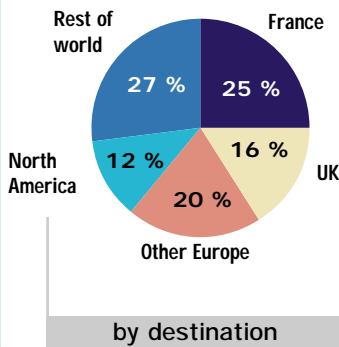
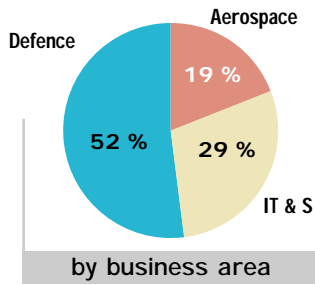
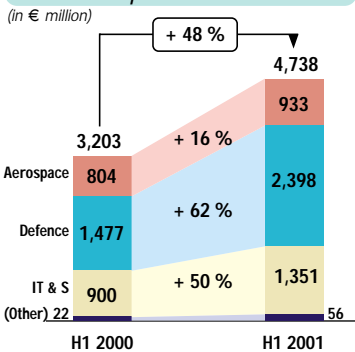


2001 HALF-YEAR RESULTS

Revenues
€ 4,331 million



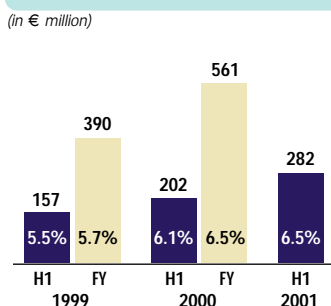
Order intake
€ 4,738 million



Operating profit
€ 282 million

Business Area	H1 2000 (€ million)	H1 2001 (€ million)	change total / organic (%)
Aerospace	37	52	+41% +16%
Defence	127	203	+59% +46%
IT & S	38	27	-27% -42%
Total	202	282	+39% +27%

Operating margin
6.5% of sales



AEROSPACE

Air Traffic Management

Two major successes for Thales ATM confirm the value of our multi-domestic strategy and the quality of our international presence!

- Building on its experience with the successful TAAATS programme in Australia, Thales ATM has been awarded a contract for an integrated ATM system in **China**. Eurocat systems will be installed at the en-route centres in Beijing, Shanghai and Guangzhou, and three approach centres and four control towers will be supplied to service China's major air routes. The new systems will control up to 80 per cent of current air traffic in China, enhancing safety and allowing China to accommodate increasing traffic densities as the 2008 Beijing Olympics approach.
- Thales has also been selected for the modernisation of 79 primary and secondary radars it supplied to **Brazil** some twenty years ago. The work will extend the current radars' life span by 15 years and provide Brazil with a very secure mode S compatible detection system. The radar modernisation will be completed by 2004 in close partnership with Brazilian industry.

Training & Simulation

Thales will be taking part in crew training for the **Eurofighter Typhoon**, under a framework contract in Germany signed by **Thales Training & Simulation** for a period of nine years.

Avionics Systems

Eurocopter and **Thales Avionics** signed a major contract in December for the production of avionics and electrical power systems for the **NH90** helicopter. This contract covers a total of 243 helicopters, including 150 tactical transport and 93 naval versions, to be deployed by the armed forces of France, Germany, Italy and the Netherlands.

DEFENCE

- With the acquisition of BAE Systems' share (49.9%) in Thomson Marconi Sonar, Thales has become the sole shareholder of the company, newly renamed **Thales Underwater Systems (TUS)**. TUS has a strong industrial presence and excellent relations with local customers in the United Kingdom, France and Australia. It is a world leader in undersea activities, and the major exporter of sonars and allied systems for navies and air forces.
- Thales Communications** has been awarded several major contracts for **tactical communication** systems, reaffirming its key role in the emerging digitised battlespace market with offerings such as tactical Internet and software radio:
 - a new order for the RITA 2000 tactical communication network to meet the needs of the French Army; this contract includes the development of new capabilities (IP, high data rate) and the supply of about a hundred new stations;
 - in Europe, the Middle East and Asia, several major contracts to supply the armed forces with leading products such as PR4G tactical radios (VHF) and the Systeme 3000 (HF), which already equip the armed forces of over 20 countries.
- Thales Optronics** has won a UK MoD order for the manufacture, installation and support of vehicle optronics systems on the Battle Group Thermal Imaging (BGTI) programme. The BGTI system provides a second-generation thermal imaging gunner's sight, commander's crew station and navigation equipment using proven technology largely developed within Thales and Avimo. This system delivers a 24 hour operating capability and enhances target detection and identification in poor visibility. The number of Warrior armoured fighting vehicles to be converted with BGTI equipment is around 700 with the upgraded vehicles entering service in 2003.
- In September 2001, **Thales has adapted its UK structure**, a year after acquiring Racal, to accelerate synergies and realign its resources after the recent loss of the Bowman contract. Rationalisation of its defence communications businesses will lead to the closure of the Bracknell plant by June 2002, while the industrial facilities in Crawley, Reading and Wells will be strengthened. The reorganisation confirms Thales' commitment to the UK, where it is the second-largest defence contractor, and the Group remains confident of its ability to develop its business and to deliver major programmes.

