

**STRONG REVENUE GROWTH IN 2007**  
**+ 20 % to €12.3 billion**

Neuilly-sur-Seine, February 12th, 2008

**Thales confirms strong revenue growth in 2007 (+20% to €12,296m), driven by acquisitions and solid organic performance (+6.4% on a like-for-like basis)**

### **Consolidated revenues**

The Thales Group completed a large-scale reconfiguration of its business portfolio in 2007 with the finalisation of the major strategic operations initiated the previous year. These included the acquisition of Alcatel-Lucent's transportation and security businesses and space businesses (consolidated as from 1 January and 1 April 2007 respectively) and the sale to DCNS of Thales's surface naval businesses in France (deconsolidated as from end-March 2007). With respect to this second operation, Thales's 25% interest in DCNS is accounted for under the equity method and is therefore not included in Thales revenue figures.

The Thales Group's scope of consolidation was also affected by the divestment of its interests in the propulsion businesses of Protac and Bayern Chemie (deconsolidated as from 1 July 2007), the divestment of its interest in FACEO (deconsolidated as from 1 October 2007) and the full-year impact of the sale of its GPS positioning and navigation equipment activities in mid-2006.

Total changes in the scope of consolidation in 2006 and 2007 correspond to a net increase in revenues of €1,583m in the financial statements for 2007.

Exchange rate fluctuations, mainly due to the weakening US dollar, had a negative impact, reducing revenues by €162m in 2007.

Taking these various factors into account, the Group's historical core businesses contributed €611m to overall revenue growth in 2007. This equates to organic growth of 6.4%, a significantly higher rate of growth than had been recorded in recent years.

In addition, the businesses acquired from Alcatel-Lucent achieved overall growth of almost 10% in 2007.

## Breakdown of revenues by business area:

Consolidated revenues (in € millions)	2006	2007	Total change	Organic change	2007 as %
<b>Aerospace/Space</b>	<b>2,492</b>	<b>3,597</b>	<b>+44.3%</b>	<b>+4.5%</b>	29%
<b>Defence</b>	<b>5,320</b>	<b>5,222</b>	<b>-1.8%</b>	<b>+6.0%</b>	42%
<b>Security</b>	<b>2,278</b>	<b>3,415</b>	<b>+49.9%</b>	<b>+8.8%</b>	28%
<i>Other and divested businesses</i>	174	62	na	na	1%
<b>Total revenues</b>	<b>10,264</b>	<b>12,296</b>	<b>+19.8%</b>	<b>+6.4%</b>	<b>100%</b>

## New orders

New orders totalled **€12,856m** in 2007, representing a book-to-bill ratio of 1.05, an overall increase of 19%, and an increase of 1% within the Group's historical scope of consolidation.

This growth was mainly driven by strong momentum in the intake of small and medium-sized orders. Only six contracts with unit values greater than €100m were booked in 2007. Together, these six contracts are worth €1,092m. This compares with eight contracts in this category booked in 2006 for a total value of €1,270m.

Order intake (in million euros)	2006	2007	Total change	Organic change
<b>Aerospace / Space</b>	<b>2,389</b>	<b>4,026</b>	<b>+ 69 %</b>	<b>+ 14 %</b>
<b>Defence</b>	<b>5,573</b>	<b>5,402</b>	<b>- 3 %</b>	<b>+ 1 %</b>
<b>Security</b>	<b>2,684</b>	<b>3,372</b>	<b>+ 26 %</b>	<b>-12 %</b>
<i>Other &amp; divested businesses</i>	172	56	ns	ns
<b>Total order intake</b>	<b>10,818</b>	<b>12,856</b>	<b>+ 19%</b>	<b>+ 1 %</b>

The biggest contract booked in 2007 is worth €430m and involves the manufacture of a dual satellite telecommunication system for Yahsat of the United Arab Emirates. This contract, worth a total of €1.2bn, is being conducted by a joint team of Thales Alenia Space and Astrium, in partnership with Thales Land & Joint Systems for part of the ground station infrastructure.

Other major orders booked in 2007 include the supply of electronic integrated masts to equip ocean patrol vessels for the Royal Netherlands Navy, installation of an electronic

protection system for air defence batteries in Saudi Arabia, the first Sycobs sonar systems for France's *Barracuda*-class nuclear-powered submarines and the prime contract for protected tactical reconnaissance vehicles for Luxembourg.

At 31 December 2007, the order book stood at €22.7bn and represented nearly 22 months of revenues.

