



BACKGROUND – SHARE INCENTIVE PLANS, PARTNERSHIP SHARES AND MATCHING SHARES

1. What is a Share Incentive Plan and how does it work?

A Share Incentive Plan (“SIP”) gives employees tax advantages when they buy and/or are given shares in the company for whom they work. The Thales SIP (the “Plan”) offers to you a combination of Partnership Shares and Matching Shares. The shares will be kept in a trust for you until you either leave Thales or you decide to take the shares from the Plan. The shares must, however, be kept in the Plan for a specified number of years in order to give you the full tax benefits.

2. What are Partnership Shares and Matching Shares?

Partnership Shares are Thales S.A. shares that you buy and Matching Shares are Thales S.A. shares that Thales shall give to you depending on how many Partnership Shares you buy. You will receive 1 free Matching Share for every 5 Partnership Shares that you purchase.

3. How much can I spend on Partnership Shares?

Under SIP legislation, in any tax year, you can spend up to the lower of 10% of your gross salary or £1,500 (which is a statutory limit) (ie. before deduction of income tax and national insurance contributions ‘NICs’) on Partnership Shares. The minimum investment value is £10 but be aware this will not meet the cost to buy 1 Thales share so we suggest a minimum of £40.

4. How many Partnership Shares will I receive?

This depends on a number of factors such as the value of the shares and the exchange rate at the date of purchase (as the shares are bought in euros and your contribution is in pounds) and you will receive as many whole shares that can be bought for the amount that you have contributed during the Accumulation Period. Note, however, that the total number of shares you receive may be ‘scaled down’ if the global offer is over-subscribed. Any money that is left over after buying as many whole shares as possible, or as a result of scaling down, will be returned to you in your next pay subject to deductions for income tax and NICs.

5. What is scaling down and how does it work? What is over-subscription?

The Plan is part of the Thales Global Share Offer for which approximately 1,000,000 Thales S.A. shares are available for acquisition by participating employees globally (including the UK). In the event that the Offer is over-subscribed, the amount of shares that participants will receive will be ‘scaled down’. To do this, Thales will meet all subscriptions up to the average level of requests and then anything above this will be reduced proportionately. The exact number of shares available under the Thales Share Scheme Incentive Plan will be communicated to you prior to or at the start of the Accumulation Period,

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

6. I am contributing in Pounds Sterling and the offer is in Euros, am I exposed to fluctuations in the exchange rate?

Yes, Shares will be purchased in Euros and therefore subscriptions will be converted into Euros. The exchange rate will be the exchange rate applicable on the date of purchase of the Partnership Shares (ie in October or November) by Computershare (“the Trustees”).



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You should note that as and when your shares are withdrawn from the Plan and sold, the exchange rate will be the applicable rate on the day of such sale.

7. How many Matching Shares will I receive?

You will receive 1 free Matching Share for every 5 Partnership Shares that you purchase.

Once the Partnership Shares and Matching Shares have been acquired for you by the Trustees, they will send to you a statement detailing your shareholding under the Plan.

8. When will I know how many Partnership Shares and Matching Shares I will receive?

You will not know the exact number of Partnership Shares until after 31st October 2013 (the close of the Accumulation Period) as the shares will be purchased at the lower price of Thales S.A. shares at either:

- i. the opening price at the beginning of the Accumulation Period; or,
- ii. The opening price on the day of purchase of the shares which will be on a day not later than 30 days after the close of the Accumulation Period.

9. What if the number of Partnership Shares that I purchase are not in exact multiples of 5?

Matching Shares will only be given on a 1 for 5 basis so if, for example, your contributions are enough to purchase 14 Partnership Shares, then you will still only receive 2 Matching Shares.

10. If my investment doesn't cover an exact whole Partnership Share what happens?

You will receive the cash back for the difference less deductions for income tax and NICs through payroll.

11. How will I pay for my Partnership Shares?

Payment for the Partnership Shares will be deducted directly from your gross salary (i.e. pre-income tax and NICs) in 4 equal instalments (as near as possible) in July, August, September & October 2013 and each such deduction will be shown on your payslip. However you must agree to the Partnership share Agreement and Terms and Conditions hold on the Computershare Employee Website to authorise the deductions from your salary. You must consider how much you can afford during this period.

12. Can I pay in one lump sum?

No. Deductions are made from your salary throughout the Accumulation Period to 31st October 2013.

ELIGIBILITY TO PARTICIPATE

13. Who can take part in the Plan?

The Plan is open to all employees who:

- b. are employed by a UK Participating Company as at 21st March 2013; and
- c. are resident in the UK for tax purposes.

14. What if I participated in a SIP with a previous employer?

If you have already participated in a SIP with another employer during the 2013/2014 tax year then this may affect your eligibility to join the Plan. If this is the case then you should seek independent professional advice before applying to join the Plan.



