

A man and a woman in a factory setting. The man is on the left, wearing a blue jacket, looking at the woman. The woman is on the right, wearing a black blazer over a white top, holding a tablet and looking upwards. The background shows industrial machinery.

THALES

UK SHARE INCENTIVE PLAN Explanatory guide

SharingThales 2019
On-line subscription
from Thursday 24th October
to Friday 15th November 2019

The 2019 offer in short

Investment in Thales shares ensuring tax savings

In this offer, you have the opportunity to buy Thales S.A. shares using pre-tax and pre-National Insurance Contributions Salary, ensuring a significant tax saving: You will pay no UK tax on buying the shares, no further UK tax provided the shares are held in the Plan for five years and may have no UK tax liability on selling the shares.

The maximum investment level is either 10% of your salary, or £1,800, whichever is lower.

A matching contribution of 1 for 3-paid by Thales

You will receive 1 free Matching Share for every 3 shares that you purchase (Partnership Shares).

For example, if the share price purchase is around £100 (approx. €109), you could purchase 18 Partnership Shares and receive a maximum of 6 Matching Shares for an investment of £1,800 in Partnership Shares.

Key dates

24th October to 15th November 2019

Subscription period

22nd November 2019

Announcement of Thales Opening share price in the SIP and of the maximum number of shares available for subscription under the Plan. Start of the Accumulation Period

End of December 2019

First of the four payroll deductions

End of March 2020

Last payroll deduction. End of the Accumulation Period

Within 30 days of 31st March 2020

Closing share price in the SIP and acquisition of Partnership Shares and free Matching Shares to participants

If you have any further questions after reading this Guide, you should consult the **sharingthales2019.com** website where a Q&A is at your disposal.

Alternatively you should contact:

- the Trustees' helpline (on 0344 472 6155 or email: Thales@computershare.co.uk) or
- Thales UK at Green Park, Reading: (Michael Seabrook or Michele Cook on 0118 943 4500) or by email: michele.cook@uk.thalesgroup.com or mike.seabrook@uk.thalesgroup.com.

Please particularly note the sections "Investment Considerations", "Scaling Down" and "Changes to the Offer" which may affect your decision to participate in the Plan on the following pages.

Please also note that the choice you make is a matter for you alone and Thales is not able to personally advise you on the merits or otherwise of deciding to participate in the Plan nor on any financial or tax aspects. When considering what action you should take, you are recommended to seek your own independent financial advice from your own stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

Key figures

at the end of 2018¹

The people who make the world go round – they rely on Thales. Our customers come to us with big ambitions: **to make life better, to keep us safer.**

Combining a unique diversity of expertise, talents and cultures, our architects design and deliver extraordinary high technology solutions. Solutions that make tomorrow possible, today, in Aerospace, Space, Ground Transportation, Digital

Security, Defence and Security. From the bottom of the oceans to the depths of space and cyberspace, we help our customers think smarter and act faster, mastering ever greater complexity at every decisive moment along the way.

Following the acquisition of Gemalto, Thales now has 80,00 employees in 68 countries.



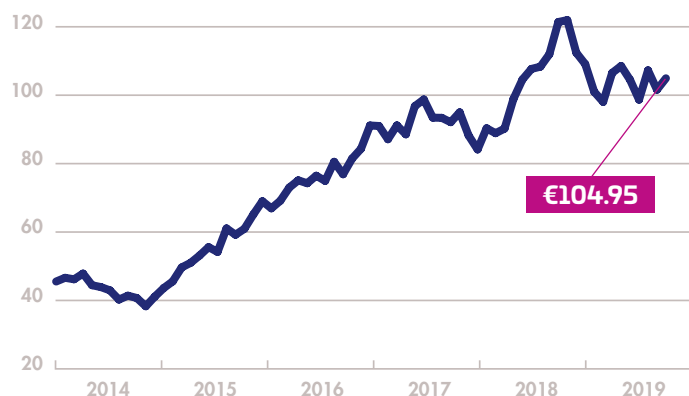
¹ All these figures exclude Gemalto, consolidated as of 1st April 2019.

