

Thales: Revenues and order intake at 30 September 2010

- **Revenues: €8.66 bn**, up **+4%** (+1% in organic terms¹)
- **Order intake: €7.38 bn**, down **-13%** (-15% in organic terms¹) from the exceptional levels of 2008 and 2009
- **Order book: €24 bn**, still close to two years of revenues

Neuilly-sur-Seine, 9 November 2010 – Thales (NYSE Euronext Paris: HO) today published its nine-month revenue and order intake figures as at 30 September 2010. Luc Vigneron, Chairman and Chief Executive Officer declared: *"With a strong order book, Thales revenues have increased by 4% for the first nine months of the year. Nonetheless, as expected, our order intake is lower than the exceptionally high levels of the last two years, in an environment marked by tight public spending in Europe and despite early signs of a recovery in commercial aeronautics. We are focused on strengthening our competitiveness and our commercial position on emerging markets."*

Key figures as at 30 September 2010 (in millions of euros)	9m 2010	9m 2009	Reported change	Organic change
Order intake	7,384	8,489	-13%	-15%
Order book	24,026	24,731 ²	-3%	-5%
Revenues	8,661	8,330	+4%	+1%

Order intake

New order intake for the first nine months of 2010 amounted to **€7,384 million**, down 13% (-15% in organic terms) compared to the same period for 2009, when major orders were received, especially for export business. The book-to-bill ratio stood at 0.85 at 30 September 2010. Exchange rate variations had a positive impact of €203 million, essentially due to the rise of the Australian dollar and the sterling against the euro.

These new orders include four contracts with a unit value in excess of €100 million: two satellites for a Gazprom affiliate in Russia, a logistics support contract for the Watchkeeper UAV programme in the UK, a military satellite for Turkey and an in-flight entertainment system contract for Qatar Airways. Orders with a unit value below €100 million, which had been the most affected by the economic environment in 2009, are continuing to hold firm.

¹ In this press release, "organic" means "on a like-for-like basis and with constant exchange rates."

² As at 31 December 2009.

At 30 September 2010, the consolidated order book stood at €24,026 million, representing approximately 22 months of revenues.

Order intake by business¹

Order intake 9m 2010 (in millions of euros)	9m 2010	9m 2009	Reported change	Organic change	Book- to-bill
Defence & Security	3,702	4,884	-24%	-27%	0.76
Aerospace & Transport	3,646	3,547	+3%	+1%	0.98
<i>Other</i>	36	58			
Order intake	7,384	8,489	-13%	-15%	0.85

Order intake for **Defence & Security** business amounted to **€3,702 million**, down 24% (-27% in organic terms) compared to the first nine months of 2009. The expected pressure on defence orders, already significant by the end of June, was confirmed in the third quarter. Orders for C4I Systems were substantially down from the high levels of last year (during which several export contracts were signed), despite relative stability in orders for critical information systems business. Similarly, despite orders for civil radar systems (notably in Asia and Europe) and a contract for an air operations centre in the Middle East, order intake for Air Operations business did not reach the same level as for the first nine months of 2009, when several major orders were received (replication contracts on the LOC1 programme with NATO, GM400 radars in Finland). Land Defence business order intake also fell, as missile activity orders could not compensate for the shrinkage of optronics orders (UK FIST contract in 2009). However, growth in order intake was strong in Defence Mission Systems, with UAV contracts in the UK (Watchkeeper support, Lydian) and the Rafale modernisation and support contracts.

