

Thales: 2010 preliminary financial elements

Neuilly-sur-Seine, 14 February 2011 – The board of directors of Thales (NYSE Euronext Paris: HO) met on 13 February 2011 to review the 2010 unaudited, preliminary financial elements. The formal closing of the accounts for the year is on the agenda of a board meeting scheduled on 24 February 2011.

- It stands out that **EBIT**¹ should be close to –€100m, due to additional charges and provisions exceeding €700m booked on the contracts and activities mentioned below.

For the ticketing contract in Denmark, an amendment was signed at the end of December 2010, which confirms the conditions of execution of the contract until completion. For the Meltem (maritime patrol aircraft in Turkey) and A400M contracts, discussions are still ongoing as of today, with a view to reach a final agreement on these two contracts with, respectively, the Turkish Ministry of Defence and Airbus. The schedules and detailed technical execution conditions have been stabilised on both contracts. These recent developments significantly enhance the visibility on the execution conditions of these contracts and allow to remove the main operational uncertainties and better assess the estimates of their cost at completion and associated risks.

Moreover, important milestones have been met on current developments in avionics. Priority has been given to the satisfaction of operational commitments towards our clients. This required the mobilisation of significant resources and weighed on earnings. In addition, using its own resources, Thales strengthened the project management capabilities of its French subsidiary Thales Security Solutions & Services, which is facing important risks on certain complex contracts. Finally, difficulties for Thales Australia on the Lorads III air traffic management contract in Singapore also impacted results.

Against this backdrop and after in-depth review, the Group has decided to revise its evaluation of the most probable scenarios on these pre-2009 programmes, with a more cautious approach than considered up to now.

- **Order intake** for the year reached €13.1bn, as the expected pressure on defence budgets in Europe was partially offset by the progressive upturn in commercial aeronautics and an exceptional order intake level in the space activities.

- **Revenues** should amount to €13.1bn, an increase of 2% vs. 2009, due mostly to a favourable foreign exchange impact (-1% at constant scope and exchange rates).
- With a positive net cash flow in the region of €270m in 2010 driven by strict control on costs and working capital, Thales ended the year with a **net cash** position of approximately €200m.

Being confident in a swift upturn of its operational profitability, Thales is setting itself **an objective of an EBIT¹ margin of 5% in 2011, rising to 6% in 2012²**, in an environment where revenues should grow slightly (due to the Aerospace & Transport sector) and order intake should be more or less in line with revenues.

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On Monday 14 February 2011 at 14.30 CET, Thales will host a conference call for analysts and investors. Dial-in numbers and slides of the presentation will be available on the Thales website (<http://www.thalesgroup.com>) prior to the conference call.

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¹ Post restructuring and before purchase price allocation (PPA) impact.

² Restructuring charges should reach approximately 1.5% of revenues in 2011 and 1% of revenues in 2012