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15. I am a contract / temporary worker – can I join the Plan?

Provided you meet the criteria as outlined in question 13 above, then you can join the Plan. However, most contractors are not employed by a UK Participating Company.

16. I have joined Thales after 21st March 2013– can I join the Plan?

No, you must have been employed on 21st March 2013.

17. Can a UK employee working overseas, or vice versa, (i.e. on secondment) participate in the Plan?

Anybody can join the Plan as long as they meet the necessary criteria as outlined in question 13 above. It is probable that people on secondment to the UK will not qualify because they are not employed by a UK Participating company and will have to join another country's scheme if one is available.

JOINING THE PLAN

18. What do I have to do to take part in the Plan?

On 22nd April you will receive an email from Computershare (our share plan managers) regarding the offer and providing details of how to subscribe. This email will also provide you with your User ID and a separate one will contain your PIN (If you have not previously registered for the online services)

You will need to log onto www.computershare.com/thalesshareplans.com using your User ID & Personal Identification Number (PIN) as stated above. Only Employees who have not previously participated in a Computershare administrated scheme will be sent their PIN number. If for any reason you do not receive your PIN by Friday 26th April 2013, or have mislaid an existing PIN, please contact Computershare Plan Managers on +44 (0) 844 472 6155 (open weekdays 08.30 – 1700 UK time) or click on the “Forgotton PIN” link on the website

Documents such as the brochure describing the offer, its conditions and benefits and the regulatory documents applicable to the UK are available on both the www.sharingthales.com website and on the Computershare site noted above.

If you do not have access to IT, please ring Computershare, on the above number, to obtain a paper version of this offer.

19. What happens if I don't receive your email or a document version of the offer?

If you haven't received your pack you should immediately contact Computershare on + 44 (0) 844 472 6155

20. What happens if I am working overseas?

Providing you are eligible then you will receive the email from Computershare as explained above.

21. What is the deadline for Subscription?

You can only subscribe during the period of 24th April 2013 to 21st May 2013. This is a strict deadline. Please be aware that any subscriptions received after this date will not be accepted.

If you are subscribing by post (because you have not got IT access) neither the Trustees nor Thales can be held responsible for any delays in the postal system if this method is used. See the Explanatory Guide for full details.



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22. What happens if the subscription data is incomplete or received late by the Trustees?

If any subscription is received late it will not be accepted. You will be contacted by the Trustees if your Agreement is incomplete on the telephone number given by you at subscription in the first instance. . If the Trustees are unable to contact you, then your application will be rejected.

23. What if I have problems with the Computershare subscription site?

If you have any problems please contact Computershare immediately on + 44 (0) 844 472 6155

24. Can I fax my Subscription?

No, you cannot fax your subscription

25. Will receipt of my subscription be acknowledged?

Yes, Once the online subscription has been successfully completed an acknowledgment will be provided



WITHDRAWING FROM THE PLAN AND CHANGE OF PERSONAL CIRCUMSTANCES

26. After I have completed my subscription, can I change my mind?

Withdrawal during the Accumulation Period or withdrawal after salary deduction before shares are bought:

You may decide to cease your monthly instalments at any time during the Accumulation Period. In such case, 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 until such cessation.

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

In both circumstances, you will need to complete the Change Plan Form that is available on the Computershare site and submit this to HRSS (HR Shared Services, Minerva Building, Manor Royal, Crawley, West Sussex RH10 9HA). If you cannot access the website please contact Computershare on + 44 (0) 844 472 6155. Please note that any such changes will only take effect from the next payroll run provided you notified HRSS by the 10th of the month or the preceding working day if the 10th falls on a weekend or public holiday.

27. After I have made my subscription can I change my mind and suspend my contributions to the Plan?

Yes, as mentioned under question 26, you can elect to suspend the contributions that you are making at any time during the Accumulation Period by completing the 'Plan Change Form' available on the Computershare website and returning it to HR Shared Services before the end of the Accumulation period

28. After I have made my subscription can I increase or decrease the amount that I have elected to contribute to the Plan?

No, you cannot increase or decrease the amount that you have elected to contribute to the Plan. You can only suspend your deductions as mentioned above in questions 26 & 27.

29. What happens if my personal circumstances change, such as a change of address or marital status?

Please update your change of address on the Computershare employee website. If you need to notify a change of name then please contact Thales HRSS.

30. If my personal circumstances have changed and I have participated in previous Thales Share Offer(s), do I need to complete a different Change of Circumstances Form for each Offer/Plan?

This will depend on which schemes you have participated in.