² Organic variation: on a constant scope and exchange rate base.

Thales Shares

On the stock exchange

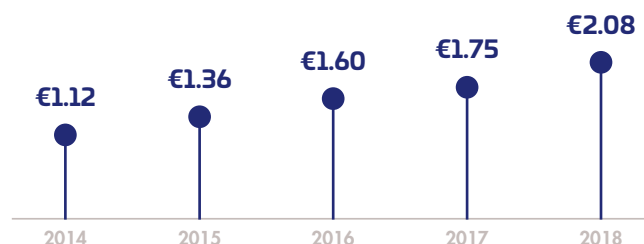
Evolution in the Thales share price in € on Euronext from 01/01/2014 to 02/09/2019



Caution: past performance is not necessarily indicative of future performance.

Thales shares are listed on Euronext Paris (France's Stock Exchange) in the CAC40 index which covers the top listed 40 securities of the Euronext Paris.

Dividends



Thales has paid an interim dividend in December each year and the balance (final dividend) after the Annual General Meeting, where the accounts for the year in question are approved.

For shares held in the SIP, dividends are paid in cash out to your bank account.

Employee shareholding

As of 31st December, 2018, employees held 2.62% of Thales share capital and 3.37% of the voting rights, either directly or through Corporate Mutual Funds (Fonds Communs de Placement d'Entreprise - FCPE). Thales regularly proposes employee shareholding offers: SharingThales 2019 is the 10th plan since shareholding was opened in 1998. It involves 34 countries.

In recent years Thales has received several awards for the quality of the governance of its employee shareholding, particularly with respect to the presence of an employee shareholder, appointed by the Supervisory Board of the main FCPE, on the Thales Board and its strategic committee to represent employee shareholders.

Key Features

Investment level

You may invest the amount which suits you, with a suggested minimum of £340 and a maximum of either (i) 10% of your salary or (ii) £1,800, whichever is lower.

**You can invest a minimum of £10 per month (i.e. a total of £40) under SIP legislation but due to the likely price of a Thales share you may not qualify for any partnership or matching shares.*

Note that Salary shall mean basic earnings (being the reduced amount after any salary sacrifice arrangement) excluding bonuses, allowances, overtime payments and benefits in kind subject to PAYE.

Payment

Your investment will be paid for through payroll deductions split equally over four months, beginning in December 2019 and ending in March 2020.

Share purchase price

Will be the lower of the market price of the shares on 22nd November 2019, and the market price on the date on which the shares are acquired by the Trustees on your behalf (which will be within 30 days of 31st March 2020).

Joining the Thales Share Incentive Plan

What is the offer?

With the SharingThales 2019 Employee Share Offer, you have the opportunity to acquire Thales shares under preferential conditions, through a Share Incentive Plan (SIP).

You decide whether and how much you want to invest, and the Trustees of the Plan will purchase Thales shares on your behalf with your contribution (subject to conditions detailed below). Shares will be held by the Trustees on your behalf in Trust under your name.

Who may participate?

To be eligible to join the Plan, you need to be an employee of the Thales Group; with a contract of employment with a Participating Company as at 15th August 2019; and be resident in the UK for tax purposes. Participation in the Plan is entirely voluntary.

What are the main benefits?

Tax efficiency: the Trustees of the Plan will use contributions from your gross Salary to acquire Thales shares on your behalf. This means that contributions will be deducted from your pay and you will not pay income tax or NICs on them. The table below illustrates how this benefits participants, depending on the size of the contributions made and the rate of tax ordinarily paid by them:

TOTAL CONTRIBUTION	The cost to a 20% taxpayer	The cost to a 40% taxpayer	The cost to a 45% taxpayer
£340	£272	£204	£187
£500	£400	£300	£275
£1,000	£800	£600	£550
£1,500	£1,200	£900	£825
£1,800	£1,440	£1,080	£990

In addition to the above income tax benefit, participants may benefit from a reduction in NICs.