Order intake for the **Aerospace & Transport** business segment amounted to **€3,646 million**, an increase of +3% (+1% organic) in relation to 30 September 2009. The book-to-bill ratio therefore remains close to 1. With the booking of Turkey's Göktürk military observation satellite, space order intake posted a slight increase even though contract with US-based Iridium (a constellation of 81 satellites) had not yet been booked by the end of September². In spite of the award of the contracts for the modernization of the Flushing line on the New York subway and the extension of the Manchester Metrolink urban transport project, Transport Systems order intake remained below the very high levels of the same nine-month period in 2009, when several major orders were booked (North-South railway line and Mecca metro system in Saudi Arabia, high speed train lines in Spain). However, Avionics orders posted a clear increase, on the back of a good momentum for in-flight entertainment business with several Middle Eastern and Asian airlines, as well as a

¹ refer to appendix for the definition of business segments

² it entered into effect on October 25th, after the finalization of financing arrangements.

recovery in civil support activities. Lastly, the tubes and medical imaging systems also enjoyed a marked increase in orders after the trough of 2009.

Order intake by geographical area of origin¹

Order intake 9m 2010 (in millions of euros)	9m 2010	9m 2009	Reported change	Organic change	Book- to-bill
Area A	2,440	2,217	+10%	+2%	0.81
Area B	1,627	2,002	-19%	-20%	0.93
France	3,314	4,265	-22%	-22%	0.85
Other	3	5			
Order intake	7,384	8,489	-13%	-15%	0.85

In **area A**, order intake amounted to **€2,440 million** at 30 September 2010, an increase of 10% (+2% organic) compared to the same period of last year. Progress was especially marked in the United States, with the signature of in-flight entertainment contracts and the modernisation of the New York subway already mentioned above. This positive trend was also felt in the Netherlands, where several naval support contracts were booked and compensated for a weaker performance in the United Kingdom, where despite the UAV contracts and the extension of the Manchester Metrolink public transport system, order intake fell in comparison to the same period in 2009.

Order intake in **area B** fell by -19% to **€1,627 million** compared to the first nine months of 2009, during which Saudi Arabia and Spain had booked several major orders for signalling systems (North-South railway line and Mecca metro in Saudi Arabia, high speed train lines in Spain). By contrast, Germany posted higher order intake with naval and air traffic management contracts. Order intake from Italy also rose due to further space orders (Göktürk, Exomars, Galileo).

In **France**, order intake amounted to **€3,314 million** at the end of September. As expected, it was sharply down in comparison to the same period last year (-22%), during which many significant orders were booked both on domestic and export markets (several satellites, GM400 radar systems for Finland, replication contracts on the LOC1 programme, sonar systems for Singapore, etc.). All French entities were affected by this slowdown, except for Tubes and medical imaging business which confirmed the recovery started early in the year.

¹ refer to appendix for the definition of the geographical areas

Revenues

Consolidated revenues amounted to **€8,661 million** at 30 September 2010, compared to €8,330 million at 30 September 2009, an increase of **+4%** (+1% organic). **Exchange rate fluctuations** impacted revenues by +€256 million, primarily as a result of the conversion into euros of the revenues of subsidiaries based outside the euro zone. The two main factors were the rising Australian dollar (+€98 million) and the sterling (+€41 million) in relation to the euro. Changes in the scope of consolidation¹ impacted revenues by +€24 million.

Revenues by business

Revenues 9m 2010 (in millions of euros)	9m 2010	9m 2009	Reported change	Organic change
Defence & Security	4,896	4,799	+2%	-2%
Aerospace & Transport	3,717	3,485	+7%	+4%
<i>Other</i>	<i>48</i>	<i>46</i>		
Revenues	8,661	8,330	+4%	+1%

The **Defence & Security** business segment recorded revenues of **€4,896 million**, up by 2% (-2% organic) compared to the same period last year (€4,799 million). Air Operations posted strong growth, reflecting the major orders booked last year (GM400 radars, LOC1 replication). Similarly, revenues from C4I Systems showed good progress due to the military communications orders booked last year, even though the climate remained unfavourable for critical information systems. Revenues from Land Defence activities were down due to lower business volumes in missile systems and optronics. Defence Mission systems revenues also fell slightly, in particular due to lower Rafale billings despite sustained progress in sonar system sales (FREMM frigates).

