Annual General Meeting

14 May 2014
Agenda

1. 2013 highlights
2. Financial results
3. Strategy and outlook
4. Shareholding and governance
5. Statutory auditors reports
6. Q&A with shareholders
7. Vote of resolutions

May 2014
2013 highlights

Jean-Bernard Lévy
Chairman and Chief Executive Officer

May 2014
## 2013: a solid performance in a difficult environment

<table>
<thead>
<tr>
<th><strong>Performance plan delivering ahead of expectations</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Improved operating profitability</strong></td>
</tr>
<tr>
<td><strong>Strongly increasing emerging markets orders</strong></td>
</tr>
<tr>
<td><strong>Sharing a common long term vision</strong></td>
</tr>
</tbody>
</table>
Continued profitability improvement and growing order intake

Order intake

<table>
<thead>
<tr>
<th>Year</th>
<th>Order Intake</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>€13,285</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>€14,168</td>
<td>+7%</td>
</tr>
</tbody>
</table>

Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>€14,158</td>
</tr>
<tr>
<td>2013</td>
<td>€14,194</td>
</tr>
</tbody>
</table>

EBIT (a)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT (€m)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>€927</td>
<td>+8%</td>
</tr>
<tr>
<td>2013</td>
<td>€1,003</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted net income (a)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>€570</td>
</tr>
<tr>
<td>2013</td>
<td>€644</td>
</tr>
</tbody>
</table>

(a) Non-GAAP measure; see definition in appendix.

Adjusted Net Income for 2012 has been restated in accordance with the introduction of IAS19R.

May 2014
<table>
<thead>
<tr>
<th>Objective</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>Slight increase</td>
</tr>
<tr>
<td>Sales</td>
<td>Stable</td>
</tr>
<tr>
<td>EBIT&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>Up 5 to 8% vs. 2012</td>
</tr>
</tbody>
</table>

Confirmed increased performance

<sup>(a)</sup> Non-GAAP measure: see definition in appendix.

May 2014
Improved project execution

- Stringent bid and project review process
- Continued reduction of project cost variances

More efficient procurement

- Increased pooling of procurement
- Internationalisation of supplier base

Controlled G&A costs

Strengthening the competitiveness of Thales offering €120m net EBIT benefits in 2013
Emerging markets orders: +30% vs. 2012

Emerging markets
€3.5bn 26%

Emerging markets
€4.6bn 32%

Group focus on growing geographies

May 2014
N°1 worldwide air traffic management
N°3 worldwide, N°1 in Europe avionics
N°2 worldwide, N°1 in Europe in-flight entertainment and connectivity

N°1 worldwide telecom satellite payloads
N°3 worldwide, N°1 in Europe civil satellites
N°1 in Europe military satellite systems
### Aerospace: 2013 highlights

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom satellite</td>
<td>SGDC (Brazil)</td>
<td><img src="image1.png" alt="Image" /></td>
</tr>
<tr>
<td>Meteosat Programme</td>
<td></td>
<td><img src="image2.png" alt="Image" /></td>
</tr>
<tr>
<td>Exomars Programme</td>
<td></td>
<td><img src="image3.png" alt="Image" /></td>
</tr>
<tr>
<td>Airbus A350 first flight</td>
<td></td>
<td><img src="image4.png" alt="Image" /></td>
</tr>
<tr>
<td>Delivery of the first A400M to the French forces</td>
<td></td>
<td><img src="image5.png" alt="Image" /></td>
</tr>
<tr>
<td>Presentation of the &quot;Avionics 2020&quot; cockpit of the future at the Paris Airshow</td>
<td></td>
<td><img src="image6.png" alt="Image" /></td>
</tr>
<tr>
<td>Meghas LIFEX agreement with Airbus Helicopters</td>
<td></td>
<td><img src="image7.png" alt="Image" /></td>
</tr>
<tr>
<td>In-flight entertainment and connectivity</td>
<td>LAN Airlines (Chile)</td>
<td><img src="image8.png" alt="Image" /></td>
</tr>
<tr>
<td>Delivery of Cygnus modules for the International Space station</td>
<td></td>
<td><img src="image9.png" alt="Image" /></td>
</tr>
</tbody>
</table>

**Order > €100m**

May 2014
N°2 worldwide rail signalling
Transport: 2013 highlights

- Cairo-Alexandria rail line (Egypt)
- Suburban trains, Cape region (South Africa)
- Sofia-Plovdiv (Bulgaria)
- Santos light rail (Brésil)
- Lines 3-6, Santiago metro (Chile)
- Nanjing, Guangzhou and Nanchang metros (China)
- Jaipur metro (India)
- Operational start of line 2 of Santo Domingo metro (Dominican Républic)
- Operational start of the extension of Manchester Metrolink (UK)
N°1 in Europe
defence electronics

