THALES

PRESS RELEASE

↘ Paris La Défense, 23 January 2015

Thales: impact from DCNS financial situation

Over the past few months DCNS, in which Thales (Euronext Paris: HO) holds a 35% shareholding, has conducted a comprehensive review of the financial and contractual status of several activities and complex programmes, which have had difficulties. The main conclusions of these reviews have been communicated to DCNS governing bodies.

On the basis of these latest elements, DCNS now expects that it should post a net loss of around -€300m[1] for the full year 2014, taking into account the booking of further charges and provisions. The difficulties are mainly found in the energy diversification activities, essentially in civil nuclear activities, as well as on some naval programmes.

- for civil nuclear energy activities: the extent of execution difficulties encountered by DCNS since 2013 should lead to a significant increase in the costs to completion of on-going projects, particularly the Jules Horowitz research reactor for the French Atomic Energy and Alternative Energies Commission (CEA);
- for naval programmes: the reviews have highlighted substantial increases in costs to completion, particularly on France's Barracuda nuclear attack submarine programme. These developments lead DCNS to adopt a generally more cautious approach to this type of programmes.

For Thales, which consolidates its participation in DCNS under the equity method, DCNS's contribution to the Group's EBIT[2] would be negative by around -€100m[1] in 2014, against a contribution expected to be close to zero (and a positive contribution of €40m in 2013).

Excluding this exceptional impact, Thales confirms that its performance in 2014 should be in line with its stated objectives of both stable order intake and sales and a 5-7% growth in EBIT[2]. The release of the 2014 consolidated accounts, as closed by the board of directors, is scheduled on 26 February 2015.

On 23 January 2015 at 8.30am CET, Thales will host a conference call for analysts and investors. Dial-in numbers: +33 (0)1 70 77 09 38 (France) or +44 20 3367 9457 (International).
A replay will be available a few hours after the call and will be accessible by dialling +33 (0)1 72 00 15 00 or +44 20 3367 9460 (code 291812#)

[1] Financial figures disclosed in this press release are preliminary and unaudited and subject to change.
[2] Non-GAAP measure, see definitions in appendix

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This press release may contain forward-looking statements. Such forward-looking statements represent trends or objectives, and cannot be construed as constituting forecasts regarding the Company's results or any other performance indicator. The actual results may differ significantly from the forward- looking statements due to various risks and uncertainties, as described in the company's Registration Document, which has been filed with the Autorité des Marchés Financiers, the French financial markets regulator.

About Thales

Thales is a global technology leader for the Aerospace, Transportation, Defence and Security markets. With 65,000 employees in 56 countries, Thales reported sales of €14.2 billion in 2013. With 25,000 engineers and researchers, Thales has a unique capability to design and deploy equipment, systems and services to meet the most complex security requirements. Its unique international footprint allows it to work closely with its customers all over the world.

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↘ Appendix: Definitions of non-GAAP financial indicators

In order to enable a better monitoring and benchmark of its financial and operating performance, Thales prepares two main non-GAAP indicators, excluding non-operating and non-recurring items. They are determined as follows:

- **EBIT**, an adjusted operating metric, equivalent to income from operations, excluding the amortisation of intangible assets acquired (purchase price allocation – PPA) recorded as part of business combinations.
  Since 1 January 2014 and the start of application of the new IFRS 10 and IFRS 11 standards, EBIT includes share in net income (loss) of equity affiliates.

- **Adjusted net income** refers to net income, excluding (i) amortization of intangible assets, (ii) result of disposals of assets, change in scope of consolidation and other, (iii) change in fair value of derivative foreign exchange instruments (recorded in "other financial income" in the consolidated accounts), (iv) actuarial gains on long-term benefits (accounted within the "finance costs on pensions and other employee benefits" in the consolidated accounts) net of the corresponding tax effects.