Matching shares: in addition to the Partnership Shares that are purchased for you, you will also receive 1 free Matching Share for every 3 Partnership Shares you purchase.



How to apply?

1. Go to the Computershare subscription site www.computershare.com/thalessshareplans. A link can also be found on the **sharingthales2019.com** website.
2. Input your User ID which you will find on your invitation email or letter and Personal Identification Number (PIN) from Computershare. Employees who have not previously participated in a Computershare administered scheme will be sent their PIN in a separate notification. If for any reason you do not receive your PIN by 24 October 2019 please contact Computershare Plan Managers on +44 (0) 344 472 6155 or, if you have forgotten your existing PIN, click on the "Forgotten PIN" link on the website.
3. Enter your subscription amount and validate your subscription.

How much to invest?

If you decide to take part in the Plan and buy Partnership Shares, you can contribute out of pre-tax and pre- NICs Salary (i.e. gross Salary), over the four-month Accumulation Period, a suggested minimum amount of £340 and a maximum amount of up to either (i) 10% of your Salary or (ii) £1,800 (whichever is the lower).

Maximum overall
Lower of £1,800 or 10% of Salary

Minimum overall (suggested)
£340

The minimum you can contribute is £10 per month under UK SIP Rules, but at £40 overall, this would, at the time of the printing of this document, be insufficient to buy a Thales share.

Joining the Thales Share Incentive Plan

How to pay?

Your contribution will be deducted in four equal instalments from your gross Salary through payroll and paid into the Trustees' bank account after the four-month Accumulation Period. "Salary" means your basic earnings for the current tax year excluding bonuses, allowances, overtime payments and benefits in kind which are subject to income tax.

Please note that this is the only method of payment allowed.

The Accumulation Period will start on 22nd November 2019 and will end at the end of March 2020. The first deduction from your salary will be made in December 2019, to be followed by deductions in January, February and March 2020.

Can I change my mind?

- You may decide to cease your monthly instalments at any time during the Accumulation Period.
- Having decided to cease your monthly instalments, you may decide to restart your contributions again during the Accumulation Period. However you may only do this once and you cannot make overpayments to make up for missed instalments.
- You may also decide to cease to participate in the Plan entirely by revoking your Partnership Share Agreement at any time, prior to the end of the Accumulation Period. In such case, you will be repaid the amount of the monthly instalments made until such cessation, without any interest but subject to deductions for income tax and NICs.

The number of Partnership Shares and Matching Shares allocated to you under the Plan at the end of the Accumulation Period will be calculated in accordance with the instalments you have made.

If you wish to cease your monthly instalments, or if you wish to restart your monthly instalments or if you wish to revoke your participation and receive repayment of your contribution/s prior to the end of the Accumulation Period, you should complete the appropriate part of the Plan Change Form and return it to your payroll department.

Please note that any such changes will take effect from the next payroll run provided you notified your payroll department by the 10th of the month or the preceding working day if the 10th falls on a weekend or public holiday.

Will my shares be locked-in?

- Your Partnership Shares may be sold or transferred at any time, but the exemption from income tax and NICs will normally apply only if the Partnership shares are held in the Plan for 5 years from the date of acquisition.
- Your Matching Shares cannot be sold or transferred from the Plan for a period of 3 years from the date of allocation. To qualify for full relief from income tax and NICs on your Matching Shares, you will normally have to leave them in the Plan for 5 years from the date of acquisition.

How and at which price will my Partnership Shares be purchased?

The Trustees will use the accumulated cash contributions to acquire Thales S.A. shares within 30 days following the end of the Accumulation Period. The Trustees will buy such number of whole shares that can be purchased at the purchase price with the cash contribution being held for you.

The purchase price will be the lower of the market price of the shares at the beginning of the Accumulation Period (22nd November 2019) converted into GBP Sterling using the then prevailing exchange rate and the market price on the date on which the shares are acquired by the Trustees on your behalf again using the prevailing exchange rate at that date.

Any balance of your contribution which is not used will be paid back to you in the next payroll (subject to deductions for income tax and NICs).

