portion of its available cash to the servicing or repayment of existing debt which could be detrimental to investments and shareholders retribution;
- render the Group more vulnerable to any unfavourable change in the economic and industrial environment and in particular, to any increase in interest rates since a large portion of the Group's debt has been contracted at floating rates;
- oblige the Group to devote a significant portion of its operating cash flow to the payment of interest, thus reducing its ability to finance its working capital, capital expenditure, cost reduction programmes or acquisitions;
- limit the Group's ability to pay dividends;
- limit the Group's ability to engage in forward planning or react to changes in its activities or in the markets in which it operates;
- limit the Group's ability to launch new products, develop new technologies or derive benefit from new opportunities;
- impede the Group's competitiveness when confronted with proportionately less indebted competitors; and
- limit the Group's ability to incur additional borrowings in the future given the covenants contained in its current loan agreements.

The Group's loan agreements contain financial commitments, including the requirement for the Group to comply with the following financial ratios (measured on a six-month basis):

- contractual maximum gearing ratio (net financial debt to EBITDA) of 3.00 for each 12-month period ending 30 June and 31 December of each year;
- minimum interest coverage ratio (contractually defined EBITDA to total net interest) of 4.50 for each 12-month period ending on 30 June and 31 December.

The definition of EBITDA is included in the contractual commitments with the banks. This definition is in line with that used by the Group in its financial reporting. EBITDA is defined as operating profit or loss before depreciation and amortisation, restructuring costs and other operating income and expenses.

Net financial indebtedness is defined as being borrowings minus cash and cash equivalents. In relation to the financing agreement, it is calculated in euros using the average €/$ exchange rate for the period.

Non compliance with any of these two ratios could allow the lenders to require early repayment of the loans. The Group has fully complied with these ratios in 2015.

Below are the changes in these ratios as at financial year-end:

NET DEBT TO EBITDA RATIO

	31/12/2015	31/12/2014	31/12/2013
Cash and cash equivalents	(190.6)	(150.2)	(101.4)
Borrowings	236.4	221.9	207.2
Accrued interest	2.2	1.9	1.8
Finance leases and other financial liabilities	1.1	1.6	1.8
Net debt	**49.1**	**75.2**	**109.4**
EBITDA (last twelve months)	110.4	104.0	92.5
RATIO OF TOTAL NET DEBT TO EBITDA[1]	**0.41**	**0.65**	**1.18**

(1) This ratio is calculated from the amount of the net debt expressed in euros using the average €/$ exchange rate for the financial year.

NET INTEREST COVERAGE RATIO

	2015	2014	2013
Net interest expense	6.9	6.5	6.4
EBITDA (last twelve months)	110.4	104.0	92.5
EBITDA TO NET INTEREST EXPENSE RATIO	**16.1**	**16.0**	**14.4**

Hence, at 31 December 2015, the Group's liquidity position was as follows:

	2015	2014	2013
Undrawn confirmed revolving credit facilities	100.0	100.0	100.0
Undrawn unconfirmed credit facilities	-	-	-
Cash and cash equivalents	190.6	150.2	101.4
TOTAL	**290.6**	**250.2**	**201.4**

The analysis of financial liabilities by contractual maturity is shown in note 18 below.

Risk management

The Group has centralised cash pooling systems that allow for pooling cash denominated in the main currencies at the Group level among its various subsidiaries. This system enables the Group to reduce its external financing requirements, with the surplus cash of some subsidiaries being used to finance the cash requirements of other entities.

The Group invests its cash in short-term instruments (maturities less than one year), thus maintaining a high level of liquidity.

The Group also has the policy to diversify its sources of funding by borrowing from the banking system as well as from the capital market which is mainly composed of insurance companies.

The Group's treasury office monitors the cash position of each of its units and subsidiaries on a weekly basis. This weekly cash position is reported to the senior management.

The Group also has a comprehensive liquidity forecasting program that operates on quarterly cash flow predictions but also in the longer term based on the budgetary data and/or the multi-year plan drawn up at the end of each financial year. On 31 December 2015, the Group has a cash position of €190.6 million and a €100 million undrawn confirmed revolving credit facility. The Company believes it is able to meet its future payments.

3.3 INTEREST RATE RISK

Risk identification and measurement

Excluding those financial assets allocated to finance its pensions, retirement indemnities and other long-term commitments to employees (see note 20 below), the Group does not incur significant interest rate risk on its financial assets, which consist mainly of cash and cash equivalents. At 31 December 2015, the Group's cash position consists almost entirely of cash and cash equivalents.

Nevertheless, the Group regularly invests its cash in the form of overnight money market funds, commercial paper and short term deposits. All the instruments used in 2015 comply with the risk and liquidity criteria corresponding to cash equivalents as defined by IAS 7.

The Group is exposed to interest rate risk nearly exclusively due to its long-term debt and investments. Its long-term financial debt, which is described in note 18 to the consolidated financial statements, is contracted at variable rates for its fraction in euros and at fixed rates for its fraction in US dollars.

The Group therefore seeks to limit its exposure to fluctuations in the interest rate by partially hedging the variable part of its debt and limiting its investments to a maximum maturity of three months.

The Group's interest rate risk is measured and managed in a centralised fashion by the Group's Treasury Department.

Risk management

The strategies and policies for managing interest rate risk are reviewed and approved by the Group's senior management.

No change in Group's interest rate risk management policy occurred in 2015. The objective of this policy is to protect the Group against a significant increase in interest rates.

Practically, interest rate risk hedging instruments in place only relate to Group banking debt in euros, as the Group bond debt in US dollars being at fixed interest rates.

The instruments used to hedge the interest rate risk are rate swaps, options or option combinations (Collars). The financial counterparties of these hedges are leading financial institutions that are part of the Group's financing bank pool.

As at 31 December 2015, interest rate risk hedging transaction in place are an interest rate swap (exchange of fixed rate against 3 months Euribor to guard against the risk of rising Euribor) of €25 million nominal amount and ending on 8 June 2018.

These hedging instruments are eligible to the hedge accounting and are qualified as cash flow hedge.

As of 31 December 2015, the fair values of the Group's interest rate risk management derivative instruments are broken down as follows:

		Notional amount *(in million local currency)*		Market value *(in € million)*		
Type of instrument	Currency	< to 5 years	> 5 years	**31/12/2015**	31/12/2014	31/12/2013
Interest rate Swaps						
Pay fixed rate/receive Euribor 3M	EUR	25.0	-	(0.4)	(0.4)	(0.3)

The short-term management of interest rate risk consists mainly of meeting the objectives set by senior management to:

- optimise the cost of long-term debt by fixing interest periods from three to six months depending on yield curve expectations over the next six months;
- optimise the return on surplus cash. Decisions taken in this area are subject to prior approval from senior management.

Interest rate risk on the Group's bank debt after management can be broken down as follows:

	31/12/2015	31/12/2014	31/12/2013
USD bond debt *(amount expressed in euros at closing rate)*			
Fixed interest rate debt	137.8	123.5	108.8
Variable interest rate debt	-	-	
EUR bank debt			
Fixed interest rate debt	-	-	-
Variable interest rate debt	100.0	100.0	100.0
Total financial liabilities at variable rate	**100.0**	**100.0**	**100.0**
Financial assets at variable rate	-	-	-
Net position before management	**100.0**	**100.0**	**100.0**
Euro debt hedging cap	(25.0)	(25.0)	(25.0)
NET POSITION AFTER MANAGEMENT	**75.0**	**75.0**	**75.0**

Sensitivity of interest expense to the evolution of interest rate

At constant debt level and constant hedging, a 1% increase in the interest rate on the net debt at 31 December 2015 would result in an increase in the interest expense of €0.8 million per annum (before tax), net of the impact of hedging instruments.

Inversely, on the same net position after management, a 1% reduction in the interest rate would mean negative interest rate and would not impact the interest cost. Indeed, in this specific case, the variable interest (excluding margin) is set to zero according to the credit facility.

3.4 RISK OF FLUCTUATIONS IN COMMODITY PRICES

Risk identification and measurement

The Group is mainly exposed to price changes in the raw materials used in its production processes, either through its purchases of manufactured products or more directly its purchases of primary or transformed raw materials. The prices of these materials fluctuate with changes in supply and demand, and thus are beyond the Group's control. Their fluctuation could lead to an increase in the costs of production of some components. the inability to pass through this increase in the selling prices could affect negatively the Group's profitability.

The main raw material, excluding energy, used by the Group is nickel, the prices of which are negotiated on the London Metal Exchange (LME), an international commodities market. Its other purchases of non-ferrous metals, which are less significant, concern cobalt, cadmium and lithium. Cobalt prices are negotiated over the counter based on the LME's quotations. The price of cadmium is indexed to that published in the London Metal Bulletin. Lithium prices are negotiated directly with the suppliers.

The Group's exposure to fluctuations in the price of nickel affects the Industrial Battery Group division, whose annual consumption (net of recycling) is about 1,500 to 2,000 metric tons.

The average price of nickel on the LME declined by 30% between 2014 and 2015, from an average price of US$16,869 per tonne in 2014 to an average price of US$11,877 per tonne in 2015.

Risk management

In order to protect itself against fluctuations in the price of nickel, the Group's hedging policy consists mainly of a hedging pool covering all or part of estimated needs within the IBG division. It should be mentioned that during 2015 the Group has modified its nickel price risk hedging policy by extending the maturity of hedged future needs. As a consequence, as of the end of 2015 the Group was partially covered for its nickel requirements in 2016 and 2017. This is done essentially by purchasing forward contracts such as swaps denominated in US dollars, the currency used to buy nickel.

The hedging policy, and its implementation, must be approved by a special committee comprising the Group General Manager, Group Purchasing Director, IBG General Manager, and the Group Chief Financial Officer.

The general principles for the accounting treatment of derivatives used to hedge the risks of fluctuations in commodities prices are explained above in note 2.29 to the consolidated financial statements in the paragraph relating to cash flow hedges.

Gains and losses resulting from hedging contracts are recognised in cost of sales of the division whose future needs are hedged when these contracts satisfy the criteria for hedge accounting under IAS 39.

If these contracts are not eligible for hedge accounting under IAS 39, then the realised gains and losses are recorded in "Other operating income and expenses".

As at 31 December 2015, the Group purchased the following financial derivatives to hedge the risk of changing commodities prices:

		Contract market value at 31 December 2015			
(in € million)	Nominal value of contracts	Future cash flow hedge	Fair value hedge	Non allocated (*trading*)	Total
Nickel swaps	30.6	(6,7)	-	-	(6.7)
TOTAL	**30.6**	**(6.7)**	**-**	**-**	(6.7)

The impact from existing hedges on the Group's consolidated financial statements at financial year end is shown below:

	Amount in shareholders' equity as at 31/12/2015	Impact on 2015 income statement	Sensitivity of impact on shareholders' equity to an increase of 10% in the nickel	Sensitivity of impact on shareholders' equity to a decrease of 10% in the nickel
Nickel swaps	(4.4)	-	(4.8)	(9.5)
TOTAL	**(4.4)**	**-**	**(4.8)**	**(9.5)**

As indicated in the above table, the effect from existing nickel hedging instruments on Group consolidated equity resulting from a 10% increase of nickel market prices would impact negatively by €4.8 million. A decrease by 10% of the nickel prices would result in a negative impact of €9.5 million.

3.5 CURRENCY RISK

Risk identification and measurement

Given the geographic diversity of its facilities and its activities, the Group is exposed to exchange rate fluctuations, particularly in the euro-US dollar parity, but also in the euro- and US dollar-Swedish krona parities and in the US dollar-Israeli shekel parity. Changing parities can thus have a significant impact on the Group's financial position and on the comparability of certain data from one year to the next. The impact may arise in two ways:

- translation risk: the risk associated with movements in a currency other than the euro in which a Group company maintains its financial accounts; and
- transaction risk (operational and financial): the risk associated with movements in a currency other than that in which a Group company maintains its financial accounts.

The Group's exposure to currency risk stemming from its companies' purchases and sales in currencies other than their functional one (transaction risk) mainly affects those units engaged in both manufacturing and marketing, while the purely sales units mainly make their purchases and bill their clients in their functional currency.

The principal currency risk affecting manufacturing units with an extensive international activity concerns their local currency's parity with the euro and the US dollar, a currency in which the Group earns an average of between 35% and 45% of its revenue.

The following table shows the respective weightings of the principal currencies in the Group's revenue:

	Euro	USD	GBP	Other currencies
2015 financial year	44%	47%	3%	6%
2014 financial year	46%	45%	3%	6%
2013 financial year	44%	47%	3%	6%

The identification and measurement of transactional currency risks is carried out locally by each entity, and sent to the Group's treasury office on a quarterly basis. The treasury office then consolidates the existing and forecast positions by currency pairs. The Finance Department uses these consolidated positions to make decisions relating to management of these risks and their potential hedging. These transactions may be implemented either centrally or locally under the supervision of the Group's treasury office.

The Group considers that with all other parameters remaining the same, a 10% change in the US dollar-euro parity has approximately a 5% impact in the same direction on revenue and an impact of around 6% in the same direction on EBITDA as it is defined in the consolidated financial statements.

Transaction risk management

The Group's overall sensitivity to the US dollar/euro parity is limited by a hedging policy consisting mainly of:

- buying or manufacturing in the same currency as used for billing;
- using the net cash flows in US dollars to service the Group's US dollar debt.

It should be noted that the Group pays for its purchases of raw materials in US dollars, particularly those of nickel and other metals.

Although Group revenue is less sensitive to change in parity of currencies other than dollar against euro, this is not the case of Group EBITDA margin, due to the number and size of Group plants located in countries outside the dollar and euro zones. In particular, the Group has two large production plants in Sweden and Israel. These plants have sizeable cost bases in their local currencies but make most of their sales in euros or dollars. The Group's EBITDA margin is therefore sensitive to changes in the euro- and dollar- parities to the Swedish krona and the dollar parity to the Israeli shekel.

Hedging policy implemented by the Group to reduce foreign exchange risk arising from changes in exchange rates of these currencies against the functional currency of Swedish, French and Israeli companies is to cover all or part of trade receivables and payables (coverage known as fair value) but also all or part of future cash flows on the basis of forecasts of quarterly activity. Given the business cycles of these entities, hedge's maturity is less than one year.

As of 31 December 2015 forward exchange contracts in place to partially hedge transaction risk were as follows:

		< 1 year		Between 1 and 5 years		
Hedging instruments types	Type of hedging	In million of currency sold	€M	In million of currency sold	€M	Market value
Forward exchange contracts						
Sell USD/Buy ILS	Cash flow hedge	17.1	15.7	-	-	(0.1)
Sell USD/BuySEK	Fair value hedge	4.5	4.1	-	-	-
Sell EUR/BuySEK	Fair value hedge	4.2	4.2	-	-	-
Buy JPY/Sell USD	Fair value hedge	53.7	0.4	-	-	-
Sell USD/Buy EUR	Fair value hedge	37.0	34.0	-	-	0.1

A 10% increase in foreign exchange parities of hedged transactions would impact Group shareholders' equity by €-0.8 million and would impact profit and loss account by €-1.7 million.

Conversely, a 10% decrease in foreign exchange parities of hedged transactions would impact Group shareholders' equity by €0.8 million and would impact profit and loss account by €1.5 million.

The following table shows the current assets and liabilities for the Group's main currencies of exposure as at 31 December 2015 along with a sensitivity measurement of the residual positions, after taking into consideration foreign exchange hedging transactions.

(countervalue in € million)	GBP	SEK	USD	ILS
Current assets	(3.8)	34.5	582.2	7.5
Current liabilities	(4.8)	(34.4)	(496.9)	(10.1)
Net balance sheet position before management	**(8.6)**	**0.1**	**85.3**	**(2.6)**
Current hedging as at 31 December 2015	-	4.2	(34 .0)	-
Net balance sheet position after management	**(8.6)**	**4.3**	**51.3**	**(2.6)**
Foreign exchange rates against euro as at 31 December 2015	0.73	9.19	1.09	4.25
Impact in euros of a 5% increase in the euro	0.41	(0.20)	(2.44)	0.13
Impact in euros of a 5% decrease in the euro	(0.45)	0.22	2.70	(0.14)

Translation risk management

The currency risk associated with holding the net assets of the Group's foreign units is mainly managed through borrowings denominated in the local currency.

The Group has not entered into any specific hedging contracts on its net assets abroad other than through borrowings denominated in those units' local currencies.

The Group had US$150 million of debt at 31 December 2015. This debt is matched by the Group's US dollar assets. In this respect, it is considered as a hedge of Group net foreign investments in US$ and the impact from currency fluctuations on this debt is recorded under shareholders' equity.

3.6 CREDIT AND COUNTERPARTY RISKS

The credit risk to which the Group is exposed stems mainly from its trade receivables and commitments vis-à-vis its customers and from its cash and cash equivalents on deposit with banks and other financial institutions, and from over-the-counter financial instruments and derivative products contracted with financial institutions.

Credit risk from receivables

Due to the nature of Saft's business, trade receivables constitute the main source of credit risk. Due to the very broad diversity of its markets and customers, the biggest customer accounted for less than 5% of consolidated revenue in 2015 (as against 4% in 2014 and 5% in 2013), and the Group's ten largest customers together represented 27% of consolidated revenue in 2015, compared with 25% in 2014 and 26% in 2013 respectively.

Customer credit risk is managed locally at each entity. The customer risk management procedure is reviewed and strengthened to a more proactive control and consistency across all sites. Structuring of tools, training and awareness are carried out internally to optimize cash flow generation. The analysis of the customer portfolio is monitored monthly by the Finance Department of the Group and risk profiles are subject to specific measures (including tour and renegotiation of conditions and limits, monitoring financial).

The Group's financial officers also conduct periodic reviews of its main customers.

Bank and financial counterparty risk

The counterparty risk stemming from cash and cash equivalents and from the financial instruments and derivative products entered into with banks or financial institutions is managed at Group level by the Group's Treasury Department. Derivatives transactions and cash investments made by the Group take into account the need to diversify Group's counterparty risks over financial partners.

To limit this exposure, the Group performs a rigorous selection of its banks based on their credit rating.

As of 31 December 2015, the majority of the Group's cash was deposited with various banks which provide the Group's long-term financing, all of them having at least a Standard & Poor's A+ long-term rating.

Most of raw material price, foreign exchange and interest rate risks hedging derivatives are also concluded with the Group's lending banks.

3.7 ESTIMATING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The market values of the interest rate or commodities derivatives used as a basis of preparation of the consolidated financial statements were calculated on the basis of the fair market values reported by the counterparties to these transactions.

NOTE 4 SCOPE OF CONSOLIDATION

At 31 December 2015, the Group therefore comprises the following companies:

Company name	Activity	Country	Percentage of control and interest	Consolidation method
Saft Groupe SA	**Group Holding Company**	**France**	**100**	**Full**
Saft Australia Pty Ltd.	Holding company	Australia	100	Full
Saft Batteries Pty Ltd.	Assembly and commercial	Australia	100	Full
Saft do Brasil Ltda	Commercial	Brazil	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 SAS	Manufacturing and commercial	France	100	Full
Saft Acquisition SAS	Holding company	France	100	Full
ASB (and its subsidiaries)	Manufacturing and sale of thermal batteries	France	50	EA
Friemann & Wolf Batterietechnik GmbH	Manufacturing and commercial	Germany	100	Full
Saft Batterien GmbH	Commercial	Germany	100	Full
SGH GmbH	Holding company	Germany	100	Full
Tadiran Batteries GmbH	Manufacturing and commercial	Germany	100	Full
Saft Hong Kong Ltd	Holding company and 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 company	Luxemburg	100	Full
Saft Batterijen BV	Commercial	Netherlands	100	Full
Saft AS	Commercial	Norway	100	Full
Saft Batteries Pte Ltd	Holding company and commercial	Singapore	100	Full
Saft Baterias SL	Commercial	Spain	100	Full
Alcad AB	Commercial	Sweden	100	Full
Fast Jung KB	Property investment company	Sweden	100	Full
Saft AB	Manufacturing and commercial	Sweden	100	Full
Saft LLC	Commercial	Russia	100	Full
Saft AB	Holding company	Sweden	100	Full
Saft Ltd[1]	Manufacturing and commercial	United Kingdom	100	Full
Saft America Inc.	Manufacturing and commercial	United States	100	Full
Saft Federal Systems Inc. (Tadiran US)	Commercial	United States	100	Full
Saft JV Holding Co.	Holding company	United States	100	Full

(1) Saft Ltd is exempt from the requirements of the Act relating to the audit of individual accounts.

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

NOTE 5 CHANGES IN THE SCOPE OF CONSOLIDATION

Florida Substrate Inc., a Saft Group US subsidiary specialized in the production of perforated metal strips for the manufacturing of nickel batteries electrodes has been liquidated in 2015. It is therefore out of the scope of consolidation as of the end of 2015. The impact of this perimeter change is not significant on the Group's accounts.

There has been no further change in the scope of consolidation during the year.

