

THALES

Group Saving Plan

Mr Denis RANQUE (the Chairman), in his capacity as Chairman and CEO of THALES whose registered office is at 173 boulevard Haussmann – 75008 Paris (hereinafter « THALES ») has agreed on this plan after consulting with the employee representative bodies. This plan has also been submitted to the employee representative bodies of the other Group companies in compliance with the provisions of the Labour Code in connection with (i) their membership to this plan or (ii) the amendment of their membership, as appropriate (THALES and the other Group Companies are hereinafter referred to as the « Company »).

To this purpose the Chairman decided, under the provisions of article 19 of the PEG set up on 19th June 1998 to amend and alter the wording of the previous Plan. As a consequence, these Rules of the Group Savings Plan (hereinafter the « Plan ») which confirm the changes to the former Rules cancel and supersede these Rules.

Foreword

A Corporate Savings Plan called « Savings Plan of the Thomson CSF Group – employee share scheme » (the « Plan ») was set up within the THALES Group on 19th June 1998 to give employees the possibility of acquiring THALES shares upon concessional terms as part of the Company's privatisation and generally to foster the building of new savings with the Company's help.

On the occasion of THALES's denationalization in 1998 and 2000, the Plan was fed by the employees who acquired THALES shares under the « PEG abandonment » formula (*Thomplus 1998 and 2000*).

Several options taken by the Group and changes in applicable rules and regulations led to amend and extend the Plan which co-exists with other Savings Plans within the THALES Group and which continue to operate according to the terms and conditions specified in the respective by-laws.

This restructuring is due particularly by the concern to :

- put the Rules of the Plan in conformity with the provisions of the law n° 2001-152 of 19th February 2001 relative to employee savings,
- diversify the investment formulas opened under the Plan by leaving the possibility of investing in shares of the Company under corporate savings funds dedicated to the employees shareholding while at the same time giving the possibility of making diversified investments whenever the local laws and regulations allow,
- streamline the management methods of certain assets and to this purpose to merge the THOMCTIONS 1 and THOMCTIONS 2 Corporate Saving Funds by amalgamating them into the corporate savings fund "employee share scheme" of THALES of which they become compartments. Other compartments will be created on the occasion of share issues reserved for employees, including leveraged operations,
- facilitate transfers between the funds opened under the Plan.

The purpose of the Plan is to :

- enable the personnel of the Company to build with help from the Company a securities portfolio while at the same time availing the tax advantages benefiting this type of collective savings,
- give the Company's personnel the possibility of acquiring THALES shares within operations reserved to them,
- collect the amounts, if any, of profit sharing and collective bonuses within the meaning of French law, of the several different Group members or more generally the salary savings built previously by Group employees within the Corporate Saving funds.

The draft rules have been submitted to employee representative bodies at least a fortnight before its filing with the concerned inspector of labour, employment and vocational training.

The appendices form an integral part of the Plan.

Article 1 – Member companies

The companies which are members of the Plan as of October 1st, 2002 are those in the list in Appendix 2. Membership is evidenced by a letter which represents their express approval hereof.

1.1 – Companies at least 50% controlled by THALES

The companies directly or indirectly over 50% controlled by THALES can *ipso jure* join the Plan. Membership to the Plan by an abovementioned company involves the approval of those companies which are already members.

1.2 – Companies less than 50% controlled by THALES

For companies under 50% controlled by THALES which desire to join this Plan, member companies irrevocably empower THALES to accept or to refuse to accept on their behalf or for their account the membership in question.

1.3 – Companies leaving the scope of the Plan

Any company which would cease to fall within the scope of the Plan as specified in 1.1 above, unless otherwise decided by THALES within the three month period following the fact and in the conditions specified in 1.2 above will be deemed to have terminated its membership hereunder. In the event that a company is subject to the provisions of the last sub paragraph of article L 443-8 of the Labour law, it will have to notify (i) the relevant Division of Labour and Vocational Training and (ii) the relevant employee representation body. A copy of any such notice will be sent to THALES.

1.4 – Termination

The decision of one or more Group members to terminate their membership to the Plan is subject to the express acceptance of this termination by the other member companies.

