

● IN ORDER TO HELP YOU MAKE YOUR DECISION...

**Before the reservation period**

⇒ **Your correspondent** will have presented the offer to you during an information session. Do not hesitate to contact your correspondent if you would like further explanation.

**When it is time to subscribe**

⇒ **The “How to subscribe” document** included with your reservation/land subscription form will guide you.

# EMPLOYEE SHARE PLAN 2002



**ALL ABOUT  
THE OFFER**

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Since we were privatized in 1998, and through two successive share offers by the French government, our Group has taken steps to establish a stable base of employee shareholders. Now Thales' shareholders and corporate management wish to confirm their commitment to employee stock ownership through a special capital increase reserved for Thales staff.

I am pleased to launch the first Thales employee share offer to be made at the initiative of the company itself and under our new Thales name.

This latest operation is a major offer of 4.5 million shares open to employees in seventeen countries. If all the shares are purchased, the percentage of the capital held by employees will increase from 2.4% to almost 5%, which is the level I had undertaken to reach.

It will be the first share offer open to employees who have joined the Group since 2000, and in particular those employees outside of France who work for various joint ventures.

Another new aspect of this offer is that the special conditions granted by the French government relative to privatizations do not apply.

It will be conducted as part of the Group Savings Plan. The share price will be set in early December, based on the average market share price over the 20 preceding trading days, and employees will benefit from a 20% discount.

## Chairman's message

Interested employees should keep the following dates in mind:

- 3-17 October: reservation period;
- 11-13 December: revocation period, during which employees may cancel their orders once the subscription price has been announced;
- 20 December 2002: the capital increase will take place.

I am very strongly committed to employee stock ownership as a federating force and a way of involving employees personally and purposefully with their company. Thanks to everyone's efforts and a pertinent strategy, in recent years our Group has seen growth both in our activity and our financial results. Despite the current economic situation, our goal is to continue along this path.

Our market performance has been relatively satisfying and the share price has greatly outperformed the market average. A stock market investment involves, by its very nature, participating in both the opportunities and the risks of a company. The choice to invest in company shares, remains, above all, a personal decision.

