

Thales: Revenues and order intake at 31 March 2010

- **Revenues: €2.5 billion**, an increase of **8%** (+5% on an organic¹ basis)
- **Order intake: €2.4 billion**, up **+5%** (+4% organically¹)
 - **Sustained growth of Defence & Security² orders; flat orders in Aerospace & Transport²**
 - **Strong performance of UK and US units; weaker French operations**
 - **Order book exceeding €25 billion**

Neuilly-sur-Seine, 10 May 2010 – Thales (NYSE Euronext Paris: HO) today released its revenue and order intake figures for the first quarter to 31 March 2010.

Key figures at 31 March (in millions of euros)	Q1 2010	Q1 2009	Total change	Organic change
Order intake	2,366	2,248	+5%	+4%
Revenues	2,479	2,303	+8%	+5%

As usual, attention is drawn to the fact that seasonal variations in the company's activity limit the significance of figures referring to a single quarter. Quarterly variations in revenues and order intake cannot be extrapolated and may differ markedly from the trends over a longer period, as billing schedules are to a large extent contingent upon the achievement of specific technical milestones on each contract. This comment is even more relevant when examining quarterly figures in a single business or region.

Order intake

New order intake for the first quarter of 2010 stood at **€2,366 million**, representing a increase of 4% in organic terms compared with the same period of 2009. The book-to-bill ratio stood at 0.95 at 31 March 2010.

The order intake figure includes only two orders with unit values greater than €100 million — one in-flight entertainment contract for an undisclosed customer and an integrated logistics contract for the Watchkeeper UAV programme in the UK. Orders with a unit value of less than €100 million, which had been most affected by the economic environment in 2009, showed an upturn in the first quarter of 2010.

¹ In this press release, "organic" means "on a like-for-like basis with constant exchange rates". **Unless stated otherwise, all percentage changes mentioned in this release are organic changes.**

² Please refer to appendix for the definition of the new business sectors.

At 31 March 2010, the consolidated order book stood at €25,015 million, stable in organic terms compared with 31 December 2009, and represents about 23 months of revenues.

Order intake by area

Order intake Q1 2010 by area (in millions of euros)	Q1 2010	Q1 2009	Total change	Organic change	Book-to-bill
Area A	919	425	+116%	+101%	1.01
Area B	516	544	-5%	-6%	1.04
France	931	1,278	-27%	-27%	0.86
Others and divested revenues	-	1			
Consolidated order intake	2,366	2,248	+5%	+4%	0.95

In **Area A**, order intake stood at €919 million, roughly double the level achieved in the first quarter of 2009. Order intake was particularly high in the United Kingdom, and included the integrated logistics contract for the Watchkeeper UAV programme, as well as further work on the CVF aircraft carriers and the Manchester Metrolink urban transport project. The large order for in-flight entertainment systems mentioned above boosted the performance of United States-based operations, while the Netherlands also posted higher order intake on the back of several new naval contracts.

Area B orders decreased by –6% to €516 million, compared with €544 million for the first quarter of 2009, when Spain had booked major orders in signalling systems for domestic high-speed rail lines, despite export successes including the Ankara-Istanbul contract in Turkey. Orders were also down in Germany, primarily as a result of lower domestic orders in signalling and reduced volumes on A380-related activity. Italy, however, registered excellent growth driven by several space orders (prime contractorship for the integration and deployment of the Galileo constellation as well as additional work on other institutional programmes).

In **France**, orders decreased in the first quarter to €931 million, down 27% in organic terms compared with the same period of 2009, when several major orders had been booked by French units (a satellite system for Eutelsat, the Mexico City urban security contract and sonar systems for Singapore). A good flow of smaller orders was nevertheless recorded in optronics, defence communications, avionics for military helicopters and civil radars.

