2011 Full Year Results

Luc Vigneron, Chairman & CEO

6 March 2012

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2011 highlights

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 Autorité des Marchés Financiers. These statements do not therefore reflect future performance of the Company, which may be materially different.

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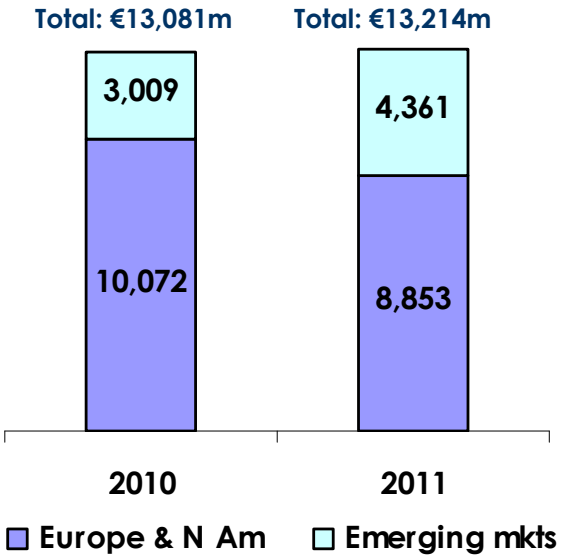
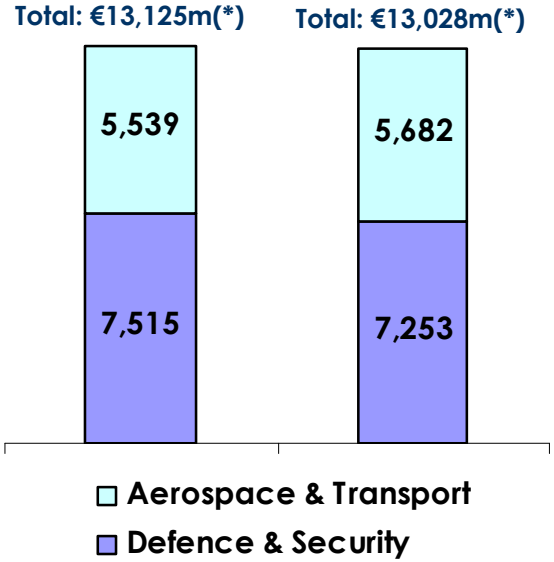
2011: objectives met in a difficult environment

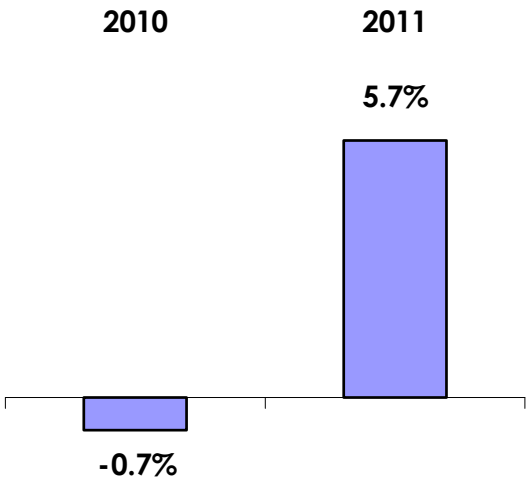
Increased order intake



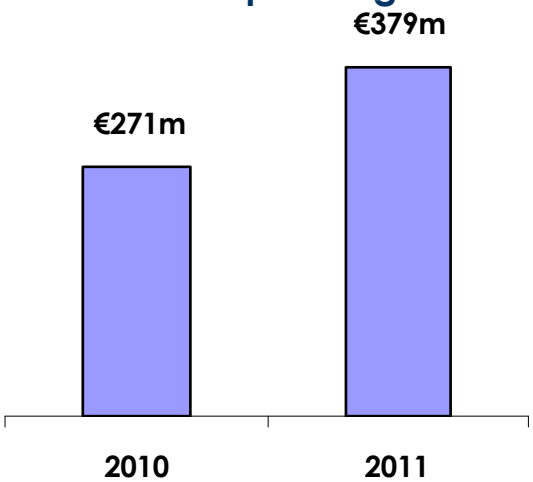
Resilient revenues



EBIT (**) upturn



Improved Free Operating Cash Flow



(*) Total including "other and unallocated" revenues

(**) EBIT margin after restructuring and before impact of the purchase price allocation ("PPA")

