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Annual General Meeting

13 May 2015

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Agenda

1. 2014 highlights
2. 2014 financial results
3. Strategy and outlook
4. Remuneration of the company representatives
5. Statutory auditors reports
6. Q&A with shareholders
7. Vote of resolutions



1. 2014 highlights

PATRICE CAINE

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2014 : strong order intake growth



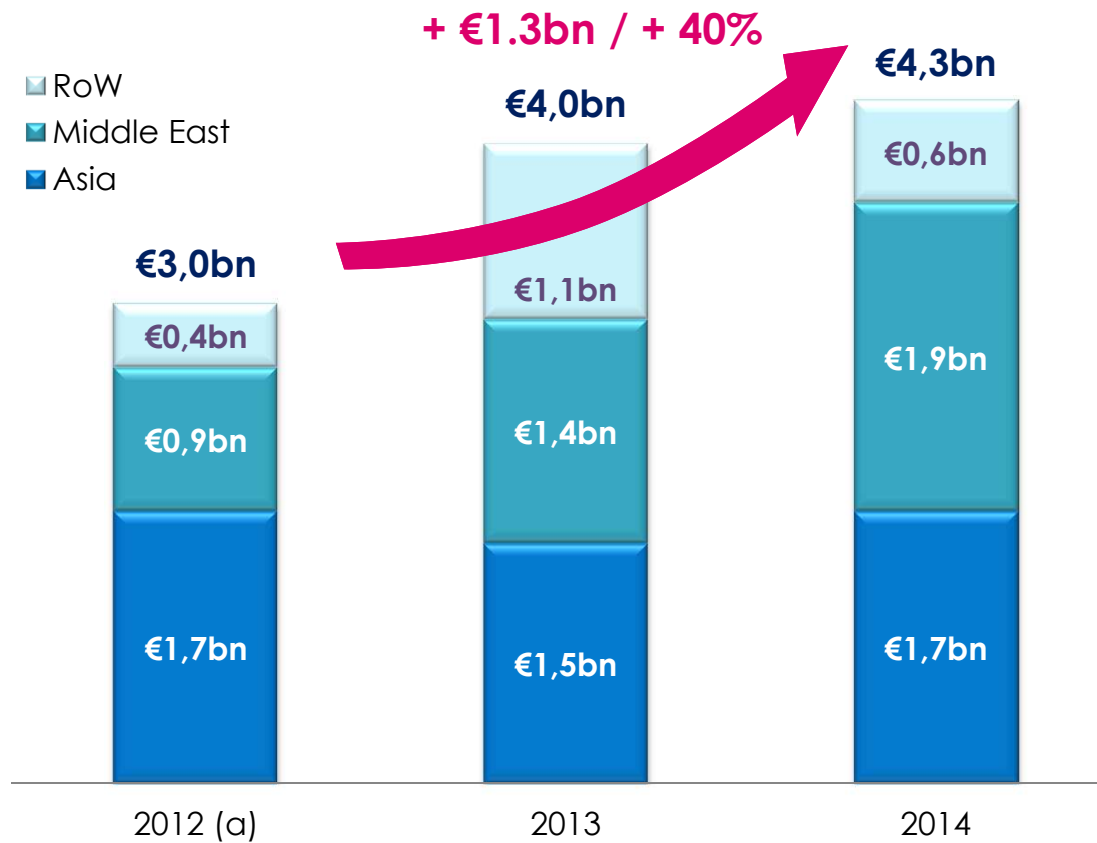
Strong growth in emerging markets

Resilient domestic defense business