Revenues from the **Aerospace & Transport** segment grew to **€3,717 million**, an increase of 7% (+4% organic) over the first nine months of 2009. Revenues from space business remained stable overall. The Transportation Systems business recorded higher revenues, in particular due to ramped up billings on the rail contracts booked last year in Saudi Arabia. Avionics revenues also showed significant progress, supported in particular by a marked increase in billings for in-flight entertainment systems and tubes and imaging systems, as well as the first results of the recovery of commercial aerospace support activities.

¹ Sale of Odyssee on 30 July 2009 and consolidation of CMT Medical Technologies since 1st July 2009. Also consolidation of Pons and 50% integration of Sapura Thales Electronics since 1st January 2010.

Revenues by geographical area of origin

Revenues 9m 2010 (in millions of euros)	9m 2010	9m 2009	Reported change	Organic change
Area A	3,023	2,759	+10%	+2%
Area B	1,745	1,651	+6%	+3%
France	3,890	3,914	-1%	-1%
Other	3	6		
Revenues	8,661	8,330	+4%	+1%

In **Area A**, revenues amounted to **€3,023 million**, 10% up on the first nine months of 2009 (+2% in organic terms). Growth was particularly strong in the United States, in the Netherlands and to a lesser extent in the United Kingdom, compensating for the slowdown in Australian and Canadian businesses. Growth in the United States was driven by in-flight entertainment and air traffic management, which offset lower tactical radio business. The Netherlands recorded a strong increase in revenues as a result of higher billings on naval contracts with Morocco and Denmark. In the United Kingdom, revenue growth was driven by higher billings on the FSTA tanker aircraft contract.

In **Area B**, revenues amounted to **€1,745 million**, up 6% (+3% organic) over the same period last year. This growth was essentially driven by activities in Italy and Saudi Arabia. Revenue growth in Italy was driven by billings on the Dubai metro programme in the United Arab Emirates. In Saudi Arabia, the increase in revenues reflected ramped up billings on the transport contracts signed the year before, offsetting lower volumes in defence business. These positive developments offset the decrease in business in Germany and Spain, where revenues dropped after high billings in 2009 on high-speed rail contracts.

With revenues of **€3,890 million**, business in **France** remained globally stable. Revenues from airborne systems, optronics and avionics entities fell significantly, largely because of contract milestones on defence programmes and an unfavourable price/volume mix in commercial aviation. Space revenues were practically unchanged as, in particular, work continued on the Globalstar constellation project. Solid revenue growth was nonetheless posted by French entities active in sonar or Tubes and Imaging systems.

Recent events

The contract with US-based Iridium Communication providing for the construction of 81 satellites in the low-earth orbit Iridium NEXT constellation entered into full effect on 25 October 2010, with the closing of the Coface-backed financing arrangements.

As the prime contractor, Thales is responsible for managing engineering development, systems integration and manufacture of a space segment comprising 66 operational satellites, 6 in-orbit spare satellites and 9 ground spare satellites. The launch of the first satellites is scheduled for the first quarter of 2015.

Views for the current year

In an environment marked by increasing budgetary pressure in its main European markets, Thales confirms that it expects to see a lower total order intake for 2010 compared with the exceptionally high level of 2009. With the definitive booking of the Iridium contract on 25 October, the book-to-bill ratio for the year should nonetheless improve from its level at 30 September, while remaining below 1.

This order intake volume, alongside an order book of approximately 24 billion euros at the end of the third quarter, leads the Group to confirm its expectations of globally stable revenues for the full year.

Lastly, while underlying the uncertainties regarding the conditions of completion of certain programmes and in particular ongoing negotiations on the Meltem programme in Turkey and on the A400M programme, Thales still expects to achieve an EBIT¹ margin of between 3 and 4% for the year.

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On Wednesday 10 November at 5:00pm Paris time (CET), Thales will host a conference call for analysts and investors. Dial-in numbers and slides of the presentation will be available on Thales website (<http://www.thalesgroup.com>) prior to the conference call.

