



Annual General Meeting

18 May 2016

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Agenda

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





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

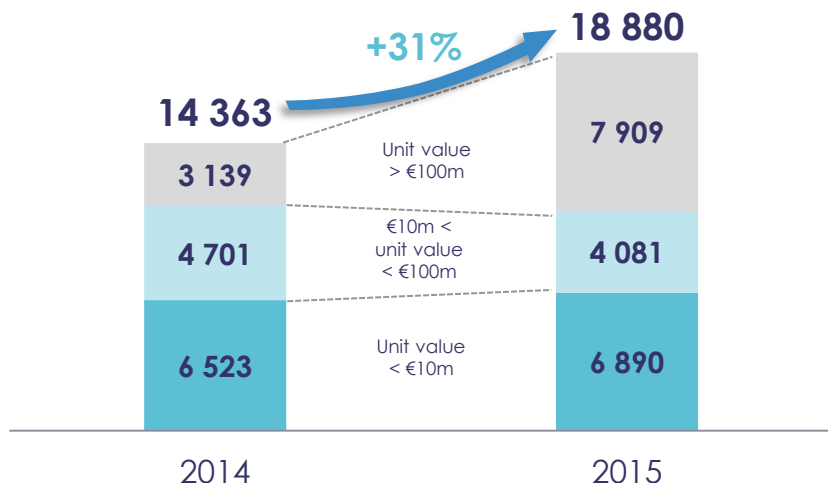
2015 highlights

- 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



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

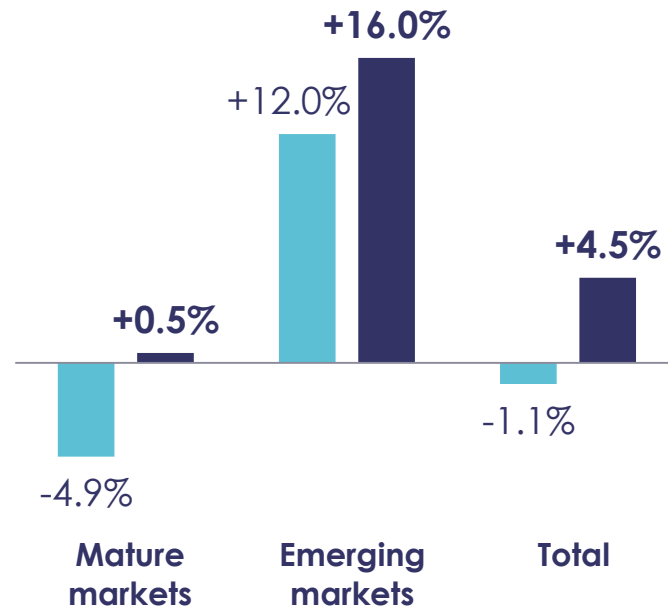
Return to small growth in mature markets