Membership to the Plan can be terminated subject to a three month prior notice of termination. In case of termination, the company concerned will notify THALES thereof. If appropriate, the provisions of article 1.3 shall apply in fine.

Article 2 – Member employees

All the employees of member companies with a minimum 3 month seniority within the Group can join the Plan.

When the usual headcount of a member company includes at least one and at most one hundred employees in addition to the manager, the company manager, the Chairman of the Board, the general managers, the managers and the members of the Executive Board can also join the Plan.

Former employees, within the meaning of French law, who have left the Company on retirement including early retirement, can continue to make payments into the Plan providing always they have left assets within the Plan.

By making payments under the Plan, the employee accepts these Rules as supplemented by their Appendices as well as the By-laws of the Corporate Saving Funds which comprise the portfolio.

Article 3 – Plan feeding

3.1 – Origin of the funds

- voluntary payments by members,
- all or any part of amounts generated by collective bonuses in the meaning of French law,

- transfer of amounts held under a savings plan or a profit sharing agreement in force at a former employer's when the employee has not required its release upon the termination of the employment contract,
- additional payment by the Company, if appropriate, as specified in article 4 and in accordance with the terms and conditions which will be specified in due time,
- payment, if any, during the lock up period and during the two months following their availability date of amounts invested in connection with profit sharing in a blocked current account within the Group. Amounts so transferred will continue to qualify for tax exemptions attached to profit sharing while maintaining their maturity or availability date unchanged.
- amounts paid under the profit sharing plans of the several member companies in compliance with the terms and conditions of these agreements in accordance with the provisions of article L 442-5 of the Labour law,
- the payment of shares in registered form held by the beneficiaries and obtained via the liquidation of assets subject to lock up held in the Plan and whose acquisition or subscription results from the exercise of an option in the meaning of articles L-225-177 and following of the Commercial Law,
- the proceeds and income from the portfolio as well as relative tax credits (see article 8).

3.2 – Amount of payments

Any payment into the Plan must be for a minimum unit amount of €80 except

- the amount granted in connection with the collective bonus and profit sharing within the meaning of French law if it is less than €80 and if it is the full amount granted to the employee concerned,
- beneficiaries' payments for the acquisition of THALES shares within offers reserved for employees. In such a case the minimum amount shall be defined in each offer reserved for employees, this amount being either higher or lower than €80 within the limits of the regulation,
- voluntary payments via monthly debits in which case, each debit shall be in a minimum unit amount of €15.

In aggregate, the voluntary payments (including the collective bonus) made each year by each member in all the Saving Plans available to him/her cannot exceed a quarter of his/her gross annual remuneration in the case of a salaried employee, of his/her professional income liable to income tax in the case of a manager authorized to participate in the Plan under the provisions of article 2 hereof or of his/her gross annual retirement pensions in the case of a retired employee/manager.

3.3 – Conditions of payment

Any member of the Plan can, if appropriate, make voluntary payments by bank or post office cheque (or by direct debit) sent together with the payment form provided by the Personnel Department or by the Account keeper. Voluntary payments will be sent to the account keeping banking institutions.

Amounts relative to the collective bonus in the meaning of French law are not liable to income tax providing they are paid into the Plan within the fifteen days following their date of distribution.

All payments into the Plan can, at the employee's option, be allocated to the Funds referred to in article 5 hereof, subject to its conditions of access.

Article 4 – Company's contribution

In connection with the additional payment, the following costs are borne by the Company

- the running costs of the Funds (subscription fee, management fee, independent auditors' fees),

- the administrative costs relative to the keeping of individual unitholding employees' accounts. The same shall apply for THALES shares in registered form, Furthermore
- for reserved privatisation or share issues, THALES will specify the conditions of additional payments by way of addendum hereto,
- apart from these operations, each Group company can top up, if appropriate, the voluntary payments made by its employees.

Such decisions relative to top up payments will be immediately notified to the whole personnel concerned in compliance with the provisions of article 10.

For each calendar year and for each beneficiary, the total amount of additional payments by the Company cannot exceed three times the beneficiary's payments nor exceed the legal limits in force (*i.e.* € 2,300 as of the date of execution hereof and € 3,450 for payments in a funds dedicated to the subscription of shares in the Company).