NOTE 6 INFORMATION BY BUSINESS SEGMENT AND GEOGRAPHICAL SEGMENT

6.1 INFORMATION BY BUSINESS SEGMENT

The Group's Management Board defined the business segments based on the reporting which it regularly examines in order to make decisions regarding allocation of resources to segments and evaluation of their performance.

Until 2015 closing, Group reporting has been structured based on the following business segments:

- the **Specialty Battery Group (SBG)** division, 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)** division, which manufactures batteries used for standby power supplies for industrial applications and telecommunications networks, aviation and rail industries, as well as the storage of renewable energies;
- the **Other** segment comprises the Group's holding companies. It also includes central functions such as IT, research and central management, finance and administration.

Operating profit by division

FINANCIAL YEAR 2015

(in € million)	IBG	SBG	Other	Total
Revenue	**454.0**	**305.4**	**-**	**759.4**
EBITDA	**43.7**	**75.2**	**(8.5)**	**110.4**
Amortisation and depreciation of intangible assets [2]	(8.0)	(4.9)	(0.6)	(13.5)
Amortisation of property, plant & equipment[1] [2]	(49.3)	(10.9)	(0.9)	(61.1)
EBIT	**(13.6)**	**59.4**	**(10.0)**	**35.8**
Restructuring costs	(3.7)	(1.6)	(1.2)	(6.5)
Other operating income/(expenses)	0.3	(0.2)	(1.0)	(0.9)
Operating profit	**(17.0)**	**57.6**	**(12.2)**	**28.4**

(1) Net of amortization of deferred grants related to assets.
(2) Including €36.4 million related to lithium-ion technology assets (cf note 10).

FINANCIAL YEAR 2014

(in € million)	IBG	SBG	Other	Total
Revenue	**415.9**	**262.5**	**-**	**678.4**
EBITDA	**47.2**	**62.6**	**(5.8)**	**104.0**
Amortisation and depreciation of intangible assets	(6.0)	(6.3)	(0.5)	(12.8)
Amortisation of property, plant & equipment	(16.0)	(9.8)	(1.0)	(26.8)
EBIT	**25.2**	**46.5**	**(7.3)**	**64.4**
Provisions for restructuring	(1.4)	(0.1)	1.0	(0.5)
Other operating income/(expenses)	-	(0.1)	-	(0.1)
Operating profit	**23.8**	**46.3**	**(6.3)**	**63.8**

FINANCIAL YEAR 2013

(in € million)	IBG	SBG	Other	Total
Revenue	**367.9**	**256.3**	**-**	**624.2**
EBITDA	**38.8**	**59.1**	**(5.4)**	**92.5**
Amortisation and depreciation of intangible assets	(6.8)	(6.4)	(0.3)	(13.5)
Amortisation of property, plant & equipment	(14.2)	(9.3)	(1.0)	(24.5)
EBIT	**17.8**	**43.4**	**(6.7)**	**54.5**
Provisions for restructuring	1.6	(0.1)	(1.0)	0.5
Other operating income/(expenses)	0.3	3.9	1.9	6.1
Operating profit	**19.7**	**47.2**	**(5.8)**	**61.1**

Investments by division

FINANCIAL YEAR 2015

(in € million)	IBG	SBG	Other	Total
Acquisitions of non-current assets	13.0	17.3	1.1	31.4
Capitalisation of development costs	1.5	1.2	-	2.7
TOTAL	**14.5**	**18.5**	**1.1**	**34.1**

FINANCIAL YEAR 2014

(in € million)	IBG	SBG	Other	Total
Acquisitions of subsidiaries	(0.2)	-	-	(0.2)
Acquisitions of non-current assets	16.3	12.3	1.0	29.6
Capitalisation of development costs	2.2	2.3	-	4.5
TOTAL	**18.3**	**14.6**	**1.0**	**33.9**

FINANCIAL YEAR 2013

(in € million)	IBG	SBG	Other	Total
Acquisitions of subsidiaries	8.7	-	-	8.7
Acquisitions of non-current assets	28.9	12.4	1.2	42.5
Capitalisation of development costs	4.5	1.3	-	5.8
TOTAL	**42.1**	**13.7**	**1.2**	**57.0**

Since 1 January 2016, following the Group's restructuring under the *Power 2020* strategic plan, Group's business segments and monthly reporting are structured around the following four operating segments:

- the Industrial Standby division, which manufactures batteries used for stationary backup power in industrial infrastructures;
- the Transportation, Telecom and Grid division, which manufactures batteries used for backup power in telecommunication networks, backup and traction power for aviation and rail applications as well as batteries for renewable energy storage;

- the Civil Electronics division which mainly manufactures non rechargeable batteries for professional electronic devices such as electric meters (water, gas, electricity), automatic meter reading and road tolling systems, computer memory backup systems, radios and other portable systems for soldiers;
- the Space and Defence Division, which manufactures batteries for satellites and launchers, missiles, torpedoes and other military equipment as well as batteries for marine vessels.

6.2 INFORMATION BY GEOGRAPHICAL SEGMENT

CONSOLIDATED REVENUES BY GEOGRAPHICAL SEGMENTS

(in € million)	**2015**	2014	2013
Europe	305.2	271.8	245.5
North America	258.9	229.3	208.6
Asia/Oceania	134.0	119.0	118.1
Middle East and Africa	51.2	49.1	46.4
South America	10.1	9.2	5.6
TOTAL	**759.4**	**678.4**	**624.2**

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

ASSETS BY GEOGRAPHICAL SEGMENTS

(in € million)	**31/12/2015**	31/12/2014	31/12/2013
Europe	682.9	682.6	654.7
North America	276.9	272.8	229.3
Asia/Oceania	53.4	41.7	32.7
Middle East and Africa	81.0	73.6	58.0
South America	0.9	1.5	-
TOTAL	**1,095.1**	**1,072.2**	**974.7**

INVESTMENTS BY GEOGRAPHICAL SEGMENTS

(in € million)	**2015**	2014	2013
Europe	13.9	13.3	29.0
North America	11.0	18.0	20.5
Asia/Oceania	5.0	0.4	1.3
Middle East and Africa	4.2	2.2	6.2
TOTAL	**34.1**	**33.9**	**57.0**

NOTE 7 INTANGIBLE ASSETS

The table below shows movements in the carrying amount of intangible assets:

(in € million)	Software	Brand names	Development costs	Other intangible assets	Total
Carrying amount at 01/01/2013	**0.6**	**125.8**	**33.1**	**53.8**	**213.3**
Acquisitions/additions	0.5	-	5.8	0.2	6.5
Disposals	-	-	(0.1)	-	(0.1)
Amortisation and impairments	(0.7)	-	(3.5)	(9.3)	(13.5)
Translation adjustments	-	-	(0.4)	-	(0.4)
Transfers	-	-	0.1	-	0.1
Carrying amount at 31/12/2013	**0.4**	**125.8**	**35.0**	**44.7**	**205.9**
At 31/12/2013					
Gross value	6.2	125.8	45.2	135.6	312.8
Accumulated amortisation and impairments	(5.8)	-	(10.2)	(90.9)	(106.9)
Carrying amount	**0.4**	**125.8**	**35.0**	**44.7**	**205.9**
Carrying amount at 01/01/2014	**0.4**	**125.8**	**35.0**	**44.7**	**205.9**
Acquisitions/additions	0.7	-	4.5	0.1	5.3
Disposals	-	-	-	-	-
Amortisation and impairments	(0.6)	-	(2.9)	(9.3)	(12.8)
Translation adjustments	-	-	1.3	0.1	1.4
Transfers	0.2	-	(0.7)	0.5	-
Carrying amount at 31/12/2014	**0.7**	**125.8**	**37.2**	**36.1**	**199.8**
At 31/12/2014					
Gross value	7.0	125.8	48.5	135.7	317.0
Accumulated amortisation and impairments	(6.3)	-	(11.3)	(99.6)	(117.2)
Carrying amount	**0.7**	**125.8**	**37.2**	**36.1**	**199.8**
Carrying amount at 01/01/2015	**0.7**	**125.8**	**37.2**	**36.1**	**199.8**
Acquisitions/additions	0.8	-	2.7	-	3.5
Disposals	-	-	(0.1)	-	(0.1)
Amortisation and impairments	(0.7)	-	(6.8)	(6.0)	(13.5)
Translation adjustment	0.1	-	1.2	0.1	1.4
Transfers	-	-	-	0.1	0.1
Carrying amount at 31/12/2015	**0.9**	**125.8**	**34.2**	**30.3**	**191.2**
At 31/12/2015					
Gross value	7.9	125.8	51.3	135.9	320.9
Accumulated amortisation and impairments	(7.0)	-	(17.1)	(105.6)	(129.7)
CARRYING AMOUNT	**0.9**	**125.8**	**34.2**	**30.3**	**191.2**

Other intangible assets mainly include technologies and customer relationships recorded in 2004 when the Doughty Hanson Funds acquired the Alcatel group's battery activities.

NOTE 8 GOODWILL

Main goodwill dates from January 2004, when the Alcatel group sold its battery activities to the Doughty Hanson Funds.

The acquisition price paid by the Doughty Hanson Funds for the operating entities of the Group was allocated in part to the assets and liabilities transferred, measured at 14 January 2004 at fair value based on an independent expert's valuation. This re-measurement compared with the carrying amounts in the consolidated balance sheet of the year ended 31 December 2004 related to:

- intangible assets for €201 million. Intangible assets, primarily consisting of brand names, Research and Development projects and customer relationships by product line;
- property, plant and equipment for €24 million. The estimated useful lives of these assets were also reviewed.

The residual unallocated acquisition value, amounting to €117.1 million, was recognised as goodwill in 2004.

The table below shows movements in goodwill:

(in € million)	**2015**	2014	2013
Carrying amount at 1st January	**117.7**	**107.8**	**111.1**
Newly consolidated/deconsolidated entities	-	-	-
Impairment	-	-	-
Translation adjustment	9.5	9.9	(3.3)
CARRYING AMOUNT AT 31 DECEMBER	**127.2**	**117.7**	**107.8**

Goodwill is allocated to the Cash Generating Unit to which it relates.

Goodwill per CGU and geographic segment breaks down as follows:

AT 31/12/2015

(in € million)	IBG	SBG	Total
Europe	20.2	14.7	34.9
North America	53.0	38.6	91.6
Asia/Oceania	0.7	-	0.7
TOTAL	**73.9**	**53.3**	**127.2**

AT 31/12/2014

(in € million)	IBG	SBG	Total
Europe	20.2	14.7	34.9
North America	47.5	34.7	82.2
Asia/Oceania	0.6	-	0.6
TOTAL	**68.3**	**49.4**	**117.7**

AT 31/12/2013

(in € million)	IBG	SBG	Total
Europe	20.2	14.7	34.9
North America	41.8	30.5	72.3
Asia/Oceania	0.6	-	0.6
TOTAL	**62.6**	**45.2**	**107.8**

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

The table below shows movements in the carrying amount of property, plant and equipment:

(in € million)	Land	Buildings	Technical installations, plant and tooling	Assets under construction	Other property, plant and equipment	Total
Carrying amount at 01/01/2013	**10.7**	**58.4**	**120.3**	**31.2**	**6.2**	**226.8**
Acquisitions	-	4.2	22.9	27.4	1.0	55.5
Disposals	-	-	(0.2)	-	(0.3)	(0.5)
Depreciation	-	(3.8)	(23.8)	-	(1.3)	(28.9)
Translation adjustment	(0.3)	(2.0)	(4.1)	(1.2)	(0.1)	(7.7)
Transfers	0.2	0.6	24.3	(26.0)	0.9	-
Carrying amount at 31/12/2013	**10.6**	**57.4**	**139.4**	**31.4**	**6.4**	**245.2**
At 31/12/2013						
Gross value	10.6	86.3	318.6	31.4	17.6	464.5
Accumulated depreciation	-	(28.9)	(179.2)	-	(11.2)	(219.3)
Carrying amount	**10.6**	**57.4**	**139.4**	**31.4**	**6.4**	**245.2**
Carrying amount at 01/01/2014	**10.6**	**57.4**	**139.4**	**31.4**	**6.4**	**245.2**
Acquisitions	-	1.2	8.6	18.2	0.8	28.8
Disposals	-	(0.1)	(1.1)	-	-	(1.2)
Depreciation	-	(3.9)	(26.6)	-	(1.5)	(32.0)
Translation adjustment	0.3	5.1	9.6	3.6	0.2	18.8
Transfers	-	0.5	13.7	(14.2)	1.0	1.0
Carrying amount at 31/12/2014	**10.9**	**60.2**	**143.6**	**39.0**	**6.9**	**260.6**
At 31/12/2014						
Gross value	10.9	93.6	352.5	39.0	19.3	515.3
Accumulated depreciation	-	(33.4)	(208.9)	-	(12.4)	(254.7)
Carrying amount	**10.9**	**60.2**	**143.6**	**39.0**	**6.9**	**260.6**
Carrying amount at 01/01/2015	**10.9**	**60.2**	**143.6**	**39.0**	**6.9**	**260.6**
Acquisitions	-	1.4	9.1	19.2	0.9	30.6
Disposals	-	-	(0.3)	(0.1)	(0.1)	(0.5)
Depreciation	-	(6.5)	(66.8)	(0.6)	(1.2)	(75.1)
Translation adjustment	0.3	5.0	9.7	3.4	0.2	18.6
Transfers	-	0.7	36.3	(37.4)	0.3	(0.1)
Carrying amount at 31/12/2015	**11.2**	**60.8**	**131.6**	**23.5**	**7.0**	**234.1**
At 31/12/2015						
Gross value	11.2	102.3	416.8	24.2	20.6	575.1
Accumulated depreciation	-	(41.5)	(285.2)	(0.7)	(13.6)	(341.0)
CARRYING AMOUNT	**11.2**	**60.8**	**131.6**	**23.5**	**7.0**	**234.1**

Property, plant and equipment under finance leases or long-term lease contracts represented a carrying value of €2.4 million as at 31 December 2015, compared to €2.4 million by the end of 2014 and €2.6 million by the end of 2013. They are accounted for under the caption "Other property, plant and equipment" in the above table.

NOTE 10 ASSET IMPAIRMENT TESTS

In the second half of each year, the Group conducts asset impairment tests on its property, plant and equipment and intangible assets, as well as on its goodwill, in accordance with the principles set forth in note 2.11.

These tests are conducted every year on unamortised intangible assets and goodwill. They are only carried out for depreciable fixed assets when events or changes to the market environment point to an impairment risk.

MAIN ASSUMPTIONS USED

The future cash flows used to determine the value in use of the assets result from discounted forecasts of the second half of the current year and of the four-year strategic plan (Power 2020 plan).

The strategic plan *Power 2020* covering the 2016-2019 period was drawn up with economic assumptions of sales revenue, commodity prices and energy prices which Group management deemed to be realistic.

The discount rate used is the Weighted Average Cost of Capital calculated on the basis of industry parameters where applicable plus a spread reflecting the specific degree of risk for the asset tested. The data used to determine these rates mainly come from an independent outside source.

Taking into account the above-mentioned parameters, the Weighted Average Cost of Capital used to perform the impairment tests (excluding any spread) is 6.5% in 2015 as compared to 7.2% in 2014 and 7.5% in 2013.

VALUATION TESTS FOR DEPRECIABLE PROPERTY, PLANT AND EQUIPMENT

Speed of adoption of the lithium-ion technology during recent years has been very mixed, rapid in less differentiated products markets but slower in some specialty markets addressed by Saft. This has impacted prospects for some Group activities in the short and medium term.

Therefore, as a result of its annual impairment tests, Saft has recorded an asset impairment charge of €36.4 million, mainly attributable to IBG Cash Generating Unit[1] which includes the lithium-ion production units of Jacksonville and Nersac. These impairment charges relate to depreciable tangible assets of €33.5 million and intangible assets of €2.9 million. These impairment charges have no impact on Group cash flows or cash position.

VALUATION TEST FOR UNAMORTISED INTANGIBLE ASSETS

Brands

The brand valuation tests rely on the present value of the future royalties that would be paid by a third party wishing to use them on the basis of sales revenue forecasts for each brand in the strategic plan. The discount rate used was the Weighted Average Cost of Capital indicated above, plus a spread of 1%, *i.e.* a rate of 7.5%. The value in use also includes a terminal value based on a long-term growth rate which differs according to the extent to which the brands valued are strategic or not.

The brand royalty rates used in 2015 were not modified from the previous financial year in the absence of any significant improvement or deterioration of the profitability of the Group's brands.

Similarly, the long-term growth rates used are unchanged from those used in the previous tests performed in 2014 and 2013 (between 1.5% and 2.5% depending on the brands).

Following these tests, the Group did not recognise any impairment of brand value at the close of 2015 as compared with their book value at this date, even after taking the following sensitivity factors into account:

- a 50% decline in sales growth over the plan's term would result in a 8.8% decline in brand value (22.2% decline in 2014);
- a 100 basis point decline in long-term growth over the plan's term would result in a 14.1% decline in brand value (compared to a 12.2% decline in 2014);
- finally, a 100 basis point increase in the Weighted Average Cost of Capital would result in a 16.3% decline in brand value (as compared to a 15.1% decline in 2014);

With none of these assumptions would the brands value fall below their book value. That would require :

- a negative growth of 27.0% in sales (negative growth of 17.8% in 2014) over the plan's term; or
- a decline of 2,550 basis points (compared to a decline of 4,700 basis points in 2014) in the long-term growth rate (negative long-term growth between 23.0% and 24.0% depending on brands – as compared to negative long-term growth between 44.5% and 45.5% in 2014); or

(1) A Cash Generating Unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or group of assets.

- an increase of 1,320 basis points (compared with an increase by 1,520 basis points in 2014) in the Weighted Average Cost of Capital (*i.e.* a discount rate of 20.7% compared with a discount rate of 23.4% in 2014).

Goodwill

The Group's biggest goodwill item is the "Saft" goodwill resulting from the acquisition and takeover by the Doughty Hanson Funds of Alcatel's battery operations in January 2004. This goodwill amounts to €126.6 million as of 31 December 2015.

The goodwill impairment test consists of comparing the net book value of each Cash Generating Unit (CGU) with its recoverable value, which is defined as the greater of its value in use or its fair value minus the disposal costs. The Group selected as Cash Generating Units those business segments existing at the time the Alcatel group's battery operations were acquired and transferred to the Doughty Hanson Funds in January 2004. No goodwill was recognised for the Cash Generating Unit comprising the SNB activity of small nickel batteries (former Rechargeable Battery Systems division), sold on 28 June 2013.

The value in use is calculated based on the discounted future cash flows resulting from the strategic plan and a terminal value composed of a single growth rate for all Cash Generating Units. It is identical to the growth rate used to value the Saft brand (2.5%), and is the same as that for the previous year.

The discount rate used is the same for all Cash Generating Units. It is based on the Weighted Average Cost of Capital with no mark-up spread (*i.e.* rate of 6.5% in 2015). It is therefore independent of the Group's financial structure and of the manner in which the Group funded the acquisition of assets belonging to the Cash Generating Unit or group of CGUs tested.

Management did not recognise any loss of value in goodwill after comparing the going concern value as calculated with the net book value of the Cash Generating Units, even after taking the following sensitivity factors into account:

- a decline of 10% in the operating profit of the CGUs over the term of the strategic plan would lead to a decline in their value in use of 10.3% (17.0% in 2014) for IBG and 12.4% (10.3% in 2014) for SBG;
- a decline of 100 basis point in the long-term growth over the term of the strategic plan would lead to a decline in their value in use of 17.5% (15.3% in 2014) for IBG and 17.8% (15.3% in 2014) for SBG;
- an increase of 100 basis points in the Weighted Average Cost of Capital would lead to a decline in their value in use of 19.7% (18.1% in 2014) for IBG and 20.0% (18.2% in 2014) for SBG.

With none of these assumptions would the value in use of the CGUs fall below their book value. That would require :

- a decline in their operating profit of 32.8% (24.8% in 2014) for IBG and of 57.8% (70.3% in 2014) for SBG; or
- no long-term growth (negative growth of 1.9% in 2014) for IBG and a long-term negative growth of 14.2% (negative growth of 20.9% in 2014) for SBG; or
- an increase of 211 basis points in the Weighted Average Cost of Capital (compared to an increase of 327 basis points in 2014) for IBG and of 1,039 basis points (1,123 basis points in 2014) for SBG.

Impairment tests simulations made on the basis on newly defined CGU in force as of 1 January 2016 following Saft's Group reorganization do not lead to any identification of goodwill impairment. However, these simulations show a greater sensitivity of Transports, Telecom & Grid CGU to sensitivity factors tested above.

NOTE 11 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets mainly comprise security deposits.

NOTE 12 INVENTORIES

Inventories break down as follows:

(in € million)	At 31/12/2015	At 31/12/2014	At 31/12/2013
Raw materials and bought-in goods			
■ Gross value	56.2	52.5	49.2
■ Less impairment	(3.2)	(3.4)	(2.8)
Carrying amount	**53.0**	**49.1**	**46.4**
Industrial work in process			
■ Gross value	29.6	32.2	32.6
■ Less impairment	(1.0)	(1.7)	(1.3)
Carrying amount	**28.6**	**30.5**	**31.3**
Finished goods			
■ Gross value	26.8	23.1	21.0
■ Less impairment	(2.1)	(1.5)	(1.6)
Carrying amount	**24.7**	**21.6**	**19.4**
TOTAL INVENTORIES, NET	**106.3**	**101.2**	**97.1**

All inventories are classified as current assets.

