THALES

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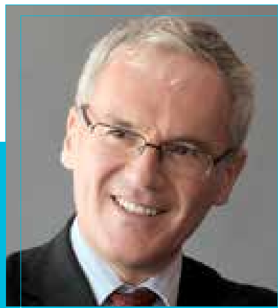
JUNE 2013

Shareholders' newsletter



Jean-Bernard Lévy

Chairman & Chief Executive Officer of Thales

Dear Shareholder,

In 2012, Thales achieved all its objectives, posting EBIT of €927 million, up 15%, and adjusted net income of €585 million, up 13%. This improved performance enabled the Annual General Meeting on 24 May to approve the payment of a dividend of €0.88, a 13% increase over the 2012 dividend.

Furthermore, after a few months at the helm of Thales, I am convinced that the Group's technological depth, its capacity for innovation, the dedication and excellence of its employees, and its international presence constitute formidable assets which will enable us to do even better in future:

- better in terms of results: despite the recent improvement, our performance is still well below that of many companies in the sector. We need to improve the quality of our project execution and pursue our efforts in cost competitiveness, in order to generate the necessary margins for manœuvre to invest and further our research and development;
- better also in terms of growth: for several years, our sales have stagnated, including on the emerging markets of Asia, the Middle East, Latin America and Africa. In an unfavourable economic and budgetary environment in Europe, we must get into a position to capture more growth from these emerging markets, in all our areas of activity.

The Group's new structure (see page 3) is designed to promote this dual determination to improve results and growth. I am confident in Thales' capacity to achieve this development ambition, a key condition for the satisfaction of our clients and shareholders.

Thank you for your support. I hope you will enjoy reading this letter.

Jean-Bernard Lévy

Born in 1955, Jean-Bernard Lévy became Chairman of the Management Board of Vivendi in 2005, having joined the group in 2002 as Chief Executive.
After starting his career at France Télécom and the French Ministry for Industry, Jean-Bernard Lévy managed the telecommunications satellites activity of Matra Marconi Space, before becoming Chairman & CEO of Matra Communication in 1995.
In 1998, he joined Oddo et Cie as Chief Executive and then became Managing Partner.
Alumnus of the Ecole Polytechnique and Telecom ParisTech, Jean-Bernard Lévy is a Knight of the French Legion of Honour and an Officer of the French National Order of Merit.

2012 results

Order intake: €13.3 billion

(+1%, -5% excluding DCNS impact[1])

Order intake in Defence & Security came to €6.8 billion, down 5% compared with the previous year which benefited from the Mirage 2000 upgrade contract in India for over €1bn. Excluding this contract, orders in the sector showed a 12% increase, driven in particular by the development contract for new-generation software based radios in France, radar systems in the Netherlands and new tranches for armoured vehicles in Australia.

The decrease in order intake in Aerospace & Transport (€5.7 billion, down 4%) was due to a decline in orders in the space segment and to a lesser extent in transport, despite continued growth in civil avionics activities. DCNS contributed €0.7 billion.

At the end of December 2012, the order book stood at €30.7 billion, representing over two years of business.

Sales: €14.02 billion

(+9%, stable excluding DCNS impact[1])

The Defence & Security sector, which represents a little over half of our total activity, achieved sales of €7.2 billion, stable compared with 2011.

The Aerospace & Transport sector posted sales growth of 5%, to €6 billion, thanks to a favourable trend in civil aviation (original equipment and support) and transport. DCNS contributed €0.9 billion.

EBIT[2]: €927 million (6.5% of sales)

EBIT[2] represented 6.5% of revenues and came to €927 million compared with €749 million (5.7% of sales) in 2011. The improvement in EBIT[2] reflects an improvement in operational performance and cost control as well as lower restructuring costs than in 2011. EBIT[2] for Defence & Security amounted to €504 million (compared with €499 million in 2011), while EBIT[2] for Aerospace & Transport continued to recover, at €392 million, compared with €286 million at 31 December 2012. DCNS contributed €79 million.

Adjusted net income, Group share[3]: €585 million (+13%)

Despite a marked increase in the tax charge, adjusted net income was up 13%, largely due to the improvement in EBIT.