The Company's top up payments are liable in France to the CSG and CRDS social security levies at the rates in force.

Article 5 – Selection of investments

The compartment fund invested in THALES securities resulting from employees' subscriptions to the formulas offered for the Company's privatization will be added to with new compartments to collect the subscriptions of qualifying employees on the occasion of employee stock ownership operations, including leveraged operations.

It is specified that under local laws and regulations or due to restrictions imposed by local authorities, some funds or compartments accommodated in the Plan and described below may not be accessible to certain beneficiaires.

Investments in shares of the Company

Amounts paid into the Plan can be invested, at each member's option, depending on his/her right of access to each compartment or fund, in units of the following Corporate Saving Funds.

5.1 – Corporate Saving Fund “Employees Share Scheme THALES” (in the process of being approved by COB)

The Corporate Saving Fund “Employees Share Scheme THALES” is in the process of being approved by COB includes compartments that are invested in THALES shares and will be, if appropriate, added to by new compartments to collect the subscriptions from qualifying employees on the occasion of new employee stock ownership operations.

For all the Compartments of the Fund, the voting rights attached to the securities issued by the Company and included in the Fund will be exercised by the Supervisory Board of the Fund.

Management Company : Crédit Lyonnais Asset Management (trade register n° Paris B 672 003 308)

Address : 168 rue de Rivoli – 75001 Paris

Depository : Crédit Lyonnais

Address : 19 boulevard des Italiens - 75002 Paris

Account keeping – custodian institution : Crédit Lyonnais Epargne Entrprise

Address : 26956 Valence Cedex 09 – France

The prospectus of the Fund is enclosed as Appendix 1.

5.1.1 – « Ouverture THALES » compartment (formerly the assets lodged in THOMCTIONS 1)

The “Ouverture THALES” compartment has until now received the shares acquired by employees in connection with the 1998 and 2000 operations. It also receives bonus THALES shares under the provisions of article 12 of the Privatization law. It can, if appropriate, be used to subscribe for THALES shares in the event of new employee stock ownership operations.

To maintain the exchange rate (net asset value of the compartment = price of the THALES share), the various proceeds from the “Ouverture THALES” compartment (payment of dividends and tax credits, clipping of rights, fractions of bonus shares, ...) will be invested in the THALES Shares compartment and consequently involve the creation of units which will be allotted to the beneficiaries to due proportion of their assets in the Fund’s “Ouverture THALES” compartment.

5.1.2 – THALES Shares compartment (formerly THOMCTIONS 2)

This compartment would be invested in THALES shares resulting from the reinvestment of the dividends and tax credits relative to the shares deposited in the “Ouverture THALES” compartment as well as the tax credits relative to the shares deposited in the LEVIER France 2002 compartment.

In addition to the various proceeds, the THALES Shares compartment can receive amounts invested in shares of the Company outside privatization or share issues, *i.e.* voluntary payments or transfers initiated by member employees as well as amounts relative to profit sharing and collective bonuses.

This compartment can also collect the assets coming from the « Levier France 2002 » compartment at the end of the savings lock up period (2nd April 2007).

5.1.3 – Classic France 2002 compartment

This compartment will receive amounts paid by tax residents of France under the Plan on the occasion of the 2002 share issue reserved for employees.

5.1.4 – Leverage France 2002 compartment

This compartment will receive amounts paid by the tax residents of France under the Plan in connection with the 2002 share issue reserved for employees.

5.1.5 – World Leverage 2002 compartment

This compartment will receive

- amounts paid by employees who are tax residents of other countries than France in connection with the Plan on the occasion of the 2002 share issue reserved for employees,
- and the shares subscribed by employees who are tax residents of other countries than France in connection with the Plan on the occasion of the 2002 share issue reserved for employees.

In connection with the two abovementioned so-called « leveraged » formulas which are offered to THALES employees in connection with the 2002 share issue reserved for employees, each of the two Levier France 2002 and World Leverage 2002 compartments would be invested in THALES shares and the management company of the Employees Share Scheme THALES fund would enter on behalf of each of the two compartments into an exchange contract with a counterparty bank. Each of the Leverage France 2002 and World Leverage 2002 compartments would benefit by a guarantee issued by the counterparty bank under the exchange contract.