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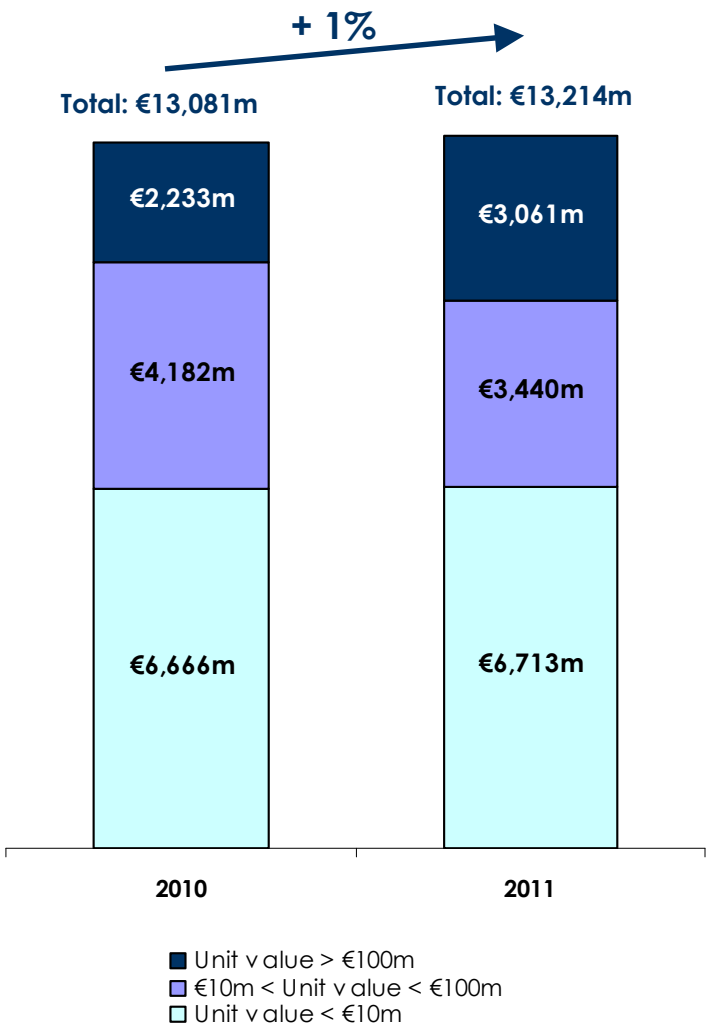
Book-to-bill 2011 = 1.01



Selected orders over €100m

- Mirage 2000 upgrade (India)
- Secure communications network for the future headquarters of the French Ministry of Defence (France)
- Ecomouv – heavy goods vehicle eco-tax collection and control system (France)
- In-flight entertainment (Qatar)
- Maintenance in operational condition for the Rafale aircraft (France)
- Galileo (ESA)
- 8x8 vehicles (Malaysia)

Other orders

- London Underground (UK), Main lines (Poland), Sao Paolo urban rail (Brazil)
- Mistral-class force projection and command vessel (Russia)
- Bushmaster (Australia)
- Air traffic control "4-flight" (France)
- Munitions (USA)

Increase in orders driven by civil avionics and emerging markets

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Difficult programs: back under control

A400M *Flight Management System (FMS)*	Global agreement signed with Airbus on technical, operational and commercial issues – July 2011
Meltem *Maritime patrol aircraft – Turkey*	Amendment agreement signed with Turkish MoD – March 2011
Ticketing *Denmark*	Amendment agreement signed with Rejsekort – December 2010
Avionics developments	Milestones met, in line with 2010 revised schedule and cost estimates
Lorads III *Air traffic management – Singapore*	Progressing in line with 2010 revised schedule and cost estimates

No new overruns on these contracts in 2011

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Probasis: delivering results

Non-quality costs

- *lower than 2008 level*

Supply chain

- *60% of the actions implemented*

SG&A

- *Decreasing vs. 2009*
  excluding roll-out costs related to IT/IS and real estate

2011: the objective of 50% of actions implemented achieved
2012: two thirds of actions implemented

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Portfolio optimization

Continuation of the disposal program

- IT services in Spain
- NavSol

Targeted investments

- Raising shareholding in DCNS to 35%
- Taking 100% ownership of Yaltes (Turkey) and Omnisys (Brazil)
- Acquisition of SESO

Strengthening Thales on international markets

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Financial results

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Key figures

in €m	2011	2010	change total	change organic
Order intake	13,214	13,081	+1%	+1%
Order book at 31 December (*)	25,841	25,418	+2%	+1%
Revenues	13,028	13,125	-1%	-0%
EBIT (**)	749	(92)		
in % of revenues	*5.7%*	*-0.7%*		
Net income, Group share (**)	566	(45)		
per share in €	*2.88*	*(0.23)*		
Net cash at 31 December	192	191		
Dividend (per share in €) (***)	0.78	0.50		

Strong upturn of the results

(*) Excluding the impact of the consolidation under the proportionate method of DCNS at 35%. Including this impact, at the end of 2011, the order book amounted to €30,697m and the net cash to €906m.

