Annual General Meeting

18 May 2016
1. 2015 highlights
2. 2015 financial results
3. Strategy and outlook
4. Remuneration of the company representative
5. Statutory auditors’ reports
6. Q&A with shareholders
7. Vote on the resolutions
1. 2015 highlights

PATRICE CAINE
Business environment

- **Aerospace**
  - Avionics: continued positive dynamics for cockpit avionics and in-flight entertainment and connectivity
  - Space: telecom market recovering, increased demand from institutional and military segments

- **Transport**
  - Strong demand in both emerging markets and Europe

- **Defence and security**
  - Increased geopolitical tensions and security threats
  - Improved outlook in mature markets despite ongoing budget pressures
  - Opportunities in emerging markets
2015 highlights

- Record high order intake
- Return to top line growth
- Significant increase in profitability

Continued focus on profitable growth
Record high order intake

- Signature of 24 contracts over €100m, including 5 “jumbo” contracts over €500m
- Order intake up in all segments and in almost all geographical areas

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>14,363</td>
<td>18,880</td>
<td>+31%</td>
</tr>
<tr>
<td>3,139</td>
<td>7,909</td>
<td></td>
</tr>
<tr>
<td>4,701</td>
<td>4,081</td>
<td></td>
</tr>
<tr>
<td>6,523</td>
<td>6,890</td>
<td></td>
</tr>
</tbody>
</table>

- Signalling of 4 London subway lines
- 2 Rafale export orders: Egypt and Qatar
- Protected vehicles in Australia (Hawkei)
- COMSAT NG: French military satellite
Return to top line growth

Return to small growth in mature markets

Further acceleration in emerging markets
> +16%, after +12% in 2014

Return to organic growth, driven by emerging markets

Organic\(^{(a)}\) sales growth

<table>
<thead>
<tr>
<th>Mature markets</th>
<th>Emerging markets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-4.9%</td>
<td>+16.0%</td>
<td>+4.5%</td>
</tr>
<tr>
<td>+0.5%</td>
<td>-1.1%</td>
<td></td>
</tr>
</tbody>
</table>

(a) In this presentation, “organic” means “at constant scope and exchange rates”
Strong improvement of profitability

EBIT, €m
EBIT Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT, €m</th>
<th>EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>749</td>
<td>5.7%</td>
</tr>
<tr>
<td>2012</td>
<td>927</td>
<td>6.5%</td>
</tr>
<tr>
<td>2013</td>
<td>1,011</td>
<td>8.0%</td>
</tr>
<tr>
<td>2014</td>
<td>985</td>
<td>7.6%</td>
</tr>
<tr>
<td>2015</td>
<td>1,216</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

+23%
A performance recognized by the financial markets

Share price x3 in three years

- Thales: +192%
- Aero & defence share index: +43%
- CAC 40: +16%

26€ 77€

18 May 2016 Annual General Meeting - 9
Activity of the board in 2015

- 9 plenary meetings, with an attendance rate of 96%
- Board relying on 3 dedicated committees

**Strategic Committee**
- Annual budget and strategic plan
- Acquisitions / asset disposal
- *Chairman: Patrice Caine, chairman and CEO*

**Audit and Accounts Committee**
- Review of full-year and half-year financial statements
- Internal control and risk mapping
- *Chairwoman: Anne-Claire Taittinger – independent director*

**Governance and Remuneration Committee**
- Remunérationation of the chairman and CEO
- Assessment of the board’s performance
- *Chairman: Yannick d’Escatha – independent director*