Joining the Thales Share Incentive Plan

What happens if employees' subscriptions exceed the number of shares available for subscription?

The Thales Share Incentive Plan forms part of SharingThales2019 global offering of shares to employees. Under this global offer there are 550,000 Thales shares available for acquisition by all participating employees worldwide (including matching shares).

If all participating employees apply in total for more than this number of shares available to the global shareholding offer, UK SIP allocations will be scaled back. The applications for the highest number of shares will be reduced to ensure that the actual total demand matches the number of shares offered. The number of matching shares can be affected in case of such reduction.

The exact number of shares available under the UK Thales Share Incentive Plan will be communicated to you prior to or at the start of the Accumulation Period.

To the extent your allocation is scaled back any monies remaining will be returned to you subject to deductions of income tax and NICs in the next payroll run, wherever possible.

Please note that if the closing share price at the end of the Accumulation Period is lower than anticipated, a second scaling down of allocations may be required and this will be made on a pro rata basis.

How shall I be informed?

Once the Partnership Shares and Matching Shares have been acquired for you by the Trustees, you will be able to view your holding via the Employee Website by logging onto www.computershare.com/thalessshareplans. The Trustees will then issue to participants, annually, an online statement informing them of the number of Partnership Shares and Matching Shares held on their behalf.

Changes to the offer

Prior to the start of the Accumulation Period the Chairman and Chief Executive Officer of Thales has the right to postpone or abandon all or part of the transaction (i.e. this offer), if the conditions are judged to be unfavourable.

**For any other questions
please refer to
the FAQ section on
sharingthales2019.com**

Joining the Thales Share Incentive Plan

Example of how the Plan works

Jonathan's basic pay is £30,000 a year and Jonathan decides to contribute the maximum allowed under the Plan. This will mean that £1,800 will be invested in Partnership Shares.

For illustration purposes, we shall assume that the share price remains constant at €110 and the exchange rate remains constant at £1 to €1.15 (please bear in mind the euro/sterling exchange rate may fluctuate).

	Jonathan's Plan Account (£)	Jonathan's Plan Account (€ equivalent)	Partnership Shares purchased	Matching Shares allocated	Total Shares
Deductions from Jonathan's pre-tax pay:					
December 2019	£450				
January 2018	£450				
February 2018	£450				
March 2018	£450				
Available to buy shares	£1,800	€2,070			
Used to buy shares	£1,721.74	€1,980			
Balance in Account	£78.26		18	6	24

So, assuming that there is no scaling back, the Trustees hold 18 Partnership Shares and 6 Matching Shares for Jonathan, which means a total of 24 shares are held with a balance of approximately £78 in Jonathan's Plan Account which will be repaid to him via payroll (less income tax and NICs).

Key instant benefits for Jonathan

- Jonathan's investment is £1,721.24, but thanks to Matching Shares, his total shares are worth approximately £2,295.65 (€2,640).
- Assuming that Jonathan's tax rate is 20% and NICs rate is 12%, and that he will keep his shares for at least 5 years in the Plan, the income tax and NICs benefit on the acquisition of his Partnership Shares amounts to approximately £550.95 and the notional income tax and NICs benefit on the allocation of his Matching Shares amounts to approximately £183.63.*

*Please note the rates and examples above are based on UK income tax rates covering England, Wales and Northern Ireland. Please refer to www.gov.uk/scottish-income-tax for the Scottish rates.

Over time

- Jonathan's investment will evolve according to Thales S.A.'s share price and to the £/€ exchange rate which can both go down as well as up.
- Jonathan will receive all dividends in cash that are paid by Thales S.A. in respect of his shares.

Your tax position in the United Kingdom

There are potential valuable tax benefits under the Plan which are controlled by UK legislation.

Set out below is a summary of the likely UK tax implications of participating in the Plan. This is for guidance only and reflects the tax position as at 6th April 2019. If you are in any doubt as to your tax position, you should consult an independent professional advisor before taking action.