IT & SERVICES

- **Thales Information Systems** continues to grow, with the acquisition of two companies:
 - Netexpert in France, specialising in e-business, technology insertion and human resource management for industry;
 - and CWB in the UK, a consultancy, outsourcing and project implementation specialist in the finance sector.
- **Thales e-transactions** has been selected by the Paris-area transport authority to design, supply, install and service a contactless computer-based ticketing system for 4,000 buses and 100 trolleys. Beginning in 2003, riders on these lines will benefit from remote electronic ticketing technology that will make booking and buying tickets, travelling the network and staying informed still easier.
- **Thales GeoSolutions** has acquired Marsat in Brazil, a company specialising in supply of saturation as well as air diving services, primarily for inspection and maintenance on offshore oil and gas platforms. With this acquisition, Thales GeoSolutions enhances its position on this fast growing market, and strengthens the Group's range of positioning and navigation products.
- In October 2001, Thales announced the **redeployment of its industrial resources in microelectronics** to adapt to current conditions in the civil telecommunications market. To remain competitive as business volumes decline, Thales will concentrate its industrial resources on four sites instead of six. Three subsidiaries are concerned by this plan: Thales Microwave and Thales Microelectronics, specialising in microwave modules, and Thales Microsonics, specialising in surface acoustic wave (SAW) components mainly for mobile telephone markets. Thales is committed to finding jobs within the Group and at a nearby location for the vast majority of the 570 employees concerned by the plan.
- In November 2001, Thales completed the **sale of its instruments business**, former Racal subsidiaries primarily based in the United Kingdom and United States. Despite their strengths, these activities presented limited synergies with other businesses in the Group. This disposal is perfectly in line with Thales' strategy of refocusing its IT&S portfolio on a limited number of areas in which the Group has strong growth and market leadership potential.

AIR TRANSPORTATION SAFETY AND SECURITY

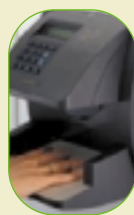
Effective, comprehensive solutions from Thales

Since September 11, the definition of risk has widened, and security systems must now **deter or neutralise** malicious behaviour in the following areas:



- **Airport security:** access control, video surveillance and computer network security;
- **Aircraft security:** cockpit and cabin, pilot training;
- **Flight security:** flight path monitoring system.

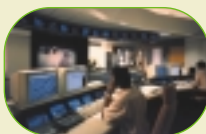
Already in service or available now from Thales:



- digital **fingerprint readers** to control access to sensitive airport zones.
- turnkey systems to deliver copy-proof, tamper-evident **ID cards and tickets**.
- **end-to-end high-security** solutions to protect sensitive computer networks.



- high-sensitivity **cameras to monitor the passenger cabin** from the cockpit during flight. Capable of operating in low light conditions and even total darkness, these cameras have already been selected by several airlines.



- integrated ground/air systems for **continuous tracking of aircraft flight paths**, even in areas outside radar coverage. The technology used is known as Automatic Dependent Surveillance-Contract (**ADS-C**), which automatically sends position data to the ground. A number of Thales ADS stations are now deployed worldwide.

Thales is already working with its customers and with European and American civil aviation authorities on developing new systems and equipment:

Coming soon:

- recognition of digital fingerprint and use of secure badges to be extended to control flight deck access.
- modification of mode S transponders to ensure they cannot be disconnected: *if the alert code remains active, it can be used to warn control centres.*
- secure datalinks to transmit pictures from the onboard camera to the ground.
- air traffic control enhancements, including warning in case of unexpected changes in the flight path, risks of intrusion in restricted airspace or risks of collisions.
- implementation of new datalink services, such as **ADS-B** (enables an aircraft to broadcast its position up to 200 miles), or the transmission by the aircraft of flight parameters to air traffic controllers for more precise trajectory prediction.

THALES SALES PART OF ITS REAL ESTATE PORTFOLIO IN FRANCE

On 20 December 2001, Thales sold to Deutsche Bank the ownership of 23 sites, most of them in the Paris region, representing nearly half of the Thales group's total floorspace in France.

The total value of the transaction is 460 million euros, and the net capital gain recorded on the sale will be reported in the 2001 financial statements.

Outsourcing the management of these real estate properties will contribute to improve the profitability of the group's industrial operations, by enabling Thales to focus its investments on developing operating assets, and will rationalise the use of the group's floorspace.

THALES' SHAREHOLDING AT END 2001

After two years with virtually no changes in the Group's share capital structure, the **free float increased substantially** in 2001, from 35.5% at 1 January to **45.8%** at year-end, and **Alcatel's stake** fell from 25.3% to **15.8%**.

Stage 1: 5% transferred from Alcatel to Thales

Thales' sale to Alcatel of its 49% stake in Alcatel Space became effective on 9 July 2001. Alcatel now owns the whole of Alcatel Space, paying Thales € 795 million, half in cash and half in Thales shares. Following the operation, Alcatel's stake in Thales fell from 25.3% to 20%, and Thales' ownership of Group shares rose from 1.1% to 6.4%.

