Dear Shareholder,

The implementation of our strategic vision, Ambition 10, and of all of the concrete initiatives that accompany it, whether they relate to growth, competitiveness or talent, is beginning to bear fruit.

This can be seen in the strong growth in order intake, which progressed by 8% at constant scope and exchange rates to more than €14 billion. Last year, we were awarded 19 «large» contracts of over €100 million, half of which are in emerging markets. Our orders in these markets have increased more than 40% in two years, thus confirming the soundness of our strategic vision.

More generally, in 2014 Thales either met or exceeded all of its objectives, excluding the impact of DCNS losses in civil nuclear and certain naval programmes. Excluding that impact, our EBIT progressed by 13% compared with last year, despite stable sales.

This favourable evolution is directly related to our efforts to increase competitiveness and improve our contract execution. In addition, we continued to prepare for the future, again reinforcing our research and development efforts as well as our industrial investments. Finally, our strong cashflow generation and sound financial structure gives us the flexibility we need to conduct targeted acquisitions, such as the acquisition of Live TV in the United States.

These results reinforce my confidence in our long-term vision for the Group as well as my determination to implement Ambition 10. In 2015, thanks to the increase in our order intake over the last two years, we expect return to top line growth, for the first time in years, and to show improvement in results.

Beyond that, it is by pursuing our growth, reinforcing our competitiveness, and developing the talents of the men and women of Thales that we will set the Group on a sustainable path of development and profitability.

Thank you for your confidence.

Patrice Caine
Chairman & Chief Executive Officer of Thales
2014 Annual Results

**Order intake: €14.36 billion [+8% at constant scope and exchange rates]**

Order intake in Aerospace was up significantly at €5.02 billion, driven by civil avionics (in-flight entertainment/connectivity), as well as Space activities, which recorded eight major orders in excess of €100 million.

Order intake in the Transport segment rose 14% to €1.65 billion.

The Defence & Security segment recorded a 7% rise in orders to €7.61 billion, with a number of major orders from emerging markets (Qatar, Indonesia, Mexico, etc.) but also significant successes in France, the United Kingdom and Australia.

In total, as in the previous year, Thales recorded 19 major orders each worth in excess of €100 million and important growth in emerging markets. Since 2012, the growth in order intake in emerging markets has exceeded 40%.

At the end of December 2014, the order book stood at €27.3 billion, representing over two years of business.

**Sales: €12.97 billion [stable at constant scope and exchange rates]**

Overall, Group sales were stable. Sales in the Aerospace segment rose, reflecting the strong momentum of onboard avionics and in-flight entertainment. In contrast, Transport sales saw a slight dip, while sales in Defence & Security were unchanged.

**EBIT (1): €985 million, after the deduction of €117 million for the impact of the net loss by DCNS [7.6% of sales]**

EBIT (1) represented 7.6% of sales and amounted to €985 million, compared with €1,011 million (8% of sales) in 2013. This reduction is entirely due to the strongly negative contribution of DCNS, stemming from negative variances on a number of contracts, in particular in civil nuclear, as well as on the Barracuda submarine programme.

Excluding the contribution of DCNS, EBIT totalled €1,102 million, up 13% compared with the previous financial year, as performance improvement plans continued to be deployed.

The Aerospace and Defence & Security segments posted EBIT margins of close to 10%. In contrast, the margin in the Transport segment (2.3%) was penalised by difficulties in execution on several projects.

**Adjusted net income, Group share (2): €562 million (-12%)**

After taking into account a slight increase in financial and tax expenses, the financial year recorded adjusted net income of €562 million, down by 12% compared with 2013.

Adjusted net earnings (2) Group share, per share, amounted to €2.75 compared with €3.20 in 2013.

**Sound financial position**

Net cash totalled €1,006 million compared with €1,077 million at 31 December 2013, given in particular the acquisition of Live TV (in-flight entertainment and connectivity) and the significant increase in dividend distribution.

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1. Income from operations, increased by the share of net income in equity-accounted companies, before the impact of amounts relating to the amortisation of intangible assets acquired (purchase price allocation, “PPA”) as part of material business combinations.
2. Adjusted net income corresponds to the net income attributable to shareholders of the parent company, excluding the following items: amortisation of intangible assets, 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.
Egypt has chosen the Rafale and the FREMM frigate to equip its forces

24 Rafale omnirole combat aircraft and 1 multi-mission FREMM frigate have been ordered by the Egyptian authorities to equip their forces.

Thales is supplying numerous elements of state-of-the-art technological equipment and systems for the Rafale, the FREMM and their respective weapons. Thales’s share of the total value of the Rafale represents around 25%, and some 20% of the FREMM.

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Thales will provide air traffic safety in Australia

Thales has signed a framework agreement with Airservices Australia to launch the OneSKY programme to upgrade the entire civil and military air traffic management (ATM) infrastructure.

This programme is the most ambitious ATM upgrade project ever launched in Australia. It comes in the wake of the Marshall programme implemented in the United Kingdom, reinforcing Thales’ global leadership in the ATM market.

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Annual General Meeting of 13 May 2015

The Thales Combined General Meeting was held on 13 May 2015 at the Palais Brongniart in Paris and was chaired by Patrice Caine.

With the resignation of Henri Proglio as a Director, the Board of Directors decided not to push ahead with the planned separation of governance responsibilities announced in December 2014, and to confirm Patrice Caine as Chairman and Chief Executive Officer.

Consequently, the Board decided to withdraw Resolutions 18, 20, 23 and 24 from the Annual General Meeting agenda. All of the remaining resolutions submitted to the Annual General Meeting for approval were adopted.

In particular, the Annual General Meeting approved the financial statements for 2014 and the payment of a €1.12 dividend per share, including the €0.34 interim dividend already paid in December 2014.

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Operational launch of the Thales Foundation

The Thales Foundation was launched on 10 September 2014, in order to strengthen the Group’s commitment to society.

The Thales Foundation is focusing on two priority areas: education, through science teaching and innovation in education, and support for professionals in the field of humanitarian emergencies. Thirteen projects put forward by employees have already benefited from the Foundation’s support.
Shareholder news

Dividend
The Thales Annual General Meeting held on 13 May 2015 approved the payment of a dividend of €1.12 per share for the 2014 financial year. This dividend was fully paid in cash on 29 May 2015 in the amount of €0.78 per share, following the payment of an interim dividend of €0.34 in December 2014.

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

Thales share price
(evolution since 1 January 2015)

Shareholder information
Listing markets:
Euronext Paris (compartment A)
Principal reference indices:
CAC Next20, SBF250, CAC Large60 and CAC AllShares
Number of shares
at 31 December 2014:
207,841,111

Highest closing price since 1 January 2015:
€58.49 (26 May 2015)
Lowest closing price since 1 January 2015:
€44.10 (6 January 2015)
Dividend paid in respect of 2014:
€1.12

CALENDAR
23 July 2015: 2015 half-year results
21 October 2015: sales and order intake as of 30 September 2015

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