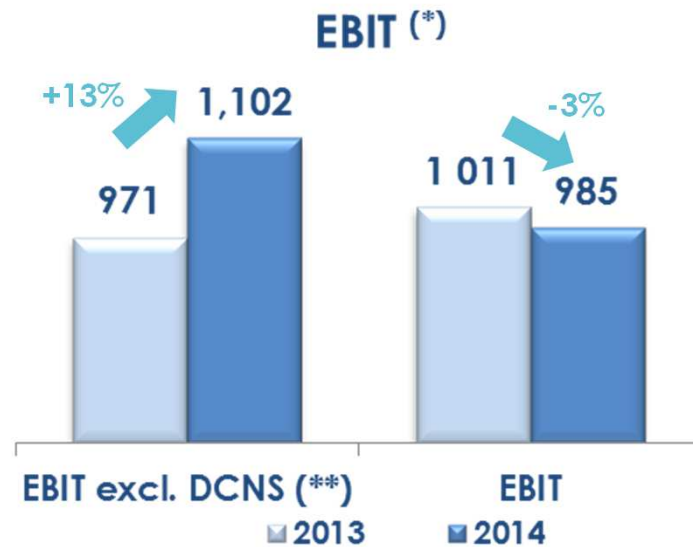


Return to a positive order momentum

EM order intake: over 40% growth vs. 2012



2014 : improving underlying profitability



- Strong operating results in Aerospace and in Defense & Security
- Execution issues in Transport
- Impact of DCNS losses
- Good cash generation

Overall solid performance ex-DCNS

(*) Non-GAAP measure: see definition in appendix

(**) In this presentation "excl. DCNS" means "excluding the impact of the 35% share of net result of DCNS"

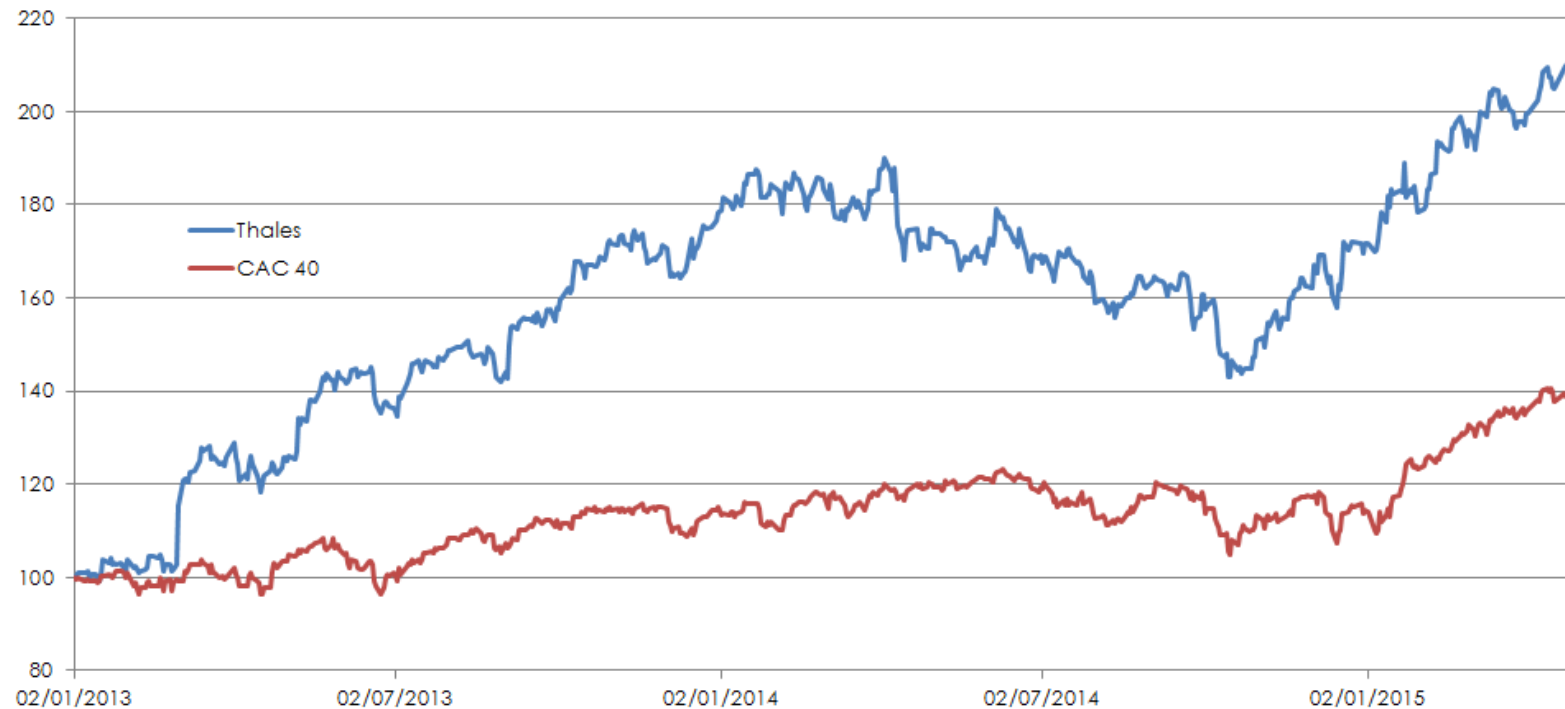
2014 : ex-DCNS, all objectives met or exceeded