## **BUSINESS IN 2007**

### **2007 consolidated revenues by business area**

**In Aerospace/Space**, revenues increased by 44% compared with 2006, due largely to the integration of Alcatel-Lucent's space businesses (consolidated as from 1 April 2007). Annual sales by the Aerospace Division increased by 4.5% at constant exchange rates, thanks to continued growth in civil business (+8% overall and +11% with the effect of the dollar stripped out). The strongest growth was in IFE (in-flight entertainment), avionics (driven by steady deliveries to Airbus), the rapidly recovering segment of systems for regional aircraft, and services. By contrast, sales to military customers fell by 4% over the year. The satisfactory growth achieved in ISTAR (intelligence, surveillance, target acquisition and reconnaissance) and services did not fully offset the continued reduction in sales for combat aircraft.

The new space businesses were consolidated for the last nine months of the year and recorded brisk growth, with revenues rising by 10% compared with the same period in 2006. Momentum was particularly strong in telecommunication satellites.

**In the Defence segment** (which includes the Air Systems, Land & Joint Systems and Naval divisions), revenues rose by 6% on a like-for-like basis:

- Growth of 8% in Naval sales, reflecting a renewal of the order book in this area;
- Growth of 6% in Land & Joint Systems, mainly driven by network, satellite communication and service activities, particularly in France (Syracuse 3) and for NATO forces (ISAF contract), as well as by increased sales of communication equipment and optronics to customers in Asia-Pacific and the Middle East;
- Growth of 3% in Air Systems, with a marked increase in all segments of air traffic control (control centres, nav aids, radars, services) and in services for military customers (particularly support for air defence systems in Saudi Arabia and France).

**In Security**, which includes the former Thales Security and Services divisions combined with the transportation and security businesses transferred from Alcatel-Lucent, revenues increased sharply, rising by 50% due to these acquisitions but also to the strong performance of Thales's historical core businesses (+8.8% at constant exchange rates). This strong performance was achieved in most areas of the Security segment.

Ground transportation, which accounted for approximately 45% of total revenues in this segment in 2007, generated growth in pro forma sales of more than 10% compared with 2006 (including the rail signalling business). The most significant factors contributing to this strong performance were higher levels of activity on a number of ongoing contracts to upgrade signalling systems and support control & supervision systems for the London Underground.

Security systems for critical infrastructures benefited in particular from several large new orders booked in 2006 and early 2007, including the security contract for Saudi Aramco's East-West pipeline.

Security systems and services for industry and finance recorded steady growth in sales, with the strongest increases in the United Kingdom, Spain, France and Australia.

## **Consolidated revenues by destination in 2007**

Sales for France and North America remained virtually stable as a result of changes in the scope of consolidation (the sale of surface naval businesses to DCNS in France and deconsolidation of GPS navigation activities in the United States).

Revenue growth in the United Kingdom was driven by sustained business in military ISTAR systems and in control systems for the London Underground.

The sharp rise in sales in other European countries is primarily attributable to the consolidation of the Alcatel-Lucent businesses. The rail signalling business has major industrial and commercial operations in this region, particularly in Germany, Spain and Portugal.

Thales also achieved sustained growth in sales to the Near and Middle East, primarily in defence markets (support for air defence systems, communications) and security markets (communication networks).

## Order intake at 31 December 2007

**In Aerospace/Space**, the sharp increase in orders (+69%) is due to the combined effect of the new space businesses (consolidated for nine months of 2007) and the excellent performance of the Aerospace Division, which recorded growth of 14%. This growth was achieved in all areas of civil business, where order intake increased by 27% overall, while new orders from military customers fell by 3%. In IFE, the volume of new orders rose by 60% compared with 2006. Avionics orders for Airbus increased by 35%. In equipment and systems for regional aircraft, orders rose by 40%, with an important contract from ATR for its new ATR 600 series and a marked upturn in orders from Bombardier. Orders were 20% higher than the year before in electrical power generation, and 9% higher in customer support.

The 3% decrease in orders from military customers over the full year is entirely attributable to the significant decrease in orders for combat and special-mission aircraft. In ISTAR systems, however, Thales made satisfactory progress on the Watchkeeper programme and booked a new order for the rapid deployment of a variant of this system by the British Army in two theatres of operations. Orders for military helicopter avionics and customer support also increased significantly.

The new space businesses, consolidated for the last nine months of the year, recorded a 25% increase in orders compared with the same period in 2006, with particularly vigorous growth in the military satellite communication (milsatcom) market. In 2007, Thales Alenia Space booked orders for six telecommunication satellites and one Earth observation satellite (under the Global Monitoring for Environment and Security/GMES programme).