Income Tax and NICs

On Acquisition	Year 1	Year 2	Year 3	Year 4	Year 5	After Year 5
Partnership Shares No income tax or NICs to pay on the money used to buy the shares.	Generally, income tax and NICs will be payable on the market value of the shares if you take them out of the Plan.			If you take the shares out of the Plan, income tax and NICs will be payable on the lower of: <ul style="list-style-type: none">the price you paid for the shares, orthe market value of the shares when they are taken out of the Plan.		No income tax or NICs to pay.
Matching Shares No income tax or NICs to pay on the value of the shares awarded to you.	You cannot take matching shares out of the plan in the first three years whilst still employed.			If you take the shares out of the Plan, income tax and NICs will be payable on the lower of the market value of the shares at the time you: <ul style="list-style-type: none">acquired them, ortake them out of the Plan.		

- The Partnership Shares are bought out of your pre-income tax and NICs Salary. Once the Partnership Shares have been acquired any cash balance in your account with the Trustees will be returned to you through payroll, subject to deduction of income tax and NICs.
- You may sell your Partnership Shares at any time but, if you do so before they have been held for 3 years, you will normally pay income tax and NICs on the value of the shares when they cease to be subject to the Plan. You will be required to enter into arrangements with Thales SA for payment of any income tax and NICs due in these circumstances (for example by authorising the sale of your shares) and, in the case of a sale, the balance of any cash will be paid to you. (Different rules apply if you cease to be employed in the Thales Group or a Participating Company - see page 12).
- If you sell your Partnership Shares and/or Matching Shares when they have been held for between 3 and 5 years, you will normally pay income tax and NICs on:
 - in relation to Partnership Shares, the lower of their initial cost and their value when they cease to be subject to the Plan; and
 - in relation to Matching Shares, the lower of their market value when you acquired them and the market value when you take them out of the Plan.

As mentioned above, you will be required to enter into arrangements with Thales S.A. for payment of any income tax and NICs due in these circumstances and, in the case of a sale of shares, the balance of cash will be paid to you. (Different rules apply if you cease to be employed in the Thales Group or a Participating Company - see page 12).

- If you leave your Partnership Shares and Matching Shares in the Plan for 5 years or more, there will be no income tax or NICs liability when they are removed from the Plan (for whatever reason).
- For shares that are sold or otherwise transferred out of the Plan, they cease to be subject to the Plan on sale or transfer. For leavers, shares cease to be subject to the Plan on the date on which you leave the Thales Group (or, if later, the last date on which shares are allocated to you under the Plan).
- Certain Corporate events affecting Thales SA or the Company you work for can also result in Shares ceasing to be subject to the Plan.

Your tax position in the United Kingdom

Dividends Tax

Currently, we understand that any dividends received by you on your Partnership Shares and Matching Shares will be subject to French withholding tax of 30% if you remain in the Share Incentive Plan Trust. If you would like further information in relation to this please contact Computershare Plan Managers, Plan Administration, Bridgwater Road, Bristol BS99 6AP, United Kingdom, Telephone: 0344 472 6155, Email: Thales@computershare.co.uk.

You may be liable for UK income tax on any dividends paid to you in respect of Partnership Shares or Matching Shares through your annual self-assessment tax return.

From 6 April 2016 a tax-free dividend allowance has been introduced (in the 2019/20 tax year, any dividend in excess of £2,000 will be taxed). Dividends in excess of the dividend allowance will be entitled to a tax credit in respect of any French withholding tax already paid on such dividends.

Capital Gains Tax

Usually Capital Gains Tax (CGT) is payable (subject to the annual exempt amount: 2019/20 £12,000) on a disposal of shares on any increase in value above their base cost. However, under current SIP legislation, there is no CGT payable on the growth in value of the Plan shares if they are disposed of directly from the Plan (although there may be income tax and NICs to pay in circumstances set out on Page 9 - see above). However, if, at any time, you transfer the Plan shares into your own name they may become subject to CGT on a subsequent sale (subject to the annual exempt amount).

