JUNE 2014

Shareholders' newsletter

Jean-Bernard Lévy

Chairman & Chief Executive Officer of Thales

Dear Shareholder,

In many respects, 2013 was a milestone year for Thales.

As our full-year financial results show, Thales is back in motion. We recorded a substantial increase in new orders, particularly in emerging markets, where order intake surged by 30%. Even if sales remained stable, operating profitability rose by 8% to a record high, thanks to our efforts to improve our competitiveness. The adjusted net income also climbed 13%. Based on these encouraging results, the Board of Directors recommended a 27% increase in the dividend to €1.12 per share.

During 2013, we defined Ambition 10, an ambitious new strategic vision for the Group that is shared by all our employees and based on their collective intelligence. Ambition 10 is built on three strategic pillars — growth, competitiveness and people — which will support Thales's development as we move forward.

After several years of flat sales and a persistently unfavourable environment in Western defence markets, we need to continue and speed up our growth in emerging markets and further leverage the expansion of our civil business in aeronautics, space, ground transportation and security. Accordingly, we expect civil markets to account for the majority of our sales by 2017/2018 (our civil business showing annual mid-single digit growth whereas defence business should remain stable), and we should generate more than a third of our sales in emerging markets.

At the same time, we will be pursuing efforts to improve the competitiveness of all our businesses. We intend to achieve additional savings in purchasing costs and further improvements in project execution, and we are now taking steps to systematically enhance our engineering and structure costs. With this improved competitiveness and a return to revenue growth, we expect to deliver levels of profitability closer to those of the best-performing companies in our industry: our operating margin should be between 9.5 and 10% by 2017/2018.

Building on this new momentum and the excellence of our employees, and drawing even more effectively on their talent and diversity everywhere in the world, Thales is now poised to return to sustainable, profitable growth and to become a truly global player.

Thank you for your support. I hope you enjoy reading this shareholders' newsletter.

Jean-Bernard Lévy

2013 results

Order intake: €14.2 billion

(7% increase at constant scope and exchange rates)

Order intake in the Aerospace sector amounted to €4.1 billion, marked by continued growth in flight avionics systems and Space activities, along with the signature of several contracts for observation and exploration satellites. Order intake in the Transport sector was down compared with 2012, at €1.5 billion, despite many successes in emerging markets (South Africa, Egypt, China, etc.). Order intake in the Defence & Security sector showed an increase, at €7.7 billion, on account of several long-term contracts in France (F3R standard Rafale, renovation of the Atlantique 2 maritime patrol aircraft, and a new tranche of the Contact software radio contract) and in the United Kingdom (in-service support contract for sensor systems used by the Royal Navy) and several successes in emerging markets, notably in the Middle East (Sawari I Saudi frigates, air defence radars in the United Arab Emirates, etc.). In total, Thales recorded 19 orders with a unit value of more than €100 million (compared with ten in 2012), while orders in emerging markets, which are areas of growth for the Group, rose by 30%. At the end of December 2013, the order book stood at €29.5 billion, representing more than two years of business.

Sales: €14.2 billion

(3% increase at constant scope and exchange ratess)

Group sales grew slightly over the year, driven by the dynamism of civil avionics and sustained defence activities, thanks to several long-term contracts. Only Transport sales decreased during the year, due to the completion of contracts.

EBIT [1]: €1,003 million

(7.1% of sales)

L'EBIT [1] represented 7.1% of sales and amounted to €1,003 million compared with €927 million (6.5% of sales) in 2013. This 8% increase in EBIT [1] (at constant scope and exchange rates) reflects the performance improvement measures implemented by the Group.

Adjusted net income, Group share [2]: €644 million (+13%)

Despite a marked increase in the tax charge, adjusted net income [2] increased by 13%, largely due to the improvement in EBIT [1]. Adjusted net income [2] per share came up to €3.20, compared with €2.86 [3] in 2012, up 12%.

Sound financial position

The net cash position amounted to €1,666 million, up €138 million compared with the end of December 2012. This figure includes the payment of a higher dividend (see page 4) and a net acquisitions/disposals balance amounting to -€89 million in 2013, compared with a positive balance of €156 million in 2012 following the disposal of assets.

1. Income from operations after restructuring, excluding the amortisation of intangible assets acquired (purchase price allocation – PPA).
2. The adjusted net income excludes the amortisation of intangible assets acquired, gains and losses on disposals, changes in scope and other movements, changes in the value of foreign exchange derivatives, in addition to actuarial gains and losses on long-term benefit plans, net of tax impacts.
3. Restated to take into account the application of the revised IAS 19.

Key figures for the first quarter of 2014 [4]

- **Sales: €2.4 billion,**
  stable compared with the first quarter of 2013, with growth in the Aerospace sector (in particular flight avionics and in-flight entertainment) offsetting a slight decline in Defence & Security activities.
- **Order intake: €2 billion,**
  up 10% compared with 31 March 2013, sustained by growth in emerging markets (40% increase compared with the first quarter of 2013), including in particular the conclusion of a second tranche of a major security contract for Mexico City and several contracts in the Middle East (naval systems, civil security).

4. Restated to take into account the application from 1 January 2014 of the new IFRS 10 and 11 (see page 3).

In-flight entertainment and connectivity: Thales acquires LiveTV

In March 2014, Thales signed a binding agreement to acquire the American company LiveTV for a total amount of $400 million. This acquisition was finalised early June.