Further acceleration in emerging markets

➤ +16%, after +12% in 2014

**Return to organic growth,
driven by emerging markets**

Organic^(a) sales growth

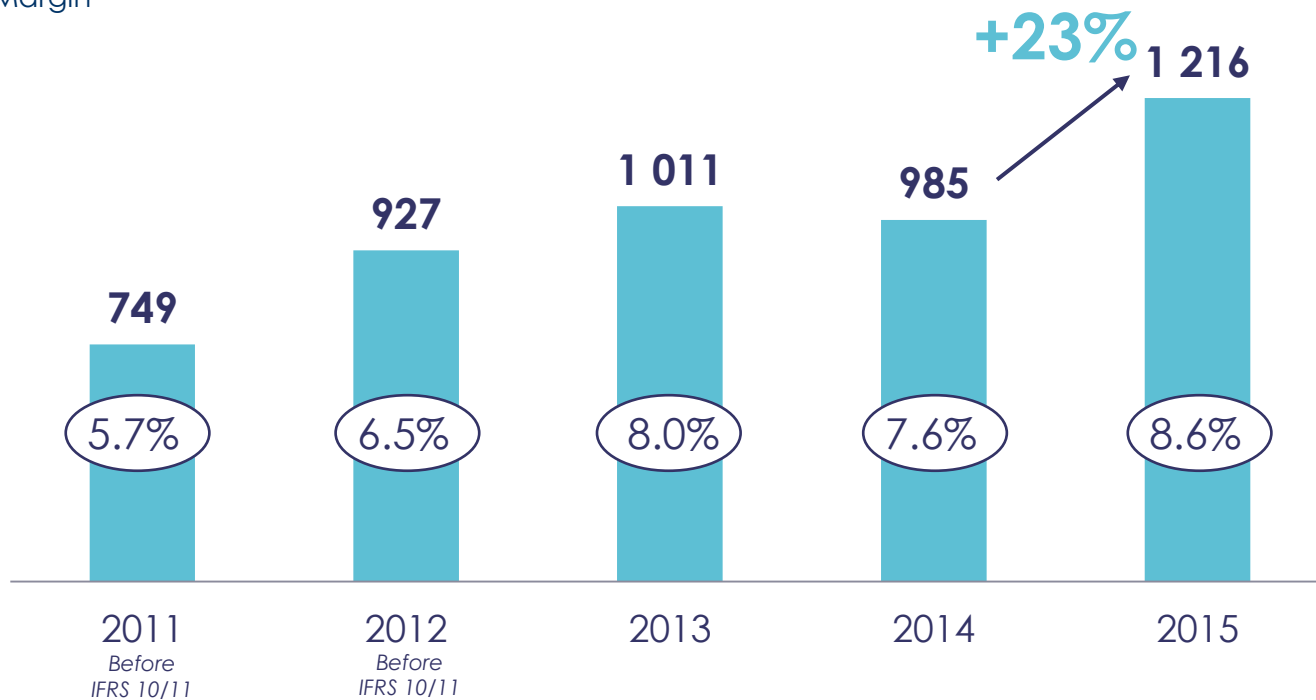


■ 2014 ■ 2015

(a) In this presentation, "organic" means "at constant scope and exchange rates"

Strong improvement of profitability

EBIT, €m
EBIT Margin



A performance recognized by the financial markets



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**

4 meetings
Attendance
rate: 100%

Audit and accounts committee

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

6 meetings
Attendance
rate: 100%

Governance and Remuneration Committee

- » Remunération of the chairman and CEO
- » Assessment of the board's performance
- » **Chairman: Yannick d'Escatha – independent director**

5 meetings
Attendance
rate: 100%



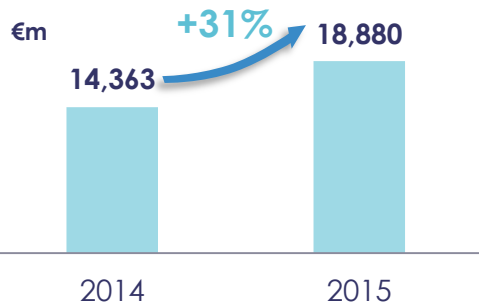
2. 2015 financial results

PASCAL BOUCHIAT

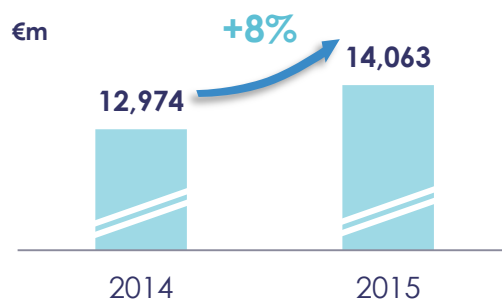


2015 key figures

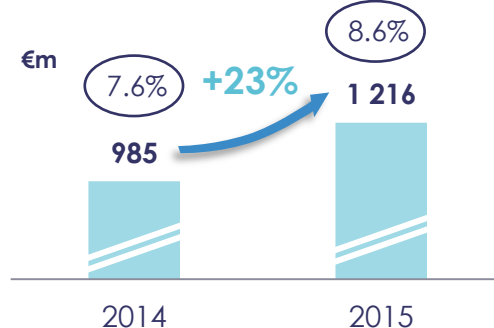
Order intake



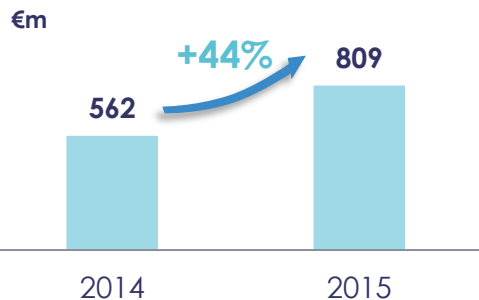
Sales



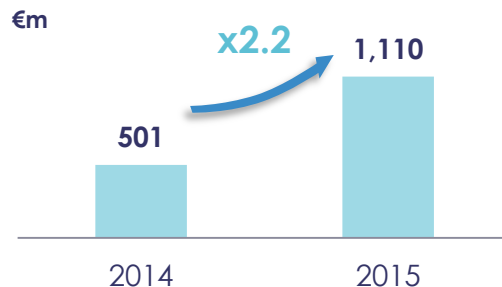
EBIT (a)



