THALES

Neuilly-sur-Seine, 26 February 2009

THALES: MARKED INCREASE IN ORDER INTAKE AND REVENUES IN 2008

SOLID FINANCIAL PERFORMANCE CONFIRMED

- **Revenues: €12.7bn, organic[1] growth of 8%**
- **Order intake: €14.3bn, record organic growth of 14%, with 10 orders worth more than €100m each**
- **EBIT[2]: €877m, an organic increase of 15%** (+2% nominal) to **6.9% of revenues,** despite impact of A400M and ticketing programmes
- **Net income, Group share[2]: €650m** (compared with €1,008m, including capital gains of €432m, in 2007)
- **Sound financial position, very limited debt**

Key figures 2008 *(in millions of euros)*	**2008**	**2007 restated[3]**	Total change	***Organic change***
Order intake	**14,298**	***13,024***	*+10%*	***+14%***
Order book at 31 December	**22,938**	***22,675***	*+1%*	***+6%***
Revenues	**12,665**	***12,504***	*+1%*	***+8%***
EBIT[2]	**877**	***857***	*+2%*	***+15%***
As % of revenues	***6.9%***	***6.9%***		
Net income, Group share[2]	**650**	***1,008***		
Net debt at 31 December	**456**	***291***		

[1] In this release, "organic" signifies "on a like-for-like basis and with constant exchange rates". Unless stated otherwise, all percentage changes mentioned in this release are organic changes.

[2] Results before adjustment for purchase price allocation (PPA). PPA reduced EBIT by €-125m and reduced net income by €-90m as detailed in appendix. In view of these adjustments, net income, Group share stood at €560m at end-2008, compared with €887m at end-2007.

[3] "Restated" amounts for the 2007 financial year include the Q1 figures for the Space businesses acquired from Alcatel-Lucent. These businesses were consolidated from 1 April in the published 2007 figures.

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

At the meeting of the Board of Directors held on 26 February 2009 to close Thales financial statements for 2008, Denis Ranque, Chairman and CEO declared: *"In an environment marked by a combination of major challenges, Thales has confirmed its solid performance in 2008, with revenues increasing by 8% on an organic basis, an order book worth almost two years of revenues and a consolidated profitability. Thanks to its good positioning on its 3 business segments, Thales can today pursue a growth and investment strategy combining watchfulness and flexibility."*

Revenues

Consolidated revenues stood at **€12,665m** at 31 December 2008 compared with €12,296m at 31 December 2007 (and €12,504m in the restated figures), corresponding to organic growth of **+8%**. The impact of **exchange rate fluctuations** on revenues amounted to €-519m and mainly involved conversion into euros of the revenues of subsidiaries outside the euro zone. The main fluctuations were the fall in the pound sterling (€-268m) and the US dollar (€-155m) against the euro. Changes in the scope of consolidation[1] correspond to a net deconsolidation of revenues of €258m.

Revenues 2008 ***(in millions of euros)***	**2008**	*2007 published*	***2007 restated***	*Total change vs restated figures*	***Organic change***
Aerospace & Space	**4,141**	*3,581*	**3,789**	*+9%*	***+14%***
Defence	**5,447**	*5,186*	***5,186***	*+5%*	***+9%***
Security	**2,990**	*3,131*	***3,131***	*-4%*	***-2%***
Others and divested businesses	*87*	*398*	*398*	*ns*	*ns*
Consolidated revenues	**12,665**	*12,296*	**12,504**	***+1%***	***+8%***

The **Aerospace & Space** segment recorded revenues of €4,141m, an increase of 14% from 2007. In civil aerospace, sales of avionics for Bombardier and Sukhoi regional aircraft increased, as did sales of in-flight entertainment (IFE) systems for new aircraft and support services for the installed base of IFE systems. Airbus sales remained virtually unchanged from the year before. In military aerospace, sales of combat systems and electronic warfare systems (*Rafale* and *AEW Greece* programmes) were higher, in contrast with deliveries on helicopter programmes (*NH90* and *Tiger*) and delays on certain programmes (*A400M*).