4 meetings
Attendance rate: 100%

6 meetings
Attendance rate: 100%

5 meetings
Attendance rate: 100%
2. 2015 financial results

PASCAL BOUCHIAT
### 2015 Key Figures

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order Intake</strong></td>
<td>€14,363</td>
<td>€18,880</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>€12,974</td>
<td>€14,063</td>
</tr>
<tr>
<td><strong>EBIT (a)</strong></td>
<td>€985</td>
<td>€1,216</td>
</tr>
<tr>
<td><strong>Adjusted Net Income (a)</strong></td>
<td>€562</td>
<td>€809</td>
</tr>
<tr>
<td><strong>Free Operating Cash-Flow (a)</strong></td>
<td>€501</td>
<td>€1,110</td>
</tr>
<tr>
<td><strong>Dividend (b)</strong></td>
<td>€1.12</td>
<td>€1.36</td>
</tr>
</tbody>
</table>

(a) The definition of all non-GAAP measures can be found in appendix
(b) Proposed
## Summary P&L: from sales to EBIT

<table>
<thead>
<tr>
<th></th>
<th>2015 €m % of sales</th>
<th>2014 €m % of sales</th>
<th>change total</th>
<th>change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>14,063</td>
<td>12,974</td>
<td>+8.4%</td>
<td>+4.5%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>3,375 24.0%</td>
<td>3,182 24.5%</td>
<td>+6%</td>
<td>+3%</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>(2,205) 15.7%</td>
<td>(2,075) 16.0%</td>
<td>+6%</td>
<td>+3%</td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(692) 4.9%</td>
<td>(641) 4.9%</td>
<td>+8%</td>
<td>+5%</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(981) 7.0%</td>
<td>(914) 7.0%</td>
<td>+7%</td>
<td>+4%</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(532) 3.8%</td>
<td>(519) 4.0%</td>
<td>+2%</td>
<td>-1%</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(94) 0.7%</td>
<td>(114) 0.9%</td>
<td>-18%</td>
<td>-20%</td>
</tr>
<tr>
<td>Share of net result of equity-accounted affiliates excl. DCNS</td>
<td>118</td>
<td>110</td>
<td>+7%</td>
<td>+7%</td>
</tr>
<tr>
<td>EBIT excluding DCNS</td>
<td>1,194 8.5%</td>
<td>1,102 8.5%</td>
<td>+8%</td>
<td>+4%</td>
</tr>
<tr>
<td>Share of net result of DCNS</td>
<td>22</td>
<td>(117)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>1,216 8.6%</td>
<td>985 7.6%</td>
<td>+23%</td>
<td>+18%</td>
</tr>
</tbody>
</table>

*Organique : « à périmètre et taux de change constants »*
EBIT bridge between 2014 and 2015

- Solid operational performance
- Increased R&D and marketing & sales investments

€m

2014 EBIT: 985
- Scope, currency & pensions: +24
- Operational performance: +113
- Lower restructuring expenses: +23
- Additional R&D: -32
- Additional marketing & sales: -37

2015 EBIT: 1,216
- DCNS: +139

2014: -117
2015: +22
## Order intake and sales by segment

<table>
<thead>
<tr>
<th>€M</th>
<th>Order intake</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Aerospace</td>
<td>6,279</td>
<td>5,024</td>
</tr>
<tr>
<td>Transport</td>
<td>2,826</td>
<td>1,651</td>
</tr>
<tr>
<td>Defence and Security</td>
<td>9,704</td>
<td>7,608</td>
</tr>
<tr>
<td>Others</td>
<td>71</td>
<td>79</td>
</tr>
<tr>
<td>Total</td>
<td>18,880</td>
<td>14,363</td>
</tr>
</tbody>
</table>

* Organique : « à périmètre et taux de change constants »
### EBIT by segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
<th>2014</th>
<th>% of sales</th>
<th>% of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>518</td>
<td>505</td>
<td>9.6%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Transport</td>
<td>(37)</td>
<td>32</td>
<td>-2.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Defence &amp; Security</td>
<td>760</td>
<td>620</td>
<td>10.7%</td>
<td>9.6%</td>
</tr>
<tr>
<td>DCNS (35% of net result)</td>
<td>22</td>
<td>(117)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>(47)</td>
<td>(56)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT - total</strong></td>
<td>1,216</td>
<td>985</td>
<td>8.6%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>
Movement in net cash