	Objective	Actual	
Order intake	Stable	+11% reported +8% organic	
Sales	Stable	+2% reported -1% organic	
EBIT(*)	Up 5 to 7% vs. 2013	+13% excl. DCNS	-3% incl. DCNS

Our strategy is delivering

(*) Non-GAAP measure: see definition in appendix

A performance recognised by the financial markets



Doubling of the share price since January 2013

Activity of the Board

- 10 plenary meetings in 2014 - Attendance rate of 95%
- Board relying on 3 specific committees

Strategic Committee

- » Budgets and strategic plan
- » Acquisitions / asset disposals plans
- » **Chairman: Patrice Caine**

2 meetings
Attendance
rate of 100%

Audit and Account Committee

- » Review of the annual and interim financial statements
- » Internal control and risk mapping
- » IT system security
- » **Chairman: Anne-Claire Taittinger – Independent director**

4 meetings
Attendance
rate of 100%

Governance and Remuneration Committee

- » Assessment and remuneration of the Chairman and CEO
- » Remuneration policy of the company's senior executives
- » Long-term Incentive plan
- » **Chairman: Yannick d'Escatha – Independent director**

5 meetings
Attendance
rate of 100%



2. 2014 financial results

PASCAL BOUCHIAT

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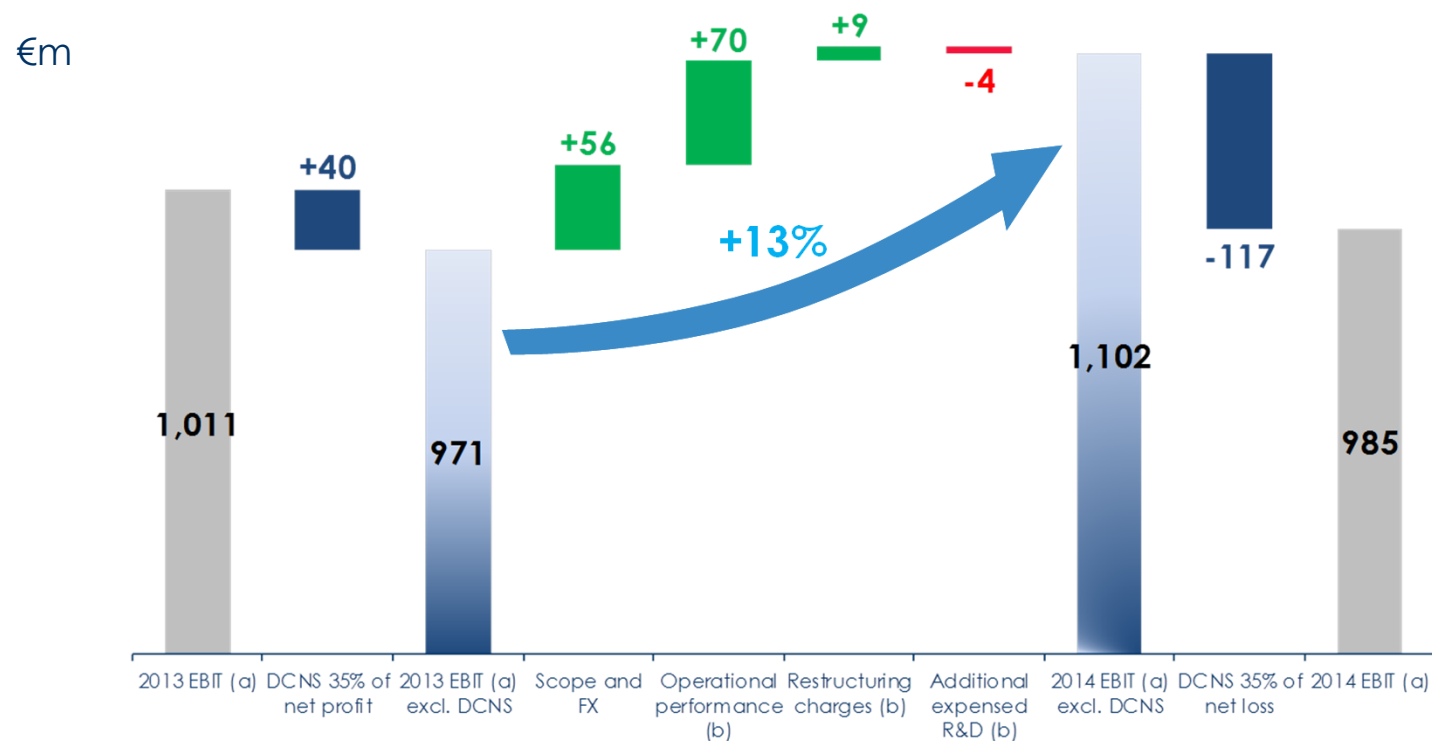


2014 P&L account

In €m	2014	2013	variation	
			total	organic
Sales	12 974	12 698	+2%	-1%
Gross margin	3 181	3 012	+6%	+1%
<i>in % of sales</i>	24,5%	23,7%		
Indirect costs	(2 075)	(2 012)	+3%	+0%
<i>in % of sales</i>	16,0%	15,8%		
Restructuring costs	(114)	(122)	-6%	-7%
<i>in % of sales</i>	0,9%	1,0%		
Share of net result of equity-accounted affiliates excl. DCNS	110	93	+18%	+34%
EBIT ^(a) excl. DCNS	1 102	971	+13%	+8%
<i>in % of sales</i>	8,5%	7,6%		
Share of net result of DCNS	(117)	40		
EBIT ^(a)	985	1 011	-3%	-8%
<i>in % of sales</i>	7,6%	8,0%		
Adjusted net result, Group share ^(a)	562	642		
Adjusted net result, Group share ^(a) , per share (in €)	2,75	3,20		

(a) Non-GAAP measure: see definition in appendix

EBIT bridge



Improved underlying operational performance

Order intake and sales per operating segment

In €m	Order intake		Sales	
	2014	2013	2014	2013
Aerospace	5,024	4,297	5,014	4,713
Transport	1,652	1,454	1,402	1,447
Defense & Security	7,608	7,114	6,480	6,455
Other	79	63	78	83
Total	14,363	12,928	12,974	12,698