The base cost for CGT purposes will be the market value of the shares when they cease to be subject to the Plan.

Therefore, while you remain an employee keeping your shares in the Plan means their growth in value will not be subject to any CGT.

**For any other questions
please refer to
the FAQ section on
[sharingthales2019.com](https://www.sharingthales2019.com)**

Thales Share Incentive Plan

Once you have joined

Share ownership

> Who owns the shares?

You are the beneficial owner of all shares purchased on your behalf or awarded to you immediately after they are acquired for you by the Trustees. This means that you will be entitled to the amount of all dividends in respect of your shares, net of French withholding tax (see page 10).

> Voting

The Company will arrange, via the Trustees, for you to vote on resolutions put to Thales shareholders meetings.

> Dividends

A dividend is a share in the profits of a company expressed as an amount per share. The directors of a company determine the amount of the distributable profits and Thales normally declares a dividend payable to shareholders at least once a year.

Any dividends received on Partnership Shares and Matching Shares will be paid to you in cash, directly into your bank account (net of tax as described above) by the Trustees once they have received the monies from Thales SAs' registrar, Société Générale.

In order to register your bank account please visit the employee website: www.computershare.com/thalesshareplans otherwise a cheque will be sent to the home address held on their records.

Account management

> Who looks after your shares?

Thales S.A. has appointed Computershare Plan Managers to act as the Trustees of the Plan. Computershare Plan Managers has considerable experience in handling such plans and is independent of the Group.

Their correspondence address is:
Computershare Plan Managers,
Plan Administration, Bridgwater Road,
Bristol BS99 6AP,
United Kingdom.
Telephone: 0344 472 6155,
Email: Thales@computershare.co.uk.

> Statements

To keep you up to date with your Plan Account, you will automatically receive an electronic personalised statement from the Trustees once a year, which you can download from your account with Computershare. This statement will show a summary of the transactions that have taken place during the previous 12 months and will provide details of your total shareholding under the Plan. Whilst an employee you can also view your holdings via the employee website by visiting www.computershare.com/thalesshareplans.

If you leave the Plan, a closing statement will be sent to you by the Trustees after the final sale or transfer of shares.

> Change of personal details

If your name or address changes, you should inform Computershare Plan Managers using their online system or by contacting them for instructions as follows:

Telephone: 0344 472 6155,

Email: Thales@computershare.co.uk.

Selling your shares

In order to sell your shares, you must provide your instructions via the employee website:

<http://www.computershare.com/thalesshareplans>

Once this has been done you cannot alter your instructions. The Trustees cannot accept sale instructions by telephone and your instructions are only valid once the Trustees have received them. Please note that if shares are taken out of the plan before 5 years, income tax and NICs will be payable.

Please refer to page 9 "Your tax position in the United Kingdom".

If the Trustees receive your sale instructions by 11 am (UK time) on a business day they will aim to process your instruction on such day. Instructions received after 11 am (UK time) on a business day will be treated as having been received at the opening of business hours on the next business day. The broker's commission and fee will be deducted from your sale proceeds (These costs are set out in the Plan Documents section of the Computershare website). There may be periods when sales are not possible due to public holidays and/or close periods and/or exceptional circumstances.

Leaving Thales

Different rules apply depending on the circumstances in which you leave the Thales Group or move to a non-Participating Company.

> Due to resignation or dismissal

If you leave the Thales Group due to resignation or dismissal, your shares will immediately cease to be subject to the Plan. The shares must then be sold or transferred into a Société Générale nominee account held in your name. If you leave within the 5 year period this means that you will have income tax and NICs to pay (see "Your tax position in the United Kingdom"). The Trustees will **write to** you to obtain your instructions on whether you wish to sell or transfer the shares and to arrange payment of any income tax and NICs which may be payable.

If you do not provide the Trustees with such instructions (or if you do not provide the Trustees with the information they require to make a transfer into a Société Générale nominee account) then the Trustees will sell sufficient shares to pay any income tax and NICs payable (if any) on Shares ceasing to be subject to the plan, such sum will be passed to your Payroll to pay HMRC. Thales will not accept any liability for any sums that are late or not submitted in these circumstances. The remainder of shares shall be transferred into a Computershare nominee account known as a Vested Share Account ("VSA") in your own name. Computershare may charge you for administering such VSA account.