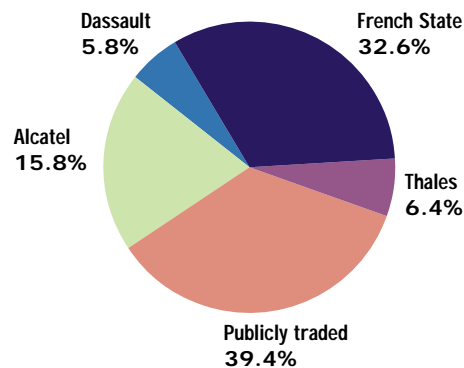
Stage 2: 0.8% transferred to employee shareholders

In June and September 2001, Thomson SA issued shares to employee shareholders under the conditions stipulated in the 1998 privatisation arrangement.

Stage 3: Alcatel sold 4.2% of Thales shares on the market, and its stake fell to 15.8%

In November 2001, Alcatel sold 4.2% of Thales capital in the financial markets. After this operation, Alcatel retains a 15.8% stake in Thales; this is no way

affects the shareholder agreements signed in 1998 and the technical cooperation agreements between the two groups.



IMPROVED FINANCIAL FLEXIBILITY: OCEANE BONDS ISSUED IN DECEMBER 2001

Obligations (Bonds)
Convertible or
Exchangeable in
Actions (Shares)
New or
Existing

In accordance with Resolution 16 of the Shareholders' General Meeting on 16 May 2001, Thales **issued convertible (or exchangeable) bonds** on 11-14 December for a total value of **€ 500 million**.

Before that date they may be converted into or exchanged for Thales shares at any time at the holder's discretion.

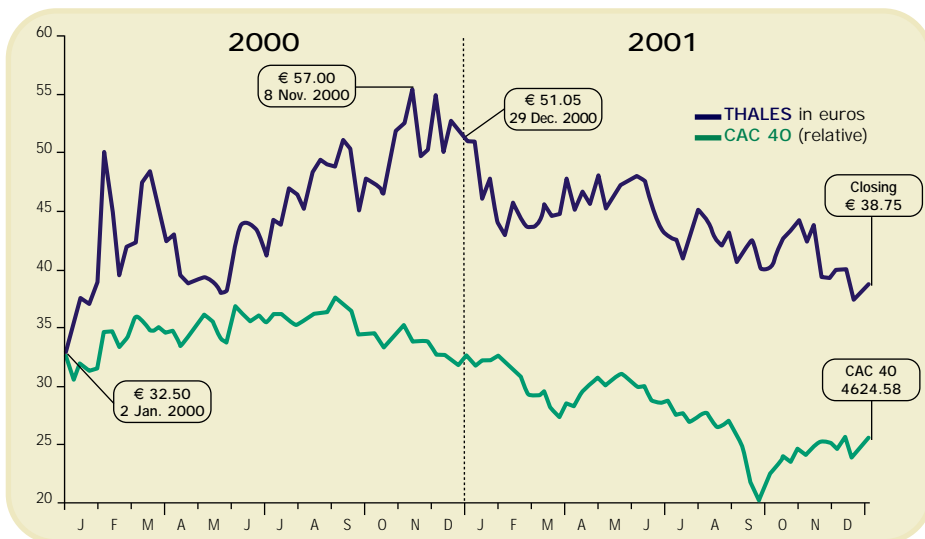
This bond issue increases Thales' financial flexibility and its capacity to finance its development at a favourable interest rate, and ultimately increase the free float, while avoiding any dilution of existing shareholders' interests, since the bonds may be exchanged for existing shares held by the company.

The 9.8 million bonds were issued at € 50.97 and will pay an annual interest of 2.5%. They are all redeemable at par, € 50.97, on 1 January 2007.

For further details of these bonds (code AFC 18007) see announcements published in the BALO on 14 and 21 December 2001; definitive prospectus approved by the COB on 11 December 2001 (no. 01-1415); Euronext Paris SA bulletins on 12 and 18 December 2001 (no. 2001-4277 and no. 2001-4345).

SHARE PRICE

Closing price, from 2 January 2000 to 28 December 2001 (2 years)



After a 50% rise in the share price in 2000, a year in which the French stock market was virtually stable, the decline in 2001 (-24%) was close to that of the market as a whole (CAC40 -22%), placing Thales 26th in the index. Over the two years, Thales is placed 6th, at +18%, compared with a fall of 22.4% for the CAC40.

CALENDAR 2002

15 February	Year 2001 sales
14 March	Year 2001 results
15 May	2002 first-quarter sales
16 May	General meeting of shareholders
31 May	2001 dividend payment

Report to shareholders is published in French (40,000 copies) and in English (14,000).

SHARE PROFILE

Listing:

Euronext Paris: Premier Marché
London: SEAQ

Main reference indices:

CAC 40 – Euronext 100
DJ Eurostoxx – FTSE Eurotop 300

Number of shares: 167,731,513

AFC code: 12132

Bloomberg: HO FP

Reuters: TCFP.PA

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THALES