**In Defence**, orders were virtually stable (+1% when corrected for the impact of the sale of surface naval businesses to DCNS). They were affected by the deferral of certain contract awards to 2008, but were nevertheless higher than revenues, in line with the book-to-bill ratio of greater than 1 recorded by the Group as a whole. These contract deferrals affected the Naval and Air Systems divisions in particular, with new orders falling by 6% and 8% respectively, while orders booked by the Land & Joint Systems division were 8% higher than in 2006.

- The Naval division, which received several large orders in 2006, booked only one order worth more than €100m, to equip France's fleet of *Barracuda* submarines. The division made good progress in a number of export markets, notably in the Gulf States with a contract for ocean patrol vessels in Oman, and in Asia for corvettes in South Korea.

- In Air Systems, contrasting figures underlie the overall decline in orders, with a significant increase in missile electronics business as well as in air defence radars, where the Royal Netherlands Navy placed a large order worth €135m to supply integrated masts for four patrol vessels. Air traffic control orders were lower, chiefly as a result of a decrease in new orders for customer services and approach radars, whereas control centre and navigation aids orders were slightly higher.
- Land & Joint Systems orders grew on the back of sustained growth in mainland Europe, Australia and the Middle East, more than offsetting the decline in tactical communications orders in the United States and in naval communications networks in the United Kingdom.

In **Security**, order intake by most of the historical businesses was lower than in 2006. This year-on-year decrease is mainly due to high level of orders booked on several large contracts in 2006. A similar trend was recorded in newly acquired businesses, whose 2006 order intake included three contracts worth more than €100m for the London Underground, the High-Speed Line in Spain and a maintenance contract with Network Rail in the United Kingdom.

Thanks to this solid 2006 basis, and with a book to bill ratio of 0.99 in 2007, the trend in security businesses' revenues should remain sustained in the future.

## REVENUES FOR Q4 2007

### Consolidated revenues

Fourth-quarter consolidated revenues stood at **€4,110m**, up from €3,381m for the same period of 2006 (**+21.6%**). With constant exchange rates, revenues from historical core businesses increased by **7.5%**. This increase was higher than the average rate of growth for the first three quarters (+5.8%) and higher still than the growth rate for the third quarter alone (+5%), and is attributable to the Aerospace/Space and Defence businesses.

**Exchange rate** fluctuations reduced revenues by €77m; variations in the **scope of consolidation** resulted in a net increase in revenues of €575m, with +€790m from businesses acquired from Alcatel-Lucent and –€185m from the deconsolidation of the surface naval businesses sold to DCNS.

Q4 consolidated revenues (in € million)	2006	2007	Total change	Organic change
<b>Aerospace / Space</b>	<b>817</b>	<b>1,313</b>	<b>+ 61 %</b>	<b>+ 6.4 %</b>
<b>Defence</b>	<b>1,780</b>	<b>1,704</b>	<b>- 4 %</b>	<b>+9.2 %</b>
<b>Security</b>	<b>765</b>	<b>1,071</b>	<b>+ 40 %</b>	<b>+ 4.6%</b>
<i>Others &amp; divested businesses</i>	<i>19</i>	<i>22</i>	<i>Ns</i>	<i>ns</i>
<b>Total</b>	<b>3,381</b>	<b>4,110</b>	<b>+ 22 %</b>	<b>+ 7.5 %</b>

Note that quarterly variations in sales by these broad segments are of little significance at Thales.

**Aerospace/Space:** With the integration of the space businesses acquired last April, revenues for the fourth quarter of 2007 were nearly 61% higher than for the same quarter the previous year. The Aerospace division posted its highest quarterly increase in sales of the year, +6.4% with constant exchange rates, thanks to continuing strength in civil markets and a high level of billings to military customers (+5%). Space division sales were 8% higher than in the fourth quarter of 2006.

**Defence:** Strong revenue growth in this segment compared to the same period in 2006 (+9.2%), significantly higher than for the first three quarters combined, includes contrasting figures for different markets. Land & Joint Systems recorded a significant increase of 17% (compared with an average of +2% for the previous nine months), Naval revenues increased by 6%, slightly less than in the previous quarter (+9.5% for the third quarter), and

Air Systems sales were stable, after rising 4.6% over the first three quarters. These quarterly variations and differences between individual defence markets mainly reflect billing schedules for contracts currently underway.

**Security:** Growth in historical businesses (+5%) should be seen in the context of a particularly high level of business during the third quarter, when organic revenue growth of 23% was recorded. Quarterly revenues generated by the businesses contributed by Alcatel-Lucent were 22% higher than in the fourth quarter of 2006.