1st tier integrator
air, land and naval platforms

N°1 worldwide
security of interbank
transactions

N°3 worldwide
encryption systems
Defence & Security: 2013 highlights

- Development F3R standard of Rafale
- Contact software defined radio
- Royal Navy sensors support (UK)
- Air traffic control (Europe, Asia, Middle East)
- Training of UK A400M crews
- Security of Mecca (Saudi Arabia)
- Creation of a Cyber Integration & Innovation Centre (UK)
- Sawari frigates upgrade (Saudi Arabia)
- GM200 air defence radars (United Arab Emirates)

Order > €100m
Continued competitiveness efforts

Restored growth on emerging markets

Innovation and technological excellence at the heart of the strategy

An important step on the path of profitable growth
2013 financial results

Pascal Bouchiat
Senior Executive VP, Finance and Information Systems
Member of the Executive Committee

May 2014
## 2013 P&L account

### €m

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Order intake</strong></td>
<td>14 168</td>
<td>13 285</td>
<td>+7%</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>14 194</td>
<td>14 158</td>
<td>+0%</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>3 349</td>
<td>3 290</td>
<td>+2%</td>
</tr>
<tr>
<td>as a % of sales</td>
<td>23.6%</td>
<td>23.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td>(2 227)</td>
<td>(2 245)</td>
<td>-1%</td>
</tr>
<tr>
<td>as a % of sales</td>
<td>15.7%</td>
<td>15.9%</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>(119)</td>
<td>(118)</td>
<td>+1%</td>
</tr>
<tr>
<td>as a % of sales</td>
<td>0.8%</td>
<td>0.8%</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1 003</td>
<td>927</td>
<td>+8%</td>
</tr>
<tr>
<td>as a % of sales</td>
<td>7.1%</td>
<td>6.5%</td>
<td>+11%</td>
</tr>
<tr>
<td><strong>Adjusted net result, Group share</strong></td>
<td>644</td>
<td>570</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted net result per share (in €)</strong></td>
<td>3.20</td>
<td>2.86</td>
<td></td>
</tr>
</tbody>
</table>

(a) In this presentation, “organic” means “at constant scope and exchange rates”
(b) Non-GAAP measure: see definition in appendix.

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**Continued gross margin growth and control of G&A costs**

May 2014
Operational performance net improvement

Future growth preparation

€m

FY12 EBIT (a)
Scope and FX (b)
Operational performance (organic) (b)
Restructuring charges (organic) (b)
Additional expensed R&D (organic) (b)
Additional bid costs (organic) (b)
DCNS (35% share)  

FY13 EBIT (a)

(a) Non-GAAP measure: see definition in appendix.
(b) Excluding the impact of the consolidation of DCNS.

Improved operational performance

May 2014
<table>
<thead>
<tr>
<th>Segment</th>
<th>Order intake</th>
<th>Sales</th>
<th>EBIT (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>4 130</td>
<td>4 051</td>
<td>4 451</td>
</tr>
<tr>
<td>Transport</td>
<td>1 492</td>
<td>1 653</td>
<td>1 481</td>
</tr>
<tr>
<td>Defence &amp; Security</td>
<td>7 661</td>
<td>6 748</td>
<td>6 988</td>
</tr>
<tr>
<td>DCNS</td>
<td>795</td>
<td>758</td>
<td>1 176</td>
</tr>
<tr>
<td>Other and discontinued</td>
<td>90</td>
<td>75</td>
<td>98</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14 168</td>
<td>13 285</td>
<td>14 194</td>
</tr>
</tbody>
</table>

(a) Non-GAAP measure: see definition in appendix.
Movement in net cash

Increased net cash position

May 2014
### IFRS 10/11 – summary P&L

<table>
<thead>
<tr>
<th></th>
<th>2013 reported</th>
<th>2013 proforma IFRS 10/11&lt;sup&gt;(a)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>14,168</td>
<td>12,928</td>
</tr>
<tr>
<td>Sales</td>
<td>14,194</td>
<td>12,698</td>
</tr>
<tr>
<td>EBIT&lt;sup&gt;(b)&lt;/sup&gt; - old definition</td>
<td>1,003&lt;sup&gt;(in % of sales 7.1%)&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Share of net result of equity-accounted affiliates</td>
<td>133&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>1,011&lt;sup&gt;(in % of sales 8.0%)&lt;/sup&gt;</td>
</tr>
<tr>
<td>EBIT&lt;sup&gt;(b)&lt;/sup&gt; - new definition</td>
<td>466</td>
<td>477</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Unaudited estimates.