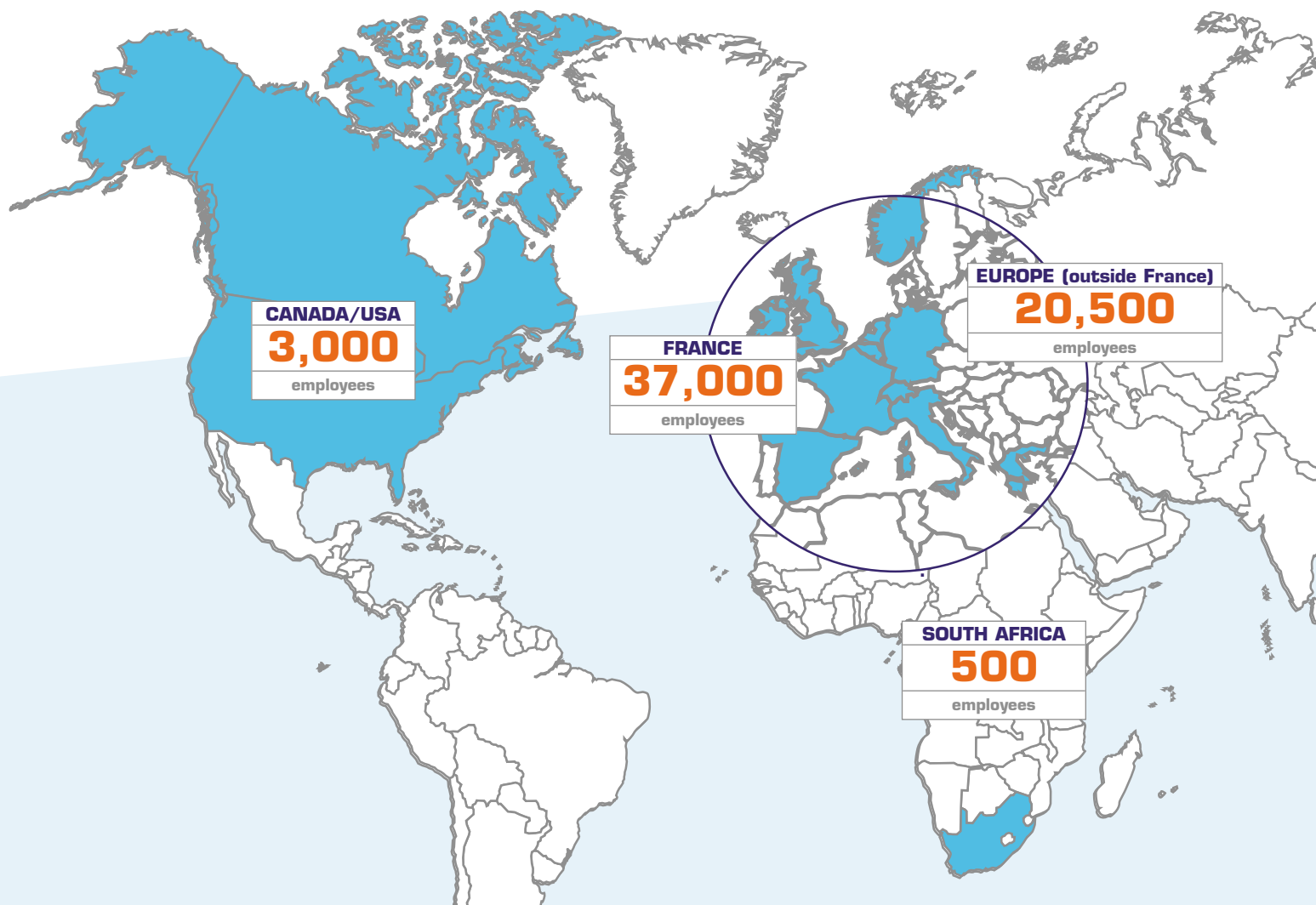
Your response to earlier offers has already demonstrated your confidence in Thales, and I hope that this latest operation will successfully establish an even stronger and broader base of employee shareholders within the Thales Group.

Denis Ranque  
Chairman and CEO



# → THE 2002 OFFER: A CAPITAL INCRE

Thales will be implementing a capital increase reserved for Group employees. Having obtained its shareholders' approval, the company will be able to issue up to 4.5 million new shares, representing approximately 2.7% of its share capital. These shares are reserved for the employees of 17 countries worldwide, i.e., approximately 67,000 people.