[1] Mainly the sale to DCNS of Thales's surface naval businesses in France, effective 31 March 2007, the sale of interests in Protac and Bayern Chemie, deconsolidated from 1 July 2007, the interest in FACEO, deconsolidated from 1 October 2007, and the sale of the company's payment solutions business to the US group Hypercom at the beginning of 2008.

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

Sharp growth in space revenues reflects the high level of orders booked in 2007, with a steady increase in sales of telecommunication satellites and despite a slight decrease in observation satellites.

In the **Defence** segment, revenues were 9% higher than in 2007. The strongest increase in revenues was in the Naval business — with steady growth in naval services and increased activity on the *CVF* aircraft carrier programme in the United Kingdom, the *FREMM* frigate programme and the *ALFS* sonar programme for the US Navy — and in Land & Joint Systems, with continued growth in optronics (after the high order intake in 2007) and the success of the *Bushmaster* armoured vehicle. Sales by the Air Systems business remained stable, reflecting contractual milestones on ongoing programmes (including the full system test sign-off of NATO's air command and control system, ACCS LOC 1).

Security revenues were 2% lower than in 2007 as Thales refocused its security businesses. Higher revenues in rail signalling (particularly in the United Arab Emirates, Turkey and Algeria), critical information systems and special components (mainly for medical imaging) did not offset lower sales of simulators and security systems, which were particularly high in 2007 (*Rafale* contract in France, *Etisalat* contract in Saudi Arabia). Revenues in the ground transportation business were impacted by the problems on certain large-scale ticketing programmes, which led to delayed billings on these ongoing contracts.

Consolidated revenues by destination at 31 December 2008

2008 revenues ***(in millions of euros)***	**2008**	**2007 restated**	*Total change vs restated figures*	***Organic change***	**2008 (%)**
France	3,165	3,176	-0%	+4%	25%
United Kingdom	1,556	1,585	-2%	+14%	12%
Other European countries	3,302	3,370	-2%	+2%	26%
Total Europe	**8,023**	**8,131**	**-1%**	**+5%**	**63%**
Asia–Pacific	1,710	1,689	+1%	+10%	14%
North America	1,190	1,251	-5%	-1%	9%
Near and Middle East	1,134	881	+29%	+30%	9%
Rest of world	608	552	+10%	+14%	5%
Total outside Europe	**4,642**	**4,373**	**+6%**	**+12%**	**37%**
Consolidated revenues at 31 December	**12,665**	**12,504**	**+1%**	**+8%**	**100%**

Europe accounted for close to two-thirds of revenues in 2008, with particularly strong growth in the United Kingdom for Aerospace & Space (UAV systems) and Defence (land systems). In the Near and Middle East, revenues were markedly higher, not only in Defence but also in Aerospace & Space, with the *Yahsat*

NEWS
DIRECTION DE LA COMMUNICATION I CORPORATE COMMUNICATIONS
45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

satellite contract in the United Arab Emirates. Revenue growth in Asia-Pacific was mainly driven by Aerospace & Space (IFE systems in China, Korea and Malaysia) and Security (signalling for the Beijing and Shanghai metros).

Order intake

New orders booked during the year amounted to **€14,298m** compared with €12,856m in 2007 (and €13,024m in the restated 2007 figures), corresponding to an organic increase of 14%. The book-to-bill ratio stood at 1.13 compared with 1.04 at end-2007. This favourable development reflects both the increase in orders with a unit value of less than €100m, which grew by 4% overall, and ten major orders worth over €100m, for a total of more than €2,300m, including the aircraft carrier contract for the Royal Navy (*CVF*), air defence support services in the United Kingdom *(ADAPT)*, signalling and communication systems for the *Levante Corridor* high-speed rail link in Spain, the *FSTA* tanker aircraft programme in the United Kingdom and the *Lorads III* air traffic management programme in Singapore.