The VSA terms and conditions can be found at www.computershare.com/thalessshareplans.

> Special Reasons:

a) Due to injury, disability, redundancy, or retirement

If you leave the Thales Group due to injury, disability, redundancy, or retirement, your shares will immediately cease to be subject to the Plan. The shares must then be sold or transferred into a Société Générale nominee account held in your name. The Trustees will **write to** you to obtain your instructions on whether you wish to sell or transfer the shares. If you do not provide the Trustees with such instructions (or if you do not provide the Trustees with the information they require to make a transfer) within 90 days of departure, then the Trustees will transfer your shares into a Computershare nominee account known as a Vested Share Account ("VSA"). Computershare may charge you for administering such VSA account. There will be no income tax and NICs to pay.

b) What happens if I die?

In the event of your death during your employment, your shares will be sold or transferred in accordance with instructions from your legal personal representative(s). If your legal representatives do not provide the Trustees with such instructions (or do not provide the Trustees with the information they require to make a transfer) within 90 days of your death, then the Trustees will sell your shares at market value. There is no income tax or NICs or capital gains tax due. For inheritance tax purposes, the value of your shares will be the market value of the shares at the date of your death.

> Transfer of Shares

If Transferring your Shares to Société Générale

If you choose to transfer your shares, on leaving Thales as stated before, you will need to do the following to allow Computershare to set up your account with Société Générale:

- Print off a Transfer Form from the Plan Documents section of the Computershare Employee Website:

www.computershare.com/thalessshareplans.

- Complete the form and send to the Computershare email address Thales@computershare.co.uk including a scanned copy of your passport or driving licence.

- For anyone who has changed their name, Computershare will also need confirmation of your former name.

- > If your shares are transferred into your own name (whether this is a Société Générale nominee or Computershare VSA account) any subsequent growth in value will become subject to CGT on a subsequent sale (subject to the annual exempt amount – See page 10)

Additional information

> Trust Deed and Rules

The Plan is governed and administered in accordance with the Trust Deed and Rules, a legally-binding document governing the Plan. Copies of the Trust Deed and Rules are available for inspection, and you may arrange to see this document through Thales UK at Green Park, Reading (contact: Michele Cook or Michael Seabrook by email: michele.cook@uk.thalesgroup.com or mike.seabrook@uk.thalesgroup.com).

Notices given to Thales and the Trustees will only be effective when actually received by them.

> Investment Considerations

The Plan is not like a share option plan. It allows you to become the effective owner of shares immediately. Always remember that the price of shares can go down as well as up. The price of shares can also be affected by factors other than the performance of Thales S.A. and you should take care not to commit more than you can afford to the Plan.

If you need further information or any aspect of the Plan, please contact Michael Seabrook or Michele Cook at Thales UK at Green Park, Reading by email mike.seabrook@uk.thalesgroup.com or michele.cook@uk.thalesgroup.com. Please note, however, that neither Michael or Michele can personally advise you on the merits or otherwise of deciding to participate in the Plan, nor on any financial or tax aspects. Furthermore, this is an explanatory guide to the Plan, it does not constitute legal, financial or other advice, and as such Thales accepts no liability for the contents of this Guide. Any reference to taxation consequences is for guidance only. It is the Trust Deed and Rules that govern the Plan and its operation. If there is any discrepancy between this Guide and the Trust Deed and Rules, the latter will take precedence.

You may find more information on Thales S.A. on its website (www.thalesgroup.com), including its annual report, which contains important information on Thales S.A.'s activity, strategy, management and financial results. If you are in any doubt as to what action you should take, you are recommended to seek your own independent financial advice from an appropriately authorised adviser under the Financial Services and Markets Act 2000.