EBIT per operating segment

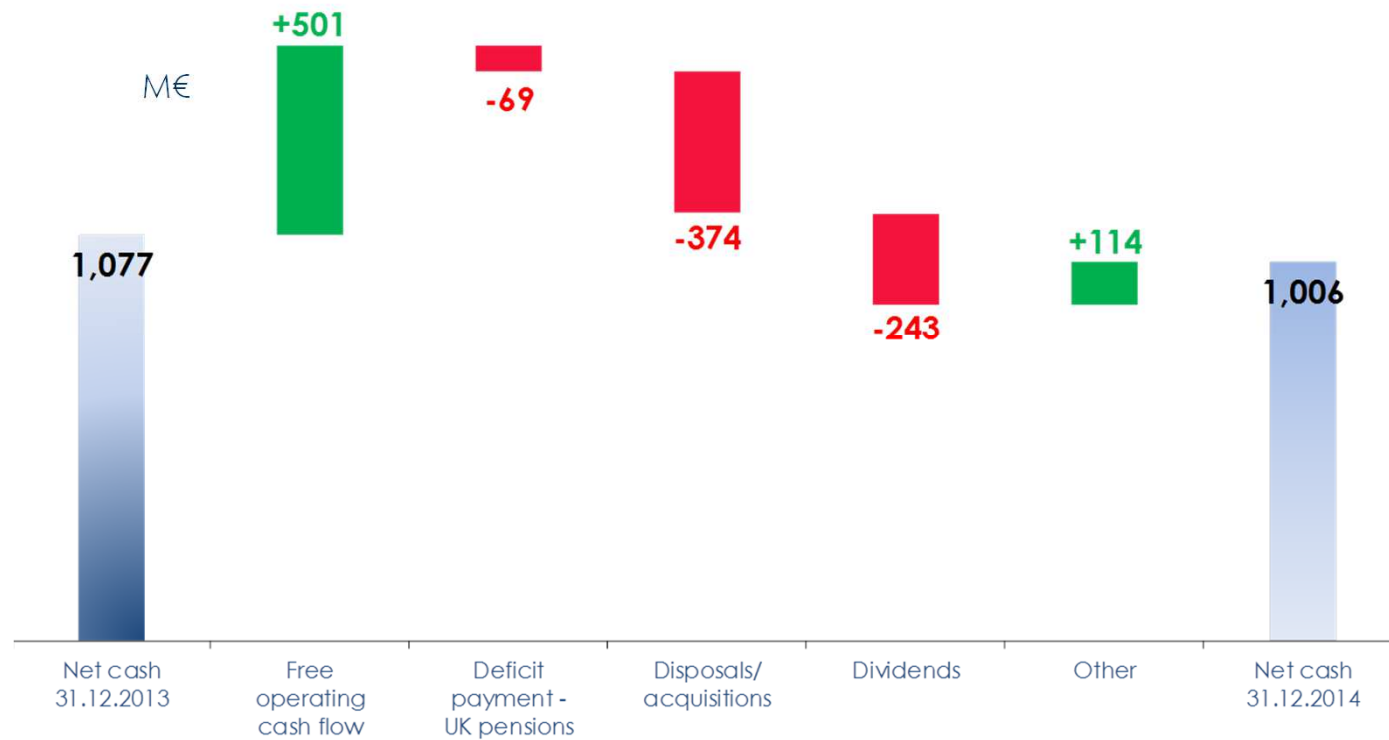
In €m

EBIT ^(a)

	2014		2013	
Aerospace	505	10.1%	420	8.9%
Transport	32	2.3%	97	6.7%
Defense & Security	620	9.6%	499	7.7%
Other	(172)		(5)	
Total	985	7.6%	1,011	8.0%