2008 order intake ***(in millions of euros)***	**2008**	2007 published	**2007 restated**	*Total change vs restated figures*	***Organic change***	**Book-to-bill**
Aerospace & Space	**4,184**	4,014	**4,182**	*+0%*	***+2%***	**1.01**
Defence	**6,511**	5,467	**5,467**	*+19%*	***+23%***	**1.20**
Security	**3,536**	3,077	**3,077**	*+15%*	***+16%***	**1.18**
Others and divested businesses	*67*	*298*	*298*	*ns*	*ns*	
Consolidated order intake	**14,298**	12,856	**13,024**	***+10%***	***+14%***	**1.13**

For the first time ever, Thales booked more orders in the **United Kingdom** (€2,755m) than in **France** (€2,660m).

In the **Aerospace & Space** segment, order intake reached €4,184m, an increase of 2%, driven by markedly higher orders in military aerospace (the *FSTA* programme in the United Kingdom) and growth in support business for the *Rafale* and *Mirage 2000* programmes. Civil aerospace orders fell only slightly from the high level achieved in 2007, with stable Airbus orders and higher orders for support services offsetting lower order intake for IFE. By contrast, order intake by the Space business fell by 11%, with business for commercial satellites (*Rascomstar*) and institutional programmes (*ExoMars, Galileo*) failing to offset the relative weakness in military satellite orders.

NEWS

DIRECTION DE LA COMMUNICATION I CORPORATE COMMUNICATIONS

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

New **Defence** orders rose sharply to €6,511m (a +23% increase from 2007), particularly as a result of the *CVF* (€629m) and *ADAPT* (more than €210m) contract awards. The book-to-bill ratio for the Defence segment stood at 1.20 at end-2008. Order intake by the Naval businesses was particularly strong in 2008, with contracts not only for the *CVF* programme but also for several major export programmes: *FREMM* in Italy and Morocco, *ALFS* sonars in the United States and corvettes in Morocco. The order book for the Naval business is now equivalent to almost three years of revenues. New orders for the Land & Joint Systems business remained virtually unchanged, with the success of the *Bushmaster* vehicle in Australia and the first export contract for software-defined radio. New optronics orders were lower than in 2007, when order intake was particularly high. Strong growth in order intake in the Air Systems business was driven by the *ADAPT* contract in the United Kingdom, the *Lorads III* programme in Singapore, several air traffic control systems for export customers and the first orders for the new *GM400* radars.

In the **Security** segment, order intake accelerated in the second half and amounted to €3,536m at year-end (+16% higher than in 2007), particularly as a result of several major contracts in the rail transportation sector (London Underground, Rail North bypass in Algeria, *Levante Corridor* high-speed rail link in Spain, *Manchester Metrolink* in the United Kingdom). In critical information systems, new domestic business was brisk in France and the United Kingdom, while new orders for simulators and information system security decreased as a result of softer demand from airlines and banks. In 2008, the security systems business booked the *Critical Workers Identity Card (CWIC)* contract, which is the first contract for the United Kingdom's National Identity Scheme (*NIS*), as well as two security contracts for oil facilities in the Middle East. Orders of special components were markedly higher due to buoyant demand for space and medical applications.

At 31 December 2008, the consolidated order book stood at €22,938m, equivalent to 22 months of revenues.

Results

EBIT[1] amounted to **€877m**, a nominal increase of 2% over 2007 (€857m) but an increase of 15% on a like-for-like basis and with constant exchange rates, with exchange rate fluctuations alone accounting for a negative impact of €-74m. Like the year before, EBIT[1] stood at **6.9%** of revenues despite the exceptional charge of €60m booked in the second half for the flight management system on the *A400M*.

The **Aerospace & Space** segment recorded EBIT[1] of **€203m**, increasing by 10% from the year before but representing **4.9%** of revenues, down from 6.3% in 2007. The profitability of the Aerospace business was

[1] Before impact of purchase price allocation

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

impacted by problems on the *A400M* programme and the high level of self-funded R&D for new civil aircraft, including the A350. By contrast, the profitability of the Space business improved substantially as a result of the higher volume of business and gains from productivity programmes. For the segment as a whole, exchange rate fluctuations eroded margins by approximately €50m.

The **Defence** businesses performed very satisfactorily, with EBIT[1] amounting to **€532m**, representing a record level of **9.8%** of revenues, compared with 8.2% in 2007. This good performance reflects a combination of smooth programme delivery, effective control of indirect costs and very low restructuring costs.