NOTE 13 TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

(in € million)	At 31/12/2015	At 31/12/2014	At 31/12/2013
Trade receivables	168.3	158.6	143.1
Less impairment	(2.7)	(2.1)	(2.3)
Net trade receivables	**165.6**	**156.5**	**140.8**
Receivables on long-term contracts	7.3	8.3	5.6
Taxes (other than income tax) and duties	16.2	14.2	11.3
Prepaid expenses	8.1	9.3	9.8
Advance payments to suppliers	1.7	1.0	1.4
Others	3.1	5.4	4.1
TOTAL TRADE AND OTHER RECEIVABLES	**202.1**	**194.7**	**173.0**

Net trade receivables are all due within a year.

NOTE 14 FINANCIAL DERIVATIVES

Financial derivatives break down as follows:

	At 31/12/2015		At 31/12/2014		At 31/12/2013	
(in € million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate risk hedging derivatives	-	0.3	-	0.3	-	0.2
Currency risk hedging instruments	0.2	0.2	0.4	0.7	0.9	0.2
Commodity price risk hedging derivatives	-	6.7	-	1.0	0.1	0.2
TOTAL	**0.2**	**7.2**	**0.4**	**2.0**	**1.0**	**0.6**

Saft Groupe is exposed to the risk of interest rate rises on its senior debt, which was contracted at variable rates. To protect itself against this exposure, Saft has contracted a succession of interest rate swaps, caps and collars to coincide with each refinancing of the debt.

The balance sheet amounts set out above correspond to the interest rate risk hedging instruments described in note 3 "Market risks and financial risks management policies" to the consolidated financial statements.

Foreign exchange hedging instruments concern forward purchasing contracts matched by future financial cash flows and currency swaps. These are described in note 3 to the consolidated financial statements.

Derivatives contracted by Saft to protect itself against the risk of fluctuation in raw material prices are mainly nickel price risk hedging derivatives. These instruments are described in note 3 to the consolidated financial statements.

NOTE 15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Cash	182.8	146.6	98.3
Cash equivalents	7.8	3.6	3.1
TOTAL	**190.6**	**150.2**	**101.4**

Cash includes funds deposited in interest-bearing current accounts.

Cash equivalents held at year-end are highly liquid overnight money market funds and term deposits.

NOTE 16 EQUITY

16.1 ORDINARY SHARES AND SHARE PREMIUMS

At 31 December 2015, share capital of Saft Groupe SA consists of 26,501,372 ordinary shares with a par value of €1, as compared to 26,605,032 ordinary shares as at 31 December 2014.

The overall €4.0 million decrease in capital and share premium results:

- on the one hand, from the capital increase following the dividend payment in shares for a total amount of €12.2 million;
- on the other hand, from capital increases resulting from the exercise of stock options by Group employees, for an amount of €18.2 million; and,
- a capital reduction for €34.4 million following the share buyback of 1,273,089 shares.

16.2 CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

The changes in consolidated shareholders' equity between 1st January and 31 December 2015 break down as follows:

Distribution

At the Annual General Meeting on 12 May 2015, Saft Groupe SA's shareholders set the dividend for the 2014 financial year at €0.82 per ordinary share with the option for payment in stock. In the light of the terms and conditions adopted, the issue price for the shares was set at €31.34 per share. Shareholders representing more than 55% of the Company capital chose to opt for payment of a stock dividend. Thus, the total amount of dividends actually paid in cash at 31 December 2015 amounted to €10.1 million against €9.8 million in 2014.

Treasury shares

Under the Company's share buyback program for a maximum amount of €60 million and/or 2.5 million shares initiated on 25 November 2015, 1,445,227 shares have been repurchased as of 31 December 2015, for a total amount of €39.2 million. 1,273,089 of these shares have already been cancelled by 2015 year-end. The remaining 172,138 shares, held by the Company at 31 December 2015, are to be cancelled.

On the other hand, the Company held 61,995 treasury shares under the liquidity contract set up with an independent financial institution to stabilise the secondary market or ensure the liquidity of the Company's shares at 31 December 2015.

The total value of these shares amounted to €1,594,474 on the basis of the purchase price and €1,741,439 in terms of market value at 31 December 2015.

Stock options

No stock-options plan to subscribe for shares was issued in 2015. However, 777,185 stock options previously granted to Saft employees were exercised during the year leading to a capital increase of €18.2 million, including share premium.

NOTE 17 PUBLIC SUBSIDIES

In the United States, the Group has built, in Jacksonville, Florida, a lithium-ion battery manufacturing unit. This investment has received a US$95.5 million grant from the US Department of Energy. This project also benefited from additional subsidies from the State of Florida and the City of Jacksonville for an amount up to US$20.8 million.

Furthermore, the Saft Group receives, primarily in France, tax credits related to research. Such tax credits are being treated as grants from an accounting standpoint.

17.1 PUBLIC GRANTS RELATED TO ASSETS

Public grants received that relate to assets are presented under balance sheet liabilities as deferred income on a specific line called "Deferred grants related to assets". These grants are recorded as income over the depreciation period of the assets that they are used to fund. This income is recorded in cost of sales like the depreciation expense for the related assets.

As at 31 December 2013, the above mentioned US$95.5 million grant was entirely perceived. Amortisation in the income statement of these deferred grants relating to assets totalled €14.0 million in 2015, compared with €5.2 million in 2014 and €4.2 million during the 2013 financial year.

17.2 PUBLIC GRANTS RELATED TO RESULTS

Public grants related to results, *i.e.* grants other than those related to assets, are recorded in income as a deduction from the expenses to which they relate.

Public grants related to results recorded in 2015 in respect of the Jacksonville project amounted to €1.4 million (US$1.6 million) compared to respectively €0.9 million (US$1.2 million) and €1.7 million (US$2.2 million) in 2014 and 2013.

NOTE 18 FINANCIAL DEBTS

18.1 DESCRIPTION AND CHANGE IN GROUP INDEBTEDNESS

The Group bank debt consists of:

- a syndicated loan including a €100 million term loan bullet repayment and a €100 million revolving credit facility, signed with a group of leading banks. Initial maturities of five years have been extended to seven years (up to 25 February 2019) through an amendment to the facility agreement signed on 14 February 2014. Interest margins over Euribor for both facilities have been reduced by 15 basis points. These margins are calculated on a half-yearly basis depending on the ratio of the Group's net debt to the Group's consolidated EBITDA over the 12-month period prior to the date when this margin is set. Revised margins vary from 1.25% to 2.00% for the euro loan and from 0.75% to 1.50% for the revolving credit facility;
- an issue of senior unsecured bonds on the US private market for US$150 million. The bond issue is divided into two tranches:
  - a first tranche of US$75 million with a seven year maturity (due 28 February 2019) with a fixed coupon of 4.26%,

- a second tranche of US$75 million with a 10 year maturity (due 28 February 2022) with a fixed coupon of 4.73%.

Both financings are *pari passu*.

The banking financing agreement comprises, as the previous one, a certain number of the usual provisions contained in this type of agreement. Sales and acquisitions made by the Group are subject to a certain number of usual conditions. Similarly, any additional loan contracted by the Group for an amount of over €120 million and/or over 10% of the Group total balance sheet amount, is subject to contractual limitations.

The agreement contains change of control clauses concerning the Company, enabling each lender to request early repayment of the share of the credit facilities that it granted.

Finally, pursuant to the agreement, the granting and continuation of the loans is conditional upon meeting certain financial ratios:

- a maximum leverage ratio (net financial debt to EBITDA) of 3.00 for each 12-month period ending 30 June and 31 December of each year; and
- a minimum interest coverage ratio (contractually defined EBITDA to total net interest) of 4.50 for each 12-month period ending on 30 June and 31 December.

At 31 December 2015, the Group's gearing ratio, calculated according to the contractual terms and conditions, amounted to 0.41 (compared to 0.65 at 31 December 2014) and the interest coverage ratio to 16.1 (compared to 16.0 at 31 December 2014).

The contract signed between the Group and the holders of the bonds issued on the private market in the United States contains identical provisions.

18.2 BREAKDOWN OF DEBT AT YEAR-END

Breakdown of debt by nature

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Non-current			
Bank borrowings (in €)	100.0	100.0	100.0
Bonds (in US$)	137.8	123.5	108.8
Deferred bank fees	(1.4)	(1.6)	(1.6)
Other debts	0.2	0.3	0.6
Finance leases	-	0.2	0.5
TOTAL	**236.6**	**222.4**	**208.3**
Current			
Accrued interest	-	1.9	1.8
Finance leases	-	-	-
Other debts	2.2	2.2	2.2
Research & development grants	0.9	1.1	0.7
TOTAL	**5.3**	**5.2**	**4.7**

Breakdown of non-current portion of total debt by maturity

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Between 1 and 2 years	-	0.4	0.6
Between 2 and 5 years	169.0	161.7	100.4
Beyond 5 years	69.0	61.9	108.9
Total	**238.0**	**224.0**	**209.9**
Bank fees	(1.4)	(1.6)	(1.6)
TOTAL	**236.6**	**222.4**	**208.3**

Breakdown of debt by currency

(in € million)	At 31/12/2015	At 31/12/2014	At 31/12/2013
EUR	102.4	102.7	103.2
USD	140.9	126.5	111.4
Total	**243.3**	**229.2**	**214.6**
Bank fees	(1.4)	(1.6)	(1.6)
TOTAL	**241.9**	**227.6**	**213.0**

The bank debt in euros is at floating rate and its fair value is equal to its carrying value. The US dollar debt is at fixed rates and its fair value at 31 December 2015 was US$155.0 million (€142.4 million) compared to US$156.7 million (€128.2 million) as of 31 December 2014.

18.3 HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

Group's dollar-denominated debt has been designated as a hedge of the net investments in the Group's American and Israeli subsidiaries. The negative translation adjustment of €-14.2 million as of 31 December 2015 (versus €-14.8 million as of 31 December 2014 and €4.9 million at 31 December 2013) 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 -€9.3 million (as compared to €-9.7 million at 31 December 2014 and €3.2 million at 31 December 2013) net of tax.

NOTE 19 OTHER NON-CURRENT FINANCIAL LIABILITIES

Other financial liabilities comprise repayable research grants. These subsidies totalled €2.1 million as of 31 December 2015, as compared to €2.5 million as of 31 December 2014 and €3.2 million as of 31 December 2013.

NOTE 20 PENSIONS, RETIREMENT INDEMNITIES AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other long-term employee benefits comprise:

(in € million)	At 31/12/2015	At 31/12/2014	At 31/12/2013
Pensions and retirement indemnities	15.8	16.2	11.4
Other long-term employee benefits[1]	2.8	2.7	2.4
TOTAL	**18.6**	**18.9**	**13.8**

(1) Other long-term employee benefits are recorded as provisions in the balance sheet (see note 21).

20.1 DEFINED BENEFITS PENSION PLANS

Changes in net obligations

Changes in defined benefits plans net obligations are as follows:

	Retirement obligations		
(in € million)	**31/12/2015**	31/12/2014	31/12/2013
Changes in the obligations			
Total present value of obligation at start of year	**38.6**	**34.6**	**38.9**
Service costs	1.7	0.9	1.5
Interest costs	1.0	1.3	1.3
Discontinued activities[1]	-	-	(4.1)
Foreign exchange impacts	1.7	0.2	0.2
Actuarial (gains)/losses	(1.0)	3.9	(0.9)
Benefits paid	(2.6)	(2.3)	(2.3)
Total present value of obligations at end of year	**39.4**	**38.6**	**34.6**
■ Of which partly or fully funded plans	34.4	33.7	30.4
■ Of which unfunded plans	5.0	4.9	4.2
Changes in value of plans assets			
Fair value of plan assets at start of year	**22.4**	**23.2**	**22.7**
Return on plans assets	0.3	0.9	0.9
Actuarial gains/(losses)	-	-	-
Foreign exchange impacts	1.6	0.2	0.3
Contributions paid	0.4	0.9	0.3
Benefits paid	(1.1)	(2.8)	(1.0)
Fair value of plan assets at end of year	**23.6**	**22.4**	**23.2**
Net obligations at the end of year	**15.8**	**16.2**	**11.4**

(1) Discontinued activities relate to the Small Nickel Batteries business (SNB) sold on 28/06/2013.

Changes in the provision recorded in the balance sheet are as follows:

(in € million)	**31/12/2015**	31/12/2014	31/12/2013
Net obligations at beginning of year	**(16.2)**	**(11.4)**	**(16.2)**
Change of perimeter - discontinued activities	-	-	4.1
Total cost for the period	(2.1)	(1.3)	(1.9)
Contributions/benefits paid	1.9	0.4	1.6
Actuarial gains/(losses)	0.6	(3.9)	1.0
TOTAL PROVISION AT END OF YEAR	**(15.8)**	**(16.2)**	**(11.4)**

Period costs

The table below sets out a breakdown of pension and retirement indemnity costs for the year:

(in € million)	**2015**	2014	2013
Service costs	1.8	0.9	1.5
Discontinued activities	-	-	-
Total costs of services	**1.8**	**0.9**	**1.5**
Cost of discounting	1.0	1.3	1.3
Return on plans assets	(0.7)	(0.9)	(0.9)
Total financial (revenue)/cost for the period	**0.3**	**0.4**	**0.4**
TOTAL COSTS FOR THE PERIOD	**2.1**	**1.3**	**1.9**

Actuarial gains and losses

Change over the year in actuarial gains and losses recognised in equity are:

(in € million)	**31/12/2015**	31/12/2014	31/12/2013
Actuarial gains/(losses) related to changes in demographic assumptions	-	(0.1)	(0.1)
Actuarial gains/(losses) related to changes in financial assumptions	1.4	(3.7)	0.5
Experience gains/(losses)	(0.4)	(0.1)	0.6
Actuarial gains/(losses) on plans assets revenue	(0.4)	-	-
TOTAL	**0.6**	**(3.9)**	**1.0**

Amounts recognised in Other Comprehensive Income (OCI) are as follows:

(in € million)	**31/12/2015**	31/12/2014	31/12/2013
Accumulated amounts in OCI at beginning of the year	**1.8**	**5.7**	**4.7**
Change in actuarial gains/(losses) over the year	0.6	(3.9)	1.0
ACCUMULATED AMOUNTS IN OCI AT END OF YEAR	**2.4**	**1.8**	**5.7**

Actuarial assumptions

The basic assumptions used in actuarial calculations under defined-benefit pension and retirement benefit plans take account of conditions in each country, while specific assumptions (staff turnover and salary inflation) are calculated separately for each company.

In France, at 31 December 2015, retirement benefits are measured on the main assumption of retirement taking place at the employee's initiative, with payment of retirement benefits subject to social security expenses.

The table below shows the rates used in each geographical area in 2015:

Discount rates

	2015	2014	2013
France	2.00%	1.75%	3.25%
Germany	2.00 – 2.30% (depending on duration)	2.00 – 2.30% (depending on duration)	3.25 – 3.50% (depending on duration)
Norway	1.85%	2.60%	3.10%
Israel	1.21% - 4.15% (depending on duration)	1.21 – 3.66% (depending on duration)	1.21 – 5.57% (depending on duration)
Czech Republic	2.00%	2.00%	3.25%

n.a. not applicable.

The discount rates used are obtained by reference to the yield on high-security bonds with a term equivalent to that of the plan being measured (Bloomberg and Iboxx references).

Sensitivity of present value of pensions obligations to the discount rate

The sensitivity of commitments for pensions and other retirement indemnities to changes in the discount rate is as follows:

- an increase of 0.50% in the discount rate would reduce the commitments for pensions and other retirement indemnities by 6.01%;
- a reduction of 0.50% would lead to an increase of 6.81% in the same commitments.

Assumptions used for long-term wages increase

The following assumptions were used to determine commitments:

	2015	2014	2013
France	3.00%	3.00%	3.00%
Germany	2.50 – 3.00% (depending on duration)	2.50 – 3.00% (depending on duration)	2.50 – 3.00% (depending on duration)
Norway	2.25%	3.75%	3.75%
Israel	1.68 – 2.99% (depending on duration)	2.29 – 4.74% (depending on duration)	1.68 – 5.52% (depending on duration)

The Group's hedging assets in France are invested in insurance contracts. The Group does not expect to make any contribution in 2016.

The Group's hedging assets in Israel are invested in a multi-employer asset management fund. Approximately 57% of the assets comprise Israeli state or private sector bonds, 26% are invested in insurance contracts and the remaining assets, 15% in equity and the balance around 2% in cash and cash equivalents.

Yields from hedging assets in 2015 were:

	2015	2014	2013
France	4.15%	3.33%	3.33%
Germany	2.68%	3.74%	1.69%
Norway	4.44%	4.44%	(1.87)%
Israel	3.10%	4.65%	4.63%

Expected retirement benefits for 2016

Benefits to be paid by the Group in 2016 are estimated to be €4.2 million for those entities for which this information is available at the date on which the consolidated financial statements are drawn up represent approximately 96.0% of the Group's total commitments.

20.2 OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employees' benefits mainly comprise gratuities for long-service awards and long-service leave entitlement schemes in various Group countries.

20.3 DEFINED CONTRIBUTION PENSION PLANS

The Group has no obligation beyond the contributions paid, which are recognised as an expense. The amount of contributions recognised in expenses in respect of the Group's own plans (excluding legal plans such as those linked to social security) was €5.0 million in 2015 (€4.4 million in 2014 and €4.6 million in 2013).

NOTE 21 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

As at 31 December 2015, provisions for other liabilities and charges as shown in the balance sheet are as follows:

	Provisions for			
(in € million)	Product warranties and claims	Restructuring	Other provisions	Total
At 01/01/2013	**22.6**	**1.9**	**13.3**	**37.8**
Charges for the year	7.2	1.0	0.6	8.8
Releases of provisions on use	(2.9)	-	(0.2)	(3.1)
Releases of unused provisions	(1.4)	(1.8)	(2.1)	(5.3)
Transfers	-	-	0.5	0.5
Translation adjustments	(0.6)	-	(0.5)	(1.1)
Adjustment to discount rate	0.1	-	-	0.1
At 31/12/2013	**25.0**	**1.1**	**11.6**	**37.7**
At 01/01/2014	**25.0**	**1.1**	**11.6**	**37.7**
Charges for the year	6.4	0.8	1.0	8.2
Releases of provisions on use	(4.1)	(0.4)	(0.8)	(5.3)
Releases of unused provisions	(3.5)	(1.0)	(0.7)	(5.2)
Transfers	0.8	-	(0.2)	0.6
Translation adjustments	1.8	-	1.1	2.9
Adjustment to discount rate	0.1	-	-	0.1
At 31/12/2014	**26.5**	**0.5**	**12.0**	**39.0**
At 01/01/2015	**26.5**	**0.5**	**12.0**	**39.0**
Charges for the year	12.6	5.5	0.5	18.6
Releases of provisions on use	(7.7)	(0.5)	(0.1)	(8.3)
Releases of unused provisions	(2.7)	(0.1)	(0.1)	(2.9)
Transfers	0.2	-	-	0.2
Translation adjustments	1.8	0.1	1.0	2.9
Adjustment to discount rate	0.1	-	-	0.1
AT 31/12/2015	**30.8**	**5.5**	**13.3**	**49.6**

These provisions break down by maturity as follows:

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Non-current liabilities	38.5	33.1	32.4
Current liabilities	11.1	5.9	5.3
TOTAL	**49.6**	**39.0**	**37.7**

21.1 PROVISIONS FOR PRODUCT WARRANTIES AND CLAIMS

At 31 December 2015, provisions for product warranties and claims break down as follows:

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Provisions for product warranties	18.6	15.6	15.9
Provisions for litigation	2.7	1.8	0.7
Provisions for losses on long-term contracts	0.4	0.7	0.8
Provisions for battery recycling	6.5	5.6	5.1
Other provisions	2.5	2.7	2.4
TOTAL	**30.8**	**26.5**	**25.0**

Provisions have been recognised for all litigation identified in 2015 insofar as the Company considered it necessary for the amount of the outlays of funds that could result therefrom. No individual litigation is significant.

21.2 PROVISIONS FOR RESTRUCTURING

Restructuring provisions recorded in 2015 on the balance sheet for an amount of €5.5 million are related to severance costs of Group employees, related to Saft reorganisation plan.

21.3 OTHER PROVISIONS

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Provision for environmental risks related to the Valdosta site in the United States	7.4	6.6	6.9
Provisions for other long-term employee benefits (see note 20)	2.8	2.7	2.4
Other provisions	3.1	2.7	2.3
TOTAL	**13.3**	**12.0**	**11.6**

NOTE 22 TRADE AND OTHER PAYABLES

This item breaks down as follows:

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Trade payables	91.0	87.9	80.0
Advance payments received on long-term contracts	2.2	2.4	2.3
Accrued expenses and other liabilities	16.1	15.0	17.2
Tax and social liabilities[1]	60.5	56.7	47.9
Other advance payments received from customers	13.8	19.1	16.7
Other liabilities	0.3	0.2	0.3
TOTAL	**183.9**	**181.3**	**164.4**

(1) Other than income tax presented on a separate line in the balance sheet.