(a) Non-GAAP measure: see definition in appendix

Movement in net cash



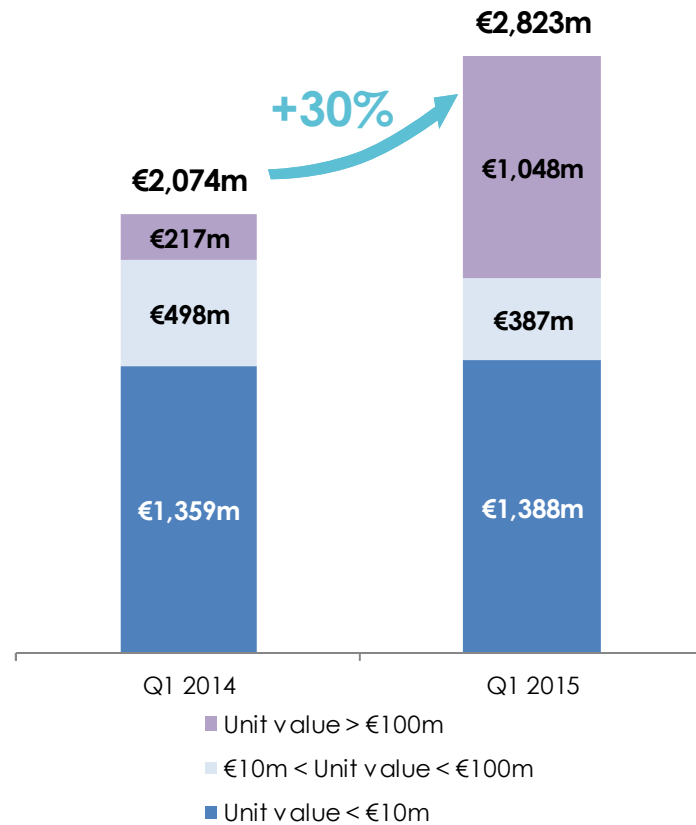
Strong net cash position

Q1 2015 key figures

€m	Q1 2015	Q1 2014	change	
			total	organic
Order intake	2,823	2,074	+36%	+30%
Sales	2,576	2,467	4%	-2%
<i>Book-to-bill ratio</i>	1.10	0.84		

Strong order intake growth (Egyptian Rafale)
Stable sales

Q1 2015 main orders



Orders > €100m

- Rafale (Egypt)
- Hong Kong metro signalling systems
- CERES (France)



Other orders

- Galileo (ESA)
- Air defence systems (Korea)
- MMCM (France)



Confirmation of the good commercial momentum

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3. Strategy and outlook

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Strategic focus

Ambition 10 : our roadmap

→ *Building a growing, more profitable and more global Thales*

Ambition Boost : a global performance programme

- Growth : emerging markets, larger contracts
- Competitiveness : execution, supply chain, engineering, support functions
- People: increased globalisation and diversity



A shared strategic vision,
powered by a comprehensive performance programme

2015 Priorities

Continue to improve our competitiveness

- Ambition Boost actions across all businesses and countries
- Fixing issues in Transport, monitoring and supporting DCNS recovery

Deliver top line growth and accelerate our globalisation

- Increasing local footprint in emerging markets
- Targeting large contracts
- Capitalizing on civil markets momentum
- Developing our marketing approach

Develop a more diversified talent pool

Confirmed return to top line growth
Continued EBIT growth

Leadership Team



Objectives

2015	
Order intake	Growing – beyond the high level reached in 2014 Higher emerging markets contribution
Sales	Low single digit growth
EBIT ^(a)	€1,130-1,150 m ^(b)
2017/2018	
Sales	Moderate growth
EBIT ^(a) margin	9.5-10%