Order intake by business

Order intake Q1 2010 by business (in millions of euros)	Q1 2010	Q1 2009	Total change	Organic change	Book-to-bill
Defence & Security	1,277	1,162	+10%	+7%	0.92
Aerospace & Transport	1,074	1,067	+1%	-0%	1.00
Others and divested revenues	15	19	NS	NS	
Consolidated order intake	2,366	2,248	+5%	+4%	0.95

Defence & Security order intake was 7% higher than in the first quarter of 2009 and reached €1,277 million. Growth in order intake was particularly strong in mission systems, with the Watchkeeper integrated logistics and the CVF contracts. Land defence order intake was also higher, with several new optronics orders, and air operations activities benefited from civil radars orders in Asia. In sharp contrast, order intake by the defence and security C4I activities was significantly lower, as orders for protection systems fell short of the level reached in the first quarter of 2009 (which included the Mexico City urban security contract); and critical information systems activities continued to be affected by the economic environment.

Aerospace & Transport orders amounted to €1,074 million, a 1% increase compared with the same period of last year. Despite a significant order for the Galileo system from the European Space Agency, space orders declined markedly compared to the first quarter of last year, which included a major order from Eutelsat and several contracts in the Middle East. Transport orders were also down, mainly because the large-scale signalling contracts for high-speed rail lines in Spain were not repeated this year. On the other hand, avionics orders increased significantly following the major IFE order for an undisclosed customer, as well as higher orders for helicopter avionics. The tubes & imaging systems business also booked higher orders as the sector (notably in the medical imaging) continued to recover.

Revenues

Consolidated revenues for the first quarter of 2010 stood at **€2,479 million**, compared with €2,303 million for the first quarter of 2009, representing an organic increase of **+5%**. **Exchange rate fluctuations** impacted revenues by +€43 million, primarily as a result of the conversion into euros of the revenues of

subsidiaries based outside the euro zone. The main fluctuations involved the strengthening of the Australian dollar (+€27m) and sterling against the euro, which was partially offset by a weaker dollar (–€10m). Changes in the scope of consolidation were negligible.

Revenues by area

Revenues Q1 2010 (in millions of euros)	Q1 2010	Q1 2009	Total change	Organic change
Area A	906	762	+19%	+13%
Area B	496	471	+5%	+3%
France	1,077	1,069	+1%	+1%
Others and divested businesses	-	1		
Consolidated revenues	2,479	2,303	+8%	+5%

In **Area A**, revenues stood at €906 million, up 13% compared with the first quarter of 2009. Growth was particularly strong in the United Kingdom, the Netherlands and the United States. Increased revenues in the United Kingdom is mainly attributable to progress on the Watchkeeper and the London Underground signalling upgrade (JNUP) programmes. In the United States, higher revenues in in-flight entertainment activities for European and Asian airlines more than offset the drop in defence communications. The Netherlands almost doubled revenues on the back of strong naval activity (Morocco and Denmark in particular).

Area B revenues stood at €496 million, up +3% on the same period of 2009. Switzerland recorded strong growth in revenues, mainly reflecting the good order intake of last year, notably in protection systems and signalling activities. Revenues were also up in Italy, as a result of increased activity on several urban rail contracts (Italy, Dubai). Germany, however, recorded lower revenues as a result of lower billings on navais contracts and reduced A380-related activity.

France recorded a slight increase in revenues, up +1% to €1,077 million. Revenues of space activities grew in line with the progress on the Yahsat programme for the United Arab Emirates and on the Globalstar constellation, while higher revenues at air traffic management activities reflected the good level of order intake of 2009. Tubes & imaging systems revenues were also up following an upturn in orders in the medical sector. In contrast, avionics revenues dropped significantly, mainly as a result of the impact of lower production rates at Airbus and a persistent unfavourable environment in regional and business

aircraft. Good progress was made in military and civil ground radars (with the COOPANS ATM programme in Europe), as well as in defence communications (ISAF) and sonars (for the FREMM frigates in particular).

Revenues by business

Revenues Q1 2010 (in millions of euros)	Q1 2010	Q1 2009	Total change	Organic change
Defence & Security	1,390	1,259	+10%	+7%
Aerospace & Transport	1,072	1,026	+4%	+3%
<i>Others and divested businesses</i>	<i>17</i>	<i>18</i>	-	-
Consolidated revenues	2,479	2,303	+8%	+5%

Defence & Security revenues stood at €1,390 million compared with €1,259 million for the first quarter of 2009, representing an organic increase of 7%. The growth was mainly attributable to defence mission systems, which benefited from brisk activity on several naval contracts, and to air operations, where revenue growth was driven by air traffic management. Revenues in critical information systems were lower, reflecting the drop in orders in these short-cycle segments in recent months.