For the 1998/2000/2004/2011 & 2013 Plans you need only to inform Computershare (as per the contact details above) or change your details on the Computershare Employee website

For the 2002 and 2008 plans you need a Change of circumstances form to inform Amundi (this is available under the Thales Share Scheme

Intranet)http://intranet.uk.corp.thales/share_schemes/pub/forms.cfm?slidid=6&idd=9294&intranet



REMOVING SHARES FROM THE PLAN

31. When can I take my shares out of the Plan?

You can take your Partnership Shares out of the Plan at any time. However see below.

Unless you leave Thales, you cannot take your Matching Shares out of the Plan within 3 years of receiving such shares. If, however, you leave Thales for any reason, your Matching Shares must be sold or transferred out of the Plan.

You may be liable for income tax and NICs on the Partnership Shares and Matching Shares taken out of the Plan, depending on when you take the shares out of the Plan and whether you are leaving employment with the Thales Group.

32. Will I have to automatically remove my shares from the Plan in 2018 (i.e. on the 5 year anniversary of the Plan)?

No, the Plan will continue to run beyond 2018 whilst shares remain in the Plan.

33. What happens if I leave a participating company within Thales UK?

If you leave a Thales UK participating company your shares will need to be removed from the Plan within 90 days. The Trustees will write to you to seek your instructions as to whether you wish to sell or transfer your shares.

DIVIDENDS

34. Am I entitled to receive dividends on my shares?

Yes, any dividends received on Partnership Shares and Matching Shares will be paid to you in cash, directly into your bank account. Such dividends may be subject to both French and UK income tax withholding

35. How often does Thales S.A. pay dividends?

Usually Thales S.A. pays dividends normally in December and May or June, although the payment of dividends in any year are never guaranteed.

TAXATION

36. Will I have to pay tax and NICs when the shares are sold or transferred out of the Plan?

If your shares are transferred out of the Plan, you may be subject to income tax and NICs depending on when they are withdrawn and the reason why they are being withdrawn, as follows:

If Partnership Shares and/or Matching Shares are transferred out of the Plan in the first three years of joining the Plan, you will be liable for income tax and NICs on the market value of the shares at the date when they are taken out of the Plan. If, however, they are being withdrawn from the Plan because you are leaving employment with the Thales Group for a 'special reason' during this period (such as injury, disability, redundancy, retirement (on or after the age of 50 in circumstances which your employing company considers or agrees constitute retirement) or death), no income tax or NICs will be payable on the shares.



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If Partnership Shares are transferred out of the Plan between three and five years after joining the Plan, you will be liable for income tax and NICs on the lower of (a) the price you paid for the shares; and (b) the market value of the shares when they are taken out of the Plan. If, however, the shares are being withdrawn from the Plan because you are leaving employment with the Thales Group for a 'special reason' during this period, no income tax or NICs will be payable.

If Matching Shares are transferred out of the Plan between three and five years after joining the Plan, you will be liable for income tax and NICs on the lower of the market value of the shares at the date (a) when you acquired them; or (b) when they are taken out of the Plan. If, however, the shares are being withdrawn from the Plan because you are leaving employment with the Thales Group for a 'special reason' during this period, no income tax or NICs will be payable.

If Partnership Shares or Matching Shares are transferred out of the Plan after five years, for whatever reason, no income tax or NICs will be payable in relation to either the Partnership Shares or Matching Shares.

37. What tax liabilities/treatment would apply to the dividend cash?

Currently, we understand that any dividends received by you on your Partnership Shares and Matching Shares will be subject to French withholding tax of 15% 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 0844 472 6155, Email: Thales@computershare.co.uk

You may also be liable for UK income tax on any dividends paid to you. You may, however, be entitled to a credit in respect of any French withholding tax already paid on such dividends, although only higher-rate and additional-rate income taxpayers are likely to be able to benefit from such a credit and entitlement to a full credit may depend on application having been made for reduced French withholding where applicable.

38. Will I have to pay Capital Gains Tax (“CGT”) on the shares?

If you sell the shares directly from the Plan, then you will not have to pay any CGT.

If you transfer the shares into your own name, then you could be liable for CGT (subject to your CGT personal allowance for that tax year) on the subsequent sale.

SHAREHOLDER MEETINGS/VOTING

39. Am I entitled to receive notices of shareholder meetings?

The Trustees will write to participants to ask if they want to receive notices of shareholder meetings.

40. Am I entitled to attend and vote at Thales S.A. shareholder meetings?

The Trustees hold the Thales S.A. shares that are in the Plan on trust for you. Therefore it is the Trustees that are entitled to attend and vote at shareholder meetings on your behalf.

The Trustees will write to you to ask if you wish to vote and the Trustees will vote according to the instructions of the participants in the Plan. In the event that a participant does not vote, the Trustees shall not vote the number of votes that the participant in question holds.



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BENEFITS AND RISKS OF JOINING THE PLAN

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41. What are the benefits of joining the Plan?