<sup>(b)</sup> Non-GAAP measure: see definition in appendix.
# Q1 2014 Key Figures

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013 (a)</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td></td>
<td>2,030</td>
<td>1,843</td>
<td>+10%</td>
<td>+13%</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>2,396</td>
<td>2,397</td>
<td>0%</td>
<td>+1%</td>
</tr>
<tr>
<td>Book-to-bill ratio</td>
<td></td>
<td>0.85</td>
<td>0.77</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) In this presentation, all 2013 figures have been restated to take into account the introduction of IFRS 10/11.

**Order intake up 10%, driven by emerging markets**

**Stable sales as expected**
Strategy and outlook

Jean-Bernard Lévy
Chairman & Chief Executive Officer

May 2014
2014 objectives

<table>
<thead>
<tr>
<th></th>
<th>Stable, with double digit growth in emerging markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>Stable</td>
</tr>
<tr>
<td>Sales</td>
<td>Stable</td>
</tr>
<tr>
<td>EBIT&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>Up 5 to 7% vs. 2013&lt;sup&gt;(b)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Non-GAAP measure: see definition in appendix.
<sup>(b)</sup> On the basis of February 2014 exchange rates.
An ambitious long-term vision: Ambition 10

<table>
<thead>
<tr>
<th>Growth</th>
<th>Competitiveness</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging markets</td>
<td>International industrial footprint</td>
<td>Leadership and diversity</td>
</tr>
<tr>
<td>Larger contracts</td>
<td>Customer-driven competitive innovation</td>
<td>Customer value and customer mindset</td>
</tr>
<tr>
<td>Services</td>
<td>Engineering competitiveness</td>
<td>Teamwork, incentives</td>
</tr>
<tr>
<td>Excellence in project delivery</td>
<td>Competitiveness in sourcing</td>
<td>Efficiency of structure</td>
</tr>
</tbody>
</table>

A shared vision

May 2014
60% of Thales portfolio positioned on growing markets

Civil activities

- Growing mobility
  - Avionics, air traffic control
  - Ground Transport
- Urbanisation
  - Security
  - Ground Transport
- Cybersecurity

Emerging Markets

- Economic growth
- Defence and security issues
- 10 key countries
- A stronger partnership approach
Optimise the cost base

- Targeting excellence in contract delivery
- Increasing the pooling of our purchases
- Strengthening the competitiveness of engineering
- Improve the efficiency of support functions

Support innovation

- 22,500 engineers, 15,000 patents
- More than €600m dedicated annually to self-funded research and innovation
- 5 upstream research centres on 3 continents
An attractive employer

- 5,900 new hires in 2013, out of which 2,800 in France
- 1.3 million training hours
- In the top 3 of preferred employers for French engineering students

A trustful social dialogue

- 87% of worldwide employees covered by collective agreements
- "Anticipation", "Contrat de Génération", "Quality of Life at Work" agreements

Diversity

- Gender equality
- Promotion of cultural diversity
- Developing a more international management

Introduction of a social responsibility indicator in the compensation of senior managers in France
Continued EBIT improvement

Order intake outlook
- Mainly civil
- Increasing contribution from emerging markets

Civil: mid-single digit CAGR
Defence: emerging markets offsetting mature markets

May 2014
Shareholding and governance

Jean-Bernard Lévy
Chairman & Chief Executive Officer

May 2014
Close to 50,000 shareholders

(a) Directly and indirectly, through TSA, a holding company wholly-owned by the French State
Composition of the Board of the directors

- Proposed by the French State: 5
- Proposed by Dassault Aviation: 4
- External directors: 4
- Representing employee shareholders: 1
- Elected by employees: 2

Rate of independence (a) 
31%

Female participation (b) 
36%

Duration of directors' mandates
4 years

(a) Except employees and employee representative, in accordance with AFEP-MEDEF code.
(b) Except employees and subject to approval of resolutions n° 4, 5, 6 and 7.
Activity of the Board

- 7 plenary meetings in 2013, attendance rate: 92%

Activity of the Board's committees

- Audit and accounts committee
  - 5 meetings in 2013, attendance rate: 95%
  - Key topics covered: review of annual and interim financial statements, execution of difficult contracts, audit plans, organisation of internal control, risk review

- Governance and remuneration committee
  - 5 meetings in 2013, attendance rate: 100%
  - Key topics covered: review of the global compensation of the CEO, LTI policy, corporate social responsibility