High net cash position driven by free operating cash-flow

€m

Free operating cash flow 1,110
Deficit payment, UK pensions -101
Disposals/acquisitions +37
Dividends -234
Other +159

Net cash at 31 Dec 14 1,006
Net cash at 31 Dec 15 1,978

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Adjusted EPS and dividend

Adjusted EPS and dividend per share

€

Adjusted EPS up 10% per year since 2011

Proposed dividend: €1.36 per share (a)

Dividend up 15% per year since 2011

(a) Subject to today’s AGM approval
### Q1 2016 : Key figures

<table>
<thead>
<tr>
<th></th>
<th>Q1 2016</th>
<th>Q1 2015</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>total</td>
</tr>
<tr>
<td>Order intake</td>
<td>2,312</td>
<td>2,823</td>
<td>-18%</td>
</tr>
<tr>
<td>Sales</td>
<td>2,732</td>
<td>2,576</td>
<td>+6.1%</td>
</tr>
<tr>
<td>Book-to-bill ratio</td>
<td>0.85</td>
<td>1.10</td>
<td></td>
</tr>
</tbody>
</table>

Order intake in line with expectations
Acceleration of organic sales growth
3. Strategy and outlook

PATRICE CAINE
Ambition 10 delivers
New strategic opportunities
Ambition 10: building on Thales strengths…

- Technological leadership, sustained through continued R&D investments

- Global footprint, combining strength in key mature markets with historical relationships in many emerging markets

- Leading positions in growing end-markets
  - Avionics and in-flight entertainment for civil aviation
  - Satellites, for telecom, scientific and military applications
  - Signaling and supervision of rail systems
  - Advanced defense systems
  - Protection of critical infrastructures, cities and states
  - Cyber-security
...and addressing 3 key areas

<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</td>
<td>Customer value and</td>
</tr>
<tr>
<td>Services</td>
<td>competitive innovation</td>
<td>customer mindset</td>
</tr>
<tr>
<td></td>
<td>Engineering competitiveness</td>
<td>Teamwork, incentives</td>
</tr>
<tr>
<td>Excellence in</td>
<td>Competitiveness</td>
<td></td>
</tr>
<tr>
<td>project delivery</td>
<td>In sourcing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Efficiency of structure</td>
<td></td>
</tr>
</tbody>
</table>

Building a growing, more global and more profitable Thales
2014-2015: Ambition Boost delivers

- Visible acceleration in order intake
- Success of development in emerging markets
- Return of sustainable sales growth
- First phase of engineering competitiveness plan
- Talents: commitments to diversity
Visible acceleration in order intake

**Yearly order intake (€bn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value &lt; €100m</td>
<td>11.0</td>
<td>11.4</td>
<td>13.0</td>
<td>17.4</td>
</tr>
<tr>
<td>Value &gt; €100m</td>
<td>1.6</td>
<td>1.5</td>
<td>1.3</td>
<td>1.5</td>
</tr>
</tbody>
</table>

**Number of large orders booked (Unit value over €100m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value &lt; €100m</td>
<td>8</td>
<td>19</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Value &gt; €100m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 2012 excluding DCNS, before IFRS10/11
Success of development in emerging markets

Order intake in emerging markets
(and % of total order intake)

Emerging market sales
(and % of total sales)

Note: 2012 pro forma, restated based on 2012-13 growth
Return of sustainable sales growth

Organic sales evolution, base 100 = 2009 sales

No organic growth

- 2009: 100
- 2010: 99
- 2011: 98
- 2012: 98
- 2013: 101
- 2014: 100
- 2015: 105
- 2016: 100
- 2017: 100
- 2018: 2009 = 100
Competitiveness: engineering

Engineering: the core added value of Thales

- ~22,500 engineers worldwide (1/3 of group staff)
- Increasingly complex situations

Software size evolution on board a commercial aircraft

2016-18: full deployment across all units
Talents: human capital makes the difference