Aerospace & Transport revenues stood at €1,072 million, up 3% compared to the first quarter of last year. Space revenues were strongly higher thanks to increased activity on the Yahsat and Globalstar programmes. Revenues of transport activities were slightly down, in line with the seasonality of the milestones of the contracts. Avionics revenues were marginally lower, with a 6% decrease of commercial avionics, where the growth of IFE (+50%) contrasted sharply with a decline of Airbus and regional aircraft activity and a stability of aftermarket support. Increased revenues of tubes & imaging systems reflect the recent upturn in orders in these short-cycle activities.

Recent events

Thales has been notified of the award handed down on 3 May 2010 in the arbitration against the Republic of China (Taiwan). This award has been made as a result of an alleged breach of the terms pertaining to the use of intermediaries contained in a contract entered into in 1991 by Thomson-CSF (now Thales) for the supply of six Lafayette frigates to Taiwan.

The total amount of the award is set to US\$482 million and €82 million bearing interest as from August 2001; as well as around €15 million bearing interest as from 3 May 2010, i.e. a total of around €630 million (including interest).

Thales disputes the very grounds of this decision. The company will initiate all available proceedings and actions against this award, and will in particular file petition for nullity in front of the Paris Court of Appeal.

The share of Thales in this litigation represents 27.463% of the total, and corresponds to its industrial share in the supply contract. Taking into account the provisions previously booked, an additional provision of about €35 million (pre-tax) will be booked on a protective basis in the company's accounts as of 30 June 2010.

Views for the year

During the first three months of the year, the overall performance of Thales has been encouraging with an increase of both order intake and revenues. Although quarterly performance should not be construed as a strong indicator of full-year performance, order intake held firm with a good performance on our governmental and institutional markets and some improvement was noticeable in certain areas of the Group that had been most affected by the crisis. Our order book has been further consolidated and provides visibility for our business.

The global economic environment remains nevertheless challenging, with governments facing increasing budgetary pressures and a persistently difficult commercial aerospace market. Against this backdrop, Thales decided at the end of 2009 to implement a new organisation, which is now in place, and to launch the Probasis performance plan, which is presently being deployed throughout the Group,

For 2010, Thales confirms its expectations of stable revenues, a lower order intake compared to last year, which benefited from some exceptional orders, and an EBIT margin between 3 and 4% in 2010.

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APPENDIX

> Segment definitions

Geographical areas

- **Area A :** USA, Canada, UK, Netherlands, Norway, South Korea, Australia
Northern and Central Europe, Northern Asia
- **Area B** Germany, Austria, Switzerland, Italy, Spain, Singapore
Latin America, Southern Europe, Middle East & Africa, West & South Asia
- **France**

Businesses

- **Defence & Security :** Defence & Security C4I systems, Defence Mission Systems, Land Defence, Air Operations
- **Aerospace & Transport:** Avionics, Transportation Systems, Space

Order intake – Q1 2010 by destination

<i>(in millions of euros)</i>	Q1 2010	Q1 2009	<i>Organic change</i>	Q1 2010 as %
France	427	500	-15%	18%
United Kingdom	347	135	+150%	15%
Other Europe	704	732	-4%	29%
Total Europe	1,478	1,367	+8%	62%
North America	225	154	+45%	10%
Asia-Pacific	289	270	-3%	12%
Near & Middle East	302	149	-5%	13%
Rest of world	72	308	-77%	3%
Total outside Europe	888	881	-3%	38%
Order intake	2,366	2,248	+4%	100%

> Consolidated revenues – Q1 2010 by destination

<i>(in millions of euros)</i>	Q1 2010	Q1 2009	<i>Organic change</i>	Q1 2010 as %
France	527	567	-7%	21%
United Kingdom	342	271	+23%	14%
Other Europe	655	648	+1%	26%
Total Europe	1,524	1,486	+2%	61%
North America	262	241	+8%	11%
Asia-Pacific	334	296	-1%	13%
Near & Middle East	214	169	+26%	9%
Rest of world	145	111	+30%	6%
Total outside Europe	955	817	+11%	39%
Consolidated revenues at 31 March	2,479	2,303	+5%	100%