(**) Before impact of purchase price allocation ("PPA"). Including this impact, the EBIT amounted to €679m and the Net result, Group share, to €512m

(***) Subject to the Annual General Meeting approval on 15 May 2012

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EBIT

in €m	2011	2010	change total	change organic
Order intake	13,214	13,081	+1%	+1%
Revenues	13,028	13,125	-1%	-0%
Gross margin	2,961	2,096	+41%	+43%
in % of revenues	*22.7%*	*16.0%*		
Indirect costs	(2,052)	(2,058)	-0%	
in % of revenues	*15.7%*	*15.7%*		
o/w R&D expenses	(619)	(612)	+1%	
in % of revenues	*4.8%*	*4.7%*		
o/w M&S expenses	(889)	(916)	-3%	
in % of revenues	*6.8%*	*7.0%*		
o/w G&A expenses	(543)	(530)	+3%	
in % of revenues	*4.2%*	*4.0%*		
Restructuring costs	(161)	(130)	+23%	
in % of revenues	*1.2%*	*1.0%*		
EBIT (*)	749	(92)		
in % of revenues	*5.7%*	*-0.7%*		

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

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EBIT bridge

(*) Before impact of purchase price allocation (« PPA »)

(**) A400M, Meltem, ticketing Denmark, Avionics, naval electronic warfare, other ticketing/security, Lorads III

(***) see details in annexes

EBIT improvement

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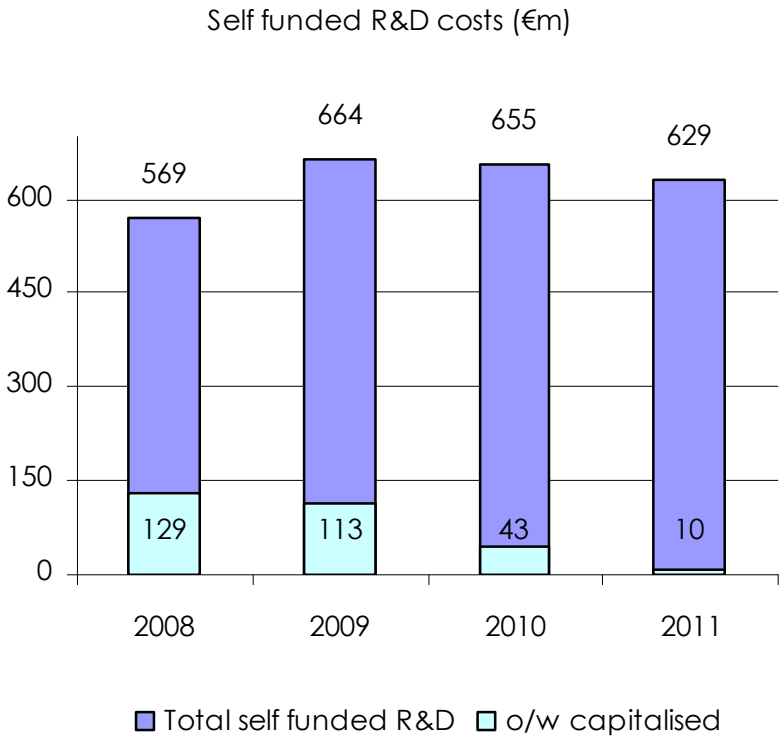
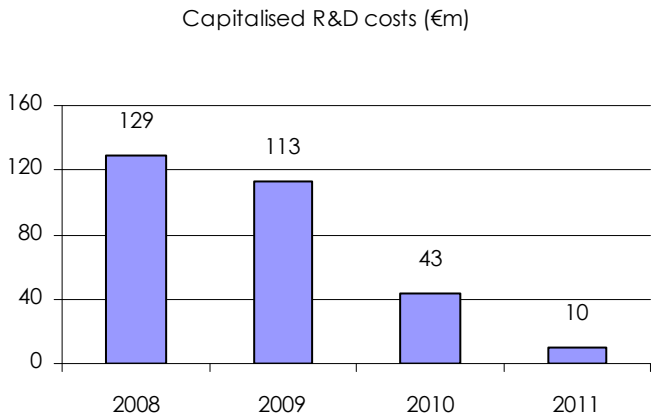
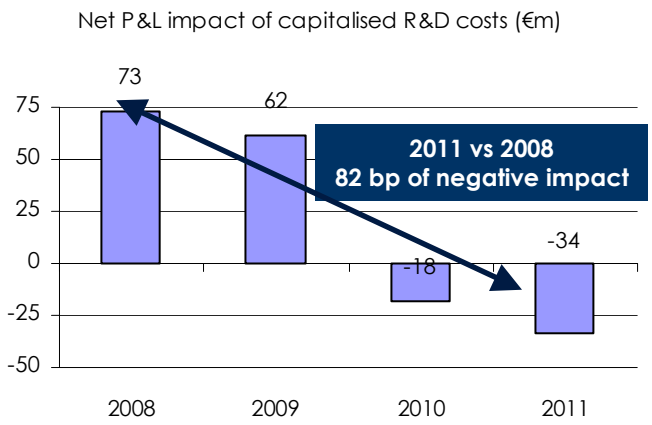
R&D