LiveTV was founded in Florida in 1998. It provides in-flight entertainment systems for airliner seat backs, including satellite television, video broadcasting, and high-speed Internet connectivity. LiveTV currently employs 450 people and expects to achieve sales of approximately $150 million in 2014.

LIVETV™ AT HOME IN THE AIR

A pioneer in television and, more recently, in the field of high-speed communication and Internet services for airline passengers, LiveTV has equipped more than 700 aircraft worldwide. This acquisition will enable the Group to further improve its positioning on the very dynamic in-flight entertainment and connectivity market.

General Meeting of 14 May 2014

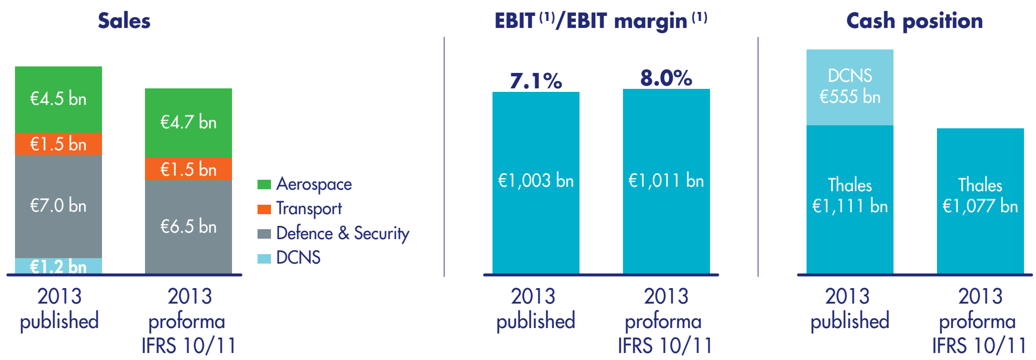
The Thales Combined General Meeting was held on 14 May 2014 at the Palais Brongniart in Paris and chaired by Jean-Bernard Lévy. All 21 resolutions submitted for the General Meeting's approval were adopted, except resolution 11.

In particular, the Meeting approved the financial statements for 2013 and the payment of a €1.12 dividend per share, including the €0.27 interim dividend already paid in December 2013. The Meeting also approved the appointment of Laurence Broseta and Marie-Françoise Walbaum as directors. Furthermore, the terms of office of Charles Edelstenne and Jean-Bernard Lévy as directors were renewed.

After the General Meeting, the Board of Directors convened and re-elected Jean-Bernard Lévy as Chairman and Chief Executive Officer of Thales.

New international accounting standards: IFRS 10 & IFRS 11

From 1 January 2014, and in accordance with international accounting rules, Thales releases the Group's financial information in compliance with IFRS 10 and 11 which introduce a new model for consolidating joint ventures (end of proportionate consolidation). The practical implications for Thales can be summarised as follows:



1. Income from operations after restructuring, excluding the amortisation of intangible assets acquired (purchase price allocation – PPA).

Shareholder news

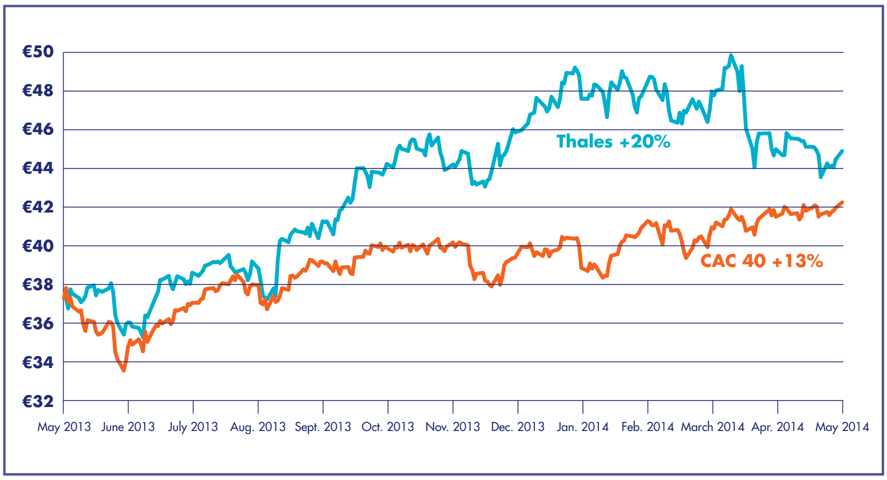
Dividend

The Thales Annual General Meeting held on 14 May 2014 approved the payment of a dividend of €1.12 per share for the 2013 financial year – a 27% increase from 2012. This dividend was fully paid in cash on 30 May 2014 in the amount of €0.85 per € share, following the payment of an interim dividend € of €0.27 in December 2013.

For further information, contact your financial adviser or visit www.thalesgroup.com/en/worldwide/investors/dividends

Thales share price

(share price movements since the General Meeting held on 24 May 2013)



Shareholder information

Listing markets:
NYSE Euronext Paris
(compartment A)

Principal reference indices:
CAC Next20, SBF250, CAC Large60 et CAC AllShares

Number of shares at 31 December 2013:
205,744,500

Highest closing price since 1 January:
€50.00 *(4 April 2014)*

Lowest closing price since 1 January:
€43.59 *(16 May 2014)*

Dividend paid in 2013:
€1.12

CALENDAR

24 July 2014: publication of 2014 half-year results
23 October 2014: publication of quarterly information regarding the third quarter of 2014

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