(a) Non-GAAP measure : see definition in appendix

(b) Based on foreign exchange rates as of February 2015

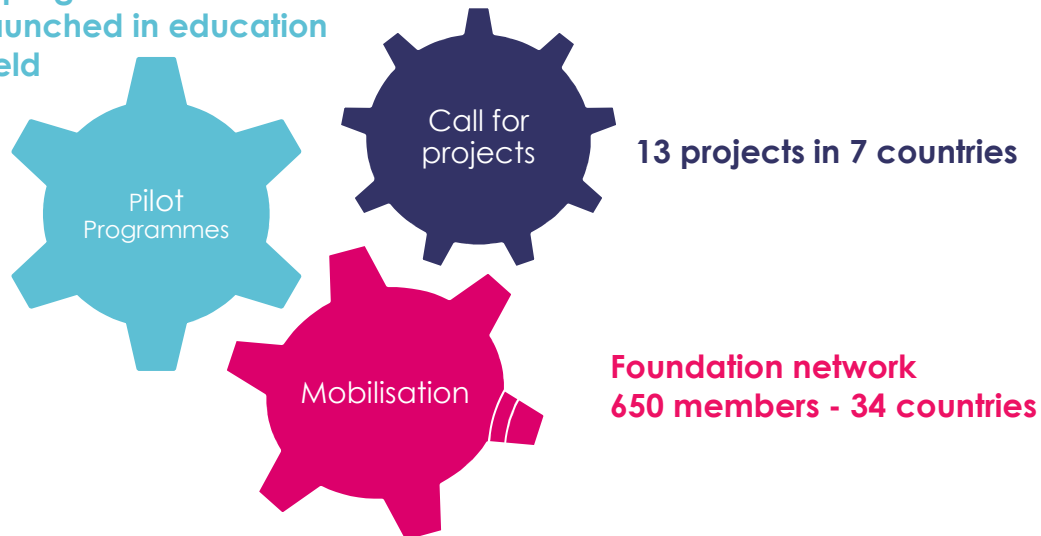
Thales Foundation: Innovate for people

2 key areas of focus defined by employees

- Humanitarian crisis
- Education

Foundation is now up and running

3 programmes
launched in education
field



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4. Remuneration of the company representatives

YANNICK D'ESCATHA
CHAIRMAN OF THE GOVERNANCE AND REMUNERATION
COMMITTEE

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Remuneration of J.-B. Lévy → 26 November 2014^(a)

SAY ON PAY

(a) Cf details p. 23-24 of the notice of meeting

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Compensation structure

	Target (Annual base)	Due for 2014 (→ 26 nov. 2014)
Fixed remuneration	€450,000	€412,500
Total variable:	€530,000	€299,214
<i>o/w Variable quantitative 75%</i>	€397,500	€173,339
<i>o/w Variable qualitative 25%</i>	€132,500	€125,875
Attendance fees		€31,041
In-kind benefits		€40,090

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

Long-term commitments

■ Conditional severance pay in case of imposed termination

➤ *Non-applicable – resignation in November 2014*

■ Conditional private unemployment insurance

➤ *Non-applicable - resignation in November 2014*

■ Deferred progressive and conditional compensation

➤ *Non-applicable - resignation in November 2014*



Remuneration of Patrice Caine for 2015

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Compensation structure for Patrice Caine

2015 Compensation structure

- Fixed remuneration: €440,000
- Variable remuneration: Target: €400,000 - Max: €600,000

Based on hereunder objectives:

Adjusted EPS	EBIT	Order intake	Operational cash-flow	Qualitative objectives
22.5%	22.5%	15%	15%	25%

Long-term commitments

- Conditional severance pay
- Conditional private unemployment insurance
- Deferred conditional and progressive compensation

Long-term commitments subjected to performance conditions

■ Conditional severance pay (resolution n°14)

- Capped at 12 months of yearly fixed and variable remuneration
- In case of imposed termination and as per AFEP-MEDEF code

■ Conditional private unemployment insurance (resolution n°15)

- Maximum amount due equal to 5 months of the yearly fixed remuneration, paid over a period of up to 1 year

■ Deferred progressive and conditional compensation (resolution n°16)

- Scoring method identical to the collective supplementary pension scheme applicable to Group executives
- Compliant with AFEP-MEDEF recommendation

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5. Statutory auditors reports



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6. Q&A with shareholders

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7. Vote of resolutions

Reminder: resolutions 18,20, 23 and 24 have been withdrawn.

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Definition of 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.

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

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

■ **EBIT:** income from operations; *plus* the share of net income or loss of equity affiliates *less*: amortisation of intangible assets acquired (PPA)

■ **Emerging Markets:** All countries in Middle East, Asia, Latin America and Africa

■ **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).

■ **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 United Kingdom.



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