5.1.6 – World Classic 2002 compartment

This compartment receives

- amounts paid by tax residents outside of France in connection with the Plan on the occasion of the 2002 share issue reserved for employees,
- and shares subscribed by employees who are tax residents outside of France in connection with the Plan on the occasion of the 2002 share issue reserved for employees

This compartment can also receive assets from the World Leverage 2002 compartment at the end of the lock up period of savings (2nd April 2007).

5.2 – Leverage Italia FCPE (in the process of being approved by COB)

For the purposes of the leveraged offer in an international operation a specific fund receiving the subscriptions from beneficiaries who are tax residents of Italy will be set up for reasons related to local regulations. The fund would be invested in THALES shares and the management company would enter for the fund's account into an exchange contract and the voting rights of the fund will be exercised directly the unitholders.

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Address 168 rue de Rivoli – 75001 – Paris

Depository : Crédit Lyonnais

Address : 19 boulevard des Italiens – 75002 Paris

Account keeping institution – custodian : Crédit Lyonnais Epargne Entreprise

Address : 26 956 Valence Cedex 09 – France

5.3 – Leverage Allemagne FCPE (in the process of being approved by COB)

For the purposes of the so-called « leveraged » offer within an international operation a specific fund receiving the subscriptions from tax residents of Germany is created for reasons linked with the local tax system. This specific fund offered to the employees who are tax residents of Germany would subscribe for shares with share warrants attached and the management company would enter into an exchange contract for the fund's account.

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Address : 26 956 Valence Cedex 09 – France

5.4 – FCPE with Leverage and Classic compartments Netherlands (in the process of being approved by COB)

For reasons linked to local regulations, a FCPE with specific compartments will be set up for the unitholders who are tax residents of the Netherlands.

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Account keeping institution – custodian : Crédit Lyonnais Epargne Entreprise

Address : 26 956 Valence Cedex 09 – France

5.5 – Shares in registered form

The employee can request the payment of his/her assets if the proceeds are used to exercise stock options granted in the conditions of articles L 225-177 and following of the Commercial Code. The shares so exercised will be paid into this Plan where they will be subject to lock up for a minimum five year period, without any early availability possibility (save in case of the beneficiary's death).

These shares will be held in a registered account in the employee's name by the account keeping institution.

5.6 – Directly held shares

For regulatory and tax reasons employee stock ownership operations offered in countries where the local laws and regulations do not allow to offer UCITS governed by French law, a subscription of shares to be held directly, if appropriate, in registered form could be offered. In this case the subscriptions would be subject to the cap of 25% of the gross annual remuneration.

Diversified investments

The prospectuses of the various funds are annexed as Appendix 1.

5.7 – « EPARGNE PRUDENTE THALES » FCPE

A diversified FCPE whose portfolio is mainly comprised of bonds and debt securities with the balance being invested in equities in a smaller proportion.

Management Company : Crédit Lyonnais Asset Management (Trade Register Paris B 672 003 308)
Address 168 rue de Rivoli – 75001 – Paris
Depository : Crédit Lyonnais
Address : 19 boulevard des Italiens – 75002 Paris
Account keeping institution – custodian : Crédit Lyonnais Epargne Entreprise
Address : 26 956 Valence Cedex 09 – France

5.8 – « EPARGNE DYNAMIQUE THALES » FCPE

FCPE in equities of euroland countries whose portfolio is mainly made up of equities, with the balance being invested in bonds and debt securities to a lesser proportion.

Management Company : Inter Expansion
Address 18 Terrasse Bellini – La Défense 11 – 92813 – Puteaux Cedex
Depository : Interfi
Address : 18 Terrasse Bellini – La Défense 11 – 92813 Puteaux Cedex
Account keeper : Inter Expansion
Address : 18 Terrasse Bellini – La Défense 11 – 92 813 Puteaux Cedex

5.9 – CSF A FCPE

A diversified FCPE whose portfolio is comprised of equities, bonds and cash.