In the **Security** segment, EBIT[1] stood at **€159m** compared with €198m in 2007, representing **5.3%** of revenues compared with 6.3% in 2007. The Security businesses were impacted by the difficulties encountered on complex ticketing contracts in the first half, with financial performance negatively impacted as a result, despite effective control of indirect costs and stronger performance in rail signalling and critical information systems. Financial performance showed a marked improvement in the second half.

Net financial expense amounted to **€-102m**, up from 2007 levels, due in particular to a higher cost of hedging strategies in a year of high volatility in foreign exchange markets. The **other components of pension charges** amounted to **€-11m**, compared with a positive figure of €65m in 2007, which included the exceptional impact of curtailments and settlements of some schemes negotiated in the United Kingdom in particular. **Equity in unconsolidated affiliates**[1] increased to **€66m** from €47m in 2007, particularly as a result of the full-year inclusion of Thales's 25% interest in DCNS.

Net income, Group share[1] amounted to **€650m** (compared with €1,008m in 2007, which included capital gains of €432m) after an income tax charge[1] of €145m, compared with €217m in 2007.

Financial situation at 31 December 2008

In 2008, Thales generated **free operating cash flow**[2] of **€377m** compared with €460m in 2007. At 31 December 2008, **net debt** stood at **€456m**, compared with €291m at 31 December 2007. **Shareholders' equity (excluding minority interests)** amounted to **€3,949m** compared with €3,881m at end-2007. In addition, Thales has access to confirmed, undrawn bank credit lines for an amount of €1,500m maturing at end-2011 with no prepayment provisions linked to ratings or financial covenants.

[1] Before impact of purchase price allocation

[2] Operating cash flows plus changes in working capital requirement (WCR) and reserves for contingencies less payment of pension benefits (excluding deficit payments on pensions in the United Kingdom) less tax

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

Recent events

In a statement on 19 December 2008, Alcatel-Lucent and Dassault Aviation announced the signing of the "*definitive agreement regarding the acquisition by Dassault Aviation of Alcatel-Lucent's shares in Thales, namely 41,262,481 shares. This transaction will be based on a price of €38 per share, representing a total value of about €1.57 billion. The closing of the transaction, foreseen for spring 2009, is in particular subject to regulatory and administrative approvals, of which those relative to antitrust.*"

In a statement issued the same day, the French State and Dassault Aviation announced the signing of "*an agreement paving the way for Dassault Aviation to acquire Alcatel-Lucent's stake in Thales, joining the French government as core shareholder in Thales*. (…) *Relations between the French government and Dassault Aviation will be governed by a shareholders' agreement virtually identical to the current agreement between the French government and Alcatel-Lucent, under which the French government maintains a dominant position in relation to Dassault Aviation. (…) The move also underlines the confidence of the French government and Dassault Aviation in Thales's strategy, which is based on a strong international industrial presence and the development of both civil and military products, guaranteeing [the company's] international development.*"

Proposed dividend

In view of the results for 2008, the business outlook in the company's main markets and the caution required as a result of the severe deterioration in the global economic context, the Board of Directors will propose that the General Meeting of Shareholders of 19 May 2009 approve a dividend of **€1.05 per share**, an increase of 5% from the previous year. If approved, the dividend will be paid detached on 1 June 2009 (ex-dividend day: 27 May 2009).

Outlook for 2009

With a strong order book and the large majority of its customers being governments and institutions, which are more resilient to economic fluctuations than others, the company intends to maintain an order book worth the equivalent of close to two years of revenues in order to pursue its growth despite current economic uncertainties. Thales also intends to maintain its drive to increase productivity, particularly by

NEWS

DIRECTION DE LA COMMUNICATION I CORPORATE COMMUNICATIONS

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

improving programme management and organisational efficiency through the Optimum 2011 programme, which is expected to generate full-year cost savings of €200m by 2011.

After the strong organic revenue growth of 2008, Thales expects to achieve organic growth of between 3% and 5% in 2009 (corresponding to an average annualised growth rate of between 5.5% and 6.5% for 2008 and 2009). Despite the severe deterioration in the economic context, Thales also aims to maintain or improve its EBIT margin, assuming a level of restructuring costs potentially as high as 0.75% of revenues, depending on developments in the company's main markets.