This presentation may contain forward-looking statements. Such forward-looking statements are trends or objectives, as the case may be, and shall not be construed as constituting forecasts regarding the Company's results or any other performance indicator. These statements are by nature subject to risks and uncertainties as described in the Company's registration document ("Document de référence") filed with the AMF. These statements do not therefore reflect future performance of the Company, which may be materially different.

¹ Before impact of purchase price allocation (PPA)

APPENDIX

> Segment definitions

Businesses

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

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, Rest of Europe, Middle East & Africa, Western Asia, Southern Asia
- **France**

> Q3 2010 by business

Q3 2010 (in millions of euros)	Q3 2010	Q3 2009	Reported change	Organic change
Order intake	2,240	2,629	-15%	-17%
Defence & Security	1,096	1,780	-38%	-41%
Aerospace & Transport	1,132	816	+39%	+35%
Other	12	33		
Revenues	2,706	2,586	+5%	+1%
Defence & Security	1,495	1,461	+2%	-2%
Aerospace & Transport	1,198	1,116	+7%	+4%
Other	13	9		

> Q3 2010 by geographical area of origin

Q3 2010 (in millions of euros)	Q3 2010	Q3 2009	Reported change	Organic change
Order intake	2,240	2,629	-15%	-17%
Area A	674	906	-26%	-31%
Area B	560	480	+17%	+14%
France	1,006	1,241	-19%	-19%
Other	0	2		
Revenues	2,706	2,586	+5%	+0%
Area A	950	891	+7%	-1%
Area B	561	553	+1%	-1%
France	1,195	1,141	+5%	+3%
Other	1	1		

> Order intake – 9 months 2010 by destination

(in millions of euros)	9m 2010	9m 2009	Reported change	Organic change	9m 2010 as a %
France	1,530	1,868	- 18%	- 18%	21%
United Kingdom	802	903	- 11%	- 14%	11%
Other European countries	2,142	2,341	- 8%	- 9%	29%
Europe	4,474	5,112	- 12%	- 13%	61%
North America	880	851	+ 3%	- 0%	12%
Asia / Pacific	970	1,079	- 10%	- 19%	13%
Near and Middle East	672	783	- 14%	- 15%	9%
Rest of the World	388	664	- 41%	- 42%	5%
Emerging countries	2,030	2,526	-20%	-25%	27%
Total order intake	7,384	8,489	- 13%	- 15%	100%

> Consolidated revenues - 9m 2010 by destination

<i>(in millions of euros)</i>	9m 2010	9m 2009	<i>Reported change</i>	<i>Organic change</i>	9m 2010 as a %
France	1,848	1,893	- 2%	- 3%	21%
United Kingdom	1,091	985	+ 11%	+ 7%	13%
Other European countries	2,245	2,315	- 3%	- 4%	25%
Europe	5,184	5,193	- 0%	- 1%	59%
North America	912	783	+ 16%	+ 11%	11%
Asia / Pacific	1,213	1,088	+ 11%	- 1%	14%
Near and Middle East	853	783	+ 9%	+ 7%	10%
Rest of the World	499	483	+ 3%	+ 2%	6%
Emerging countries	2,565	2,354	+9%	+2%	30%
Total consolidated revenues	8,661	8,330	+ 4%	+ 1%	100%

> Order book by destination - 9m 2010

<i>in millions of euros</i>	9m 2010	31 Dec 2009	9m 2010 as a %
France	6,288	6,608	26%
United Kingdom	3,957	4,065	16%
Other European countries	5,994	5,990	25%
Europe	16,239	16,663	67%
North America	1,327	1,281	6%
Asia / Pacific	3,042	3,072	13%
Near and Middle East	2,006	2,154	8%
Rest of the World	1,412	1,561	6%
Emerging countries	6,460	6,787	27%
Total order book	24,026	24,731	100%

> Order book by business segment - 9m 2010

<i>in millions of euros</i>	9m 2010	December 2009	Total change	Organic change
Defence & Security	14,418	15,223	-5%	-7%
Aeronautics & Transport	9,542	9,408	+1%	-0%
<i>Other</i>	66	100		
Total	24,026	24,731	-3%	-5%