Combined Annual General Meeting

15 May 2012
Shareholding and governance
Shareholding structure

- French State: 27.1%
- Dassaut Aviation: 26.0%
- Institutional investors: 39.7%
- Employees: 3.1%
- Individual shareholders: 2.4%
- Treasury shares: 1.7%

Close to 50,000 shareholders
Have our shareholders share in the recovery

Evolution of Thales share and CAC 40 since May 2011

Dividend per share

*0.50

*0.78 (*)

2010
2011

(*) subject to the approval of resolution 3. An interim dividend of €0.25 has already been paid in December 2011.

Source: NYSE Euronext
Activity of the Board

- 10 full meetings in 2011, with a participation rate of 90%
- 21 meetings of the committees of the board
  - strategy
  - audit and accounts
  - selection and remuneration

Independent directors et female participation (*)

- Number of independent directors 25% (19% in 2011)
- Number of women 25% (6% in 2011)

(*) subject to the approval of resolutions 7, 8 and 11
New directors standing for election

Ms Ann Taylor
- Independent director
- British national
- Member of the House of Lords, former minister

Ms Anne-Claire Taittinger
- Independent director
- French national
- Former chairwoman of the Management board of Société du Louvre and of groupe Taittinger

Ms Jeanne-Marie Prost
- "Proposed by the Public Sector", director representing the State (art. 139 of the NRE law)
- French national
- Deputy Head of the Médiation nationale du crédit aux entreprises
2011
financial results
## 2011: objectives met in a difficult environment

<table>
<thead>
<tr>
<th></th>
<th>2011 (in €m)</th>
<th>2010 (in €m)</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td>13,214</td>
<td>13,081</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>Order book at 31 December (</strong>)**</td>
<td>25,841</td>
<td>25,418</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>13,028</td>
<td>13,125</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>EBIT (</strong>* in % of revenues)**</td>
<td>749 (5.7%)</td>
<td>(92) (-0.7%)</td>
<td></td>
</tr>
<tr>
<td><strong>Net income, Group share (</strong>* per share in €)**</td>
<td>566 (2.88)</td>
<td>(45) (0.23)</td>
<td></td>
</tr>
<tr>
<td><strong>Free operating cash flow</strong></td>
<td>379</td>
<td>271</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash at 31 December (</strong>)**</td>
<td>192</td>
<td>191</td>
<td></td>
</tr>
</tbody>
</table>

### Strong upturn of the results

(*) Organic means "at constant scope and exchange rates"

(**) 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

(c) mai 2012
Main commercial successes in 2011

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)

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
Sustaining the self funded R&D effort, support innovation
Self funded R&D: +10% since 2008
### Defence & Security: 2011 key figures

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>total</td>
</tr>
<tr>
<td>Order intake</td>
<td>7,210</td>
<td>6,173</td>
<td>+17%</td>
</tr>
<tr>
<td>Order book at 31 December (*)</td>
<td>14,397</td>
<td>14,310</td>
<td>+1%</td>
</tr>
<tr>
<td>Revenues</td>
<td>7,253</td>
<td>7,515</td>
<td>-3%</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(97)</td>
<td>(71)</td>
<td>+37%</td>
</tr>
<tr>
<td>EBIT (**)</td>
<td>504</td>
<td>152</td>
<td>x 3.3</td>
</tr>
</tbody>
</table>

*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
### Aerospace & Transport: 2011 key figures

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>total</td>
<td>organic</td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>5,953</td>
<td>6,845</td>
<td>-13%</td>
</tr>
<tr>
<td>Order book at 31 December</td>
<td>11,372</td>
<td>11,022</td>
<td>+3%</td>
</tr>
<tr>
<td>Revenues</td>
<td>5,682</td>
<td>5,539</td>
<td>+3%</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(37)</td>
<td>(40)</td>
<td>-8%</td>
</tr>
<tr>
<td>EBIT (*)</td>
<td>294</td>
<td>(221)</td>
<td></td>
</tr>
<tr>
<td>in % of revenues</td>
<td>5.2%</td>
<td>-4.0%</td>
<td></td>
</tr>
</tbody>
</table>

(\(^\ast\) After restructuring and before impact of purchase price allocation ("PPA").