Management Company : Elysées Fonds
Address : 93 rue des Trois Fontanots- 92725 Nanterre Cedex
Depository : CCF
Address : 103 avenue des Champs Elysées – 75419 Paris Cedex 08
Account keeper : Elysées Fonds
Address : 93 rue des Trois Fontanots – 92725 Nanterre cedex

Article 6 – Change in the selected investment

Each member can at any time and subject to the conditions of access to the funds request the transfer of his/her assets, either available or otherwise, between the « EPARGNE PRUDENTE THALES » and « EPARGNE DYNAMIQUE THALES » funds as well as from both these funds to the « THALES shares » compartment in the « Employees Share Scheme THALES » Fund.

Such operations do not impact the lock up period, if any.

The transfer of assets paid in « Employees Share Scheme THALES » Fund on the occasion of employee stock ownership offers or outside these offers but subject to a Company top up payment are only possible at the end of the lock up period.

The number of transfers is limited to 2 a year maximum. The relative costs are borne by the Company.

The transfers do not entitle to a new top up payment.

Article 7 – Lock up – Early availability

The assets which correspond to units and fractions of units of Corporate Saving Funds acquired for the member's account will only be payable or negotiable at the end of the 5-year period starting to run the first day of the fourth month of the financial year following the purchase.

After this period, the member can keep all the amounts and securities recorded to his/her account or withdraw all or any part of his/her assets.

On an exceptional basis and in accordance with articles R 442-17 and R 443-11 of the Labour law, the members' rights will become payable and negotiable before the end of the time period referred to above upon the occurrence of any of the following events :

- the beneficiary marries or enters into a solidarity civil pact,
- birth or arrival in the beneficiary's home of a child to be adopted when there are already two children in the beneficiary's home,
- divorce, separation or termination of the solidarity civil pact when they go along with a court order providing that at least one child is to live permanently or on a shared basis with the beneficiary,
- beneficiary's disablement, of his/her children, of his/her spouse or of the related person under a civil solidarity pact. Such disablement is in the meaning of paragraphs 2 and 3 of article L 341-4 of the Social Security Code or has to be recognized via a decision from the guidance and vocational reclassification technical committee under article L 323-11 or the special education committee of the « département » providing always the disability rate is at least 80% and providing also the beneficiary has no professional education,
- death of the employee, of his/her spouse or of the person related to the beneficiary under a civil solidarity pact,
- termination of the employment contract or of the director or manager mandate,
- allotment of saved amounts for the creation or the take over by the employee, his/her children, his/her spouse or the person related to the beneficiary under a civil solidarity pact, of an industrial, commercial, craft or farming business either alone or in company form providing he/she actually exercises control in the meaning of article R 351-43 of the Labour law, his/her installation to exercise another non salaried activity or the acquisition of shares in a production cooperative,
- use of saved amounts to buy or extend the beneficiary's main residence involving the creation of new net floor area in the meaning of article R 111-2 of the Construction and Housing code, subject to a building permit or to a prior works declaration or repairs of the main residence damaged by a natural catastrophe qualified as such via a ministerial decree,
- employee's overindebted situation under article L 331-2 of the Consumption code following a request sent to the fund manager or to the employer by the chairman of the private persons overindebted committee or by the magistrate when the release of the rights seems necessary to repay the beneficiary's debts.

The relevant request must be submitted within six months following the occurrence of the triggering event except in the case of the termination of the employment contract or of the director mandate, the death of the spouse or of the person related to the beneficiary under a civil solidarity pact, disability and overindebted situation when the request can be made at any time.

In case of the member's death, the member's assigns can request the liquidation of his/her assets within the six month period following the death. Beyond this period, the capital gains observed during the liquidation will cease to qualify for the exemption from income tax under point III of article 150-0 A of the General Tax Code.

A single payment of, at the member's option, all or any part of the rights apt to be released is made at the end of the lock-up period.

When the beneficiary requests to withdraw all or any part of his/her assets, the capital gains represented by the difference between the amount of the redemption and the corresponding amounts initially paid into the Plan is liable to the CSG and CRDS as income from capital and to « prélèvement social » under the local regulations in force as of the date of release of the assets in question.

