

Thales: strategic prospects and proposed new organisation

Neuilly-sur-Seine, 11 December 2009 – The Board of Directors of Thales (NYSE Euronext Paris: HO) met under the chairmanship of Luc Vigneron on 10 December 2009 and reviewed the Group's strategic prospects.

A comprehensive review of the company's activities has been performed over the last few months. It has confirmed the wealth of Thales's technological portfolio, the quality of its staff throughout the world and the robustness of its customer base, and this has enabled Thales to overall withstand the world economic downturn well. However, important difficulties on several aerospace and security programmes have strongly impacted operational profitability and highlighted the necessity for a profound transformation of the operating processes used by the Group.

Against this backdrop, and as the global environment continues to show depressed air traffic, government budgetary constraints and a weak dollar against the euro, Luc Vigneron presented his initiatives to bring Thales's operational performance closer to that of its European competitors and thereby strengthen the profitable growth of the Group in the medium term:

1. A systematic and comprehensive action to strengthen the control over bids and programme management
2. A performance plan, from which Thales expects a productivity improvement of €1.3bn over the next 5 years. This productivity effort is a prerequisite to keep the Group's competitiveness and will mobilise everyone within the company. It will aim at:
 - Bringing down the non-quality costs and increasing customer satisfaction, in order to align the whole Group to the levels achieved by its best-performing units,
 - Raising the efficiency of engineering, industrialisation, supply chain and information systems,
 - Significantly decreasing the overhead costs.
3. A simplification of the organisation and management structures in order to foster reactivity, particularly on export markets

These initiatives will be deployed throughout the Group in the coming months.

The Board of Directors endorsed the strategy and the transformation initiatives presented by Luc Vigneron.

Luc Vigneron then presented the proposed new organisation of the Group, which will be formally communicated to employee representatives. In order to simplify Thales's operations and foster transverse synergies and commercial reactivity, the proposed new organisation would be structured around three large regions and seven divisions. The three regions would be responsible for their profit and loss account and the seven divisions would be in charge of research & development, product policy and industrial policy worldwide.

Finally, Luc Vigneron announced the composition of the management team on which he will rely to lead the implementation of these actions.

Luc Vigneron, Chairman and Chief Executive Officer of Thales declared:

"With the support of our shareholders and Board of Directors, and around a renewed management team, we resolutely intend to implement the actions for the transformation of Thales, which are aiming at a better control of our bids and programmes, an improved productivity and a simpler organisation. Better performing, more efficient, more reactive, Thales will have the necessary room for manoeuvre to pursue its development and come back to profitable growth."

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