All trade payables (other than accrued expenses) fall due within less than one year.

NOTE 23 COSTS BY NATURE

Consolidated expenses up to the operating profit include:

(in € million)	**2015**	2014	2013
Raw materials and components	254.8	228.9	203.8
Salaries and social charges	234.7	207.6	197.5
Non-current assets amortisation and depreciations	74.6	39.6	38.0

In 2015, raw materials and components represented 43.8% of cost of goods sold as compared to 47.2% in 2014 and 45% in 2013.

Almost all the amortisation and depreciation expenses of non-current assets impacts the cost of goods sold.

NOTE 24 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise:

(in € million)	**2015**	2014	2013
Gains/(losses) on disposals of non-current assets	(0.4)	(0.1)	0.2
Other operating income/(expences)	(0.5)	-	5.9
TOTAL	**(0.9)**	**(0.1)**	**6.1**

Other operating income in 2013 included a €4.0 million insurance compensation received and a €1.8 million badwill on the acquisition of Saft Line SAS (Nersac lithium-ion production facility, in France), on 1st January 2013.

NOTE 25 FINANCIAL COSTS, NET

Net financial expense breaks down as follows:

(in € million)	**2015**	2014	2013
Financial revenue from cash and cash equivalents	0.8	0.5	0.7
Finance costs on borrowings	(8.0)	(7.4)	(7.5)
Cost of net financial debt	**(7.2)**	**(6.9)**	**(6.8)**
Other financial revenue/(expenses):			
■ Unwinding of discounts on provisions for pensions and other financial liabilities	(2.6)	(2.4)	(2.4)
■ Foreign exchange gains/(losses)	2.9	7.2	(1.2)
TOTAL	**(6.9)**	**(2.1)**	**(10.5)**

The net foreign exchange gains/(losses) include the change in fair value of financial instruments hedging foreign exchange risk, which was negative by €0.3 million in 2015 against a positive impact by €0.6 million in 2014 and a positive impact of €0.3 million in 2013.

Finance costs on Group borrowings

The composite interest rate on the Group's borrowings, after taking into account hedging instruments, amounted to 3.21% in 2015 as compared to 3.23% in 2014 and 3.26% in 2013.

	2015	2014	2013
Senior debt (in €)	1.48%	1.81%	1.86%
Senior debt (in US$)	4.50%	4.50%	4.50%
COMPOSITE INTEREST RATE	**3.21%**	**3.23%**	**3.26%**

NOTE 26 INCOME TAXES

26.1 BREAKDOWN OF INCOME TAX EXPENSE

(in € million)	2015	2014	2013
Income tax expense on profit from continuing operations			
■ Current income tax expense	(16.4)	(19.9)	(10.1)
■ Deferred tax revenue/(expense)	5.9	4.4	(0.3)
Total income tax expense on profit from continuing operations	**(10.5)**	**(15.5)**	**(10.4)**
Income tax revenue/(expense) from discontinued operations	-	-	2.7
TOTAL INCOME TAX EXPENSE	**(10.5)**	**(15.5)**	**(7.7)**

The effective tax rate is 43.6%. It may change from one year to another, notably based on:

- the geographical mix of income before taxes;
- the Group's ability to use its tax loss carry forwards and to recognise deferred tax assets;
- the outcome of income tax audits;
- changes in local regulations;
- non recognition of deferred tax on some tax losses of the current period.

26.2 RATIONALISATION OF INCOME TAX EXPENSE ON CONTINUING OPERATIONS

The reconciliation of total income tax expense from continuing operations for the period to income tax calculated at the applicable tax rate in France is as follows:

(in € million)	2015	2014	2013
Profit before tax from continuing operations	**24.1**	**63.6**	**52.1**
Notional tax charge (based on the French tax rate)	(8.3)	(21.9)	(17.8)
Impact of differences in tax rates between France and other countries	9.5	6.5	6.7
Effect of change in tax rate	0.3	0.2	(0.8)
Non-taxable items (including Research Tax Credit)	(0.1)	(0.7)	2.2
Use of prior year losses for which no deferred tax asset was recognised	0.5	0.4	-
Tax losses of the current period on which no deferred tax was recognised	12.4	-	(0.7)
INCOME TAX EXPENSE FROM CONTINUING OPERATIONS	**(10.5)**	**(15.5)**	**(10.4)**
Effective tax rate on continuing operations	43.6%	24.4%	20.0%

For the year 2015, the difference between tax rates in France and in other countries arises mainly from Sweden, Israel, Germany and the Czech Republic.

26.3 DEFERRED TAXES RECORDED IN THE BALANCE SHEET

Deferred taxes in the balance sheet resulting from differences between the accounting bases and the tax bases of assets and liabilities are as follows:

(in € million)	**2015**	2014	2013
Origin of net deferred taxes			
Intangible assets	(51.2)	(52.0)	(52.5)
Property, plant and equipment	(49.4)	(45.2)	(39.2)
Fair value of derivative instruments	1.9	0.1	0.6
Inventories	2.0	3.1	2.5
Tax loss carryforwards	23.8	19.4	13.0
Pensions and other employees benefits	4.9	5.1	3.0
Temporary differences and other	16.7	11.4	9.2
TOTAL	**(51.3)**	**(58.1)**	**(63.4)**
Of which deferred tax assets			
■ current	4.1	3.1	2.0
■ non-current	8.0	5.4	4.5
Total	**12.1**	**8.5**	**6.5**
Of which deferred tax liabilities			
■ current	5.0	0.2	(6.7)
■ non-current	(68.4)	(66.8)	(63.2)
Total	**(63.4)**	**(66.6)**	**(69.9)**

Movements in net deferred tax are shown in the table below:

(in € million)	
At 01/01/2013	**(69.2)**
Deferred tax expense recognised in income statement	2.4
Deferred tax expense recognised in equity	2.2
Translation adjustment	1.2
At 31/12/2013	**(63.4)**
Deferred tax expense recognised in income statement	4.4
Deferred tax expense recognised in equity	1.3
Translation adjustment	(0.4)
At 31/12/2014	**(58.1)**
Deferred tax expense recognised in income statement	5.9
Deferred tax expense recognised in equity	1.5
Translation adjustment	(0.6)
AT 31/12/2015	**(51.3)**

At 31 December 2015, unrecognised tax loss carry forwards amount to €41.2 million as compared to €6.8 million in 2014 and €10.1 million in 2013.

26.4 INCOME TAX RISKS

Regular tax audits are carried out on the Group by the tax authorities of the countries in which it is established. As of the date hereof, Saft does not have any information to the effect that the tax audits in process, which have not yet led to any tax reassessments, could have a material impact on the Group's financial position, other than impacts already taken into account in the Consolidated Statements.

NOTE 27 EARNINGS PER SHARE

Earnings per share are calculated on the basis of the average number of Saft Groupe SA shares in issue during the year, treasury shares held on average over the same period being deducted.

	2015	2014	2013
Weighted average outstanding number of Saft Groupe SA ordinary shares	27,244,114	26,220,327	25,497,758
Less average number of treasury shares held	(26,355)	(57,022)	(106,576)
Number of shares used to compute basic earnings per share	**27,217,759**	**26,163,305**	**25,391,182**
Potential dilutive effect of outstanding stock options	393,742	230,031	49,672
Number of shares used to compute diluted earnings per share	**27,611,501**	**26,393,336**	**25,440,854**
Consolidated net profit for the period	**13,575**	**48,067**	**36,461**
Earnings per share (in € per share)			
■ basic	0.51	1.83	1.44
■ diluted[1]	0.50	1.82	1.44

(1) Stock options plans that may have a potentially dilutive effect are described in note 31 below.

NOTE 28 INVESTMENTS IN ASSOCIATES AND RELATED-PARTY TRANSACTIONS

28.1 INVESTMENTS IN ASSOCIATES

The Saft Group holds a 50% interest in the share capital of ASB and its subsidiaries, jointly with the Airbus Group. ASB manufactures and sells thermal batteries for military applications.

As mentioned in note 2.4 regarding the consolidation methods, ASB is consolidated under the equity method, being a jointly controlled venture.

28.2 RELATED-PARTY TRANSACTIONS

The Group does not realise any product sales with ASB, a company in which it holds a 50% interest and which is consolidated under the equity method. Support services provided and invoiced by the Saft Groupe to the ASB group amounted to €0.2 million in 2015 as compared to €0.3 million in 2014 and €0.2 million in 2013.

The Group's share of the balance sheets of ASB (none listed company) is as follows:

(in € million)	2015	2014	2013
Non-current assets	12.9	9.0	8.5
Current assets	15.7	14.3	12.8
Total assets	**28.6**	**23.3**	**21.3**
Non-current liabilities	-	-	-
Current liabilities	12.5	8.7	7.5
Total liabilities	**12.5**	**8.7**	**7.5**
Net assets of ASB group	**16.1**	**14.6**	**13.8**
TOTAL INVESTMENTS IN ASSOCIATES	**16.1**	**14.6**	**13.8**

The Group's share of the income statement of ASB is as follows:

(in € million)	**2015**	2014	2013
Sales	17.2	13.9	14.0
Cost of sales	(10.9)	(9.8)	(10.1)
Research and Development costs	(0.5)	(0.3)	(0.4)
Other operating expenses	(2.1)	(1.6)	(1.5)
Operating income	**3.7**	**2.2**	**2.0**
Net income/(loss)	**2.6**	**1.9**	**1.5**

NOTE 29 CONTRACTUAL OBLIGATIONS AND OTHER OFF BALANCE SHEET COMMITMENTS

Off balance sheet commitments are summarised in the table below:

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Tender guarantees	0.1	0.1	0.1
Customer prepayment guarantees	11.7	14.0	10.8
Performance bonds	6.4	9.5	7.1
Other guarantees	8.6	8.1	5.7
TOTAL COMMITMENTS	**26.8**	**31.7**	**23.7**

29.1 GUARANTEES

In the course of its business, Saft regularly gives various guarantees to customers concerning the execution of contracts awarded to the Group (performance bonds, customer prepayment guarantees, refunds, etc.). The total amount of such commitments at 31 December 2015 was €18.2 million as compared to €23.6 million at 31 December 2014 and €18.0 million in 2013. This represents the maximum potential amount (undiscounted) that the Group could be required to pay under these guarantees, before any sums that the Group might be able to recover through legal proceedings or *via* counter-guarantees received.

The other guarantees given, for an amount of €8.6 million (€8.1 million at 31 December 2014), principally consist of guarantees given to financial institutions in the United States in relation with the implementation of Standby Letters of Credit.

29.2 WARRANTIES ON BORROWINGS AND ADVANCE PAYMENTS SECURED BY COLLATERAL

No warranties were granted nor assets pledged to the lending banks and bond holders.

Saft has pledged no other assets as collateral, and does not use discounting of bills or receivables as a source of financing.

29.3 OTHER COMMITMENTS

(in € million)	**At 31/12/2015**	At 31/12/2014	At 31/12/2013
Obligations to purchase property, plant and equipment	4.5	13.2	11.5
Sub-total - Purchase commitments	**4.5**	**13.2**	**11.5**
Unused first demand financial guarantees	16.1	14.4	11.9
TOTAL - OTHER COMMITMENTS	**20.6**	**27.6**	**23.4**

The above-mentioned first demand financial guarantees mainly concern guarantees given with regard to surety lines used by the Group's subsidiaries to credit institutions.

Pursuant to IAS 32 "Financial Instruments", purchase and/or sale commitments in respect of commodities or forward foreign currency contracts are recognised in the Group's consolidated statement of financial position at fair value.

NOTE 30 REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

Remuneration paid to members of the Group Management Board in the past three financial years is broken down as follows:

(in €)	**2015**	2014	2013
Salaries and other short-term benefits	2,249,490	2,316,246	1,492,111
Post-employment benefits (Peri)	84,060	66,050	48,186

No stock options were granted to members of the Management Board in 2015.

At 31 December 2015, provisions recognised in the Group's balance sheet in respect of pension obligations for senior management amounted to €0.3 million (respectively €0.3 million and €0.2 million at 31 December 2014 and 2013).

NOTE 31 SHARE-BASED PAYMENTS

31.1 EXISTING STOCK OPTION PLANS

No stock option plan to subscribe new shares was established in 2015.

The main initial features of the stock option plans in force at 31 December 2015 are as follows:

	Plan No. 2	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6
Date of plan	27/11/2006	22/01/2008	23/03/2009	02/09/2010	04/07/2012
Number of options granted	400,000	390,000	400,000	400,000	393,500
Adjusted exercise price[1]	€23.33	€24.22	€17.76	€25.34	€18.625
Vesting period	4 years	4 years	4 years	4 years	4 years
Term of plan	10 years	10 years	7 years	7 years	7 years

(1) Above-listed exercise prices for stock option plans 1 to 4 have been adjusted to reflect the impact of the share capital increase on 02/12/2009.

31.2 CHANGE IN THE NUMBER OF STOCK OPTIONS

The change in the number of stock options over the last three financial years is as follows:

	Number of options	Average exercise price	Number of exercisable options
Options outstanding at 31/12/2012	**2,014,592**	**€21.93**	**834,418**
Options granted			
Options cancelled	(193,442)		
Options exercised	(95,370)		
Options outstanding at 31/12/2013	**1,725,780**	**€22.16**	**1,055,280**
Options granted			
Options cancelled	61,075		
Options exercised	(283,591)		
Options outstanding at 31/12/2014	**1,381,114**	**€22.64**	**1,121,614**
Options granted	-		
Options cancelled	(33,009)		
Options exercised	(777,185)		
Options outstanding at 31/12/2015	**570,920**	**€21.57**	**314,921**

Stock options outstanding at 31 December 2015 are broken down as follows:

Date of grant	Outstanding number of options	Adjusted exercise price *(€)*	Remaining period until expiry
Plan No. 2 dated 27/11/2006	52,522	23.33	0.9 year
Plan No. 3 dated 22/01/2008	98,902	24.22	2.1 years
Plan No. 4 dated 23/03/2009	28,497	17.76	0.2 year
Plan No. 5 dated 02/09/2010	135,000	25.34	1.7 year
Plan No. 6 dated 04/07/2012	255,999	18.625	3.5 years

31.3 FAIR VALUE OF INSTRUMENTS GRANTED

The fair values of stock options are determined by an independent valuer using a binomial model. The assumptions used to determine the fair value of the options are as follows:

	Plan No. 2 dated	Plan No. 3 dated	Plan No. 4 dated	Plan No. 5 dated	Plan No. 6 dated
Date of grant	27/11/2006	22/01/2008	23/03/2009	02/09/2010	04/07/2012
Price at date of grant	€23.26	€23.10	€19.06	€25.60	€18.80
Initial exercise price	€26.00	€27.00	€19.80	€25.34	€18.625
Expected term	7 years	7 years	7 years	7 years	7 years
Expected volatility	40%	40%	40%	30%	39.75%
Risk-free rate	3.73%	3.84%	2.75%	2.00%	1.89%
Rate of dividend distribution	2.90%	2.90%	3.57%	2.80%	3.88%
Fair value:					
■ stock options with performance conditions	-	-	-	-	€2.33
■ stock options without performance conditions	€6.08	€5.91	€5.48	€6.20	€5.36

The expected volatility of the share price was determined on the basis of historical volatility for comparable groups.

31.4 IMPACT ON PROFIT AND LOSS OF SHARE-BASED PAYMENTS

The share-based payment expense recognised in accordance with IFRS 2 is broken down as follows:

(in € thousand)	**2015**	2014	2013
Plan No. 4 dated 23/03/2009	-	-	124
Plan No. 5 dated 02/09/2010	-	411	558
Plan No. 6 dated 04/07/2012	310	344	365
TOTAL	**310**	**755**	**1,047**

NOTE 32 POST BALANCE SHEET EVENTS

No event has occurred since the balance sheet date which is likely to have a material effect on the financial position of the Group.

However, it is worth mentioning that on 26 January 2016, the Group has completed its share buy-back program launched on 23 November 2015. 2.289.932 shares to be cancelled have been repurchased for a total amount of €60 million.

6.6 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Saft Groupe SA
12, rue Sadi-Carnot
93170 Bagnolet

To the shareholders,

In compliance with the assignment entrusted to us by your general shareholders' meeting, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying consolidated financial statements of SAFT GROUPE SA ;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in the Notes 6.1 and 10 in the consolidated financial statements regarding the impairment of assets which amounts to m36.4 € at December 31th, 2015.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Notes 2.11, 6.1 and 10 describe the accounting policies, as well as the methodology used by the Company to determine the value in use of net tangible and intangible assets presented in the consolidated financial statements. As part of this assessment, we checked the method as well as the global consistency of the assumptions used and of the subsequent valuations.
- The Company records provisions for other liabilities and borrowings, mainly to cover restructuring costs and risks related to warranties given on goods sold (provisions for contractual claims), in accordance with the methods set out in Note 2.22. As part of our work, we assessed the data and assumptions on which these estimates were based, reviewed the calculations made by

the Company, compared the accounting estimates from prior periods with the corresponding actual figures, and examined the management approval procedures applicable to these estimates. As part of our assessments, we obtained assurance that the estimates used were reasonable. We ensure the correct disclosure of information in Note 21.

- Notes 2.20 and 26.3 describe the accounting policies, as well as the methodology used by the Company to determine the recognition in the consolidated financial statement and recoverability of the deferrred taxes assets. As part of this assessment, we checked the method as well as the global consistency of the assumptions used and of the subsequent valuations.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Neuilly-sur-Seine and Courbevoie, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Françoise Garnier	Juliette Decoux

7

Parent company Certified Financial Statements

IMPORTANT LEGAL INFORMATION AND CAUTIONARY STATEMENTS:

The parent company Financial Statements for the year ended 31 December 2015 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.

Unless otherwise indicated, the parent company Financial Statements are presented in thousand euros.

7.1 BALANCE SHEET - ASSETS

	Note	31/12/2015	31/12/2014	31/12/2013
Non-current assets				
Shares in subsidiaries and associates	*3*	308,965	308,995	308,995
Loans to subsidiaries	*3*	240,101	225,650	210,638
Other non-current financial assets	*8*	4,766	2	2
		553,832	**534,607**	**519,595**
Current assets				
Advance payments to third parties		-	-	27
Trade receivables	*8*	62	7	192
Other receivables	*8*	13,738	23,107	20,887
Group subsidiaries deposit accounts	*16*	59,118	69,682	59,271
Marketable securities		2,174	2,136	3,035
Cash and cash equivalents		214	710	160
		75,306	**95,642**	**83,572**
Prepaid expenses		1,365	1,709	1,512
Unrealised foreign exchange gains		26,197	11,966	2,816
TOTAL		**656,700**	**643,924**	**607,495**

7.2 BALANCE SHEET - EQUITY AND LIABILITIES

	Note	31/12/2015	31/12/2014	31/12/2013
Equity				
Share capital	*4*	26,501	26,605	25,854
Additional paid-in capital		292,518	296,421	281,003
Legal reserve		2,661	2,585	2,517
Retained income		19,410	39,677	44,733
Net income/(loss) for the year		(6,342)	2,126	15,233
	15	**334,748**	**367,414**	**369,340**
Provisions	*5*	26,197	11,966	2,816
Liabilities				
Bank borrowings	*6*	239,919	225,506	210,529
Trade payable	*7*	1,406	1,098	1,007
Taxes and social benefits owed	*7*	135	4	12
Other liabilities	*7*	28,098	25,970	20,975
	9	**269,558**	**252,578**	**232,523**
Unrealised foreign exchange losses		26,197	11,966	2,816
TOTAL		**656,700**	**643,924**	**607,495**

7.3 INCOME STATEMENT

	Note	2015	2014	2013
Total revenues				
Services		7,373	6,770	6,878
Other income		7	-	-
Reversal of operating reserve, transfer of expenses		758	-	-
		8,138	**6,770**	**6,878**
Operating expenses				
Raw materials and other supplies		-	-	-
Other purchases and external charges		(10,453)	(7,533)	(7,541)
Taxes (other than on income)		(1)	21	(39)
Salaries		(531)	-	-
Depreciation and amortisation expense		(369)	(370)	(382)
Other operating expenses		(200)	(196)	(192)
		(11,554)	**(8,078)**	**(8,154)**
Operating profit/(loss)		**(3,416)**	**(1,308)**	**(1,276)**
Financial income				
Dividend income		10,200	12,000	14,672
Interest income from securities and loans		8,725	7,734	7,794
Other interest income		92	70	291
Foreign exchange gains		2,589	2,816	840
Reversal of financial provisions and transfer of expenses		11,749	1,405	2,106
		33,355	**24,025**	**25,703**
Financial expenses				
Interest expense		(7,765)	(6,864)	(6,978)
Foreign exchange losses		(1,616)	(418)	(1,161)
Allowances for financial provisions		(26,197)	(11,966)	(2,816)
		(35,578)	**(19,248)**	**(10,955)**
Net financial income/(loss)		**(2,223)**	**4,777**	**14,748**
Recurring profit/(loss) before tax		**(5,639)**	**3,469**	**13,472**
Gains on capital transactions		629	459	634
Reversal of provisions and transfer of expenses		(540)	-	-
Losses on capital transactions		(577)	(259)	(104)
Non-recurring profit/(loss), net		**(488)**	**200**	**530**
Income tax benefit/(expense)	*14*	(215)	(1,543)	1,231
NET INCOME/(LOSS) FOR THE YEAR		**(6,342)**	**2,126**	**15,233**

7.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

DETAILED SUMMARY OF NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 INFORMATION RELATIVE TO THE COMPANY

Saft Groupe SA was created in March 2005 by a group of investment funds managed by Doughty Hanson & Co. Limited. Its purpose was to group, under the control of a French company, the various operating subsidiaries of the Saft Group directly or indirectly acquired by Saft France Sarl, a Luxembourg company created as part of the purchase by the Doughty Hanson Funds in January 2004 of Alcatel group's battery activities.

