

Thales: Revenues and order intake at 31 March 2011

- **Revenues: €2.5bn**, an increase of **2%** (stable on an organic¹ basis)
 - Growth in Aerospace & Transport² driven by the confirmed upturn of the civil aviation business
 - Resilience of the Defence & Security business segment²
- **Order intake: €1.9bn**, down **-18%** (-19% in organic terms¹)
 - Marked downturn in Defence & Security; contraction in Aerospace & Transport following significant aerospace orders in 2010
 - Strong growth in orders under €10m

Neuilly-sur-Seine, 11 May 2011 – Thales (NYSE Euronext Paris: HO) has today released its revenues and order intake figures for Q1 2011. Group Chairman and CEO Luc Vigneron commented: *"In the first three months of the year, our revenues benefited from the upturn in the civil aviation business. However, new orders were down this quarter, in the absence of major contracts and in an environment marked by budget pressures in Europe and instability in the Middle East. The rollout of our Probasis performance plan is continuing as planned, so as to strengthen the competitiveness of Thales"*.

Key figures at 31 March 2011 (in millions of euros)	Q1 2011	Q1 2010	Total change	Organic change
Order intake	1,943	2,366	-18%	-19%
Revenues	2,519	2,479	+2%	+0%

As usual, attention is drawn to the fact that quarterly fluctuations in revenues and order intake cannot be extrapolated and may differ markedly from the long-term trend, as billing schedules are to a large extent contingent upon the achievement of specific technical milestones on each contract. This is particularly the case when examining quarterly figures in a single business segment or geographical area.

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 geographical areas and business segments.

Order intake

New orders booked in Q1 2011 stood at €1,943m, down -19% in organic terms, reflecting both the impact of the confirmed budget pressures in Europe and the absence of any new contract over €100m in unit value this quarter (whereas in Q1 2010 a large IFE order was received from Qatar Airways and a logistics support contract for Watchkeeper UAV was booked in the UK). Nevertheless, the first three months of the year saw an increase in orders of a unit value of less than €10m, which were 6% higher compared with Q1 2010.

At 31 March 2011, the book-to-bill ratio stood at 0.77 and the consolidated order book amounted to €24,578 million, and continues to represent some 23 months of revenues.

Order intake by business

Order intake in Q1 2011 by business (in millions of euros)	Q1 2011	Q1 2010	Total change	Organic change	Book-to-bill
Defence & Security	975	1,277	-24%	-25%	0.71
Aerospace & Transport	957	1,073	-11%	-11%	0.85
<i>Others and divested businesses</i>	<i>11</i>	<i>16</i>	<i>n/s</i>	<i>n/s</i>	
Consolidated order intake	1,943	2,366	-18%	-19%	0.77

Order intake for the **Defence & Security** business segment amounted to €975m, down -24% compared with Q1 2010. This mainly concerned Defence Mission Systems, which in 2010 benefited from the Watchkeeper logistics support contract in the UK and export naval contracts in the Netherlands. C4I Systems also recorded a decrease in order intake this quarter. Air Operations and Land Defence remained stable compared with Q1 2010, with growth in air traffic management and armaments orders.

Aerospace & Transport orders stood at €957m, down -11% compared with Q1 2010. The Space business reported lower orders compared with the high level of the previous year (booking of the Galileo order). Orders for Transportation Systems also did not reach the same level as during the corresponding period of last year. Conversely, and although Q1 2010 bookings benefited from the significant Qatar Airways IFE order, Avionics saw an increase in orders this quarter, fuelled by the upswing in the civil aviation business (particularly Airbus and support) and in tubes & imaging systems activities.