Glossary of Terms

> Accumulation Period

The period between 22nd November and the end of March 2020 when contributions from Salary will be deducted in four equal instalments and accumulated to buy shares on your behalf by the end of March 2020.

> Close Period

A period of days when trading in a Company's shares is not allowed under Stock exchange rules.

> Company

Thales.

> Computershare Plan Managers

Computershare Plan Managers is a trading name of:

1. Computershare Investor Services PLC (registered in England, Company No. 3498808); and
2. a group of entities comprising amongst others EES Corporate Trustees Limited (registered in England, Company No. 2045938), EES Capital Trustees Limited (registered in England, Company No. 3275677), EES Trustees Limited (registered in England, Company No. 576832) and EES Services (UK) Limited (registered in England, Company No. 4075753). The registered office of each of the companies is: The Pavilions, Bridgwater Road, Bristol BS13 8AE.

> Dividend payment

The portion of Thales earnings that may periodically be paid to its shareholders. Dividends are never guaranteed and may be increased, decreased or not paid.

> Market price

The price of publicly-traded shares. For Thales shares in the Plan, it is opening price on the Paris stock exchange in Euros (converted into Sterling at the applicable exchange rate).

> Matching Shares

Free shares which are allocated to you by Thales at the rate of 1 free share for every 3 Partnership Shares you purchase.

> NICs

National Insurance Contributions.

> Paris stock exchange

The French stock exchange, NYSE-Euronext Paris S.A., on which Thales shares are traded.

> The Plan

The Thales S.A. HM Revenue & Customs approved Share Incentive Plan.

> Plan Account

Individual account set up in your name into which your contributions to the Plan are paid.

> Plan Statement

Annual personalised statement. It shows a summary of the transactions during the previous year.

> Partnership Shares

Shares which are bought from contributions you make over the Accumulation Period from your pre-tax Salary.

> Participating Company

Any company within the Thales Group with UK tax resident employees that has consented to join this offer.

> Salary

The total of your basic earnings for the current tax year excluding bonuses, allowances, overtime payments and benefits in kind subject to PAYE.

> Share

A unit of ownership in Thales.

> Shareholder

Anyone owning one or more shares in a company.

> The Thales Group

Thales and its subsidiary companies owned at 50% or more.

> Trading days

A Business Day, as long as the Paris stock exchange is open for business.

> The Trustees

EES Trustees Limited (registered in England, Company No. 576832) whose registered office is The Pavilions, Bridgwater Road, Bristol BS13 8AE.

SIP offer key benefits

> Tax efficiency

In this offer, you have the opportunity to buy Thales shares using pre-tax and pre-National Insurance Contributions Salary, ensuring a significant tax saving: You will pay no UK tax on buying the shares, no further UK tax provided the shares are held in the Plan for five years and may have no UK tax liability on selling the shares.

> Matching shares

You will receive 1 free Matching Share for every 3 shares that you purchase (Partnership Shares). For example, if the share price purchase is around £100, you could purchase 18 Partnership Shares and receive a maximum of 6 Matching Shares for an investment of £1,800 in Partnership Shares.

> Dividends and the right to vote

The shares will belong to you from the acquisition date and you therefore benefit from the value generated by Thales from this date forward. You will have rights to any dividends declared and voting rights at General Meetings.

> Holding the shares

The shares will be acquired and held on your behalf by the Trustees of a UK Trust, set up especially for the purposes of the Plan.

> **For the purposes of UK Securities law**, this Explanatory Guide comprises an employee information document relating to Thales SA which has been prepared in accordance with the Prospectus Rules published by the Financial Conduct Authority on 21 July 2019 (P.R. 1.2.3. Exempt Securities). Neither this Explanatory Guide, nor the invitation to participate in the UK Share Incentive Plan, have been approved by the Financial Conduct Authority in the UK or by any regulatory authority in France. For the avoidance of doubt this Explanatory Guide is not a Prospectus.

THALES

Tour Carpe Diem
31 place des Corolles
92400 Courbevoie
FRANCE

Tel: +33 (0) 1 57 77 80 00

> Thalesgroup.com <