Sustaining the self funded R&D effort, support innovation

Reducing R&D capitalisation

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Net Result

in €m	2011	2010
EBIT (*)	**749**	**(92)**
Impairment of non-current operating assets	(7)	(10)
Net capital gains (losses) and others	55	(22)
Income of operating activities (*)	**797**	**(124)**
Cost of net financial debt	(48)	(57)
Other financial results	(10)	(15)
Other components of pension charges	(63)	(105)
Income tax (*)	(172)	193
Equity in unconsolidated affiliates (*)	62	63
Net income, Group share (*)	**566**	**(45)**
Net income per share (in €) (*)	***2.88***	***(0.23)***

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

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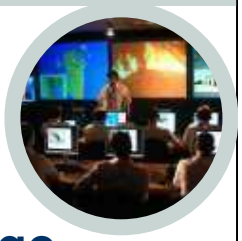
Defence & Security: key figures



in €m	2011	2010	change total	change organic
Order intake	7,210	6,173	+17%	+17%
Order book at 31 December (*)	14,397	14,310	+1%	-1%
Revenues	7,253	7,515	-3%	-3%
Restructuring costs	(97)	(71)	+37%	
EBIT (**)	504	152	x 3.3	x3.2
in % of revenues	*6.9%*	*2.0%*		

(*) Excluding the impact of the consolidation under the proportionate method of DCNS at 35%. Including this impact the order book amounted to €19,252m at the end of 2011.

(**) Before impact of purchase price allocation ("PPA").

Orders driven by the Mirage 2000 upgrade contract in India

Solid resilience of revenues and better project execution

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Aerospace & Transport: key figures

in €m	2011	2010	change total	change organic
Order intake	5,953	6,845	-13%	-13%
Order book at 31 December	11,372	11,022	+3%	+2%
Revenues	5,682	5,539	+3%	+3%
Restructuring costs	(37)	(40)	-8%	
EBIT (*)	294	(221)		
in % of revenues	*5.2%*	*-4.0%*		

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

Growth of revenues

Better project execution and positive impact of the A400M agreement

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Net Cash Flow

in €m	2011	2010
Operating cash flow	**1,242**	**389**
Change in WCR & contingency reserves	(390)	471
Payment of contributions / pension benefits	(104)	(106)
Financial interest paid	(53)	(67)
Income tax paid	(60)	(107)
Net operating cash flow	**635**	**580**
Net operating investments	(256)	(309)
o/w capitalised R&D	*(10)*	*(43)*
Free operating cash flow	**379**	**271**
Net (acquisitions) / disposals	(289)	87
Deficit payments on pensions in the UK	(59)	(57)
Dividends	(64)	(98)
FX and others	34	79
Net cash flow	**1**	**282**