The financial year ran from 1 January to 31 December.

Consolidating entity:

Saft Groupe SA, whose registered office is 12 rue Sadi Carnot, 93170 Bagnolet, France is the Group's parent company consolidating the Saft Group's entities.

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

The annual accounts are drawn up in accordance with the rules laid out in the 1999 chart of accounts and the French Commercial Code, as well as with French generally accepted accounting principles. The fundamental accounting policies were applied in accordance with the prudence principle, and the following basic assumptions:

- on-going business;
- consistent accounting methods from one year to another;
- independence of financial years;
- and, in accordance with the general rules for drawing up and presenting annual financial statements.

The basic method adopted for evaluating the items recorded in the books is the historical cost method.

The principal methods used are as follows:

a) Shareholdings, other investments

Shareholdings and other investments are entered at their cost of purchase plus miscellaneous expenses. When the inventory value is lower than the book value, a depreciation provision is entered to account for the difference.

The inventory value of the shares corresponds to their market value for the Company. It is determined according to the net asset value of the Company under consideration, its return on investment and its future prospects.

b) Marketable securities

Marketable securities constitute short-term investments of cash in the form of money market funds with a daily liquidity.

c) Accounts receivables

Receivables are valued at their nominal value. An impairment provision is entered when the inventory value is lower than the book value.

d) Debts

Debts are reported as liabilities at their nominal value.

e) Basis of conversion for items expressed in foreign currencies

Where applicable, items expressed in foreign currencies are recorded for their exchange-value on the date of the transaction.

Receivables, cash, cash equivalents and liabilities in foreign currencies are shown in the balance sheet at the year-end exchange rates. The difference resulting from updating receivables and liabilities in foreign currencies at their year-end value is disclosed on the balance sheet as unrealised translation gains or losses. Unrealised losses on foreign currency translation are subject to a provision for contingencies.

NOTE 3 LONG-TERM FINANCIAL ASSETS

	01/01/2015	Increases	Decreases	31/12/2015
Shares in subsidiaries and associates	308,955	10	-	308,965
Loans and other financial fixed assets	225,652	19,215	-	244,867
TOTAL	**534,607**	**19,225**	**-**	**553,832**

Saft Groupe SA only holds a 100% shareholding in Saft Finance Sarl for an amount of €308.9 million. Saft Finance Sarl net equity as of 31 December 2015 was €163.8 million and its net income for the 2015 financial year was a profit of €11.8 million.

At 31 December 2015, loans to subsidiaries consist of:

- a medium-term loan in euros for a total amount of €100.0 million;
- a medium-term loan in US dollars for a total amount of US$150.0 million.

Borrowings of Saft Groupe SA are presented in below note 6.

NOTE 4 SHARE CAPITAL

At 31 December 2015, the Company's subscribed share capital was fully paid up and comprised 26,501,372 fully paid ordinary shares with a par value of €1.

	Number of shares	Nominal value
Shares or share rights in the share capital at the start of the financial year	26,605,032	€1
Shares or share rights issued during the financial year	1,169,429	€1
Shares or share rights decreased during the financial year	(1,273,089)	€1
SHARES OR SHARE RIGHTS COMPOSING THE SHARE CAPITAL AT THE END OF THE FINANCIAL YEAR	**26,501,372**	**€1**

Saft Groupe SA has carried out three capital increases during fiscal year 2015 following:

- one of them through a partial payment of 2015 dividend in shares for €12.2 million. 392,244 new shares have been created in connection with this capital increase;
- and the two others through the exercise of 777,185 stock options by Saft employees. The related capital increase was €18.2 million, including the share premium.

The Company also carried out a capital reduction during the year 2015, following the redemption of 1,273,089 own shares for €34.4 million, including the share premium.

TREASURY SHARES

At the Annual General Meeting on 12 May 2014, shareholders renewed the authorisation granted to the Management Board to trade in the Company's shares on the stock market under the liquidity contract. Accordingly, Exane BNP Paribas continued to stimulate trading of Saft shares, thus ensuring share liquidity.

At 31 December 2015, the total value of the 61,995 treasury shares held amounted to €1,594,474 on the basis of the purchase prices and €1,741,439 at market value.

At 31 December 2015, the Company holds 172,138 of its own shares repurchased under the share buyback program initiated in November 2015. At 31 December, the market value of these shares amounted to €4,749,219.

NOTE 5 PROVISIONS

At 31 December 2015, provisions relate to unrealised foreign exchange loss on financial debt in US dollars.

	01/01/2015	Allowances	Reversals	31/12/2015
Provision for unrealised foreign exchange loss	11,966	26,197	(11,966)	26,197

NOTE 6 BANK BORROWINGS AND OTHER FINANCIAL DEBTS

Since the first quarter of 2012, the Group's financial debt is carried by Saft Groupe SA, which then allocates funding to certain of its subsidiaries.

Saft Groupe's financial debt consists of:

- a syndicated loan including a €100 million term loan and a €100 million revolving credit facility, signed with a group of leading banks. The five-year initial maturity of these facilities has been extended by two years until 25 February 2019, as per an amendment signed on 14 February 2014. Credit margins over Euribor for both facilities have been reduced by 15 basis points by the same contract amendment. These margins, depending on the ratio of the Group's net debt to the Group's consolidated EBITDA ratio as described below, can therefore vary from 1.25% to 2.00% for the euro loan and from 0.75% to 1.50% for the revolving credit facility;
- an issue of senior unsecured bonds on the US private market for US$150 million.

The bond issue is divided into two tranches:

- a first tranche of US$75 million with a seven year maturity (due 28 February 2019) with a fixed coupon of 4.26%;
- and a second tranche of US$75 million with a 10 year maturity (due 28 February 2022) with a fixed coupon of 4.73%.

Both financing are *pari passu*.

The banking financing agreement includes, like the previous one, a certain number of the usual provisions contained in this type of agreement.

Sales and acquisitions made by the Group are thus subject to a certain number of usual conditions. Similarly, any additional loan contracted by the Group for an amount of over €120 million and/or over 10% of the Group's total balance sheet amount, is subject to contractual limitations.

The agreement contains change of control clauses concerning the Company, enabling each lender to request early repayment of the share of the credit facilities that it granted.

Finally, pursuant to the agreement, the granting and continuation of the loans is conditional upon meeting certain financial ratios:

- maximum leverage ratio (net financial debt to EBITDA) of 3.00 for each 12-month period ending 30 June and 31 December of each year; and
- minimum interest coverage ratio (contractually defined EBITDA to total net interest) of 4.50 for each 12-month period ending on 30 June and 31 December.

At 31 December 2015, the Group's gearing ratio, calculated according to the contractual terms and conditions, amounted to 0.41 (compared to 0.65 at 31 December 2014) and the interest coverage ratio to 16.2 (compared to 16.0 at 31 December 2014).

The contract signed between the Group and the holders of the bonds issued on the private market in the United States contains identical provisions.

FINANCIAL DEBT ANALYSIS AS OF 31 DECEMBER 2015

Breakdown of financial debt by nature

(in € million)	At 31/12/2015	At 31/12/2014	At 31/12/2013
Bank borrowings (in EUR)	100,0	100.0	100.0
Private bonds (in USD)	137,8	123.5	108.7
Accrued interest	2,1	2.0	1.8
TOTAL DEBT	**239,9**	**225.5**	**210.5**

Breakdown of financial debt by maturity

(in € million)	At 31/12/2015	At 31/12/2014	At 31/12/2013
Within 1 year	2,1	2.0	1.8
Beyond 1 year and up to 5 years	168,9	161.7	100.0
Beyond 5 years	68,9	61.8	108.7
TOTAL DEBT	**239,9**	**225.5**	**210.5**

Breakdown of financial debt by currency

(in € million)	At 31/12/2015	At 31/12/2014	At 31/12/2013
Euros	100,1	100.1	100.1
US dollars	139,8	125.4	110.4
TOTAL DEBT	**239,9**	**225.5**	**210.5**

INTEREST RATE RISK MANAGEMENT

No change in Group's interest rate risk management policy occurred in 2015. The objective of this policy is to protect the Group against a significant increase in interest rates.

Practically, interest rate risk hedging instruments currently in place only relate to Group banking debt in euros, as the Group bond debt in US dollars being at fixed interest rates.

The instruments used to hedge the interest rate risk are rate swaps, options or option combinations (Collars). The financial counterparties of these hedges are leading financial institutions that are part of the Group's financing bank pool.

As at 31 December 2015, interest rate risk hedging transaction in place are an interest rate swap (exchange of fixed rate against 3 months Euribor to guard against the risk of rising Euribor) of €25 million nominal amount and ending on 8 June 2018.

NOTE 7 ACCRUED EXPENSES

	At 31/12/2015	At 31/12/2014	At 31/12/2013
Trade payables	1,406	1,098	1,007
Taxes and social benefits owed	135	4	12
Other liabilities	28,098	25,970	20,975
TOTAL ACCRUED EXPENSES	**29,639**	**27,072**	**21,994**

Other liabilities represent the tax liability of Saft Groupe SA, the head of the French tax consolidation group, to its French subsidiaries part of the tax consolidation group.

NOTE 8 ACCOUNTS RECEIVABLES

	Net as of 31/12/2015	Within 1 year	Beyond 1 year
Non-current assets			
Intercompany loans	240,101	2,322	237,779
Other financial assets	4,766	4,766	-
Current assets			
Trade receivables	62	62	-
Tax credits	13,165	201	12,964
Taxes (VAT)	573	573	-
Shareholder advances to subsidiaries	-	-	-
TOTAL ACCOUNTS RECEIVABLE	**258,667**	**7,924**	**250,743**

Tax credits relate mainly to research tax credits for the years 2014 and 2015.

NOTE 9 DEBT AND OTHER LIABILITIES

	Net as of 31/12/2015	Within 1 year	Beyond 1 year up to 5 years	Beyond 5 years
Bank borrowings	239,919	2,140	168,889	68,890
Trade payables	1,406	1,406	-	-
Accrued taxes	130	130	-	-
Tax liabilities to subsidiaries	5	5	-	-
Groupe et associés	28,090	28,090	-	-
Other current liabilities	8	8	-	-
TOTAL DEBTS	**269,558**	**31,779**	**168,889**	**68,890**

NOTE 10 IMPACT FROM AD VALOREM TAX APPRAISALS

2015 net income has not been impacted by any ad valorem tax appraisal.

NOTE 11 UNRECOGNISED DEFERRED TAX ASSET AND LIABILITIES

As shown below, Saft Groupe SA will benefit from tax relief in future years, mainly as a result of tax losses to be carried forward:

At 31/12/2015	Tax base	Unrecognised deferred tax benefit/(charge)
Increases in future tax debt	-	-
Relief in future tax debt:	-	-
■ Organic (sales tax)	-	-
■ Unrealised foreign exchange gains	26,197	9,020
■ Tax losses carried forward	27,681	9,531
INCREASE/(RELIEF) IN THE FUTURE TAX DEBT	**53,878**	**18,551**

NOTE 12 MANAGEMENT COMPENSATION

Compensation paid in 2015 to members of the Management Board totalled €2,249,490. This amount includes benefits in kind.

Compensation paid in 2015 to members of the Supervisory Board totalled €200,043.

NOTE 13 EMPLOYEES

At 31 December 2015, the Company counts two employees.

NOTE 14 BREAKDOWN OF INCOME TAX

Corporate income tax can be broken down as follows:

	Tax base	Tax benefit/ (charge)
Income/(loss) from ordinary activities	(5,639)	455
Income/(loss) from non-current activities	(488)	(670)
TOTAL	**(6,127)**	**(215)**

NOTE 15 SHAREHOLDERS' EQUITY

Changes in shareholder's equity during financial year 2014 were as follows:

(in €)	01/01/2015	Appropriation of 2014 earnings	Dividend paid	Capital increases	Capital decrease	Result of the period	**31/12/2015**
Share capital	26,605,032	-	392,244	777,185	(1,273,089)	-	26,501,372
Additional paid-in capital	296,420,748	-	11,870,445	17,392,685	(33,165,735)	-	292,518,143
Statutory reserve	2,585,381	75,122	-	-	-	-	2,660,503
Retained earnings	39,676,506	2,050,643	(22,316,988)	-	-	-	19,410,161
Net income/(loss) for the year	2,125,765	(2,125,765)	-	-	-	(6,342,588)	(6,342,588)
TOTAL	**367,413,432**	**-**	**(10,054,299)**	**18,169,870**	**(34,438,824)**	**(6,342,588)**	**344,747,591**

NOTE 16 RELATED PARTY TRANSACTIONS

Balance sheet and income statement items relating to transactions with affiliates can be analysed as follows:

	31/12/2015	31/12/2014	31/12/2013
Balance sheet			
Loans to subsidiaries	240,101	225,650	210,638
Cash within Group cash pooling entity	59,118	69,682	59,271
Accounts receivables	62	7	192
Tax liabilities to subsidiaries	(28,090)	(25,956)	(20,963)

	2015	2014	2013
Income statement			
Dividend from subsidiaries	10,200	12,000	14,672
Interest revenue	8,817	7,803	8,085
Interest expenses	(278)	(17)	(17)

NOTE 17 STOCK OPTION PLANS

The main initial features of stock option plans in force at 31 December 2015 are as follows:

	Plan No. 2	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6
Date of plan	27/11/2006	22/01/2008	23/03/2009	02/09/2010	04/07/2012
Number of options granted	400,000	390,000	400,000	400,000	393,500
Price at date of granting	€23.26	€23.10	€19.06	€25.60	€18.80
Initial exercise price	€26.00	€27.00	€19.80	€25.34	€18.625
Adjusted exercise price[1]	€23.33	€24.22	€17.76	€25.34	€18.625
Vesting period	4 years	4 years	4 years	4 years	4 years
Term of plan	10 years	10 years	7 years	7 years	7 years
Remaining period until expiry	0.9 year	2.1 years	0.2 year	1.7 years	3.5 years
Number of options cancelled	(89,511)	(92,891)	(47,831)	(54,500)	(137,501)
Number of options exercised	(300,391)	(241,709)	(369,549)	(210,500)	-
Options outstanding at 31/12/2015	52,522	98,902	28,497	355,500	255,999
Of which options exercisable after adjustment	52,522	98,902	28,497	135,000	-

(1) Above-listed exercise prices for stock option plans 2 to 4 have been adjusted to reflect the impact of the share capital increase on 02/12/2009.

CHANGE IN THE NUMBER OF STOCK OPTIONS

The change in the number of stock options over the last three financial years is as follows:

	Number of options	Average exercise price	Number of exercisable options
Options outstanding at 31/12/2012	**2,014,592**	**€21.93**	**834,418**
Options granted	-		
Options cancelled	(193,442)		
Options exercised	(95,370)		
Options outstanding at 31/12/2013	**1,725,780**	**€22.16**	**1,055,280**
Options granted	-		
Options cancelled	(61,075)		
Options exercised	(283,591)		
Options outstanding at 31/12/2014	**1,381,114**	**€22.64**	**1,121,614**
Options granted	-		
Options cancelled	(33,009)		
Options exercised	(777,185)		
Options outstanding at 31/12/2015	**570,920**	**€21.57**	**314,921**

7.5 PARENT COMPANY - FINANCIAL SUMMARY FOR THE LAST FIVE YEARS

The results of Saft Groupe SA over the past five years are as follows:

Description *(amounts in euros)*	31/12/2011	31/12/2012	31/12/2013	31/12/2014	**31/12/2015**
Share capital at year-end					
a) Share capital	25,174,845	25,174,845	25,853,811	26,605,032	26,501,372
b) Number of ordinary shares in issue	25,174,845	25,174,845	25,853,811	26,605,032	26,501,372
c) Number of bonds convertible into shares	-	-	-	-	-
Operations and results of the period					
a) Sales (excluding VAT)	6,542,509	6,876,173	6,877,502	6,770,286	7,372,701
b) Income before tax, employee profit sharing, depreciation, amortisation and provisions	30,670,728	44,278,543	15,093,460	13,189,951	8,471,954
c) Income tax revenue/(expense)	351,467	1,277,890	1,231,246	(1,543,337)	(215,114)
d) Income after tax, employee profit sharing, depreciation, amortisation and provisions	31,022,194	43,450,629	15,232,533	2,125,765	(6,342,588)
e) Earnings distributed	43,125,230	18,801,941	20,220,836	22,316,988	n.d.
Earnings per share					
a) Income after tax, employee profit sharing but before depreciation, amortisation and provisions	1.23	1.81	0.62	0.44	0.31
b) Income after tax, employee profit sharing, depreciation, amortisation and provisions	1.23	1.73	0.59	0.08	(0.24)
c) Dividend per share	1.72	0.75	0.78	0.82	n.d.
Employees					
a) Average employee headcount	-	-	-	-	1
b) Salary expenses in the period	-	-	-	-	342,333
c) Amounts paid for employee social security benefits during the period	-	-	-	-	188,476

n.d.: not defined.

7.6 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.
The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2015

Saft Groupe SA
12 rue Sadi Carnot
93170 Bagnolet

To the shareholders

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying financial statements of Saft Groupe SA;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- note 2.a) to the financial statements describes the accounting policies and methods applied for recognizing and measuring investments in subsidiaries and affiliates and other long-term equity investments. As part of our assessment of the accounting policies and principles applied by Saft Groupe SA, we obtained assurance that these accounting policies and methods and the related disclosures were appropriate, and that they had been correctly applied.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Neuilly-sur-Seine, on February, 17th 2016

The Statutory Auditors

Mazars	PricewaterhouseCoopers Audit
Juliette Decoux	Françoise Garnier

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Information about the Company and its share capital

8.1 GENERAL INFORMATION ABOUT THE COMPANY

Company name:

Saft Groupe SA

Registered office:

12, rue Sadi-Carnot - 93170 Bagnolet (Seine-Saint-Denis, France)

Tel: +33 (0)1 49 93 19 18

Legal form:

French Limited Company with Management and Supervisory Boards (*société anonyme à Directoire et Conseil de Surveillance*) formed on 23 March 2005.

Duration:

99 years, *i.e.* until 24 March 2104.

Purpose:

(Summary of section 2 of the Company's articles of association):

In all countries, the design, manufacture, sale and rental of all forms of electric accumulators and batteries and their components, and of all derivative applications, and more generally of all mechanical, electric or electronic appliances contributing to their proper functioning and incidentally, of all other products susceptible of being manufactured with the Company's tooling, as well as the manufacture and sale of all other electric or electronic equipment; the acquisition, use and sale of all forms of patents, licences, manufacturing processes and trade secrets, ideas, models or trademarks, relating to the abovementioned appliances and equipment; and more generally, the performance of any industrial, commercial, financial, investment or property transactions related, directly or indirectly and in total or in part, to any of the purposes specified in the Company's articles of association or to any similar or subsidiary purpose.

Companies registry:

The Company is registered in the Bobigny companies register under the number 481 480 465; its APE code is 6420 Z.

Accounting period:

From 1st January to 31 December.

8.2 GROUP HISTORY

- **1918**

Société des Accumulateurs Fixes et de Traction (Saft SA) is founded in France by two Swiss electrochemists to manufacture and distribute nickel-based batteries for industrial applications and forklift trucks.

- **1928**

Acquisition of Saft by Compagnie Générale d'Électricité (which later became Alcatel).

- **1940-1980**

Saft develops its operations in the United Kingdom (1940s) and in the United States (1970s).

In the early 1980s, Saft commences operations in Asia (Singapore).

- **1980-1995**

The shares of Saft SA are listed on the Paris Bourse. At the start of the 1990s, Alcatel repurchases all the shares of Saft SA, which was de-listed in 1995.

In the late 1980s and early 1990s, the Group acquires two of its major competitors, Nife and Alcad, as well as the Czech company Ferak, to strengthen its position in the industrial battery market.