The employee can require to withdraw his/her assets if they are used to exercise stock options granted in the conditions of articles L 225-177 or L 225-179 of the Commercial Code (refer to article 5.2 hereof).

However, in certain countries, under local laws and regulations or because of restrictions imposed by local authorities some early availability situations will not be open to certain beneficiaries.

For the same reasons, the lock up period could be longer in certain countries.

Article 8 – Income

Income from assets (dividends, tax credits for tax residents of France ...) of each fund (or compartment) set up hereunder will necessarily be reinvested in the same fund except for income from the assets of the « Ouverture THALES » fund which will be invested in the « THALES shares » compartment as well as the tax credits of the Leverage France 2002 compartment.

All the acts and formalities necessary for this reinvestment will be performed by the Depository who will particularly claim from the tax authorities the payment of the tax credits relative to reinvested income for the beneficiaries of such tax credits.

The amounts paid by the tax authorities will themselves be reinvested.

Article 9 – Effective date of the Plan

This Plan cancels and supersedes the Plan signed 19th June 1998 which provided for an initial term of 10 years effective from its signature. It will be tacitly renewed each year.

In case of termination hereof under the provisions of article 1, a prior notice of three months will be observed.

Article 10 – Notices to personnel

The personnel will be notified of these Rules by way of display on the notice boards. Any amendment hereto will be notified to the personnel of the Company and to the Fund managers.

For any purchase of units on the employees' behalf under the profit sharing in the meaning of French law each beneficiary will receive a form separate from his/her pay slip.

Furthermore, the member will receive a statement at his/her name at least once a year. Such statement will specify particularly the date of purchase, the number of units expressed in ten thousandths and the total purchased amount.

To this purpose, each member agrees to notify the managing organization or organizations of his/her personal account or accounts and of any change of address.

If the member cannot be reached at the last address designated by him/her, the custody of Corporate Saving Fund units will continue to be performed by the organization in charge from which the member can claim them until statute barred under the provisions of article 2262 of the Code of Civil law (30 years from the date of signature hereof).

Article 11 – Rules of the Fund – Supervisory Board members

The rights and obligations of the members, of the management company and of the Depository are specified by the By-laws of each of the Corporate Saving Funds.

These by-laws create a Supervisory Board in charge particularly of supervising the financial management, the administration and the accounts of the Fund. The Supervisory Board meets at least once a year to examine the annual management report. It decides on mergers, splits or liquidations and can appear in court to defend or protect the rights or interests of unitholders.

The Supervisory Board of each Fund is set up in accordance with the provisions of the By-laws of the Fund.

In accordance with the provisions of article L 443-3 of the Labour law, FCPEs governed by the provisions of article L 214-39 of the Monetary and Financial Code offered under the Plan can have a joint Supervisory Board.

Article 12 – Severance from the Company

Any member leaving the Company will receive a list of all the amounts and securities that have been saved or transferred under the employee savings systems in force within the Company.

The first list involves, if appropriate, the issuance of an employee savings books to the member by the Company through the account keeping institution.

After his/her severance, the member can have the amounts he/she holds transferred to a plan available in the new company.

He/she then has to make the relevant request to the account keeping institution specifying particularly the name and address of the new employer and of the organization in charge of the management of new plan or plans.

Such transfer entails the closing of the member's account hereunder.

The account keeping expenses of those unitholders who have left the Company (including retirees and early retirees) cease to be borne by the Company one year after the date of termination of the employment contract (if appropriate : from the availability of the last rights acquired by the employees in respect of profit sharing) or after the date of retirement or early retirement.

Account keeping charges relative to these unitholders are charged directly by the account keeping institutions (Article 5 – Particulars of Account Keeping institutions).

Article 13 – Filing

After its signature, this plan will be, at the Company's initiative, sent in five counterparts to the concerned Manager of Labour, Employment and Vocational Training of the by registered letter with acknowledgment of receipt requested.

Signed in Paris, this 1st day of october 2002 in eight original counterparts

Denis RANQUE

Chairman and CEO