- Leadership and professional development are core to the Group’s strategy
- Investments in training

- Strong commitment to diversity
  - All types: gender, age, academic and professional background, nationality
  - Attract and retain the best talents
  - Further strengthen innovation and creativity
  - Internal targets

April 2016:
Thales is the 3rd most attractive employer for engineering schools students in France
Corporate responsibility

Joined in 2015 the DJSI World and Europe indices of the most sustainable companies in the world
  ➢ Best rating of Aerospace & Defence for sustainable performance

Participation to the COP21 conference
  ➢ Signature of « business proposals »
  ➢ Display of the most innovative solutions of the Group

Further development of the Thales Foundation
  ➢ 17 projects in 7 countries
  ➢ 30,000 students benefiting from initiatives during school year 2015-16
Strategy and outlook

- Ambition 10 delivers
- New strategic opportunities
Strategic opportunity: cyber-security

Thales: already a leading player

- Cybersecurity consulting
- Mobile cybersecurity
- Network supervision
- Data security: Thales e-Security

2016: acquisition of Vormetric

- Leader in data protection through software
- 1,500 customers, including 17 of top 30 US companies
- Strong technological synergies

Cyber-security as a differentiator

Strong technological synergies
Strategic opportunity: digital transformation

At the heart of our customers’ digital transformation
4. Remuneration of the company representative

YANNICK D'ESCATHA
CHAIRMAN OF THE GOVERNANCE AND REMUNERATION COMMITTEE
Remuneration of the company representative

- Full Year 2015 remuneration: “say on pay”
- Evolution of the remuneration in 2016
Compensation structure

- Fixed remuneration: €440,000

- Target variable remuneration: €400,000 (maximum: €600,000)

4 criteria for quantitative share (75%, ie €300,000 on target)
  - 22.5% adjusted net income per share
  - 22.5% EBIT
  - 15% order intake
  - 15% Free operating cash-flow

4 objectives for qualitative share (25%, ie €100,000 on target)
  - Competitiveness
  - Relations with major customers
  - Thorough review of the Group’s major strategic options
  - Corporate Social Responsibility
Compensation structure: payment scale for the quantitative part

For adjusted net income per share, EBIT and order intake

For Fee operating cash-flow

-2% of budgeted sales  
+2% of budgeted sales

Remuneration compared to target

- 200%  
- 166%  
- 100%  
- 50%  
- 0%

Performance/target

90%  
100%  
120%

- 200%  
- 166%  
- 100%  
- 50%  
- 0%

Performance/target

90%  
100%  
120%
## Say on pay (6th resolution) : achievements and amounts due

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Max</th>
<th>% achieved</th>
<th>Due for 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed remuneration</strong></td>
<td>€440,000</td>
<td></td>
<td></td>
<td>€440,000</td>
</tr>
<tr>
<td><strong>Total variable remuneration</strong></td>
<td>€400,000</td>
<td>€600,000</td>
<td>129.57%</td>
<td>€518,287</td>
</tr>
<tr>
<td>o/w quantitative variable (75%)</td>
<td>€300,000</td>
<td>€500,000</td>
<td>141.09%</td>
<td>€423,287</td>
</tr>
<tr>
<td>o/w qualitative variable (25%)</td>
<td>€100,000</td>
<td>€100,000</td>
<td>95%</td>
<td>€95,000</td>
</tr>
<tr>
<td><strong>Attendance fees</strong></td>
<td>None</td>
<td></td>
<td></td>
<td>None</td>
</tr>
<tr>
<td><strong>Deferred incremental and conditional compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td>€5,097</td>
</tr>
<tr>
<td><strong>In-kind benefits</strong> (legal and tax advice, chauffeur-driven car)</td>
<td></td>
<td></td>
<td></td>
<td>€56,566</td>
</tr>
<tr>
<td><strong>Long-term or exceptional remuneration</strong> (stock-options/performance shares)</td>
<td>None</td>
<td></td>
<td></td>
<td>None</td>
</tr>
</tbody>
</table>
Remuneration of the company representative