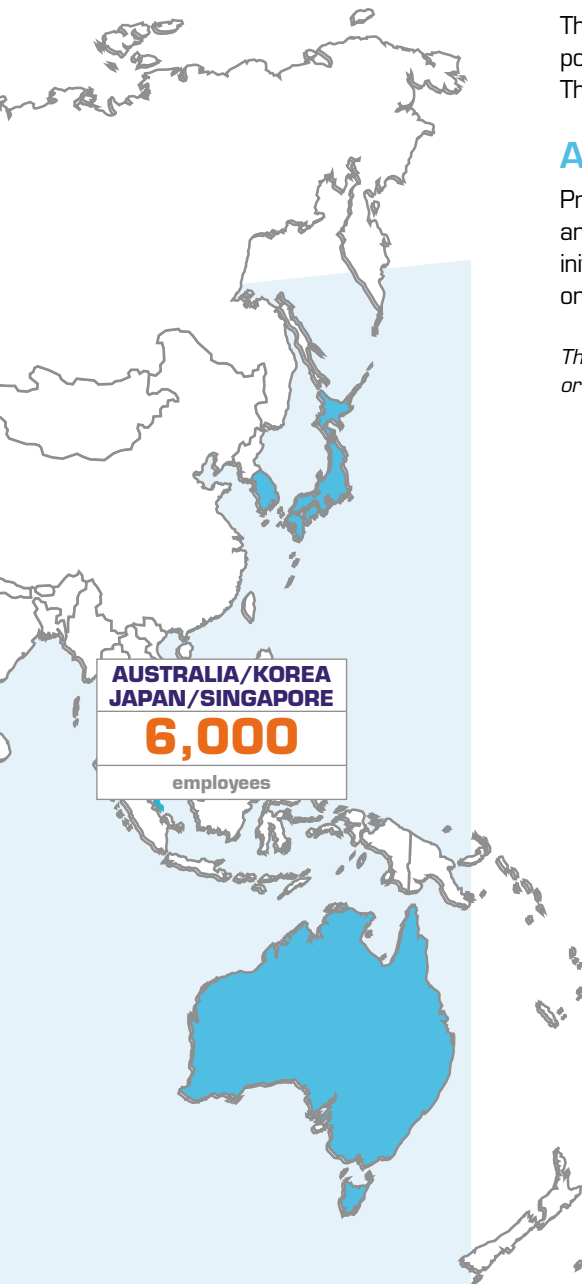
## ● THE BENEFICIARIES

### Employees

>> who have an employment contract with one of the Thales group companies, held at 50% or higher;

>> with at least three months' seniority on the last day of the Offer<sup>(1)</sup>.

(1) In certain countries, additional eligibility requirements may be imposed (see country addendum).



## An ongoing policy

This new offer is part of the group's international employee shareholding policy: 5 countries in 1998, 16 countries in 2000, 17 countries today. Thales already has 42,000 employee shareholders.

## A new offer

Previous offers were held in the context of the sale of government assets and the law on privatisation. The 2002 Offer, launched at Thales' sole initiative, represents an issuance of shares that is different from the previous ones by its size, with 4.5 million new shares available for subscription<sup>(1)</sup>.

*Thales reserves the right to change the terms and conditions of the offer or to cancel it at any time before the end of the Offer on 13 December.*

## ● ONE FORMULA

A single formula with:

- >> a **20% discount** and
- >> **easy methods of payment**



**Reservation period from  
3 to 17 October 2002<sup>(2)</sup>**

<sup>(1)</sup> By virtue of the authorization granted by the shareholders during the Extraordinary General Shareholders' meeting of 16 May 2001.

<sup>(2)</sup> See detailed calendar, page 7.

## THE CLASSIC FORMULA

**20% discount**

**100% of the capital gain**

**Formula that has priority**

### The advantages

You benefit from:

- a **20% discount** on the subscription price;
- **100% of the capital gains**<sup>(1)</sup>, if any, on the Thales share, based on the subscription price;
- **dividends**<sup>(2)</sup>, if any;
- the certainty of **having priority**, before the Leveraged formula<sup>(3)</sup>, in the event of over-subscription.

You can pay for your personal contribution either by a single payment in April 2003 or in 12 monthly instalments starting in January 2003<sup>(4)</sup>.

You own your shares directly and they are registered in your name and managed by Société Générale.

### Availability: 2 April 2007

At maturity on 2 April 2007<sup>(5)</sup>, your shares will become available. You will be able to collect your capital gain by requesting the sale of all or some of your shares and the cash payment of the sale price, or choose to keep your assets in the Group Savings Plan.

(1) Not including taxes. In certain countries this capital gain may not correspond to the capital gain for tax purposes.

(2) Not including taxes.

(3) Due to regulatory constraints, this formula is not offered in the United States, South Korea and Greece.

(4) In the countries where there are no additional regulatory constraints.

(5) Except in the cases of early redemption authorized in your country (see country addendum).