- **2000**

Acquisition of Tadiran, an Israeli manufacturer of lithium batteries, with operations in Israel, the United States and Germany including a 50% stake in Sonnenschein Lithium in Germany.

- **2001**

Saft significantly downsizes its rechargeable battery division (now the RBS division), through the closure of a manufacturing facility in Tijuana, Mexico and the sale of its battery assembly facility in Korea and its Uniross distribution facility, resulting in a workforce reduction of approximately 1,300 employees.

Acquisition of Hawker Eternacell, a leading provider of lithium batteries to the US and UK armed forces. Saft also increases its stake in ASB from 22% to 50%, and increases its stake in Sonnenschein Lithium from 50% to 100%. All of these companies are now part of its SBG division.

- **2003**

Acquisition of the German company Friemann und Wolf Batterietechnik GmbH (Friwo®) and the assets of Emisa and Centra from Exide. These companies produce industrial nickel-based batteries, lithium batteries for the defence industry and batteries for torpedoes.

- **2004**

Acquisition from Alcatel of all of the Group's businesses by the Doughty Hanson Funds.

- **2005**

Reorganisation of the Group into Saft Groupe SA, to which are directly or indirectly linked all the subsidiaries in the Group, and admission of Saft Groupe SA shares to trading on the Eurolist market of Euronext Paris on 29 June 2005.

Set-up of a production plant at Zhuhai in southern China, *via* the creation of a wholly-owned subsidiary.

Acquisition of a 51% stake in the capital of Amco Power Systems, an Indian manufacturer of nickel-based batteries located in Bangalore.

- **2006**

Creation of the Johnson Controls-Saft joint venture to address the hybrid and electric vehicle market. Saft holds 49% and Johnson Controls holds 51% of the joint venture.

- **2008**

Start-up of the new Johnson Controls-Saft production line in Nersac, France, dedicated to lithium-ion batteries for hybrid and electric vehicles.

- **2009**

Launch of two major industrial projects to build two lithium-ion production plants, one in Florida (Saft plant) and the other in Michigan (project led by the Johnson Controls-Saft joint venture).

To finance these two projects and achieve greater financial flexibility, the Group carried out a capital increase of €120 million.

- **2011**

Start of production and first deliveries of lithium-ion cells from the new lithium-ion manufacturing plant at Jacksonville.

Disposal by the Group of its 49% stake in the joint venture Johnson Controls-Saft on 30 September 2011.

- **2013**

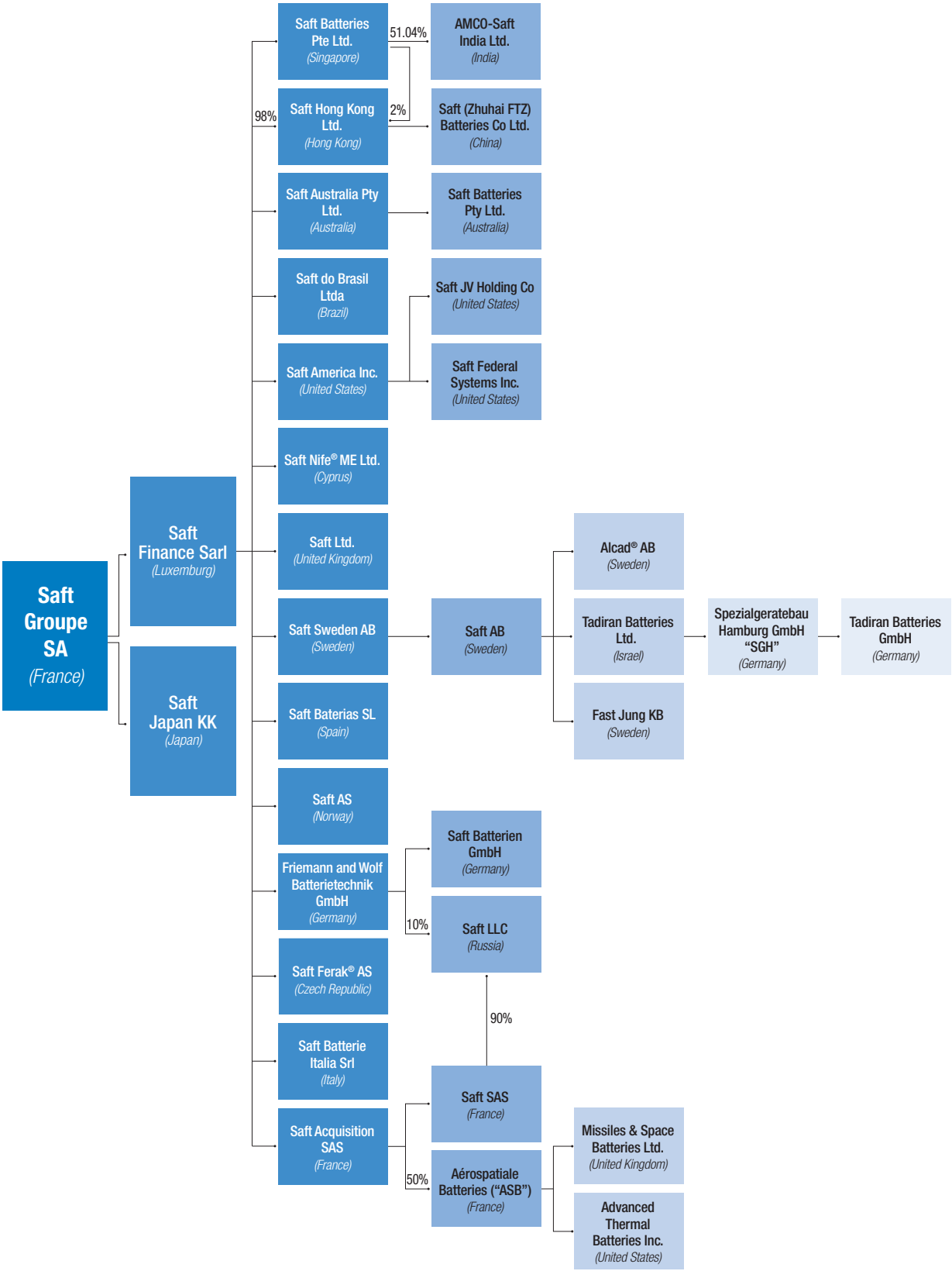
Sale of the Small Nickel Battery (SNB) activity and acquisition of a lithium-ion batteries manufacturing facility in Nersac, France.

Set-up of a 100%-owned subsidiary in Moscow to supply the Russian market as well as the CIS (Commonwealth of Independent States) countries.

- **2015**

Set-up of a fully-owned distribution subsidiary in Japan.

8.3 GROUP ORGANISATION CHART



8.4 SIGNIFICANT CONTRACTS AND COMMITMENTS

8.4.1 CREDIT FACILITIES

In 2012, the Group refinanced its bank debt, on the one hand by a syndicated loan from a group of leading banks, including a €100 million loan and a revolving credit line of €100 million with an initial maturity of five years which was extended up to 25 February 2019 through an amendment signed on 14 February 2014 and, secondly, by $150 million of senior unsecured notes on the US Private Placement market.

The terms of these financings are described in note 18 to the consolidated financial statements for the year 2015 in this document.

8.4.2 JOINT VENTURES

ASB group

One of Saft's subsidiaries is a party, with Airbus group, to a shareholder agreement renewed in 2006 and governing an equal shareholding in ASB, a company mainly engaged in the manufacture of thermal batteries for military uses. The agreement provides that in the event of a change of control of either of the two ASB shareholders, the other will have a purchase option for all the shares in the joint venture held by the shareholder subject to the change of control. In this event, and in the absence of any other agreement between the parties, the price would be determined by an expert designated in accordance with section 1843-4 of the French code of civil law.

8.4.3 UNDERTAKINGS MADE TO FRANCE AND ISRAEL

By letter dated 11 December 2003 and in the context of Alcatel's sale of Saft Groupe to the Doughty Hanson Funds, Tadiran, the Company's Israeli subsidiary, provided an assurance to the Israeli Minister of Defence (MOD) that it would preserve the confidentiality of any information relating to MOD orders for batteries classified under the provisions of the Israeli Security Directorate. Tadiran also undertook that its General Manager would remain an Israeli citizen subject to strict security clearance. Any change in the control of Tadiran must be notified to the MOD and requires the prior authorisation of the Chief Scientist's Office and the Investment Centre of the Israeli Ministry of Industry and Commerce.

Given the products that are the subject of these commitments, Saft does not expect the effect of the commitments to have a significant negative impact on the financial situation of the Group.

On 4 May 2005 the French government signed an agreement with the Company, applicable for ninety years, under which the Company undertook to retain its Group general management and associated functions in France. The Company provided certain other assurances and guaranteed the performance by its French subsidiaries of its direct or indirect obligations towards the French Ministry of Defence relating in particular to the future supply by its French subsidiaries themselves, at fair and reasonable terms for all the parties, of products for use in the framework of French space and national defence applications. The Company also undertook, subject to certain conditions relating in particular to the competitive environment, to maintain and develop in France certain assets and technologies judged critical for the purposes of France's national defence. Those assets and technologies represent an insignificant portion of the Group's assets as a whole.

Finally, since 2004 an official representative to Saft Groupe SA has been appointed by the French government. The representative is regularly provided with economic, financial and legal information, relating to the Group and its French subsidiaries and he receives all the information also provided to the members of the Company's Supervisory Board. The provision of such information shall not be deemed to affect any confidentiality provisions to which the Company or its subsidiaries may be subject. Any change of control of the Company would not have any impact on the Company's undertakings towards the French State.

8.5 MAIN STATUTORY PROVISIONS

CORPORATE PURPOSE (ARTICLE 2 OF THE ARTICLES OF ASSOCIATION)

The Company's purpose, directly and indirectly, and in any and all countries, is to:

1. Research, create, operate, manage and administer any and all types of business or commercial, industrial, real-estate or financial undertaking;
2. Acquire, rent, lease (either with or without an undertaking to sell), build and operate any and all types of factory, workshop, office or other premises;
3. Acquire, manage, operate, lease (either with or without a purchase option), and, to a lesser extent, sell, any and all capital goods, stationary or movable equipment, machines and tooling, as well as all forms of land, sea or air vehicles;
4. Directly or indirectly participate in all forms of transaction or undertaking by (i) setting up real-estate, commercial, industrial or financial companies, establishments or groupings, (ii) participating in the creation of such entities or (iii) injecting capital into existing companies;
5. Manage a portfolio of investments in equity and marketable securities as well as any related transactions or operations;
6. Own and manage any type of building;
7. Research, develop, manufacture, sell and lease any and all types of accumulators, electric storage and other batteries and their components, as well as all derivative applications, and generally any and all mechanical, electrical or electronic equipment that may contribute to the proper functioning thereof, as well as any and all products that may be manufactured therefrom; and to manufacture and sell any and all forms of electric or electronic materials;
8. Acquire, use, sell or transfer any and all patents, licenses, manufacturing processes and secrets, know-how, models or trademarks concerning the equipment and materials set out in paragraph 7 above; and
9. Generally conduct any and all transactions of an industrial, commercial or financial nature or involving real estate or other assets that relate directly or indirectly, in whole or in part, to any of the purposes set out above or to any similar or related purposes.

ANNUAL GENERAL MEETINGS (ARTICLE 21 OF THE ARTICLES OF ASSOCIATION)

1. Collective decisions of shareholders are taken in Ordinary, Extraordinary or Special Shareholders' Meetings depending on the type of decisions concerned.
2. Decisions made by Shareholders' Meetings are binding on all shareholders, including any absent or dissenting shareholders and any that were incapable of voting.

Notice and place of meeting

3. Shareholders' Meetings are called in accordance with the conditions set down by law, by the Management Board or the Supervisory Board or, failing that, the Statutory Auditors or any other person duly authorized by law.
4. Shareholders' Meetings are held at the Company's registered office or any other location specified in the notice of meeting.

Agenda

5. The agendas of Shareholders' Meetings are drawn up by the person who issues the notice of meeting.
6. However, one or more shareholders, or the Company's works council, may table draft resolutions to be included in the agenda of a Shareholders' Meeting, subject to the conditions set down by the applicable law and regulations.
7. Shareholders' Meetings may not deliberate on any issues that are not included in the agenda. However, as an exception to this rule, shareholders are always entitled to deliberate on removing from office one or more members of the Supervisory Board and/or the Management Board, and electing their replacements.
8. The agenda of a Shareholders' Meeting may not be amended on the second calling of a meeting.

Attendance

9. All shareholders are entitled to participate in Shareholders' Meetings, either in person or by proxy, regardless of the number of shares held, subject to proof of identity.
10. In order for a shareholder to participate in a Shareholders' Meeting in person, by proxy or by casting a postal vote the shares held must be recorded in the name of the shareholder or the intermediary holding them on his/her behalf, either in the share register held by the Company or in the register of bearer shares held by the applicable accredited intermediary. The record date relating to such registration is midnight (CET) on the third business day preceding the date of the meeting concerned. For bearer shares recorded in the register held by an accredited intermediary, said intermediary must provide a certificate of ownership (attestation de participation) evidencing the recording of the shares concerned. Said certificate may be supplied in electronic form and must be attached to the proxy or postal voting form or admission card application drawn up in the name of the shareholder, or on behalf of any shareholder represented by a registered intermediary.

    A certification of ownership will also be provided to any shareholder wishing to attend the meeting in person and

who has not received an admission card by midnight (CET) on the third business day preceding the date of the meeting concerned.

11. Shareholders may give proxy to any natural or legal person of their choice. In such a case, the proxy holder must provide evidence of his/her proxy.

12. Alternatively, shareholders may return the signed form of proxy to the Company without naming a person to represent them. In this case, they will be considered as having given proxy to the Chairman of the Shareholders' Meeting who will vote in favor of all resolutions tabled or approved by the Management Board and will vote against all other proposed resolutions. To cast any other vote shareholders must give proxy to a representative who agrees to vote as instructed by the shareholder concerned.

13. Shareholders may also cast postal votes, by returning the duly completed postal voting form to the Company under the conditions set by the applicable laws and regulations. For postal votes to be taken into account, the corresponding form must be received by the Company at least three days prior to the date of the meeting.

14. The Supervisory Board or the Management Board, as the case may be, may decide that shareholders may attend and vote at Shareholders' Meetings by videoconference or any other means of telecommunications or remote technology (including the Internet) that enables them to be identified, subject to the regulations in force when the technology is used.

Voting rights

15. Each shareholder has a number of votes equal to the number of shares that he/she holds or represents.

Attendance register - Bureau - minutes

16. An attendance register is kept, pursuant to the applicable laws and regulations.

17. Shareholders' Meetings are chaired by the Chairman of the Management or Supervisory Board, or in their absence, by the member of the Management or Supervisory Board attending the meeting whose first appointment date is the oldest. Where a meeting is called by the Statutory Auditors or any other person duly authorized by law, said meeting is chaired by whoever issued the notice of meeting. If no such person is designated, the Shareholders' Meeting elects its own Chairman.

18. The role of Scrutineer of the Shareholders' Meeting is performed by the shareholders present who hold the largest number of voting rights – either in their own names or through proxies – and who agree to perform the said role.

19. The Bureau thus formed names a Secretary, who may or may not be a shareholder.

20. The members of the Bureau are responsible for checking, certifying and signing the attendance register, ensuring that discussions during the meeting take place in an appropriate manner, dealing with any incidents that may arise during the meeting, controlling the votes of the shareholders and checking that they are properly cast, as well as ensuring that the minutes of the meeting are drawn up.

21. The matters discussed in Shareholders' Meetings are recorded in minutes, which are signed by the members of the Bureau and kept in a special register at the Company's registered office. Copies or excerpts of the minutes are signed by the Chairman or Vice-Chairman of the Supervisory Board or by a member of the Management Board.

Ordinary General Meetings

22. Ordinary Shareholders' Meetings cover all matters that do not require amendments to the bylaws. They are held at least once a year in accordance with the applicable legal and regulatory timeframe in order to approve the financial statements for the previous year.

23. Ordinary Shareholders' Meetings held on first call are only validly constituted if the shareholders present, represented by proxy or casting a postal vote hold at least one fifth of the shares with voting rights. There is no quorum requirement for a meeting held on second call.

24. Resolutions at Ordinary Shareholders' Meetings are adopted by a straight majority of the votes cast by shareholders present, represented by proxy or lodging postal votes.

Extraordinary General Meetings

25. Only Extraordinary Shareholders' Meetings may amend all of the provisions of the Company's bylaws. Such meetings may not, however, increase the commitments of shareholders other than by way of operations resulting from a properly performed reverse stock-split.

26. Extraordinary Shareholders' Meetings held on first call are only validly constituted when the shareholders present, represented by proxy or casting a postal vote hold at least one quarter of the shares with voting rights, and at least one fifth of the shares with voting rights on second call.

27. Resolutions at Extraordinary Shareholders' Meetings are adopted by a two-thirds majority of the votes cast by shareholders present, represented by proxy or lodging postal votes.

Special General Meetings

28. Special Shareholders' Meetings are held for holders of a specific class of shares to make any decisions concerning amendments to the rights attached to the class of shares concerned.

29. Special Shareholders' Meetings are only validly constituted when the shareholders present, represented by proxy or casting a postal vote hold at least half of the shares with voting rights for meetings held on first call, and at least one quarter of the shares with voting rights for meetings held on second call.

30. Resolutions at Special Shareholders' Meetings are adopted by a two-thirds majority of the votes cast by shareholders present, represented by proxy or lodging postal votes.

FORM OF SHARES (ARTICLE 10 OF THE ARTICLES OF ASSOCIATION)

1. Fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion.
2. Other than in the case where shares are registered in the name of an intermediary in accordance with the applicable laws and regulations, evidence of share ownership is provided by the shares being recorded in the shareholder's name as follows: (i) For registered shares – in the share register held either by the Company or the Company's representative, and (ii) For bearer shares – in the register held by an accredited financial intermediary.
3. In order to identify the holders of bearer shares the Company may request the information provided for in article L.228-2 of the French Commercial Code (*Code de commerce*) from the central depository responsible for holding its securities account. Accordingly, the Company is entitled to request, at any time, in exchange for a fee, the name – or, in the case of corporate shareholders, the registered name –, nationality, year of birth – or, in the case of corporate shareholders, the year of incorporation – and address of holders of securities carrying immediate or deferred voting rights at Shareholders' Meetings, as well as the number of securities held in each case and details of any restrictions applicable to the securities concerned.
4. After reviewing the information provided by the central securities depository, if the Company believes that any individuals or legal entities included in the list manage securities accounts on behalf of the ultimate owners of the securities, it may contact such individuals or legal entities – either directly or through the depository – to obtain details of the identity of said ultimate owners. Any such individuals or legal entities acting in the capacity of intermediary are under the obligation to disclose the identity of the ultimate owners of the securities. The information is provided directly to the accredited financial intermediary that manages the Company's securities account, which is responsible for passing on said information either to the Company or the central depository, as applicable.
5. For registered shares and other securities carrying immediate or deferred rights to the Company's capital, any intermediary holding the securities on behalf of a shareholder that is domiciled outside France must disclose the identity of the person or entity for whom it is acting as well as the number of shares held by each, upon simple request by the Company or its representative, which may be made at any time.
6. Where the Company receives details concerning the identity of a party that it believes is holding securities on behalf of an ultimate owner, it is entitled to require the party concerned to provide details of the identity of the ultimate owner(s) of the securities. The Company may also request from any corporate shareholder holding over 2.5% of the Company's capital or voting rights, information concerning the identity of individuals or legal entities holding either directly or indirectly over one third of the corporate shareholder's capital or voting rights.
7. In the event of a failure to comply with the above requirements, the corresponding shares or other securities carrying immediate or deferred rights to the Company's capital will be stripped of voting rights for all Shareholders' Meetings held until the relevant identification request has been fulfilled. The payment of any corresponding dividends will also be deferred until that date.
8. In addition, if the registered individual or legal entity deliberately ignores their obligations, the Company or one or more shareholders holding at least 5% of the Company's capital may apply to the court of the place in which the Company's registered office is located to obtain an order to totally or partially strip the shares concerned of their voting rights and the corresponding dividend, for a maximum period of five years.

SHARE TRANSFERS (ARTICLE 11 OF THE ARTICLES OF ASSOCIATION)

1. The Company's shares are freely transferable, unless otherwise provided for under the applicable laws and regulations.
2. Transfers of registered and bearer shares by both the Company and third parties are carried out by way of an inter-account transfer in accordance with the applicable laws and regulations.
3. No inter-account transfers may be made for shares which have not been fully paid up to the extent called.

DISCLOSURE THRESHOLD (ARTICLE 12 OF THE ARTICLES OF ASSOCIATION)

1. In accordance with the provisions of the French Commercial Code (*Code de commerce*), any individual or legal entity, acting alone or in concert with others, who becomes the owner of a number of shares in the Company representing over one twentieth, one tenth, three twentieths, one fifth, one quarter, three tenths, one third, half, two thirds, eighteen twentieths or nineteen twentieths of the Company's share capital and/or voting rights, must

notify the Company and the French securities regulator (Autorité des marchés financiers) of the total number of shares and/or voting rights that such individual or legal entity then owns, at the latest before the close of trading of the fourth trading day following the crossing of one of these disclosure thresholds. Said information is made available to the public in accordance with the conditions set down in the general regulations of the Autorité des marchés financiers. The same information must be disclosed in cases where a shareholder's interest falls below any of the above thresholds.