**Growth of revenues**

**Better project execution and positive impact of the A400M agreement**
## Q1 12 key figures

**Growth in order intake driven by large Transport orders**  
**Globally stable revenues**

<table>
<thead>
<tr>
<th>in €m</th>
<th>Q1 2012</th>
<th>Q1 2011</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| excluding DCNS (*) | 2 584 | 1 943 | +33%  
| reported | 2 624 | 1 943 | +35% |
| **Revenues** | | | |
| excluding DCNS (*) | 2 484 | 2 519 | -1%  
| reported | 2 683 | 2 519 | +7% |
| **Book-to bill ratio** | | | |
| excluding DCNS (*) | 1,04 | 0,77 | |
| reported | 0,98 | 0,77 | |

(*) excluding the impact of the proportionate consolidation of DCNS
### 2012 Objectives

Excluding DCNS and any exceptional export contract.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Book-to-bill ratio</strong></td>
<td>Slightly below 1</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>Increasing</td>
</tr>
<tr>
<td><strong>EBIT margin (*)</strong></td>
<td>6% in 2012 after restructuring charges of about 1%</td>
</tr>
</tbody>
</table>

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

**Confirmed objective of performance improvement despite economic uncertainties in Europe**
Strategy and outlook
A European group with French roots

A strong footprint in Europe

Spearheading European rationalisations since 20 years

- France/UK: sonars, optronics
- France/Germany: ammunitions, tactical radars
- France/Netherlands: radars
- France/Italy: Space

Deep French roots

- 52% of worldwide workforce
- 60% of worldwide R&D workforce
- 70% of worldwide R&T workforce

2011 figures, managed workforce
Growth supported by the dual nature of activities

Dual civil /military markets

Ground Transport  Aeronautics  Space  Security  Defence

Shared technologies

Balanced portfolio ➔ increased resilience of activity
Growth supported by geographical diversification

2011 order intake by destination

- France 27%
- Rest of Europe 23%
- Asia-Pacific 22%
- UK 8%
- North America 9%
- Middle East 6%
- RoW 5%

33% of new orders

A third of 2011 order intake in emerging markets
Open innovation

- Over 30 collaborative labs with our customers
- Active involvement in 10 French competitiveness clusters
- Over 500 SMEs cooperating with Thales

Transverse synergies

- Development of common "building blocks"
- 12,000 patents
A performance plan largely underway

Non-quality costs

- Increased rigour in bid evaluation and project execution

Supply chain

- More pooled procurement
- Product policy

SG&A

- Shared services

Probasis: 50% of the actions implemented
Optimisation of the portfolio

Ongoing divestment programme

- Implemented in 2011:
  - IT services in Switzerland, Spain
  - NavSol

- Ongoing projects:
  - 'Business Solutions' IT services in France
  - Civil fixed-wing aircraft simulation

Targeted investments

- From 25 to 35% in the capital of DCNS
- From 40 to 50% in the capital of Sofradir with Safran
- 100% ownership of Yaltes (Turkey) and Omnisys (Brazil), creations of joint ventures in China (signalling, IFE)
- Acquisition of Tampa Microwave (US)

Strengthen Thales on international markets
A value-creating strategy

**Grow internationally**
- Develop our position on growing markets
- Increase local value added
- Have a customer-centric commercial organisation

**Strengthen our offering**
- Accelerate innovation,
  - Develop transverse technological synergies
  - Streamline our product portfolio

**Improve our performance**
- Develop more rigorous management
- Harmonise tools and processes
- Foster team spirit

Growth

Competitiveness
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