Press contacts

Christophe Robin / Caroline Philips

Thales, Corporate Communications

Tel: +33 (0)1 57 77 86 26

Investor contacts

Jean-Claude Climeau / Eric Chadeyras

Thales, Investor Relations

Tel: +33 (0)1 57 77 89 02

THALES

APPENDIX

Impact of purchase price allocation (PPA)

in millions of euros	**2008** excl. PPA	**Impact of PPA***	**2008** published
Cost of sales	-9,905	-15	-9,920
Amortisation of intangible assets acquired	-	-110	-110
EBIT	**877**	**-125**	**752**
Income tax	-145	42	-103
Equity in income of unconsolidated affiliates	66	-8	58
Net income, Group share	**650**	**-90**	**560**

***PPA: Purchase Price Allocation

Restated 2007 figures: impact of inclusion of Space business for Q1 2007

in millions of euros		**2007 restated**	**Space Q1 2007**	**2007**
Order intake		13,024	168	12,856
Revenues		12,504	208	12,296
Gross margin		2,818	38	2,780
	as % of revenues	23%	18%	23%
Self-funded R&D		-451	-8	-443
	as % of revenues	4%	4%	4%
Marketing and sales expenses		-853	-12	-841
	as % of revenues	7%	6%	7%
General and administrative expenses		-577	-17%	-560
	as % of revenues	7%	8%	5%
Restructuring costs		-80	-2	-78
	as % of revenues	**1%**	**1%**	**1%**
EBIT		**857**	**-1**	**858**
	as % of revenues	**6.9%**		**6.9%**

NEWS

DIRECTION DE LA COMMUNICATION I CORPORATE COMMUNICATIONS

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 -
www.thalesgroup.com

Order intake by destination

in millions of euros	**2008**	**2007 restated**	*Total change*	*Organic change*	**2008 (%)**
France	2,660	2,384	12%	16%	19%
United Kingdom	2,755	1,372	101%	130%	19%
Other European countries	3,409	3,384	1%	4%	24%
Total Europe	**8,824**	**7,140**	**24%**	**30%**	**62%**
North America	1,223	1,280	-4%	-1%	9%
Asia-Pacific	2,032	1,876	8%	16%	14%
Near and Middle East	906	1,680	-46%	-48%	6%
Rest of world	1,147	567	102%	107%	8%
Total outside Europe	**5,308**	**5,403**	**-2%**	**2%**	**37%**
Others	166	481	ns	ns	ns
Order intake	**14,298**	**13,024**	**11%**	**14%**	**100%**

Order book by destination

in millions of euros	**2008**	**2007**	*Total change*	*Organic change*
France	5,795	6,268	-8%	-7%
United Kingdom	3,841	3,551	8%	37%
Other European countries	5,607	5,495	2%	3%
Total Europe	**15,243**	**15,314**	**-0%**	**5%**
North America	1,243	1,194	4%	6%
Asia-Pacific	2,863	2,845	1%	11%
Near and Middle East	2,125	2,405	-12%	-11%
Rest of world	1,464	917	60%	62%
Total outside Europe	**7,695**	**7,361**	**5%**	**9%**
Total order book	**22,938**	**22,675**	**1%**	**7%**

45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com

THALES

Order book by segment

in millions of euros	**2008**	**2007**	*Total change*	*Organic change*
Aerospace & Space	**7,020**	**7,222**	*-3%*	***+1%***
Defence	**10,800**	***10,406***	*+4%*	***+9%***
Security	**5,080**	***4,986***	*+2%*	***+10%***
Others and divested businesses	*38*	*61*	-	-
Total	**22,938**	**22,675**	***+1%***	***+7%***

NEWS
DIRECTION DE LA COMMUNICATION I CORPORATE COMMUNICATIONS
45, rue de Villiers, 92526 Neuilly sur Seine Cedex - France - Tel.: +33 (0) 1 57 77 86 26 - Fax: +33 (0) 1 57 77 87 44 - www.thalesgroup.com