Order intake by area

Order intake Q1 2011 by area (in millions of euros)	Q1 2011	Q1 2010	Total change	Organic change	Book-to-bill
Area A	566	919	-38%	-40%	0.64
Area B	447	516	-13%	-14%	0.87
France	930	929	+0%	+0%	0.83
Others and divested businesses	-	2			
Consolidated order intake	1,943	2,366	-18%	-19%	0.77

In **Area A** orders stood at €566m, down -38% on Q1 2010 when several large orders were confirmed (Watchkeeper support in the UK, Qatar Airways IFE in the US and export naval contracts in the Netherlands). As a result these three countries saw a sharp reduction in order intake, which the solid performance of Canada (C4I systems) and South Korea (optronics) failed to offset.

Order intake in **Area B** was down -13% at €447m, compared with €516m in Q1 2010, when Italy secured important orders in the space segment (Galileo) and Spain enjoyed domestic and export success in rail signalling. However, order intake rose in Germany (avionics) and Saudi Arabia (civil security).

In **France**, Q1 orders were stable at €930m. Significant growth in order intake was recorded for French companies involved in avionics, tubes & imaging systems and critical information systems. At the same time, orders for the defence businesses were down overall, with the armaments and sonar orders only partially making up for the decrease in communications, optronics and airborne mission systems.

Revenues

Consolidated revenues amounted to €2,519m at 31 March 2011 compared with €2,479m at 31 March 2010, representing growth of +2% (stable in organic terms). Exchange rate fluctuations impacted revenues by +€31m, primarily as a result of the conversion into euros of the revenues of subsidiaries based outside the eurozone. This was largely due to the strengthening of the Australian dollar (+€12m) and sterling (+€7m). Changes in the scope of consolidation were negligible.

Revenues by business

Revenues Q1 2011 (in millions of euros)	Q1 2011	Q1 2010	Total change	Organic change
Defence & Security	1,381	1,390	-1%	-2%
Aerospace & Transport	1,120	1,072	+4%	+4%
<i>Others and divested businesses</i>	<i>18</i>	<i>17</i>	<i>n/s</i>	<i>n/s</i>
Consolidated revenues	2,519	2,479	+2%	+0%

Revenues from **Defence & Security** remained largely stable at **€1,381m**, compared with €1,390m in Q1 2010 (-2% in organic terms). Revenues from Defence Mission Systems increased, driven by the expansion of the Rafale programme, which compensated for lower billing for the Watchkeeper programme and several export naval programmes. Revenues from Land Defence also rose (armaments contracts for France and the Netherlands). C4I Systems revenues were roughly stable, while revenues from Air Operations fell sharply, mainly due to the reduction in air traffic management billing.

In **Aerospace & Transport**, revenue totalled **€1,120m**, up 4% compared with the same period of last year. Space revenues dipped slightly, the launch of the Iridium programme and the ramp up of the O3b project still only partially making up for the completion of certain contracts. Transport Systems revenues were also down slightly, mainly due to the contraction in mainline operations in Germany and Switzerland. Conversely, Avionics revenues increased significantly, driven by the growth in Airbus and support activities. Finally, revenues from tubes and imaging systems remained broadly stable.

Revenues by geographic area of origin

Revenues Q1 2011 (in millions of euros)	Q1 2011	Q1 2010	Total change	Organic change
Area A	890	906	-2%	-4%
Area B	511	496	+3%	+2%
France	1,118	1,077	+4%	+4%
<i>Others and divested businesses</i>	<i>-</i>	<i>-</i>		
Consolidated revenues	2,519	2,479	+2%	+0%

In **Area A**, revenues amounted to **€890m**, 2% less than in the same period the previous year (-4% in organic terms). The decrease was particularly significant in the Netherlands, with a decrease in revenues on several naval contracts, and in the UK, largely due to reduced billing on the Watchkeeper contract. This decrease is partially offset by growth in revenues in Australia, mainly on armaments contracts for the Australian army, and in Canada, with a rise in billing on several transport projects on export markets.