- Strategic committee
  - 4 meetings in 2013, attendance rate: 100%
  - Key topics covered: budget, strategic plan, M&A
Share price evolution

Thales
+21%

CAC 40
+12%

May 2014
Dividend increase

(a) Subject to the approval of resolution n°3.
Say on Pay

Yannick d'Escatha
Chairman of the Governance and Remunerations Committee

May 2014
Chairman & CEO’s compensation for 2013 (resolution n°8)(a)

Fixed remuneration  €450,000
  down by 35% vs. predecessors

Variable remuneration  Target €530,000  €558,039
  Max €713,750

Board attendance fees (gross)  €38,500

In-kind benefits  €21,415

No exceptional or long term remuneration, no award of share options or performance shares

(a) See details pp. 22-23 of the AGM brochure.
Structure of variable compensation

- 75% of quantitative objectives and 25% of qualitative objectives

- Weighting of each objective

<table>
<thead>
<tr>
<th>Objective</th>
<th>Adjusted EPS</th>
<th>EBIT</th>
<th>Order intake</th>
<th>Operational cash-flow</th>
<th>Qualitative objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22.5%</td>
<td>22.5%</td>
<td>15%</td>
<td>15%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Target: 118% of the annual fixed remuneration
Maximum: 158% of the annual fixed remuneration

Due for 2013: 124% of the annual fixed remuneration

(a) See details pp. 22-23 of the AGM brochure.
Long term commitments

- **Conditional severance pay**
  - Amount depending on seniority and capped at €1.5m (i.e. 18 months of fixed remuneration + target variable remuneration)
  - In case of imposed termination

- **Conditional, private unemployment insurance**
  - Maximum amount due: €13,600 / month during a maximum of 12 months

- **Conditional and progressive pension**
  - Scoring method identical to the collective supplementary pension scheme applicable to Group executives
  - Progressive acquisition of rights, maximum cumulative gain after 9 years equal to 20% of reference remuneration

> Regulated commitments subject to performance conditions and Board decision
> Approved by the AGM in 2013

(a) See détails pp. 22-23 of the AGM brochure.
2014 compensation policy for the Chairman & CEO

Fixed remuneration  €450,000, unchanged
Variable remuneration  target €530,000, unchanged
                              max  €713,750, unchanged
Board attendance fees       unchanged global budget
In-kind benefits            unchanged budget

No exceptional or long term remuneration,
no award of share options or performance shares

Regulated commitments, for the duration of the mandate, unchanged
  ◆ Conditional severance pay (resolution n°9)
  ◆ Conditional unemployment insurance (resolution n°10)
  ◆ Conditional and progressive pension (résolution n°11)

Unchanged compensation for 2014

(a) Cf. détails p. 192 of 2013 registration documents.
Reports of statutory auditors
Q&A with shareholders
Vote of resolutions
This presentation contains non-Generally Accepted Accounting Principles (GAAP) financial measures. Thales regards such non-GAAP financial measures as relevant operating and financial performance indicators for the Group, as they allow non-operating and non-recurring items to be excluded. Thales definitions for such measures may differ from similarly titled measures used by other companies or analysts.

**Organic**: at constant scope and exchange rates.

**Book-to-Bill ratio**: ratio of orders received to sales.

**EBIT**: Income from operations; less: amortisation of intangible assets acquired (PPA). As from 2014 financial statements, EBIT will include the share of net income or loss of equity affiliates.

**Adjusted net income**: Net result; less: disposal of assets, changes in scope of consolidation and other, less: changes in fair value of derivative foreign exchange instruments; less: impact of amendments, curtailment and settlement of pension schemes; less (until 2012): amortisation of actuarial gains and losses and the impact of minimum funding requirements pursuant to IFRIC 14; net of the corresponding tax impacts.

**Adjusted EPS**: ratio of Adjusted net income (as defined above) to average number of shares outstanding.

**Free Operating Cash Flow**: Net cash flow from operating activities, less: capital expenditures, less: deficit payments on pensions in the UK.
Cette présentation peut contenir des déclarations de nature prospective. Ces déclarations constituent soit des tendances, soit des objectifs et ne sauraient être considérées comme des prévisions de résultat ou de tout autre indicateur de performance. Les résultats effectifs peuvent différer sensiblement des déclarations prospectives en raison d'un certain nombre de risques et d'incertitudes, tels que notamment décrits dans le Document de Référence de la société, déposé auprès de l'Autorité des Marchés Financiers.

"Together, Safer, Everywhere" ; "Ensemble, pour un monde plus sûr, partout"