## Order intake for Q4 2007

For the fourth quarter of 2007, order intake stood at **€5,286m**, up from €4,141m for the same period of 2006 (+28%). Excluding exchange rate fluctuations, orders recorded by historical businesses were up 7.5%, compared to a 3% reduction as of 30 September 2007. Five of the six high-unit-value contracts (more than €100m) awarded in 2007 were booked in this final quarter. Taken together, these contracts amount to €885m, nearly 90% of the value of all major contracts won during the year. The largest was a telecommunications satellite contract, while the other four were in defence.

Q4, order intake (in € million)	2006	2007	Total change	Organic change
<b>Aerospace / Space</b>	<b>970</b>	<b>1,888</b>	<b>+ 95 %</b>	<b>+ 27 %</b>
<b>Defence</b>	<b>2,202</b>	<b>2,250</b>	<b>+ 2 %</b>	<b>+ 9 %</b>
<b>Security</b>	<b>951</b>	<b>1,128</b>	<b>+ 19 %</b>	<b>- 15 %</b>
<i>Others &amp; divested businesses</i>	<i>18</i>	<i>20</i>	<i>ns</i>	<i>ns</i>
<b>Total</b>	<b>4,141</b>	<b>5,286</b>	<b>+ 28 %</b>	<b>+ 7.5 %</b>

**Aerospace/Space:** The sharp increase in orders booked by the Aerospace division (+27%) was driven by in-flight entertainment systems, where orders were up 50%. This increase also includes a 6% rise in defence orders over the last quarter of 2006, when order intake was already particularly high. Note that orders intake by Thales Alenia Space was 12% higher than in the last quarter of 2006.

**Defence:** With four major contracts booked in the last quarter, orders from defence customers increased by 9%, reversing the trend recorded at 30 September in the Naval and Land & Joint Systems divisions, and across the entire sector. Conversely, orders booked by the Air Systems division, which had grown over the first nine months, were lower in the last quarter, chiefly because a number of major contracts were deferred until the start of 2008.

**Security:** The 19% increase in order bookings was mainly attributable to the consolidation of new businesses.

## APPENDIX

### Quarterly revenues in 2007

Consolidated revenues (in € million)	2006	2007	Total change	Organic change
First Quarter	2,053	2,194	+6.9%	+ 0.7%
Second Quarter	2,717	3,390	+24.8%	+ 10.0%
Third Quarter	2,114	2,602	+23.3%	+ 5.0%
Fourth Quarter	3,380	4,110	+21.6%	+ 7.5%
<b>Total annual revenues</b>	<b>10,264</b>	<b>12,296</b>	<b>+19.8%</b>	<b>+ 6.4%</b>

### 2007 revenues by destination

Annual revenues (in € million)	2006	2007	Change	2007 in %
France	3,064	3,108	+ 1 %	25%
United Kingdom	1,342	1,584	+ 18 %	13%
Other European countries	2,079	3,276	+ 58 %	27%
<b>Total Europe</b>	<b>6,485</b>	<b>7,968</b>	<b>+ 23 %</b>	<b>65%</b>
Asia & Pacific	1,577	1,679	+ 6 %	14%
North America	1,192	1,226	+ 3 %	10%
Near & Middle East	617	878	+ 42 %	7%
Rest of World	393	545	+ 39 %	4%
<b>Total International</b>	<b>3,779</b>	<b>4,328</b>	<b>+ 15 %</b>	<b>35%</b>
<b>Total revenues</b>	<b>10,264</b>	<b>12,296</b>	<b>+ 20 %</b>	<b>100%</b>

## 2007 consolidated new orders by destination

<b>2007 order intake</b> <i>(in € million)</i>	<b>2006</b>	<b>2007</b>	<b>% Change</b>	<b>2007 in %</b>
France	2,544	2,756	+8%	21%
United Kingdom	1,302	1,422	+9%	11%
Other European countries	2,115	3,297	+56%	26%
<b>Total Europe</b>	<b>5,961</b>	<b>7,475</b>	<b>+25%</b>	<b>58%</b>
Asia & Pacific	1,760	1,863	+6%	15%
North America	1,278	1,271	-	10%
Near & Middle East	1,087	1,680	+55%	13%
Rest of World	730	567	-22%	4%
<b>Total International</b>	<b>4,855</b>	<b>5,381</b>	<b>+11%</b>	<b>42%</b>
<b>Total</b>	<b>10,818</b>	<b>12,856</b>	<b>+19 %</b>	<b>100%</b>

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