- Full Year 2015 remuneration: “say on pay”
- Evolution of the remuneration in 2016
Evolution in 2016 of the remuneration of the chairman and CEO

After review of market practices and of the remuneration of the previous chairmen and CEOs of the Group, the board decided:

• To keep the current remuneration structure (fixed and variable),
• To maintain without modification the previous decisions, namely:
  o No attendance fees
  o No long-term remuneration (stock-options / performance shares)
  o 12-months severance pay (*)
  o Deferred incremental and conditional compensation (*)
  o Private unemployment insurance (*)
• And to increase the fixed and target variable remuneration, to take into account the increased responsibilities (chairman and CEO vs CEO) and achievements

(*) Regulated commitments approved by the 2015 AGM
### Evolution in 2016 of the remuneration of the chairman and CEO

<table>
<thead>
<tr>
<th></th>
<th>2015 CEO only</th>
<th>2016: Chairman &amp; CEO</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>€440,000</td>
<td>€450,000</td>
<td>+ 2.27 %</td>
</tr>
<tr>
<td>Variable remuneration on target</td>
<td>€400,000</td>
<td>€490,000</td>
<td>+ 22.5 %</td>
</tr>
<tr>
<td>Total on target</td>
<td>€840,000</td>
<td>€940,000</td>
<td>+ 11.9 %</td>
</tr>
<tr>
<td>Maximum variable remuneration</td>
<td>€600,000 (ie 150% of target)</td>
<td>€735,000 (ie 150% of target)</td>
<td>+ 22.5 %</td>
</tr>
<tr>
<td>Maximum total</td>
<td>€1,040,000</td>
<td>€1,185,000</td>
<td>+ 13.9 %</td>
</tr>
</tbody>
</table>
5. Statutory auditors reports
6. Q&A with shareholders
7. Vote on the resolutions
**Definition of non-GAAP measures and other remarks**

**Rounding of amounts in euros**
In the context of this presentation, the amounts expressed in millions of euros are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and variances are calculated based on underlying amounts, which feature in the consolidated financial statements.

**Definitions**
- **Organic**: at constant scope and exchange rates;
- **Book-to-bill ratio**: ratio of orders received to sales;
- **Mature markets**: All countries in Europe excluding Russia and Turkey, North America, Australia and New Zealand;
- **Emerging markets**: All other countries, ie Middle East, Asia, Latin America and Africa.

**Non-GAAP measures**
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.

- **EBIT**: income from operations; plus the share of net income or loss of equity affiliates less: amortisation of intangible assets acquired (PPA). See note 14-a and 2.2 of the consolidated financial statements.
- **Adjusted net income**: net income, less the following elements, net of the corresponding tax effects: (i) amortisation of intangible assets acquired, (ii) disposal of assets, change in scope of consolidation and other, (iii) change in fair value of derivative foreign exchange instruments (recorded in "other financial results" in the consolidated accounts), (iv) actuarial gains or losses on long-term benefits (accounted within the "finance costs on pensions and employee benefits" in the consolidated accounts). See notes 14-a and 2.2 of the consolidated financial statements.
- **Adjusted EPS**: ratio of adjusted net income (as defined above) to average number of shares outstanding. See notes 14-a and 2.2.
- **Free operating cash-flow**: net cash flow from operating activities, less: capital expenditures, less: deficit payments on pensions in the United Kingdom. See notes 14-a and 11.1 of the consolidated financial statements.
This presentation may contain forward-looking statements. Such forward-looking statements are trends or objectives, as the case may be, and shall not be construed as constituting forecasts regarding the Company’s results or any other performance indicator. These statements are by nature subject to risks and uncertainties as described in the Company’s registration document (“Document de référence”) filed with Autorité des Marchés Financiers. These statements do not therefore reflect future performance of the Company, which may be materially different.