Area B reported revenues of **€511m**, up 3% (2% in organic terms) compared with Q1 2010. Saudi Arabia recorded a significant increase in revenues, particularly in civil security and transport. Italy also saw revenues grow on the back of its space operations, while in Germany the higher revenues were mainly linked to the avionics business. These positive changes make up for the decrease in revenues this quarter in Switzerland, and to a lesser extent in Spain.

France recorded revenues of **€1,118m**, representing 4% growth. This upswing reflects the performance of avionics, driven by an increase in sales to Airbus and the upturn of support activities. Revenues are also increasing in airborne mission systems, with work intensifying on the Rafale programme, as well as in underwater systems (FREMM billings) and in armaments businesses (France and Netherlands contracts, mentioned earlier). Conversely, there was a dip in revenues from air operations (reduced billing for air traffic management), space and communications.

Discussions with Safran

Thales has confirmed on 10 May 2011 that discussions are currently being held with Safran. This discussions are following on previous exchanges between the two companies, which are aiming at seeking to optimise their respective business portfolios so as to strengthen their competitiveness, especially on international markets. Should a potential agreement be reached, it would be presented to the Board of Directors and employee representatives bodies and appropriate information would be communicated.

Views for the current year

The trends observed in the first few months of 2011 confirm that this year is set to be marked by the impact of budget pressures in Europe. By contrast, the progressive upturn in civil aviation is taking shape, while the positive momentum in the space and transport segments is expected to continue.

Against this backdrop, Thales remains focused on the continued rollout of the Probasis plan and confirms that it is targeting a slight increase in revenues this year, with order intake roughly equal to revenues. Similarly, the Group keeps the target set at the start of this year for an EBIT¹ margin of 5% in 2011 and 6% in 2012.

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

NOTES

> 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**

Business segments

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

> Order intake – Q1 2011 by destination

<i>(in millions of euros)</i>	Q1 2011	Q1 2010	Organic change	Q1 2011 as %
France	435	427	+2%	22%
United Kingdom	228	347	-35%	12%
Rest of Europe	560	704	-21%	29%
Total Europe	1,223	1,478	-18%	63%
North America	338	225	+50%	17%
Australia	89	110	-27%	5%
Asia	157	179	-15%	8%
Middle East	85	302	-72%	4%
Rest of the World	51	72	-30%	3%
Total outside Europe	720	888	-19%	37%
Order intake	1,943	2,366	-19%	100%

> Consolidated revenues – Q1 2011 by destination

<i>(in millions of euros)</i>	Q1 2011	Q1 2010	Organic change	Q1 2011 as %
France	645	527	+22%	26%
United Kingdom	314	342	-10%	12%
Rest of Europe	656	655	-1%	26%
Total Europe	1,615	1,524	+5%	64%
North America	266	262	+1%	11%
Australia	129	111	+5%	5%
Asia	220	223	-2%	9%
Middle East	173	214	-19%	7%
Rest of the World	116	145	-20%	4%
Total outside Europe	904	955	-7%	36%
Consolidated revenues	2,519	2,479	+0%	100%

> Order book by destination – Q1 2011

<i>(in millions of euros)</i>	Q1 2011	31.12.2010	Q1 2011 as %
France	6,595	6,815	27%
United Kingdom	3,855	4,053	16%
Rest of Europe	6,187	6,214	25%
Total Europe	16,637	17,082	68%
North America	2,292	2,300	9%
Asia-Pacific	2,803	2,986	11%
Middle East	1,633	1,755	7%
Rest of the World	1,213	1,295	5%
Total outside Europe	7,941	8,336	32%
Consolidated revenues	24,578	25,418	100%

> Order book by segment – Q1 2011

<i>in millions of euros</i>	31 March 2011	31 December 2010	<i>Total change</i>	<i>Organic change</i>
Defence & Security	13,758	14,310	-4%	-3%
Aerospace & Transportation	10,739	11,022	-3%	-2%
<i>Others</i>	<i>81</i>	<i>86</i>	<i>n/s</i>	<i>n/s</i>
Total	24,578	25,418	-3%	-2%