You can contribute up to the lower of 10% or £1,500 of your pre-tax and pre-NIC salary to purchase Partnership Shares which means you will have a tax saving at your marginal rate, provided that you keep your shares in the Plan for 5 years or you leave due to a ‘special reason’.

You will be given 1 free Matching Share for every 5 Partnership Shares that you buy, which equates to a saving on buying the shares on the open market.

You will not have to pay income tax or NICs on the value of the free Matching Shares awarded to you, provided that you keep your shares in the Plan for at least 5 years or you leave for a ‘special reason’.

If any dividends are declared they will be paid to you in cash by the Trustees, directly into your bank account using the prevailing exchange rate. Such dividends may be subject to French and UK income tax withholding.

If you keep your shares in the Plan until you sell them, you will not have to pay CGT on any gain you make however much the shares grow in value.

You will become a shareholder of the Thales SA company.

42. What are the risks of joining the Plan?

Buying Partnership Shares under the Plan may affect your entitlement to certain benefits, tax credits and work-related payments as you may not have paid enough NICs for certain benefits. This may only affect a small number of people. Please contact the National Insurance Office if you think you may be affected (tel: 0191 213 5000).

Buying shares is always a risk and their value can go down as well as up. So if you are thinking of participating in the Plan then you should consider whether you could afford to make a loss if the shares do not perform as well as you hope.

The shares are traded in Euros and you will bear the risk of any fluctuations in exchange rates between Euros and Pounds.

The tax benefits associated with participating the Plan could be lost if you leave the Group within 5 years.

The Plan is based on current UK legislation which could change.

PURCHASE OF SHARES

43. On what date will the shares be purchased?

The purchase of the shares is presently intended to take place within 30 days of 31st October 2013.

44. Will the purchase price be publicised?

The price will be publicised as soon as possible after the purchase.



45. How will the prices, scaling back, etc be announced?

These and other matters will be announced via the Share Scheme posters that you will find on the intranet/notice boards/Thales TV at your site.

MISCELLANEOUS

46. What happens if I am not happy with the buying price, can I take my investment back?

No, you cannot take your investment back if you are not happy with the price – but you should remember that the shares will be bought at the lower of the price at the beginning of the Accumulation Period and a date within 30 days of the end of the Accumulation,.

47. In the event of a takeover, what will happen to my shares – will my shares be sold/transferred without my permission?

The shares will be subject to the terms of any offer and you will be able to accept/reject such terms. However, if enough shareholders accept the terms of an offer, then your shares may be subject to a compulsory purchase at the offer price.

48. If I go on maternity leave can I exit from the scheme early?

Maternity leave is a continuation of employment and therefore does not constitute special circumstances for early exit.

49. What happens if my employment is transferred to another company within the five-year period?

If the business (or part of the business) or subsidiary company in which you are employed is sold outside the Thales Group, then your shares will immediately cease to be subject to the Plan. The shares must then be sold or transferred into your name within 90 days. There will be no income tax or NICs to pay provided that, where a business is sold, the sale is under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

50. Is a sale via the Trustees the only way to sell shares?

Whilst the shares are part of the Plan then the Trustees are the only ones who can sell, but if you transfer your shares out of the Plan then you can sell via anyone you want.

51. Can the amount realised on sale of shares be paid by the Trustees in Euros not Pounds?

There is no facility at present to do so. Similarly Cash Dividends must be paid in pounds.



52. What are the key dates?

21 th May 2013	The last day on which the Trustees can receive completed Partnership Share Subscriptions.
19 th June 2013 to 31 st October 2013	The Accumulation Period It will commence on 19 th June 2013 and the opening share price will be known
July 2013	The first of the monthly instalments will be deducted from salary.
August 2013	The second of the monthly instalments will be deducted from salary.
September 2013	The third of the monthly instalments will be deducted from salary.
October 2013	The fourth of the monthly instalments will be deducted from salary.
31 st October 2013	This is the end of the Accumulation Period
Within 30 days of 31 st October 2013	The closing share price in the SIP will be set The Partnership Shares and Free Matching Shares will be acquired

WHERE TO FIND INFORMATION

1. **EMPLOYEE SHARE OFFER 2013 - Explanatory Guide**
2. **Group Intranet site** www.Sharingthales.com
3. **UK Intranet Site** <http://intranet.uk.corp.thales/organisation/pub/shareholding..cfm>
4. **TUES Website** www.tues.org.uk
5. **Email UK Share schemes:** ukemployeesharescheme@thalesgroup.com

Please note employees are invited to participate in the Thales UK Share Incentive Plan 2013 of their own free will and if employees are in any doubt they should seek independent tax and/or financial advice before deciding to do so.

Nothing contained herein should be considered financial, legal or other advice, and any reference to taxation is for guidance only.