## EXAMPLE

*(Example based on a hypothetical price of €40)*

<b>Personal contribution</b>	<b>€500</b>
<b>Upon subscription</b>	
Share price	<b>€40</b>
Subscription price (€40-20%)	<b>€32</b>
Number of shares subscribed	<b>15</b>
Amount actually paid	<b>€480</b>
<b>At maturity, if the share price increases</b>	
Share price	<b>€52</b>
Capital gain per share (€52-€32)	<b>€20*</b>
Overall capital gain on the 15 shares	<b>€300*</b>
<b>Total value of your assets</b>	<b>€780*</b>
<b>Profit compared with your initial investment (actually paid)</b>	<b>+62.5%</b>

\* Not including taxes or dividends

## SIMULATION

In the case of a personal contribution paid of €480 and a share price of €40

If, in 5 years, the share price	At maturity, your assets...	
	... will be worth*	... will have varied by*
increases by 50%	€900	+ 87.5%
increases by 20%	€720	+ 50%
remains the same	€600	+ 25%
decreases by 20%	€480	0
decreases by 50%	€300	-37.5%

\* Not including taxes or dividends.

## Questions you may be asking yourself

### When I sell, how will the capital gain be calculated?

Under the **Classic** formula, at maturity or in the case of an early redemption, the capital gain will be calculated as the difference between the share price upon redemption and the initial subscription price.

## The price and the discount

In accordance with French law, the subscription price will be calculated using the **average opening market price of the share over the 20 trading days** preceding the date the price is set by the Board of Directors or the Chairman of the Board, if authorized by the Board. **A 20% discount will be granted on this average.**

Therefore, you will not know the share price when you reserve your shares. The subscription price will be communicated to the employees via posters on all sites before the revocation period, or no later than 10 December.

## Payment

You may finance your investment:

- either by a **single payment** in April 2003;
- or in **12 monthly instalments, without fees**, starting in January 2003<sup>(1)</sup>.

## The exchange rate

In the countries **outside the euro zone**, the euro/local currency exchange rate will be **fixed and guaranteed** from the date the subscription price is set until the subscriber has paid his/her contribution in full.

## Minimum investment

The minimum investment has been fixed at **€120**.

## Lock-up period

Your shares will be subject to a lock-up until 2 April 2007, except in cases where early redemption is possible in your country (see country addendum).

(1) In the countries where there are no additional regulatory constraints.



**The decision to invest in Thales shares is up to each individual employee. Regardless of a company's performance, its share price on the stock market is influenced by external factors that can cause the share price to rise or fall. Therefore, an investment in shares involves a risk.**

**Will I receive any dividends if they are distributed?**

**Under the Classic formula, dividends, if any, are paid to you directly.**

## The schedule

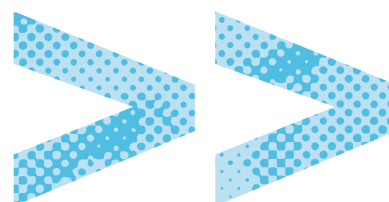
Within this offer, **you will reserve without knowing the share price.** The subscription price will be calculated after the deadline for handing in your reservation and subscription form. The price set by Thales will be submitted to the *Commission des Participations et des Transferts* (CPT) (French Privatisation Commission). It will be communicated to you no later than 10 December, after which you will have a **3-day revocation period** to cancel your reservation, if desired.

In calendar days	Date
Reservation and subscription period	3-17 October
Period used to calculate price (20 trading days)	November
Setting of price	Beginning of December
CPT approval	December
Announcement of price	Before 11 December
Revocation period	11-13 December
Capital increase	20 December

## Subscription limit

Voluntary payments into the Group Savings Plan (GSP) **cannot exceed 25% of your gross annual remuneration**, unless there is a lower limit in effect in your country (see country addendum).

Each subscriber is responsible for ensuring that he/she does not exceed this limit.





# FRAMEWORK OF THE GROUP SAVINGS PLAN

## The Group Savings Plan (GSP) FCPEs

Employee Shareholding FCPE with Compartments
Ouverture Thales (former Thomactions 1)
Actions Thales (former Thomactions 2)
Classique France 2002
World Classic 2002
Levier France 2002
World Leverage 2002
Groepsbeleggingsfonds en Nederland Classic en Nederland Hefboom
FCPE Leverage Deutschland
FCIA Leverage Italia

Direct shareholding
Mellon Investors (US)
Société Générale (others)

In accordance with French law, Thales has set up a Group Savings Plan (GSP) that allows the employees of its participating subsidiaries, in France and internationally, to benefit from the advantages related to capital increases reserved for employees.