2. In the event of a failure to comply with these disclosure requirements, the shares not disclosed pursuant to the law as described above, will be stripped of voting rights at any and all Shareholders' Meetings held within the two-year period from the date when the omission is remedied.
3. Any individual or legal entity, acting alone or in concert with others, who becomes the owner – directly or indirectly – of a number of shares representing at least 1% of the Company's share capital and/or voting rights (or any multiple thereof), must disclose to the Company, within five trading days of crossing the disclosure threshold(s), the total number of shares and securities carrying rights to the Company's capital and/or voting rights, by registered letter with return receipt requested.
4. In the event of a failure to comply with these disclosure requirements, at the request of one or several shareholders holding at least 1% of the Company's capital and/or voting rights, duly recorded in the minutes of the Shareholders' Meeting, the undisclosed shares will be stripped of voting rights at all Shareholders' Meetings held within the two-year period from the date when the omission is remedied.
5. The same disclosures are required – under the same timeframe and conditions – in cases where a shareholder's interest falls below any of the above thresholds.

RESULTS OF OPERATIONS - APPROPRIATION OF NET INCOME (ARTICLE 23 OF THE ARTICLES OF ASSOCIATION)

1. At least 5% of net income for the year, less any losses brought forward from prior years, shall be transferred to the legal reserve until such time as the legal reserve represents one-tenth of the Company's share capital. Further transfers shall be made on the same basis if the legal reserve falls to below one-tenth of the share capital.
2. Income available for distribution corresponds to net income for the year, less any losses brought forward from prior years and any amounts appropriated to reserves in compliance with the law and the Company's bylaws, plus any retained earnings.
3. Shareholders may decide to appropriate all or part of income available for distribution to any discretionary, ordinary or extraordinary reserves or to retained earnings. Any balance is allocated to the shareholders in proportion to the number of shares held.
4. Shareholders may decide to pay dividends to shareholders out of distributable reserves, in which case the related resolution must stipulate the reserve accounts from which the dividend is to be deducted. However, insofar as possible, dividends must be paid from income available for distribution.
5. The terms and conditions for the payment of dividends voted by a Shareholders' Meeting are set by said meeting or failing this by the Management Board in accordance with articles L.232-12 to L.232-20 of the French Commercial Code (*Code de commerce*).
6. The Shareholders' Meeting may offer shareholders the option of receiving all or part of the annual dividend or any interim dividend in the form of newly-issued shares of the Company as provided for by law.

8.6 CAPITAL AND SHAREHOLDING OF SAFT GROUPE SA

8.6.1 SHARE CAPITAL OF SAFT GROUPE SA

The share capital of the Company at 31 December 2015 was €26,501,372 divided into 26,501,372 shares with a par value of €1, all fully paid-up and all of the same class.

8.6.2 VOTING RIGHTS

At 31 December 2014 the number of voting rights amounted to 26,439,377 *i.e.*, the total number of 26,501,372 shares comprising the Company's share capital less the 61,995 treasury shares held at that date that are stripped of their voting rights, No double voting rights exist.

Changes in the share capital of the Company over the last years were as follows:

Date	Type of operation	Shares issued/ cancelled	Total shares	Capital in euros
31/12/2012				25,174,845
07/05/2013	Capital increase following the payment of dividends in shares	583,596	25,758,411	25,758,411
14/06/2013	Capital increase following the exercise of stock options	6,690	25,765,131	25,765,131
20/12/2013	Capital increase following the exercise of stock options	88,680	25,853,811	25,853,811
11/06/2014	Capital increase following the payement of dividends in shares	467,630	26,321,441	26,321,441
Fiscal year 2014	Capital increases following the exercise of stock options	283,591	26,605,032	26,605,032
09/04/2015	Capital increases following the exercise of stock options	557,117	27,162,149	27,162,149
16/06/2015	Capital increase following the payement of dividends in shares	392,244	27,554,393	27,554,393
Second half of fiscal year 2015	Capital increases following the exercise of stock options	220,068	27,774,461	27,774,461
18/12/2015	Cancellation of own shares	(1,273,089)	26,501,372	26,501,372

During recent past years, there has been no significant change in the Company's shareholding structure since the sale by the Doughty Hanson & Co. Funds, in April 2007, of their residual 36.6% shareholding in Saft that Doughty Hanson & Co. had held since the Group's flotation in June 2005.

8.6.3 SHARE BUYBACK PROGRAM

Liquidity contract

A share buyback plan was authorized by shareholders at their Annual General Meeting held on 12 May 2014 for an 18-month period and for a maximum number of shares representing 0.80% of the total capital shares, *i.e.* 212,011 shares at 31 December 2015.

The purpose of the share buyback plan was to facilitate transactions in the Company's shares *via* an independent investment service provider and in the framework of a liquidity contract complying with an ethical charter recognised by the Autorité des marchés financiers (AMF), the French capital market regulator, the investment service provider retained was Exane BNP Paribas (16 avenue Matignon – 75008 Paris).

During the 2015 financial year, the following purchases and sales of the Company's shares took place:

- purchases: 521,919 shares at an average purchase price of €32.437 per share;
- sales: 505,756 shares at an average sales price of €32.505 per share.

The total number of shares traded during 2015 in the framework of the liquidity contract thus amounted to 1,027,675 shares, The Company did not pay any trading fees for these transactions.

At 31 December 2015, the Company held 61,995 treasury shares (representing 0.23% of its share capital). Their overall acquisition cost amounted to €1,594,511. Their market value at 31 December 2015 is €1,741,439.

Share buyback program in view of shares cancellation

Saft Group has announced the launch of a program to buy back its own shares pursuant to articles 241-1 and following of the general regulations of the Autorité des marchés financiers (the "AMF") and the European Regulations (EC) 2273/2003 of 22nd December 2003 and authorized shareholders at their Annual General Meeting held on 12th May 2015 under its 6th resolution.

The maximum share to be repurchased is limited by the Annual General Meeting to 10% of the number of shares comprising the share capital this limit includes shares held under the liquidity contract authorized by the 5th resolution the Annual General Meeting of 12 May 2015. Furthermore, the maximum purchase price authorized by this Annual General Meeting is €60 (excluding fees and commissions).

The objective of the buyback program is to cancel the shares purchased by way of reduction in share capital, with the objective of increasing earnings per share by reducing the number of outstanding shares. The cancellation of shares by way of share capital reduction was approved by the 14th resolution of the Combined General Meeting of 12 May 2015.

A mandate was given to Kepler Cheuvreux, a brokerage firm, in order to implement this share buyback program within the following limits:

- amount of funds available to support this program: 60 million euros,

- maximum percentage of share buyback: 2.5 million shares, or about 9% of the share capital of the Company.

At 31 December 2015, 1,445,227 Saft shares have been repurchased for a total value of 39.2 million euros. 1,273,039 of these shares were already canceled through a capital reduction on 18 December 2015.

8.6.4 SHAREHOLDING OF SAFT GROUPE SA

The breakdown of the capital at 31 December 2015 hereinafter was established on the basis of information made known to the Company in application of article L.233-7 of the French Commercial Code and, if any, on the basis of information voluntarily provided by the Company's shareholders:

■ Free float	97.74%
■ Management Board members	0.64%
■ Staff and employees	0.32% (including 0.12% via the FCPE Saft Energy)
■ Treasury stock	1.3%

To the knowledge of the Company and based on the most recent study of the identification of the shareholding conducted on January 12 2016 and adjusted by notification of threshold holding on February 9 2016 by UBS which declared to hold 5,28% of Saft shares, the Group's main shareholders at February 9th 2016 are listed below.

09/02/2016		02/01/2015		31/01/2014	
Harris Associates	8.61%	Harris Associates	8.52%	Harris Associates	8.42%
UBS Group AG	5.28%	Caisse des Dépôts et Consignations	4.13%	Schroeders Investment Mgt	5.98%
Caisse des Dépôts et Consignations	4.25%			Carmignac Gestion	4.34%
				Caisse des dépôts et consignations	4.10%

As of 17 February 2016, we are not aware of any change in the above mentioned shareholdings.

To the Company's knowledge:

- no shareholder other than those listed above owns more than 5% of the capital or voting rights;
- no shareholder was in a position to exercise significant influence over the Group at the date of registration of this document;
- no shareholder agreements or actions in concert exist.

8.6.5 SECURITIES OTHER THAN SHARES

At the date of registration of this document, the Company had not issued any other securities than shares.

8.6.6 STOCK OPTION PLANS

Stock options plan set up as of 31 December 2015 and related figures are described in note 31 of the consolidated financial statements and note 17 to the parent company's financial statements presented in this annual report.

8.6.7 DIVIDENDS

The Company's policy was updated during the announcement of the transformation plan Power 2020 on 18 Novembre 2015.

The amount of the dividend is determined after taking into consideration the Company's capital needs, return on capital, current and future profitability and market practices in terms of dividend distribution, especially in the Group's industry. Saft's target is to pay dividends in the range of 40 to 50% of net income (compared to 30% to 40% of net income previously).

At the Annual General Meeting of 12 May 2015, Saft Groupe SA's shareholders voted an ordinary dividend of €0.82 per share for the 2014 financial year, an increase of 5% over the previous year. They also approved the option for payment of dividends in the form of shares. The issuing price of new shares was set at €31.34 per share. Shareholders representing more than 55% of the share capital choose the payment in the forms of share.

At the Annual General Meeting of 12 May 2016, Saft will propose an ordinary dividend of €0.85 per share.

The dividends paid by the Company for the last three years are:

Financial Year	Date paid	Dividend	Number of shares	Distribution
2012	07/05/2013	€0.75	11,796,394	€8,847,296
2013	11/06/2014	€0.78	12,018,377	€9,374,334
2014	11/06/2015	€0.82	12,082,350	€9,907,527

Unclaimed dividends become State property five years after their initial date of payment.

8.6.8 AUTHORISATIONS IN FORCE IN RELATION TO CAPITAL INCREASES

Outstanding authorisations granted to the Management Board by the Annual General Meeting and allowing for share capital increases (article L.225-100 al. 7 of the French Commercial Code) and share capital reduction:

			Authorised limits		
Authorisation description	Authorisation date	Expiration date	Ordinary shares and securities giving access to share capital (nominal value of the issuance)	Exercise date	Amount used
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	Combined Shareholders' Meeting of 12/05/2014 (17th Resolution)	11/07/2016	Maximum nominal amount of share capital increases that may be carried out immediately or in the future: €9 million	Not used	None
Capital increase by issue of shares and/or securities giving access, immediately or in the future, to the share capital of the Company, without preferential subscription rights, but with a priority term	Combined Shareholders' Meeting of 12/05/2014 (18th Resolution)	11/07/2016	Maximum nominal amount of share capital increases that may be carried out immediately or in the future: €5 million	Not used	None
Capital increase by issue of shares reserved to the members of a company savings plan pursuant to articles L.3332-18 and following of the French Labour Code ("the Labour Code")	Combined Shareholders' Meeting of 12/05/2015 (16th Resolution)	11/07/2017	Maximum nominal amount of the increase(s) which may be accomplished is limited to 3% of the share capital on the date of the decision by the Management Board, this ceiling being independent and separate from the ceilings set by any other authorisations (to increase the share capital).	Not used	None
Capital reduction through the cancellation of treasury shares	Combined Shareholders' Meeting of 12/05/2015 (14th Resolution)	11/11/2016	Limited to 10% of the amount of the share capital	Used in 2015 within a share buyback program followed by cancellation of shares by way of reduction of share capital	2 289 932 shares purchased and cancelled on 29 January 2016

Maximum nominal amount of share capital increases which may be carried out in accordance with the first two authorisations is €12.5 million (19th resolution of the 12 May 2014 Shareholders' Meeting). The maximum nominal amount of the capital increases that may be carried out for the benefit of members of the company savings plan is limited to 3% of the share capital on the date of the decision by the Management Board to increase the share capital (16th resolution of the Shareholders Meeting of 12th May 2015).

Capital increases in relation with stock options plans decided by the Annual General Meeting and implemented by the Company are not mentioned in the above table. Stock option plans are described in note 31 "Share-based payments" to the consolidated financial statements presented in this annual report.

8.6.9 SAFT GROUP CREDIT RATING

The Saft Group is not subject to any external credit rating (or rating) by any financial rating agencies.

9

Annual General Meeting

9.1 OVERVIEW OF KEY RESOLUTIONS

The Annual General Meeting is scheduled for 12 May 2016.

During this meeting, in addition to resolutions on the approval of the parent company and consolidated financial statements and related reports, the following main resolutions will be proposed to shareholders:

- the distribution of an ordinary dividend of €0,85;
- to renew various authorisations for the Management Board, in particular:
  - to increase the shares capital by issuing shares and/or securities carrying rights to shares of the Company, with preemptive subscription rights for existing shareholders (authorised by the 17th resolution of the Annual General Meeting of 12 May 2014 and expiring on 11 July 2016),
  - to increase the shares capital by issuing shares and/or securities carrying rights to shares of the Company, without preemptive subscription rights for existing shareholders but with the obligation for the Board to grant a priority subscription right (authorised by the 18th resolution of the Annual General Meeting of 12 May 2014 and expiring on 11 July 2016),
  - to renew the current authorisation for the Management Board to (i) operate on Group shares out of the liquidity contract and (ii) to reduce the shares capital by cancelling bought back shares. These authorisations, accepted by the Annual General Meeting of 12 May 2015 (6th and 14th resolutions) have been used by the Management Board to launch a share buy-back program on 23 November 2015;
- to give an opinion on the elements of the compensation allocated during the financial year of 2015 to the members of the Board of Directors according to the provisions of the Code Afep-Medef revised in June 2013;
- to authorize the Management Board to grant preference shares of the Company to the members of the Management Board and the SMC in payment of all or part of their variable compensation.

9.2 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

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

SAFT GROUPE SA
12, rue Sadi-Carnot
93170 Bagnolet

To the shareholders,

In our capacity as your company's Statutory Auditors, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R. 225-58 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R. 225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with supporting documentation.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING ON MAY 12, 2016

Agreements and commitments authorized after year end 2015

We have been informed of the following agreements and commitments, authorized by the Supervisory Board after year end 2015:

Benefit payable to Ghislain Lescuyer on the termination of his service:

Executive:

Ghislain Lescuyer, Chairman of the Management Board of Saft Groupe SA.

Type of agreement and purpose:

On January 11, 2016 and according to article L.225-90-1 of the French Commercial Code, the Supervisory Board of Saft Groupe SA decided to provide a benefit in the event that Ghislain Lescuyer leaves the Group.

Terms and conditions:

According to article L.225-90-1 of the French Commercial Code, the benefit will be paid provided that the 5 performance criteria (amount of variable pay, positive net income, level of EBITDA margin, share price, level of cash flows) set out in Ghislain Lescuyer's contract are met. The contract sets out the amount, the terms and conditions of providing such benefit.

In addition, in accordance with the principles set out in the Afep-Medef Code of Corporate Governance, such benefit will only be paid in case of termination or non-renewal of service against his will and in a context of change in ownership or strategy. The benefit will not be due, should the Chairman of the Management Board decide to leave the Group.

Benefit payable correspond to 12 months of Ghislain Lescuyer's total annual compensation (salary and variable pay) increased by 15% per year of service. Benefit will be computed based on the annual salary of the year he leaves the Group and the average variable pay paid during the two years prior to his leaving the Group. Benefit will not exceed 24 months of total annual compensation (salary and variable pay).

This agreement had no impact in 2015.

Justification of the agreement:

The company justifies this agreement as common practice for Management Board members of listed companies, based on an analysis of industry practices.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

We have not been informed of any agreements or commitments approved in prior years by the shareholders' meeting and which remained current during the last year.

Neuilly-sur-Seine and Courbevoie, on February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Françoise Garnier	Juliette Decoux, Éric Schwaller

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Additional information

10.1 DOCUMENTS ACCESSIBLE TO THE PUBLIC

The annual registration documents, including historical financial information relating to the Company, filed with the AMF, are available on the Company's website: www.saftbatteries.com. Copies of the documents may also be obtained at the Company's registered office at 12 rue Sadi Carnot, 93170 Bagnolet.

All the regulated information published by the Company, pursuant to article 221-1 et seq of the AMF's general regulations, is available on the Company's website in the "Investor centre/Regulated information" section.

The Company's articles of association, the minutes of Annual General Meetings, the Statutory Auditors' reports and all other corporate documents may be consulted at the Company's registered office.

Pursuant to article 227-7 of the AMF's general regulations, the list below displays the information disclosed to the public by the Company during the 2015 financial year in order to comply with its obligations relating to the stock exchange regulations. This list is also available on the Company's website and on the AMF's website: www.amf-france.org.

Press Release	
08/01/2015	Saft wins major onboard battery contracts for CNR Changchun's metro trainsets in China's emerging Tier 2 cities
08/01/2015	Saft MRX battery systems help keep Nanjing's new Ningtian Intercity Rail Line running on time.
18/02/2015	Sales growth of 8.7% and solid financial performance in 2014
18/02/2015	Saft's Intensium® Max 20 M Li-ion Energy Storage System to be at heart of Project on Grid Integration of Variable Renewable Energies on remote Japanese island
18/02/2015	Saft Lithium-Ion Battery Energy Storage System Harnesses Solar to Deliver Reliable Power to Arctic Circle Community
18/02/2015	Saft Li-ion Batteries Selected to Power Hawkei Military Tactical Vehicles
19/02/2015	Saft: 2014 Registration Document/annual report available
11/03/2015	Ghislain Lescuyer appointed Chairman of the Management Board of Saft
16/03/2015	Reliable even at -35 °C, Saft batteries will equip Alstom's Stockholm commuter trains
25/03/2015	Saft wins around 10 million dollar energy storage order for critical off-grid solar powered systems serving Qatar's Dukhan Oilfield
26/03/2015	Saft batteries make major breakthroughs in the Asian market for electricity meters
13/04/2015	Saft and Enercon's megawatt-scale energy storage system to help Faroe Islands stabilize its grid while increasing wind power usage
23/04/2015	Solid sales growth of 17.5% for the first quarter of 2015
23/04/2015	Saft receives new €7 million order from Indian telecom operator Reliance Jio
30/04/2015	Saft Groupe joins EnterNext's Tech40
04/05/2015	Marie-Claire Daveu co-opted to Saft Groupe Supervisory Board
13/05/2015	2014 dividend payment
19/05/2015	Saft selected as advanced Li-ion battery supplier to Lockheed Martin team for US Armed Services Joint Light Tactical Vehicle (JLTV) Program
19/05/2015	Saft introduces Xcelion 6T™: the lithium-ion drop-in replacement for lead-acid batteries
08/06/2015	Saft wins new Li-ion regenerative traction battery series production project for Siemens sustainable tram system in Qatar
09/06/2015	Saft Groupe - Results of stock dividend payment offer
09/06/2015	Saft expands its Li-ion solar energy storage portfolio with new Intensium® Home 10M system designed for prosumers

Press Release	
15/06/2015	Zodiac Aero Electric and Saft sign a contract at Paris Air Show to supply batteries for Russia's Irkut MC-21 passenger jet aircraft
15/06/2015	Zodiac Aero Electric and Saft have signed a contract at Paris Air Show to supply batteries for Russia's Irkut MC-21 passenger jet aircraft
15/06/2015	Saft and JSC ISS – Russia's largest commercial satellite company signed new framework contract for lithium-ion batteries at Paris Air Show
22/06/2015	Saft wins first contract with Imtech Marine to power new hybrid ferry owned by CMAL in Scotland
02/07/2015	Saft wins a contract worth over €1 million for onboard batteries on Alstom's London Underground Northern Line metro trains
06/07/2015	Saft batteries will help keep Bombardier Sifang Transportation's trains running on time on China's high speed rail services
08/07/2015	Saft Li-ion battery to power the ExoMars Rover as it searches for life on the red planet
23/07/2015	H1 sales growth of 12.4%. Strong net income increase, up 44.7% at €30.1 million
23/07/2015	Langa Group selects Schneider Electric and Saft for two new solar power plants with energy storage in Corsica
23/07/2015	Saft wins over €20 million additional orders from Reliance Jio for lithium-ion battery systems for telecom base stations across India
24/07/2015	Saft publishes its interim financial report for the first half of 2015
31/08/2015	Saft America receives $6.13 million USABC award for lithium-ion stop-start battery technology development
29/09/2015	Saft's Tadiran batteries to power BrightSource's innovative solar field technology for capturing sun's energy
13/10/2015	Saft and Boeing renew satellite battery Long Term Agreement for lithium-ion GEO satellites
22/10/2015	Sales up by 14.1% as reported and by 3.9% at constant exchange rates in the third quarter of 2015
22/10/2015	Saft signs multi-million dollar Long Term Agreement with Lockheed Martin for telecommunications satellites
02/11/2015	Saft reinforces its leadership in China's smart metering market with two major new orders for over 45 million primary lithium batteries
16/11/2015	Saft Investor Presentation
19/11/2015	Saft signs multi-million euro on-board battery system contract for SNCF's French fleet of TER trains
23/11/2015	Description of share buyback program in accordance with articles 241-1 to 241-6 of the general regulation of the AMF
01/12/2015	Saft awarded multi-million dollar contract from Textron Systems for lithium-ion batteries to power Universal Ground Control Station

10.2 OFFICERS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Responsible for the Registration document

Mr Ghislain Lescuyer, Chairman of the Management Board

Mr Bruno Dathis, Member of the Management Board and Group Chief Financial Officer

Responsible for financial information

Mr Bruno Dathis, Member of the Management Board and Group Chief Financial Officer

Statement by the Officer

We certify that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We certify that, to the best of our knowledge, these financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair value of the assets and liabilities, financial position and the results of operations of the Company and of all the entities included in the consolidation, and that the management report whose content is specified in section 10.6 "Management report cross-reference table" of this annual report, presents a faithful picture of the business trends, earnings and financial position of the Company and of all the entities included in the consolidation, as well as a description of the principal risks and uncertainties they are facing.