A strong generation of operating cash flow

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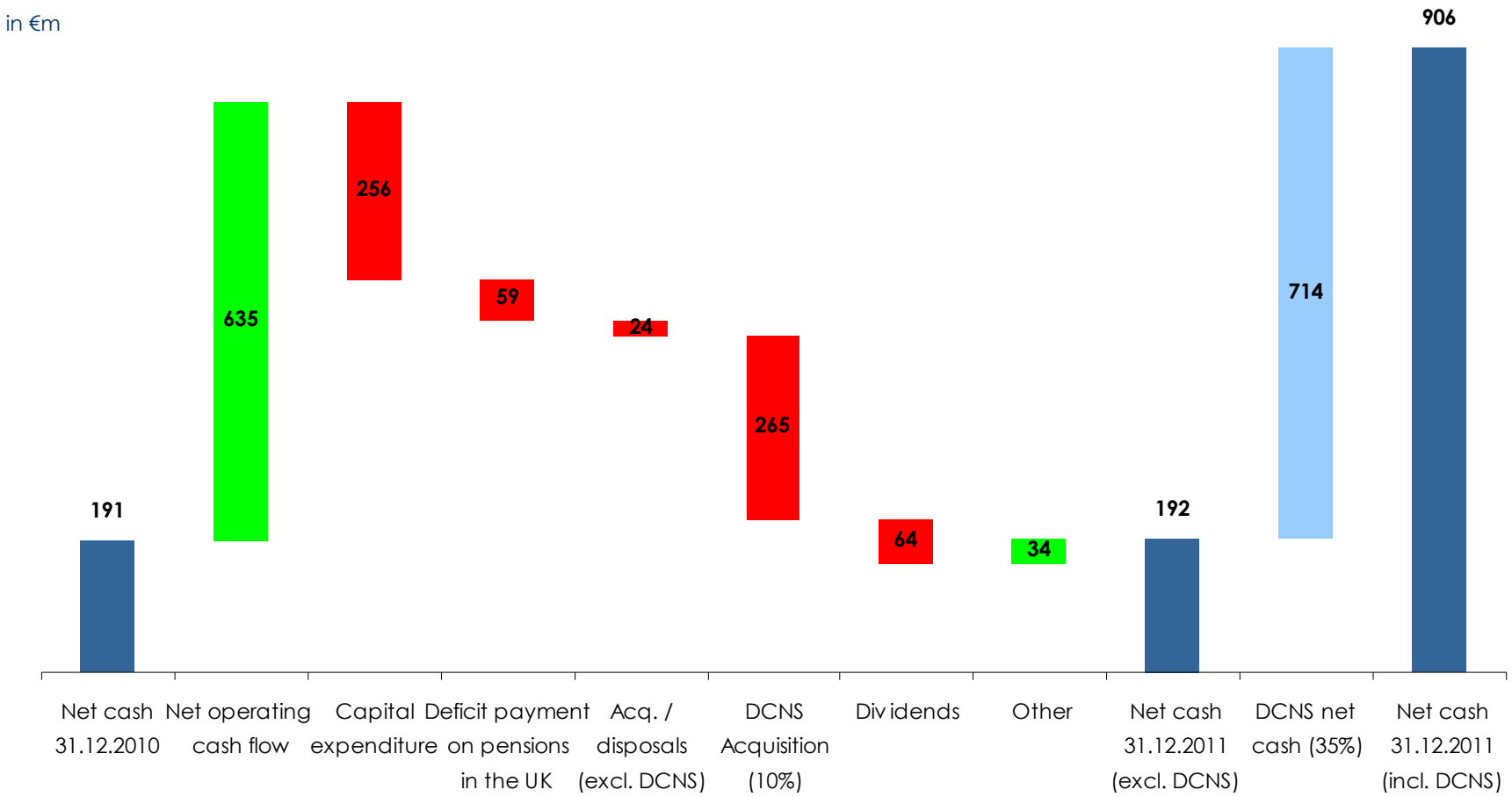
Movement in net cash



Keeping a net cash position

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Outlook

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2012 objectives

excluding DCNS and any exceptional export contract

Book-to-bill ratio	**slightly below 1**
Revenues	**increasing**
EBIT margin (*)	**6% in 2012** *after restructuring charges of about 1%*

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

Confirmed objective of performance improvement despite economic uncertainties in Europe

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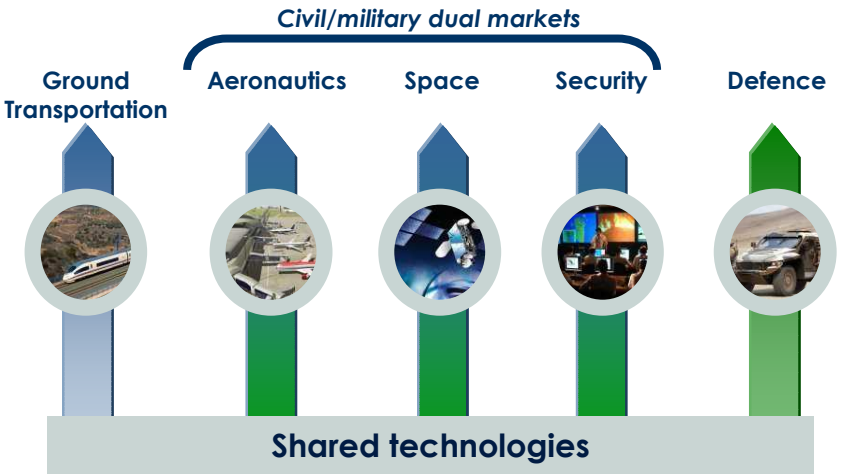
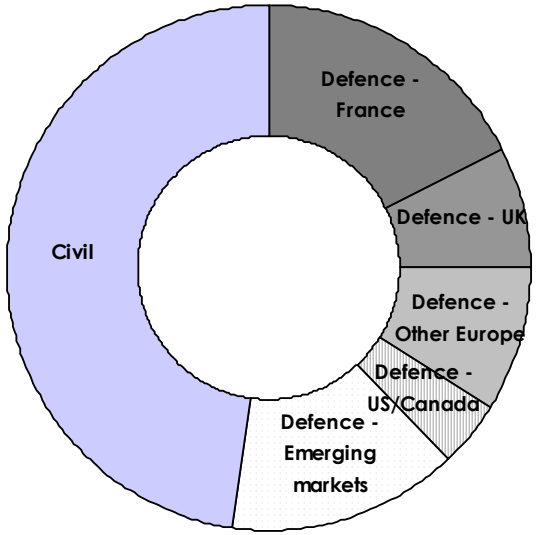
Well positioned to capture growth