## The principle of the Group Savings Plan (GSP)

A Group Savings Plan (GSP) is a collective savings system, at the group level, that allows each subscriber to build, under advantageous conditions, a securities portfolio.

## FCPEs<sup>(1)</sup>

An FCPE or *Fonds Commun de Placement d'Entreprise* is a co-ownership of securities. It can be made up of compartments that correspond to different investment formulas. In this way, each subscriber owns a certain number of units corresponding to the amount of his/her assets in each compartment. Each participant owns FCPE units that represent shares. The FCPE is governed by regulations that allow for the creation of a Supervisory Board, consisting of shareholder and Thales representatives, that ensures its proper operation. The voting rights attached to the shares are exercised by the Supervisory Board.

## Management of the FCPE

An FCPE is managed, subject to monitoring by the Supervisory Board, by the FCPE manager, which is different from the custodian. Crédit Lyonnais Asset Management (CLAM) manages the FCPEs in connection with the capital increase and Crédit Lyonnais is the custodian.

## Taxation

Taxation varies from country to country. The country addendum attached to your reservation and subscription form indicates the tax rules applicable in your country.

## Fees

The FCPE entry fees and management commissions, as well as the cost of keeping employee accounts, will be borne by Thales.

## Contribution limit

Voluntary payments into the Group Savings Plan (GSP) cannot exceed 25% of your gross annual remuneration over the course of the same year, unless there is a lower limit in your country.

## Five-year lock-up period

In exchange for the advantages offered under the Group Savings Plan (GSP) system, the shares are locked-up for five years, except in cases of early redemption as set forth in the country addendum. Under this offer, your assets will be available as of 2 April 2007.

(1) Due to regulatory constraints, the FCPE will not be offered in the United States, South Korea and Greece. Instead, employees in these countries will participate in the Group Savings Plan (GSP) through a direct ownership of shares registered in the employees' name and managed by Société Générale.



# SUBSCRIPTION

## Your personal subscription package

In order for you to subscribe, you will be given a personal subscription package.

It includes, in addition to this brochure:

- the reservation and subscription form;
- a return envelope;
- a document entitled "How to subscribe";
- a revocation form;
- the country addendum.

## Reservation

In order to reserve, you need only to:

- complete the reservation and subscription form included in your subscription package with the help of the "How to subscribe" document and the country addendum. Do not forget to date and sign the reservation and subscription form;
- attach the documents required for subscription;
- submit all of the above, in the return envelope included in the subscription package.

**Please note:** the subscription will only be registered if the complete application is **submitted between the first and last day of the reservation period** to the department or the person mentioned in the country addendum included in your package.

## Subscription in local currency

Your subscription will be made for an amount in your local currency and not in shares since you will only know the discounted subscription price after having submitted your reservation and subscription form.

## Revocation

If you have not withdrawn your order by 13 December, your reservation becomes irrevocable. Your revocation will be accepted only if received by fax between 11 December (00:00) and 13 December (24:00), local time. The fax number is indicated on your revocation form.

## If demand exceeds supply

If the total demand exceeds the amount of the authorized capital increase, the number of shares granted will be decreased to correspond to the number of shares available. In such a case, employees subscribing under the Classic formula will have priority.

## Information on the subscription

After the orders are processed, you will receive a subscription statement informing you of the number of shares you subscribed for under the Classic formula, their availability date, and the payment dates and amounts.

***You must submit your order between 3 and 17 October 2002 (postmarked October 17, 2002 at the latest).***

Using the personal access code sent to you by mail, you may consult and manage your assets through [www.nominet.com](http://www.nominet.com). You may also access your account by telephone or fax.