Sound financial position

Free operating cash flow[4] was substantially higher in 2012 at €669 million (€753 million excluding DCNS impact[1]) compared with €379 million in 2011, due to the combined effect of improved results and a favourable change in the working capital requirement, thanks to the receipt of significant payments at the end of 2012. At the end of December 2012, net cash flow came to €1,528 million (€909 million excluding DCNS impact[1]), compared with €906 million (€192 million excluding DCNS impact[1]) at the end of the previous year.

1. "DCNS impact" means impact of the 35% proportionate consolidation of DCNS vs. consolidation under the equity method at 35%.
2. After restructuring and before impact of purchase price allocation ("PPA")
3. Adjusted net income excludes the "disposal of assets, changes in scope of consolidation and other", changes in fair value in derivative foreign exchange instrument, the impact of amendments, curtailment and settlement of pension schemes, amortisation of actuarial gains and losses and the impact of minimum funding requirements pursuant to IFRIC 14, net of the corresponding tax impacts.
4. Operating cash flow + change in working capital requirement and reserves for contingencies – payments of pension benefits (excluding payments for the reduction of deficits in the UK) – taxes paid – net operating investments.

Key figures at 31 March 2013

- **Sales: €2.8 billion**
  At 31 March 2013, sales were up 5% on a like-for-like basis and at constant exchange rates, led by civil aeronautics and emerging markets.
- **Order intake: €2.1 billion**
  Order intake was 22% lower than in the first quarter 2012, which had seen the notification of several major orders (renovation of the Danish rail network, metro in Singapore). At 31 March 2013, the consolidated order book came to €29 billion, representing more than two years of sales.

A new organization

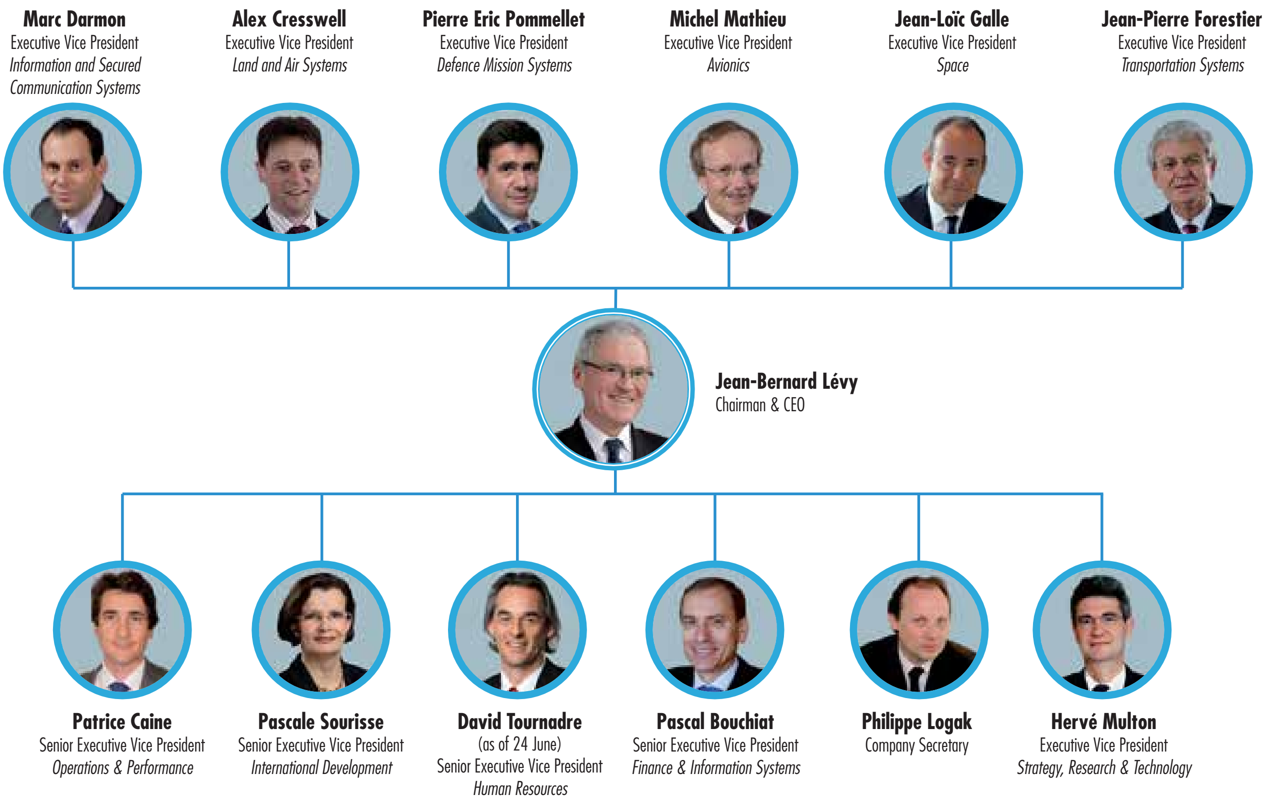
On 1 April 2013, the Group established a new organization:

- Six Global Business Units grouped into three segments:
  > Defence & Security (Secure Communications and Information Systems, Land & Air Systems, Defence Mission Systems)
  > Aerospace (Avionics, Space)
  > Transport (Ground Transportation Systems)

The Global Business Units are responsible for strategy, product policy and marketing, client relations, industrial policy and organisation, and economic performance for the products, solutions and services in their global remit;

- An international organization spread between the major countries in which the Group is present (Germany, Australia & New Zealand, Canada, United States, France, Netherlands and the UK), other European countries and international development.

The composition of the Group's Executive Committee was revised when the new organization was put in place:



Thales Annual General Meeting on 24 May 2013

The Annual General Meeting held on 24 May 2013, chaired by Jean-Bernard Lévy, approved all the resolutions which were submitted to the vote of shareholders, including:

- Ratification of cooptations of Jean-Bernard Lévy, Chairman & Chief Executive Officer of the Group, and David Azéma, Commissioner for State Participations, proposed by the Public Sector, as board members,
- Payment of the dividend for the 2012 financial year (cf. page 4),
- Reduction of the statutory term of directors' appointments from six to four years in line with the Afep-Medef code. This provision will apply for the first time to appointments or renewals of terms of office at the Annual General Meeting in 2014.

Shareholder news

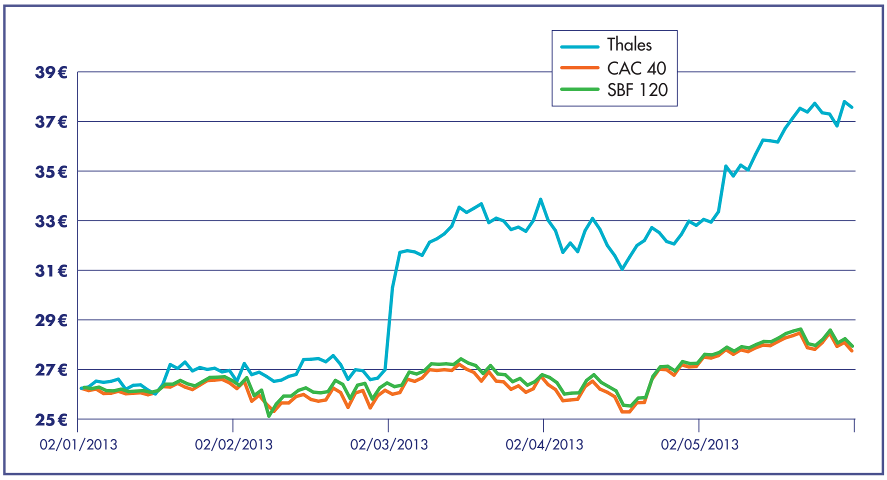
2012 dividend

The Thales Annual General Meeting held on 24 May 2013 approved the payment of a dividend of €0.88 per share for the 2012 financial year – a 13% increase from 2011.

This dividend was fully paid in cash on 31 May 2013 in the amount of €0.63 per share, following the payment of an interim dividend of €0.25 in December 2012.

For further information, contact your financial adviser or visit http://www.thalesgroup.com/ Group/ Investors/Shareholding/ Dividends/.

Thales share price (from 1 January to 31 May 2013)



Shareholder information

Listing markets:
NYSE Euronext Paris
(compartment A)

Principal reference indices:
SBF120, SBF250, CAC AllShares

Number of shares at 31 December 2012:
202,339,674

Highest closing price between 1 January and 31 May 2013:
€37.80 *(30 May 2013)*

Lowest closing price between 1 January and 31 May 2013:
€26.01 *(16 January 2013)*

Adjusted net income per share 2012:
€2.88

2012 dividend per share: €0.88

SCHEDULE

17 – 23 June 2013: Paris Air Show – Le Bourget
24 July 2013: 2013 half-year results
24 October 2013: Q3 and 9 months sales and order intake

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