Revenues 2011

Strong and long-standing international footprint

Exposure to growing civil markets

Defence offering meeting operational priorities

Balanced portfolio → increased business resilience

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Innovation at the heart of the strategy

Boost innovation

- Transverse technologies
- 4 “Key Technological Domains"

Streamline our product portfolio

- A systematic action plan through the entire group
- Developing common “building blocks”

Reducing development risks

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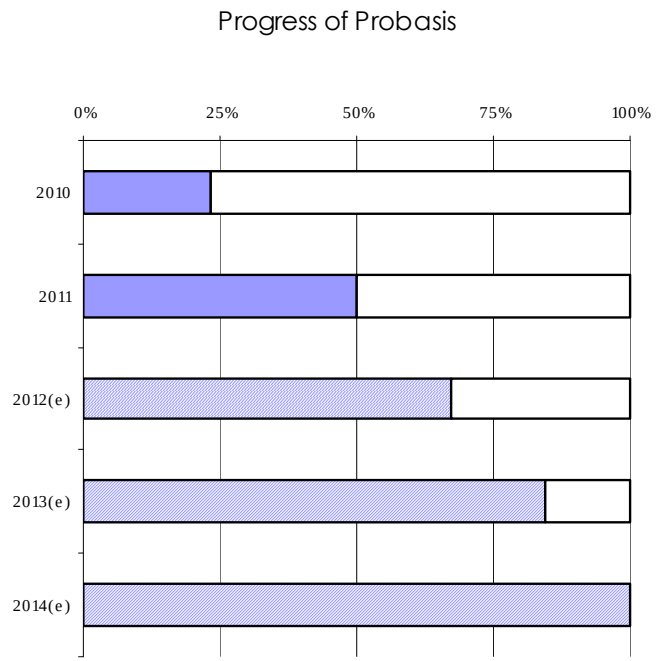
A performance plan largely underway

Probasis: 50% of the actions implemented

- Non-quality costs
  - Increased rigour in bid evaluation and project execution
- Supply chain
  - More pooled procurement
  - Product policy
- SG&A
  - Restructuring underway
  - Shared services



Chorus 2.0: a common language

- Already rolled-out to 60% of employees

Improve our performance in an uncertain environment

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A value-creating strategy

Grow internationally	Strengthen our offering	Improve our performance
Develop our position on growing markets Increase local value added A consistent, customer-centric commercial organisation	Accelerate innovation, develop transverse technological synergies Streamline our product portfolio Keep the civil / military balance	Harmonise the way we work Develop more rigorous management Foster team spirit

↓ ↓ ↓

Growth | **Competitiveness**

An integrated Group, creating value for shareholders

Annexes

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Upcoming events

Q1 2012 revenues	10 May 2012
Annual General Meeting	15 May 2012
H1 2012 results	25 July 2012

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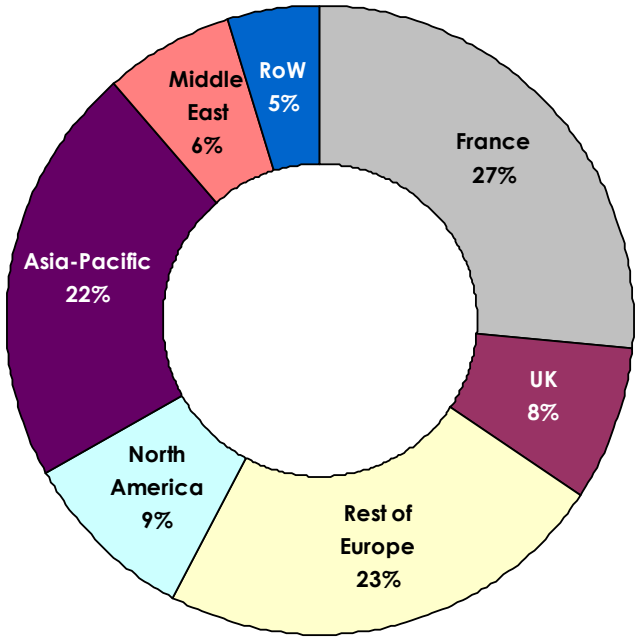
Order intake by destination

in €m	2011	2010	change total	change organic
France	3,470	3,083	+13%	+13%
UK	1,094	1,301	-16%	-15%
Rest of Europe	3,074	3,462	-11%	-11%
Europe	**7,638**	**7,846**	-3%	-2%
North America	**1,204**	**2,226**	-46%	-46%
Asia-Pacific	2,884	1,478	+95%	+92%
Middle East	857	870	-1%	+1%
Rest of the world	631	661	-5%	-3%
Emerging countries	**4,372**	**3,009**	+45%	+45%
Total	**13,214**	**13,081**	+1%	+1%

