Press release

Le Plessis, May 9, 2011

Results for fiscal year 2010

Improving H2 operating income
Transformation plan to faster return to profitability
Group refinance agreement

The CS Board meeting, held on May 6, 2011 and chaired by Mr. Yazid Sabeg, approved the company consolidated financial statements for fiscal year 2010.

Results for fiscal year 2010[1]

€ million	**2009**	H1 2010	H2 2010	**2010**
Order intake	**205.5**	84.8	110.4	**195.2**
Revenues	**205.6**	95.0	98.2	**193.2**
Operating margin *% of revenues*	**(2.0)** ***-1.0%***	(5.0) *-5.3%*	(1.3) *-1.3%*	**-6.3** ***-3.3%***
Operating income *% of revenues*	**(11.2)** ***-5.4%***	(7.8) *-8.2%*	(3.2) *-3.3%*	**(11.0)** ***-5.7%***
Pre tax income from continuing operations *% of revenues*	**(11.8)** ***-5.7%***	(9.7) *-10.2%*	(4.2) *-4.3%*	**(13.9)** ***-7.2%***
Net income CS Group share	**(21.0)**	(11.1)	(17.5)	**(28.6)**

[1] *Audited accounts*

FY 2010 consolidated revenues for CS Group totaled €193.2 million and went back to growth in H2 (+3.4% versus H1 2010; +1% versus H2 2009).

The order intake rebound registered in H2 2010 led to €195.2 million of orders for FY 2010, and a book-to-bill ratio above 1. Backlog at end-December 2010 represented 16.2 months of revenues.

For the full year 2010, operating profitability amounted €-6.3 million, or -3.3% of revenues versus -1.0% in 2009. As announced, second-half 2010 was marked by a reducted operational losses over the first-half 2010 level, at -1.3% of revenues against 5.3%, thanks to improved gross margin and controlled selling expenses.

"Other operating expenses and income" reached €-4,6 million (versus €-9.2m in 2009), further to the settlement of the dispute related to the 'SR125' project (the client, SBX, filed for Chapter 11 bankruptcy protection in early 2010) and lower restructuring costs (€2.6m versus € 4.0m in 2009). Operating income amounted to €-3.2 million in H2 versus €-7.8 million in H1.

After taking into account the depreciation of deferred tax assets (€12.2m) of French Tax Group and financial income (€-2.9m), net income amounted €-28.4 million in 2010 versus €-20.9 million in 2009.

Free cash flow[2] was slightly negative at €-0.7 million (versus €3.6m in 2009) and took into account a cash flow of €-5.4 million (€-7.0m in 2009) and a €8.8 million favorable variation in working capital requirements.

As of December 31, 2010, working capital requirements were negative at €-41.4 million (€-23.6m at end-2009). Cash net of debt was €28.0 million as of December 31, 2010 versus €32.7 million at end-2009 (of which factoring: €22.8m).

As of December 31, 2010, consolidated stockholders equity was €29.6 million, or 15% of revenues.

[2] *Cash flow from operating and investing activities (excluding changes in working capital requirements related to discontinued operations).*

<u>Performances by operating segments</u>

Defense, Space & Security: penalized by public expenditure contraction

€ million	**2009**	H1 2010	H2 2010	**2010**
Order intake	**89.6**	22.0	56.9	**78.9**
Revenues	**92.9**	41.7	43.5	**85.2**
Operating margin	**(2.1)**	(3.3)	(3.4)	**(6.7)**
% of revenues	***-2.2%***	*-7.9%*	*-7.8%*	***-7.9%***

With several contracts partly cancelled due to French State Programs downsizing, business activity performances deteriorated (the closure of 7 air bases had a €3.2m net impact on margin at completion). However, order intake and revenues recorded a rebound during second-half 2010. Backlog remained at 25 months and a return to growth in 2011 can be anticipated. The return to operational break even will notably depend on the implementation of "Performance" plan presented below.

