



All Employee Share Scheme 2013 offer

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THALES

UK Legislation – A Share Incentive Plan

➤ **All employees – no restrictions**

➤ **Tax efficient**

- No income tax & NI*
- Pre-tax salary contributions through PAYE (post – salary sacrifice)
- Cash Dividends
- May not have Capital Gains Tax*

*subject to holding shares for certain lengths of time

➤ **Accumulation Period – The period (over 4 months) in which contributions are made and accumulated to buy shares at the lower of the opening price or closing price at the end of the period.**

➤ **Employee Contributions: Maximum £1,500 in any one tax year (or 10% of gross salary – whichever is the lower)**

➤ **Free shares issued (Matching Shares) – tax free***

What is a SIP?

First introduced in 2000, SIPs are an HMRC approved tax efficient all Employee plan. Employees can buy shares directly from the employer (known as Partnership shares) that Employers can Match (Matching Shares)



- ***Will be offered to all UK employees via a Share Incentive Plan (“SIP”) - currently the most tax effective method in UK.***
- ***All employees employed on 21st March 2013.***
- ***Participants must be resident in UK for tax purposes.***
- ***Participants must work for UK Participating Companies***

Expats and Impats can participate but have to meet the criteria above



2013 Offer in UK – Key features

- **Thales will give participating employees 1 free share (“Matching Share”) for every 5 shares purchased (“Partnership Shares”).**
- **Up to £1,500 or 10% of Pre-Tax Gross salary (whichever is lower) can be saved over 4 Months (July – October 2013).**
- **Contributions taken from Salary through Payroll.**
- **No income tax and NI payable if shares held for five years (unless transferred out of SIP).**
- **Offer will be notified to employees by email on 22nd April 2013. Those who do not have email addresses will be sent a letter at their home address.**
- **There will be a four week Subscription period - this will run from 24th April 2013 to 21 May 2013.**



2013 Offer in UK – Key features (cont....)

- **Subscription will be via an on-line site (New for 2013) hosted by Computershare**
- **The opening price for the offer will be the Thales S.A. opening price on Euronext Paris on 19th June 2013.**
- **The closing price will be the Thales S.A. opening price on a date which is no more than 30 days after 31st October 2013.**
- **As with previous offers, Computershare will be Trustee/custodian of the shares.**



- ***The “Accumulation Period” will start on 19th June 2013. We will inform Participants of the Opening Price.***

- ***During Accumulation Period:***
 - Contributions will be deducted from Payroll in 4 equal monthly instalments. (July, August, September and October 2013)
 - Participants can elect to cease contributions within the Accumulation Period
 - Participants can elect to revoke their agreement to participate in the scheme up to 31st October 2013



Acquisition of Shares in November 2013

- ***At end of Accumulation Period, the Company and the Trustees will calculate the number of whole Partnership shares that can be bought (any cash balance will be paid back in November or December 2013 (less Tax and NICs)***
- ***If employees across whole Group subscribe for more than the aggregate number of shares available (1,000,000 shares) then allocations will be scaled down.***
- ***Participant will receive 1 Matching Share for every 5 Partnership Shares acquired.***
- ***The shares will be held by the Trustees (Computershare) on behalf of Participant (who is the beneficial owner).***



Acquisition of Shares in Nov 2013 (cont....)

- **Trustees will send each Participant a statement showing the number of Partnership Shares and Matching Shares held by him/her (probably in November 2013) and annually thereafter.**
- **Participant will be entitled to any dividends in respect of his/her shares from Day One (i.e. November 2013).**
- **Any dividends will be paid in cash (converted at a prevailing exchange rate into pounds)**
- **Withholding Tax in France on Dividend is expected to be 15%**
- **Participant can elect to receive any voting papers and can vote at Thales S.A. shareholders meetings.**



- ***If Participant leaves due to resignation or dismissal:***
 - s/he must immediately remove his/her shares from the Plan;
 - the shares must be sold or transferred into his/her own name; and,
 - if within 5 years, tax and NICs is payable.

- ***If Participant leaves due to a Special Reason (including injury, disability, redundancy and retirement):***
 - s/he must immediately remove his/her shares from the Plan;
 - the shares must be sold or transferred into his/her own name; and,
 - there will be no income tax and NICs to pay.

- ***If Participant dies, his/her shares will be transferred or sold according to instructions of their legal reps and there will be no income tax or CGT to pay (but may be inheritance tax liability).***

- ***Cost to Participant (or legal reps) on transfer is nil, but on sale a sales commission charge and a minimum fee will be applied (these details are available on the Computershare Employee website)***



A reminder: Benefits to UK employee Participants

- **Can contribute up to £1,500 or 10% of pre-tax and pre-NI salary (whichever is the lower) thus ensuring a tax saving at marginal rate.**
- **Will receive 1 free share for every 5 shares acquired which equates to a potential of 16.6% saving on buying in the open market.**
- **No income tax and NICs payable on purchase or receipt of free shares.**
- **Will incur no dealing costs on purchase in respect of the Plan.**
- **The share price will be the lower of the Market Price at the beginning and end of the of the Accumulation Period.**
- **No Capital Gains tax is payable on increase in value of shares when transferred or sold directly from the Plan at end of the 5 year period.**



- ***The tax benefits can be lost if a Participant leaves the Group due to resignation or dismissal, or possibly on a takeover (dependant on its terms) within the 5 year period.***
- ***Due to the constraints of UK tax legislation, the UK Offer has differed to the Global Offer.***
- ***Share prices can go down as well as up and employees should consider how much they can afford to subscribe, especially as deductions will be taken over a short period (4 months).***
- ***The exchange rate fluctuation risk will be the employee's and so they should consider this when deciding to participate.***

Nothing contained in this presentation should be considered as advice of a financial, legal or other nature and any references to taxation is for guidance only.



- ***A free decision***
- ***A responsible decision***
- ***A personal choice***



- 22.04.2013** ***Email Invitations to Employees
(or postal ones for those not online)***
- 24.04.2013** ***Subscription Period Opens***
- 21.05.2013** ***Subscription Period Closes***
- 19 June 2013** ***Announcement of Thales Opening Share Price
Start of Accumulation Period***
- July – Oct 2013** ***Four deductions from Payroll***
- 31 Oct 2013** ***End of Accumulation Period
Last change to change mind
Within 30 days of 31st October 2013 the shares are
purchased***