Order intake by destination



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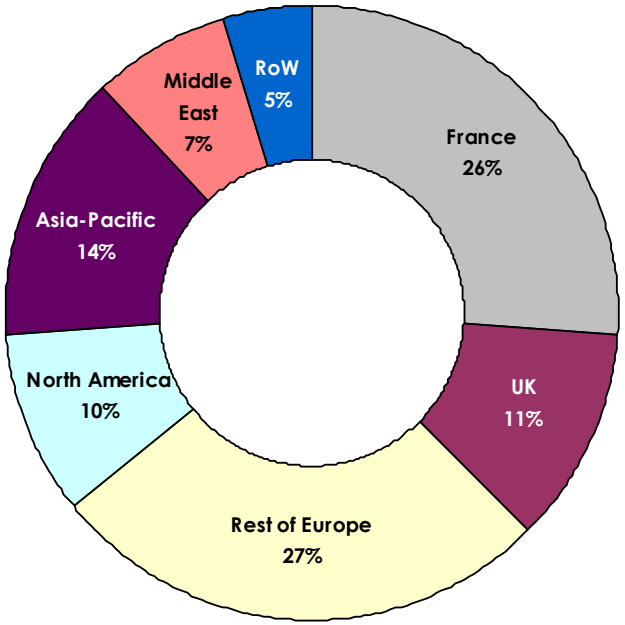
Revenues by destination

in €m	2011	2010	change total	change organic
France	3,407	2,931	+16%	+16%
UK	1,492	1,500	-1%	+1%
Rest of Europe	3,457	3,419	+1%	+1%
Europe	8,356	7,850	+6%	+7%
North America	1,269	1,315	-3%	-3%
Asia-Pacific	1,849	1,888	-2%	-4%
Middle East	947	1,257	-25%	-24%
Rest of the world	607	815	-26%	-25%
Emerging countries	3,403	3,960	-14%	-14%
Total	13,028	13,125	-1%	-0%

Revenues by destination



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Area A: key figures

in €m	2011	2010	change	
			total	organic
Order intake	3,694	3,637	+2%	+2%
Order book at 31 December	7,957	8,325	-4%	-7%
Revenues	4,230	4,370	-3%	-3%
Restructuring costs	(37)	(40)	-8%	
EBIT (*)	215	92	x2,3	x2,3
in % of revenues	*5.1%*	*2.1%*		

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

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Area B: key figures

in €m	2011	2010	change	
			total	organic
Order intake	2,353	2,561	-8%	-8%
Order book at 31 December	3,989	4,250	-6%	-6%
Revenues	2,633	2,764	-5%	-4%
Restructuring costs	(14)	(29)	-52%	
EBIT (*)	115	111	+4%	+2%
in % of revenues	*4.3%*	*4.0%*		

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

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France: key figures

in €m	2011	2010	change total	change organic
Order intake	7,167	6,880	+4%	+4%
Order book at 31 December (*)	13,892	12,843	+8%	+8%
Revenues	6,163	5,987	+3%	+3%
Restructuring costs	(96)	(56)	+71%	
EBIT (**)	457	(291)		
in % of revenues	*7.4%*	*-4.9%*		

(*) Excluding the impact of the consolidation under the proportionate method of DCNS at 35%. Including this impact the order book amounted to €18,750m at the end of 2011.

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

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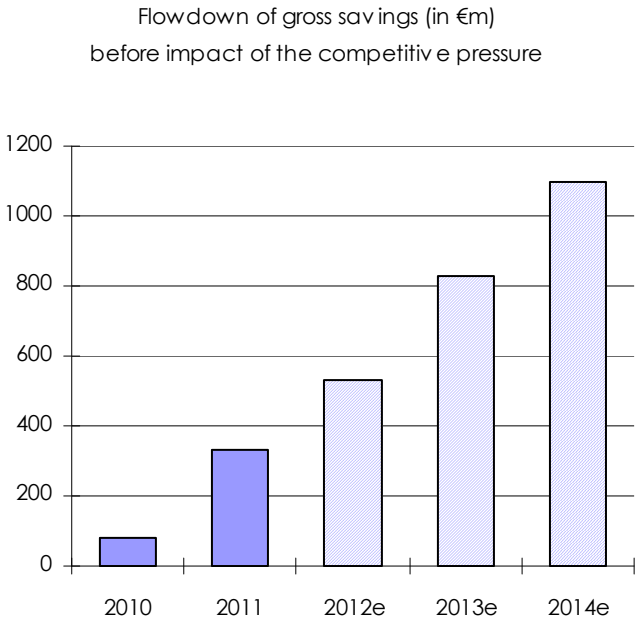
Probasis : net savings flowdown

in €m	2010	2011
Savings flowdown	80	250
cumulative (A)	80	330
Competitive pressure	(130)	(140)
cumulative (B)	(130)	(270)
Net cumulated benefits (A)-(B)	(50)	60
YoY variation of net benefits	#N/A	110