Aeronautics, Energy & Industry*: rebound of operating profitability in H2

€ million	**2009**	H1 2010	H2 2010	**2010**
Order intake	**76.0**	30.5	32.5	**63.0**
Revenues	**67.8**	34.2	33.6	**67.8**
Operating margin	**4.3**	0.4	1.8	**2.2**
% of revenues	***6.3%***	*1.2%*	*5.4%*	***3.2%***

After two years of growth, this activity maintained its position in a stiff competitive environment and recorded an increase in profitability in second-half 2010, at 5.4% of revenues. The year was marked by the renewal of large EADS preferred supplier contracts and the implementation of a European strategic alliance for engineering services with Yacht Teccon Group in Germany and Morson in United kingdom. In addition, Canadian and Romanian subsidiaries continued to grow and market recovery in France should allow increasing revenues and profitability in 2011.

Transportation: growth and confirmed return to break even

€ million	**2009**	H1 2010	H2 2010	**2010**
Order intake	**28.5**	25.5	9.2	**34.7**
Revenues	**31.9**	14.0	15.1	**29.1**
Operating margin	**(4.7)**	(1.3)	(0.1)	**(1.5)**
% of revenues	***-14.7%***	*-9.3%*	*-0.7%*	***-5.1%***

During fiscal 2010, this activity recorded a good level of orders and successfully continued the implementation of its recovery plan. Despite high pre-sales investments, second-half saw a return to operating break even and to revenues growth (+11% versus H2 2009). In parallel, the products and technologies range was totally renovated. This activity is now able to address as soon as 2011, a growing market with competitive and state-of-the-art solutions.

Products* (Subsidiary Diginext): export development

€ million	**2009**	H1 2010	H2 2010	**2010**
Order intake	**12.4**	7.5	12.1	**19.5**
Revenues	**11.9**	5.7	6.6	**12.3**
Operating margin	**1.3**	(0.6)	0.1	**(0.5)**
% of revenues	***10.9%***	*-10.5%*	*1.5%*	***-4.1%***

Diginext continued its expansion abroad (40% of its business) and recorded a significant growth in new orders, thus reinforcing its positioning in the field of tactical data links and navigation. Profitability in second-half improved after a steady R&D expenditure (11% of revenues in 2010, 10% in 2009). Recent business successes allow this activity to expect a good level of growth in 2011.

2011 outlook

The group has launched a transformation plan called "Performance" aimed at straightening up Defense, Space and Security Business Unit and at optimizing G&A costs. Two targets are at stake: quantitatively, to increase the operating margin by 4 points on full year basis through staff adjustment (concerning 94 job cuttings) and cuts in G&A expenses; qualitatively, to improve business and operating efficiency by increased focus on offers, solutions and products, more indirect sales and thus reduction of delivery risks.

Given the accumulated losses in 2009 and 2010, the non-compliance of one covenant related to its medium-term loan and cash needed by the restructuring plan, CS group renegotiated its key liabilities and borrowings.

These discussions led to the conclusion of an agreement including in particular: postponement of the €4m medium-term loan deadline from July 15, 2011 to July 15, 2012; establishment of a new loan of €5.4m, with no covenant related to 2011 financial achievements & statements, refundable on June 30, 2012; opening of confirmed lines of €10.6m and €6.8m, respectively for new bonds and new hedgings for new contracts implementation; confirmation of factoring lines for a maximum amount of €33m and rescheduling of some 2011 fiscal and social dates of payment (net maximum amount of €11.5m) ; the mobilization of the 2010 R&D tax credit, the payment of which has been legally postponed to 2014.

The group will thus have in a going concern perspective the financial resources necessary for its transformation plan implementation, business development continuation and profitability recovery. The group aims at returning to a positive operating margin in second-half 2011 and a positive net income in 2012.

In parallel, the group with the support of a consultant firm launched a strategic review of its activities in view of eventually strengthening up its equity.

** 2009 figures restated of the transfer of the Department of Virtual Reality from Aeronautics, Energy & Industry Activity to Products Activity since January 1, 2010.*

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