Dear Shareholders,

The past year has been a turning point for Thales, with defence budgets coming under pressure in Europe and North America and strong competition in the civil sector.

In 2010, despite a slight contraction in orders, we posted a solid performance, with a better-than-expected book-to-bill ratio\(^{(1)}\) of 1. The slide in defence orders – which we had expected in view of the exceptional nature of 2009 and the beginnings of a downturn in European defence markets – was partly offset by civil aviation (with the early signs of an upturn) and, above all, by space, where we had an exceptional year. With an order book of more than €25bn, equivalent to almost two years of revenues, the Group has strong assets. Nevertheless, significant charges on some contracts signed prior to 2009 weighed heavily on operating profitability, although we made progress with these during the period. These recent developments, which greatly improve visibility in the execution conditions of these contracts, have enabled to remove the major operational uncertainties.

These factors, combined with the success of the Probasis performance plan, which is beginning to bear fruit, give us confidence in the swift recovery of Thales’s profitability. In terms of operating margin, we have set ourselves a target of 5% this year and 6% in 2012.

Our solid position in the civil and military markets, our strong international presence and our culture of innovation are all strong assets for Thales’s future. Our strategy is to strengthen these by expanding internationally, developing our product offering, sharing technology across civil and military activities and improving our competitiveness. This is how we will create value and make Thales stronger and better equipped to fulfil its mission: capturing information, analysing it and delivering the essentials to our customers to allow them to quickly make the right decision in critical and complex environments.

Thank you for your support and loyalty.

Luc Vigneron

\(^{(1)}\) Ratio of orders to revenues.
2010 results

Revenues: €13.1bn

Revenues increased slightly in 2010 (+2%), mainly due to a positive foreign exchange impact. Defence & Security, which accounts for just over half of our total activity, posted stable revenues during the year. Aerospace & Transport saw 4% growth in revenue, driven by early signs of recovery in civil aviation and growth in ground transportation.

Order intake: €13.1bn

Order intake was down by 6% on 2009, less than expected at the beginning of 2010. Defence & Security orders were 26% down on 2009, when several long-term contracts were awarded in France. Conversely, orders rose significantly (+26%) in Aerospace & Transport, driven by the space business and signs of recovery in civil aviation.

EBIT: €-92m

EBIT was significantly impacted by charges and provisions totalling €721m on a limited number of contracts (such as the A400M, Meltem maritime patrol aircraft in Turkey, and ticketing in Denmark) in both sectors. Amendments were finalised on ticketing contracts in Denmark and on the Meltem contract, setting out the terms of these programmes until their completion. Discussions are still ongoing for the A400M contract, delivery schedules and technical conditions having now been settled with Airbus.

Aerospace & Transport EBIT thus remained negative at €-221m (compared with a loss of €-105m in 2009). Defence & Security also recorded a sharp drop in EBIT (-54%) at €153m.

Net loss, Group share was €-45m, compared with €-128m in 2009.

Solid financial situation

Free operating cash flow stood at €271m, due to a strict control of working capital requirements and operating costs. The Group ended 2010 with net cash of €191m, compared with a net debt of €-91m at end-2009.

Key figures in Q1 2011

> Revenue: €2.5bn, mostly stable with growth in Aerospace & Transport driven by the continuing recovery of the civil aviation business and the resilience of the Defence & Security business

> Order intake: €1.9bn, down 18%

Significant downturn in Defence & Security; contraction in Aerospace & Transport following the major space orders in 2010 and growth in orders of less than €10m unit value
Thales Alenia Space was awarded the contract with Iridium Communication, world leader in mobile voice and data satellite communications, to supply 81 low-orbit satellites for the Iridium Next constellation. This contract, for a total of €1.1 billion (1), is Thales's biggest order in 2010.

Iridium Next will replace the Iridium constellation currently in operation to guarantee worldwide continuity of service, which it alone is currently able to offer. Iridium Next will also allow the existing service capacity to be extended.

Iridium Next will offer complete backward compatibility with Iridium's current devices and services. Thales Alenia Space developed a sophisticated, yet flexible solution to meet this requirement. Based on its low earth-orbit platform product line, specifically developed for constellations, each Iridium Next satellite will carry a complex active L-band antenna, Ka-band crosslink and feeder link antennas, 2-axis solar arrays and advanced onboard processing hardware and software needed to manage and route voice and data traffic through the Iridium network.

As prime contractor for the programme, Thales Alenia Space is in charge of the management, engineering, systems integration and supply of a space segment consisting of 66 operational satellites, 6 back-up satellites and 9 replacement satellites on the ground. To perform this large scale contract, Thales Alenia Space has involved teams from France and Italy and has established industrial partnerships. The launch of the first satellites is scheduled for the first quarter of 2015.

Market leader in telecommunications satellite constellations, Thales has also been selected to supply the O3b constellation, a reference to the "other three billion" people who do not have internet coverage. With a contract for eight satellites – and an option for a further eight – the O3b constellation is designed to provide coverage in developing countries and offer internet and mobile telephony solutions. The first satellites are due to be launched in 2013.

---

(1) At 67%, corresponding to Thales’s interest in Thales Alenia Space.
2010 dividend

The Thales Annual General Meeting, which took place on 18 May 2011, approved the payment of a 2010 dividend of €0.50 per share. It also decided that each shareholder would be entitled to opt for payment of the dividend either in cash or in new Thales shares (issued at a price of €25.98).

The dividend will be paid on 21 June 2011. The option to receive the dividend in new Thales shares will have to be exercised between 26 May and 9 June 2011 inclusive. After that date, if the option is not exercised, the dividend will be paid in cash.

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

Thales share price from 1 January to 20 May 2011

Shareholder information

- Listing markets:
  - Euronext Paris, compartment A
- Principal reference indices:
  - CAC Large 60, CAC Next20, SBF120,
  - Euronext 100, CAC Aero et Def
- Number of shares at 31 December 2010: 199,082,027
- Highest share price during Q1 2011: €28.145 (31 March 2011)
- 2010 earnings per share: €0.23
- 2010 dividend per share: €0.50

CONTACTS

Thales
45, rue de Villiers
92526 Neuilly-sur-Seine cedex - France

Investor Relations
Tel.: +33 (0)1 57 77 89 02
Fax: +33 (0)1 57 77 86 59
ir@thalesgroup.com

Employee shareholders
Tel.: +33 (0)1 57 77 80 65
Fax: +33 (0)1 57 77 84 46
employee.shareholding@thalesgroup.com

Société Générale (registered shares)
Département Titres & Bourse
BP 81236
44312 Nantes cedex - France
www.nominet.socgen.com