Probasis net cumulated benefits by 2011 : €60m

R&D

in €m	2011	2010
P&L expense	619	612
Capitalised R&D	10	43
Total self-funded R&D	629	655

Impact of capitalisation on the P&L

in €m	2011	2010
Capitalised R&D	10	43
Amortisation charge	(44)	(61)
Net impact on EBIT (*)	(34)	(18)
Net impact on margin	*-0.3%*	*-0.1%*

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

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Pensions

in €m		2011	2010
Externally funded	UK	(703)	(354)
	Netherlands	40	(23)
	Total	(663)	(377)
Mainly internally funded	France	(595)	(552)
	Others	(302)	(268)
	Total	(897)	(820)
Total unfunded status before tax		(1,560)	(1,197)
Gross obligations	UK	(2,905)	(2,402)
	Netherlands	(759)	(760)

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PPA impact

in €m	2011 before PPA (*)	PPA impact	2011 reported
Order intake	13,214	0	13,214
Order book at 31 December (**)	25,841	0	25,841
Revenues	13,028	0	13,028
EBIT	749	(71)	678
in % of revenues	*5.7%*		*5.2%*
Income tax	(172)	24	(147)
Equity in unconsolidated affiliates	62	(8)	53
Net income (Group share)	566	(55)	512
per share in €	*2.88*	*(0.20)*	*2.60*

(*) PPA: "Purchase Price Allocation"

(**) Excluding the impact of the proportionate consolidation of the 35% equity participation in DCNS. Including this impact, the order book amounts to €30,697m

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Q4 2011 orders

in €m	Q4 2011	Q4 2010	change	
			total	organic
Defence & Security	2,425	2,471	-2%	-2%
Aerospace & Transport	2,318	3,199	-28%	-28%
Others	15	26		
Total	4,758	5,696	-16%	-17%

in €m	Q4 2011	Q4 2010	change	
			total	organic
Area A	1,364	1,196	+14%	+13%
Area B	824	935	-12%	-12%
France	2,570	3,565	-28%	-28%
Others				
Total	4,758	5,696	-16%	-17%

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Q4 2011 revenues

in €m	Q4 2011	Q4 2010	change	
			total	organic
Defence & Security	2,516	2,619	-4%	-4%
Aerospace & Transport	1,863	1,822	+2%	+2%
Others	35	23		
Total	4,414	4,464	-1%	-1%

in €m	Q4 2011	Q4 2010	change	
			total	organic
Area A	1,287	1,347	-4%	-5%
Area B	913	1,020	-10%	-10%
France	2,212	2,097	+5%	+5%
Others	2			
Total	4,414	4,464	-1%	-1%

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DCNS: key financial figures (at 100%)

in €m	2011
Order intake	3,168
Order book at 31 December	14,791
Revenues	2,624
Gross margin	543
EBIT (*) - DCNS definition (**)	186.4
in % of revenues	*7.1%*
EBIT (*) - Thales definition (***)	184.5
in % of revenues	*7.0%*
Financial result	70
Net income (*)	198

(*) before impact of purchase price allocation ("PPA").

(**) before restructuring and research tax credit

(***) after restructuring and research tax credit

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Main programmes in backlog

Amount	Programme
More than €600m	Mirage 2000 upgrade (India) Rafale (France) Iridium (USA) FREMM Frigates (France/Italy)
Between €400m and €600m	London Underground signalling (UK)
Between €200m and €400m	QE-class aircraft carrier (UK) Watchkeeper (UK) Balard – Ministry of Defence (France) Ecomouv (France) CSO observation satellite (France) In-flight entertainment systems Maintenance in operational condition - Rafale (France)

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Details of reporting structure

FY2009 reporting structure*

Aerospace/Space

Space	*Space*
Avionics (commercial and military) In Flight Entertainment Electronic warfare Mission airborne systems	*Aerospace*

Defence

Land systems Communications and C4I systems	*Land & Joint Systems*
Naval systems	*Naval*
Air defence Missile systems ATM	*Air Systems*

Security

Rail signalling Supervision & communication for rail Revenue collection ("Ticketing") IT security Protection systems Critical information systems Training & Simulation TWT & Imaging	*Security*

Reporting structure since 2010*

Defence & Security

Communications and C4I systems IT security Protection systems Critical information systems	*Defence & Security C4I Systems*
Naval systems Mission airborne systems Electronic warfare	*Defence Mission Systems*
Air defence ATM	*Air Operations*
Land systems Missile systems	*Land Defence*

Aerospace & Transport

Space	*Space*
Avionics (commercial and military) In Flight Entertainment Training & Simulation TWT & Imaging	*Avionics*
Rail signalling Supervision & communication for rail Revenue Collection ("Ticketing")	*Transportation Systems*

** This simplified presentation does not necessarily reflect internal business lines*

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