We have read the mention made by the auditors in their report included in section 6.6 drawing attention to the matter set out in the notes 6.1 and 10 in the consolidated financial statements regarding the impairment of assets which amounts to m36.4 € at December 31th, 2015.

We obtained an end-of-assignment letter from the Statutory Auditors, stating that they have completed their verification of the information related to the financial position and financial statements provided in the annual report, and their reading of this entire report.

Information included by reference

In accordance with article 28 of the European Commission regulation No. 809/2004 dated 29 April 2004, the following information is included by reference in this annual report:

- the 2013 consolidated financial statements and related Statutory Auditors' report, on pages 97 to 152 of the annual report No. D.14-0073 were registered by the Autorité des marchés financiers on 18 February 2014. 2013 consolidated financial statements have been audited by PricewaterhouseCoopers Audit and Mazars;
- the 2014 consolidated financial statements and related Statutory Auditors' report, on pages 101 to 153 of the annual report No. D.15-0064 were registered by the Autorité des marchés financiers on 18 February 2015. 2014 consolidated financial statements have been audited by PricewaterhouseCoopers Audit and Mazars.

Ghislain Lescuyer

Chairman of the Management Board

Bruno Dathis

Member of the Management Board
and Group Chief Financial Officer

10.3 THE SAFT GROUP AUDITORS AND RELATED FEES

Statutory Auditors

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

Represented by Françoise Garnier
Appointed on: 4 May 2011
End of mandate: AGM 2017

Mazars
61, rue Henri Regnault
92075 Paris-La-Défense Cedex

Represented by Juliette Decoux
Appointed on: 4 May 2011
End of mandate: AGM 2017

Substitute Auditors

Mr Yves Nicolas
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
Appointed on: 4 May 2011
End of mandate: AGM 2017

Mr David Chaudat
61, rue Henri Regnault
92075 Paris-La-Défense Cedex
Appointed on: 4 May 2011
End of mandate: AGM 2017

AUDIT FEES PAID BY THE SAFT GROUP TO STATUTORY AUDITORS AND COMPANIES IN THEIR NETWORK IN 2015, 2014 AND 2013

	PricewaterhouseCoopers Audit						Mazars					
	Amounts			%			Amounts			%		
(in € thousand)	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Audit												
Statutory audit and contractual audits	679	595	652	80.5%	77.3%	76.4%	396	356	354	87.6%	87.0%	89.9%
Parent company	*89*	*89*	*89*	*10.5%*	*11.6%*	*10.4%*	*89*	*89*	*89*	*19.7%*	*21.8%*	*22.3%*
Consolidated subsidiaries	*590*	*506*	*563*	*69.9%*	*65.7%*	*66.0%*	*307*	*267*	*265*	*67.9%*	*65.2*	*66.6%*
Other audit related services	-	-	9	-	-	-	35	35	34	-	-	-
Parent company	-	-	-	-	-	-	*35*	*35*	*34*	-	-	-
Consolidated subsidiaries	-	-	*9*	-	-	-	-	-	-	-	-	-
Sub-total	**679**	**595**	**661**	**80.5%**	**77.3%**	**77.5%**	**431**	**391**	**388**	**95.3%**	**95.6%**	**97.3%**
Other services												
Legal and tax	165	175	192	19.5%	22.7%	22.5%	21	18	11	4.7%	4.4%	2.7%
Sub-total	**165**	**175**	**192**	**19.5%**	**22.7%**	**22.5%**	**21**	**18**	**11**	**4.7%**	**4.4%**	**2.7%**
TOTAL	**844**	**770**	**853**	**100.0%**	**100.0%**	**100.0%**	**452**	**409**	**399**	**100.0%**	**100.0%**	**100.0%**

10.4 REGISTRATION DOCUMENT CROSS REFERENCE TABLE

The cross-reference table below highlights the main information required by European Union regulation No. 809/2004 dated 29 April 2004.

Information		Chapters/Sections	Pages
1	**Persons assuming responsibility for the document**	**10.2**	**196**
2	**Auditors**	**10.3**	**197**
3	**Selected financial data**	**1.1, 1.7**	**6, 7, 20, 21**
4	**Risk factors**	**2**	**25 to 36**
5	**Information about Saft**		
5.1	History and development of the Company	1.1, 8.1, 8.2	6, 7, 176, 177
5.2	Investments		
5.2.1	Main completed investments	5.2.1, 5.2.2, 5.5.1, 6 Notes 6 to 10	95, 96, 99 130 to 137
5.2.2	Main ongoing investments	5.5.1, 5.8.2	99, 101
5.2.3	Main future investments	5.8.2	101
6	**Business overview**		
6.1	Principal activities	1.1, 1.2, 1.4	6 to 9, 11 to 16
6.2	Principal markets	1.1, 1.2, 1.4	6 to 9, 11 to 16
6.3	Exceptional events	5.3.6, 8.2	97, 177
6.4	Dependences	2.1.2, 2.1.4, 2.2.1, 2.4.4	26, 28, 29, 33
6.5	Elements on which all issuer representations regarding its competitive position are based	1.1, 1.4	6, 7, 14, 15
7	**Group chart**		
7.1	Summary description of the Group	1.1	6, 7
7.2	List of subsidiaries	5.14, 6 Note 4, 8.3	103, 104, 129, 178
8	**Property, plant and equipment**		
8.1	Significant existing or planned tangible fixed assets	5.5, 5.8.2	99, 101
8.2	Environmental issues that could influence the use of tangible fixed assets	1.5, 2.5, 3.2, 3.5, 3.6	16, 17, 33 to 35, 38 to 43, 50 to 54
9	**Operating and financial review**		
9.1	Financial condition	5.6, 5.7	99, 100
9.2	Operating results	5.1 to 5.4	92 to 98
10	**Liquidity and capital resources**	**5.6, 6 Notes 2.15, 2.16, 15, 16**	**99, 100, 117 139, 140**
11	**Research and Development, patents and licenses**	**1.2.3, 2.1.2, 5.4**	**9, 26, 27, 98**
12	**Trend information**	**5.12**	**102**
13	**Profit forecasts or estimates**	**n.a.**	
14	**Administrative and management bodies**		
14.1	Members of management and supervisory bodies	1.3, 4.1	10, 11, 56 to 63
14.2	Conflicts of interest	4.1.5, 4.5.2	63, 87 to 89
15	**Remunerations and benefits**	**4.2, 6 Note 31, 7 Note 12**	**64 to 75, 153 to 155, 168**
16	**Management and Supervisory Board practices**	**4.1, 4.3, 4.5**	**56 to 63, 76 to 84, 86 to 89**
17	**Employees**		
17.1	Workforce	1.1, 3.3.1, 3.3.7	6, 43, 44, 47
17.2	Shareholdings, stock options	3.3.4, 4.2.5 to 4.2.8, 4.2.11, 6 Note 31, 7 Note 17	45, 46, 70 to 73, 75, 153 to 155, 169
17.3	Issue of share capital reserved for employees	n.a.	

Information		Chapters/Sections	Pages
18	**Main shareholders**	**1.8, 8.6.4**	**22, 185**
19	**Related-party transactions**	**6 Note 28, 7 Note 16,**	**151, 152, 169**
20	**Financial information containing Saft's assets and liabilities, financial position and profits and losses**	**7**	**160 to 171**
20.1	Historical financial information	7.5	171
20.2	Proforma financial information	n.a.	
20.3	Consolidated financial statements	6	106 to 155
20.4	Auditing of historic annual financial information	6.6, 7.6	156, 157, 172, 173
20.5	Age of latest financial information	31 december 2015	
20.6	Interim and other financial information	n.a.	
20.7	Dividend policy	8.6.7	186
20.8	Legal and arbitration proceedings	2.4, 6 Note 21	32, 33, 146, 147
20.9	Significant change in Saft financial or trading position	5.1 to 5.7	92 to100
21	**Additional information**		
21.1	Share capital	6 Note 16, 7 Note 4 8.6	139, 140, 164, 184 to 186
21.2	Incorporation and articles of association	8.5	180 to 183
22	**Material contracts**	**8.4**	**179**
23	**Third party information, statements by experts and declaration of any interest**	**3.6**	**52 to 54**
24	**Documents available to the public**	**10.1**	**194, 195**
25	**Information on shareholdings**	**5.14, 6 Note 4, 8.3**	**103, 104, 129, 178**

n.a. not applicable.

10.5 ANNUAL FINANCIAL REPORT CROSS REFERENCE TABLE

This document includes all the elements of the annual report as referred to in Articles L.451-1-2 to the Monetary and Financial Code and Article 222-3 of the General Regulations of the AMF.

Information	Chapters/Sections	Pages
Declaration by the person responsible	10.2	196
Management Board report	See the cross-reference table of the Management Board report in section 10.6 of this Registration document	
Parent company Financial Statements	7.1 to 7.5	160 to 171
Consolidated financial statements	6.1 to 6.5	106 to 155
Statutory Auditors' report on the parent company Financial Statements	7.6	172, 173
Statutory Auditors' report on the consolidated financial statements	6.6	156, 157

10.6 MANAGEMENT REPORT CROSS REFERENCE TABLE

The cross-reference table below highlights the financial information required in the management report *(rapport de gestion)* as per articles L.225-100 to L.225-100-3, L.225-211 al.2, L.232-1 and R.225-102 and seq., of the French Commercial Code *(Code de Commerce)*.

Information	Chapters/Sections	Pages
Activity and results		
Summary of activities of the Group during the past year, uncertainties and future prospects	Chairman's message 5.1 to 5.12	3 92 to 102
Presentation of activities of the Group by business segment, the results of these activities, progress made and difficulties encountered	5.2	93 to 96
Activity of Group subsidiaries and controlled companies	5.14	103, 104
Analysis of business trends, results and the financial situation of the Group	5.1 to 5.12	92 to 102
Financial and non-financial key performance indicators	1.1, 1.7, 1.8	6, 20 to 24
Information on the use of financial instruments	2.3, 6 Note 3	31, 32, 122 to 128
Research and Development activities	1.2.3, 2.1.2, 5.4	9, 26, 27, 98
Significant events that occurred between the closing date and the time of writing the management report	5.12.1, 6 Note 32	102, 155
Changes made to the presentation of annual and/or Consolidated Financial Statements	6 Notes 2.1 and 2.2	112
Information on social and environmental impact		
Social information	3.1, 3.3 to 3.5	38, 43 to 51
Environmental information	3.1, 3.2, 3.5	38 to 43, 50, 51
Information on risks		
Risk factors	2	25 to 36
Equity investments		
Significant equity investments during the past year in companies registered in France	5.10, 6 Note 5	101, 129
Subsidiaries and affiliates	5.14, 6 Note 4, 8.3	103, 104, 129, 178
Information on share capital and shareholding		
Information on shareholding	1.8, 8.6.4	22, 23, 185
Transactions on Company's shares and share buyback programs	5.7, 5.8.1, 6.4, 6 Note 16, 7 Note 4, 8.6.1, 8.6.2	100, 110, 139, 184
Dividends and other revenue distribution over the last three years	1.8, 8.6.7	22, 186
Evolution of share price	1.8	23
Stock options granting and exercising conditions set by the Supervisory Board to the Management Board members	4.2.2	65, 66
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List of corporate office mandates	4.1.1, 4.1.2	56 to 63
Remunerations and benefits in kind granted to corporate officers	4.2	64 to 75
Transactions on Company's shares by Board members and their relatives	4.2.11	75
Other information		
Information that may have an impact in the event of a public offer (article L.225-100-3 of French Commercial Code)	4.3.2 b)	81
Appendices		
Five-year financial summary	7.5	171
Special report of Statutory Auditors on stock option plans granted to corporate officers and employees	n.a.	
Report of the Chairman of the Supervisory Board about governance and internal control	4.4	85
Authorisations and powers granted by the Annual General Meeting to the Management Board with respect of share capital increase	8.6.8	187

n.a. not applicable.

10.7 CROSS-REFERENCE TABLE FOR ENVIRONMENTAL, SOCIAL AND CORPORATE SOCIAL INFORMATION

Articles R.225-102-1 and R.225-105 of the French Commercial Code *(Code de Commerce)*.

Cross-reference table for social and environmental information	Chapters/Sections	Pages
Environmental information		
General environmental policy	**1.5, 3.1, 3.2.1**	**16, 17, 38, 39**
Company organization in order to take into account environmental subject and, if necessary, process of assessment or certification on environmental subject	3.5, 3.2.1	50, 51, 38, 39
Training and information for employees about environmental protection	3.2.1	38, 39
Resources allocated to environmental risk and pollution prevention	3.2.1, 3.2.5	38, 39, 40, 41
Reserves and guarantees for environmental risks, subject to this information could not be seriously prejudicial to company in a ongoing litigation	3.2.9, 6 Note 21	42, 146
Pollution and waste management		
Prevention, reduction and correction of waste released into the air, water and ground with severe environmental consequences	3.2.5, 3.2.7, 3.2.8, 3.2.11	40, 41, 42, 43
Prevention of waste production, recycling and waste disposal	1.5, 3.2.4, 3.2.5, 3.2.7, 3.2.9	16, 17, 39, 40, 41, 42
Recognition of noise pollution and any pollution specific to an activity	3.2.5	40, 41
Sustainable use of resources		
Water consumption and supply depending on local constraints	3.2.5, 3.2.7, 3.2.10	40, 41, 42
Raw material consumption and measures to improve efficiency in use	3.2.5, 3.2.7, 3.2.10	40, 41, 42
Energy consumption, measures taken to improve energy efficiency and the use of renewable energy	3.2.5, 3.2.7, 3.2.10	40, 41, 42
Land use	3.2.10	42
Global warming		
Greenhouse gas emissions	3.2.5, 3.2.7, 3.2.11	40, 41, 42, 43
Recognition of the impact of climate change	3.2.11	43
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Employment		
Total and breakdown of employees by sex, age and geographical area	3.3.1 3.3.7	43, 44, 47
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Work time organisation	3.3.3	45
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Occupational health and safety		
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Review of agreements with trade unions or employee representatives on health and safety at work	3.3.5	46
Accidents, including their frequency and severity, and occupational diseases	3.3.6	46
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Measures for gender equality	3.3.2	44, 45
Measures to promote employment of disabled people	3.3.2, 3.3.7	44, 45, 47
Policy against discrimination	3.3.2	44, 45

Cross-reference table for social and environmental information	Chapters/Sections	Pages
Industrial Relations		
Organization of industrial relations, including information procedures and negotiation with staff	3.3.5	46
Collective bargaining agreements	3.3.5	46
Promotion and respect of provisions of the ILO core conventions relating to:		
■ freedom of association and the effective recognition of the right to collective bargaining	3.3.5, 3.4.5	46, 49
■ elimination of discrimination in respect of employment and occupation	3.3.2, 3.4.1, 3.4.5	44, 45, 48, 49
■ elimination of all forms of forced or compulsory labour	3.4.1, 3.4.3, 3.4.5	48, 49
■ effective abolition of child labour	3.4.1, 3.4.3, 3.4.5	48, 49
Information about social commitments in favor of sustainable development		
Territorial impact, economic and company's social activities		
Employment and regional development	3.4.2	48
On local populations	3.4.2	48
Relationships with persons or organizations interested in the business of the Company, including associations, educational institutions, consumer associations and locals		
Conditions of dialogue with these people or organizations	3.4.2	48
Share of partnership or sponsorship	3.4.2	48
Subcontractors and suppliers		
Taken into account in the procurement policy of social and environmental issues	3.4.3	49
Importance of outsourcing and taking into account relations with suppliers and subcontractors for their social and environmental responsibility	3.3.2	49
Social and environmental responsibility in relationships with suppliers and subcontractors		
Fairness of practices		
Measures to prevent corruption	3.4.1	48
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Design & published: LABRADOR +33 (0)1 53 06 30 80

Cover: PUBLICORP

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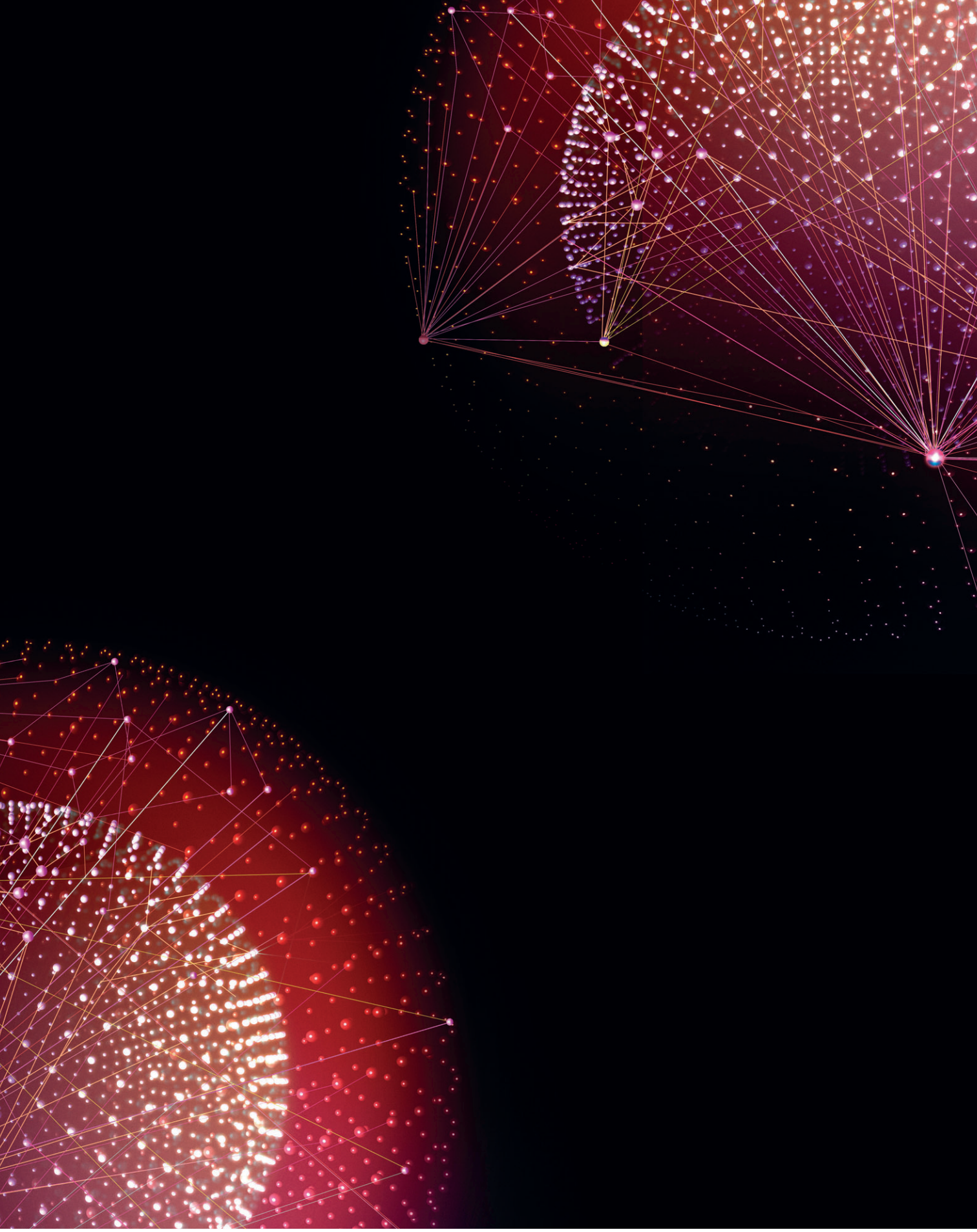

Saft Groupe SA
12, rue Sadi Carnot
93170 Bagnolet - France
Tél. : + 33 (0)1 49 93 19 18

www.saftbatteries.com

French Limited Company with a share capital of €26,501,372
Registration number: RCS Bobigny 481 480 465