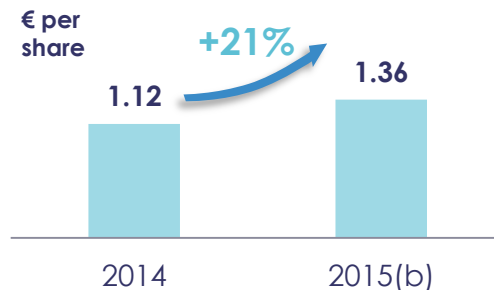
Adjusted net income^(a)



Free operating cash-flow (a)



Dividend (b)



(a) The definition of all non-GAAP measures can be found in appendix

(b) Proposed

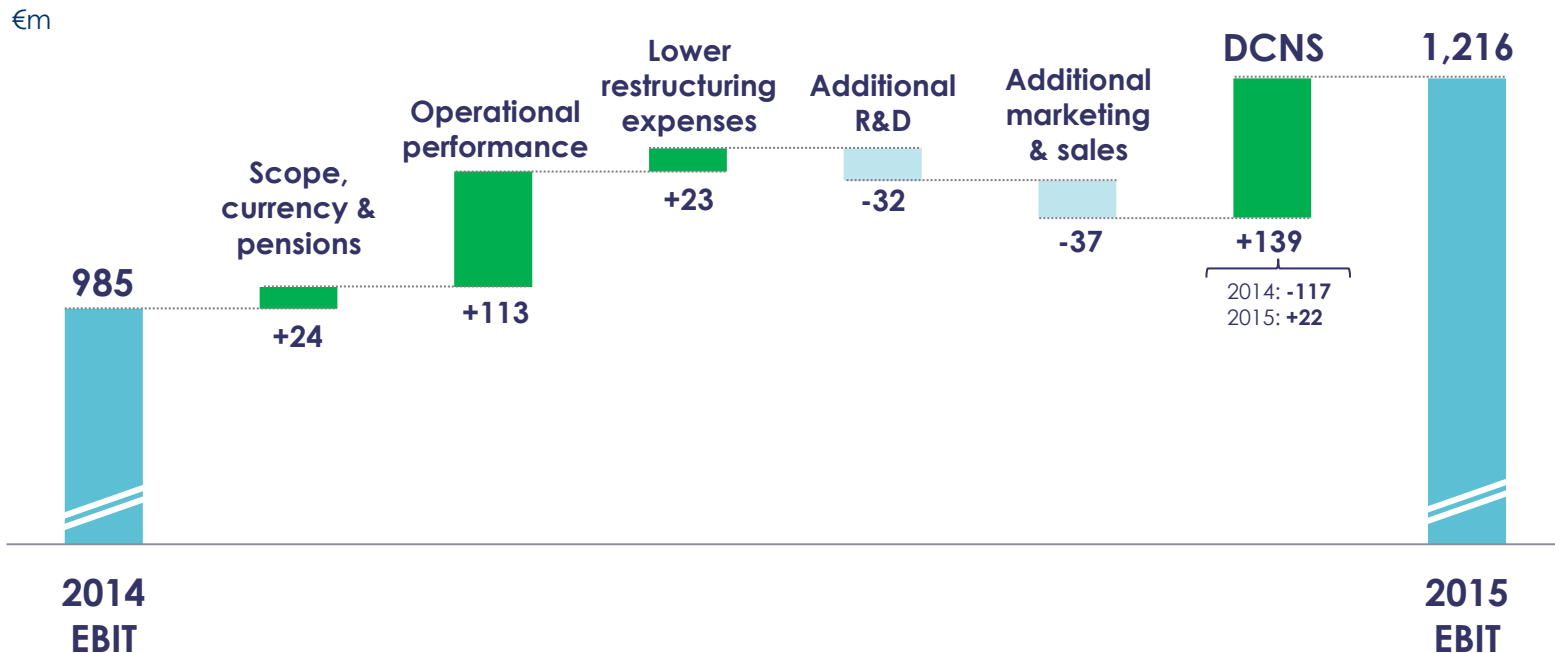
Summary P&L: from sales to EBIT

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

* Organique : « à périmètre et taux de change constants »

EBIT bridge between 2014 and 2015

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



Order intake and sales by segment

€M

Order intake

	2015	2014	Organic change*
Aerospace	6,279	5,024	+20%
Transport	2,826	1,651	+66%
Defence and Security	9,704	7,608	+24%
Others	71	79	
Total	18,880	14,363	+28%

Sales

	2015	2014	Organic change*
Aerospace	5,381	5,014	+1.7%
Transport	1,519	1,402	+4.1%
Defence and Security	7,084	6,480	+6.8%
Others	78	79	
Total	14,063	12,974	+4.5%

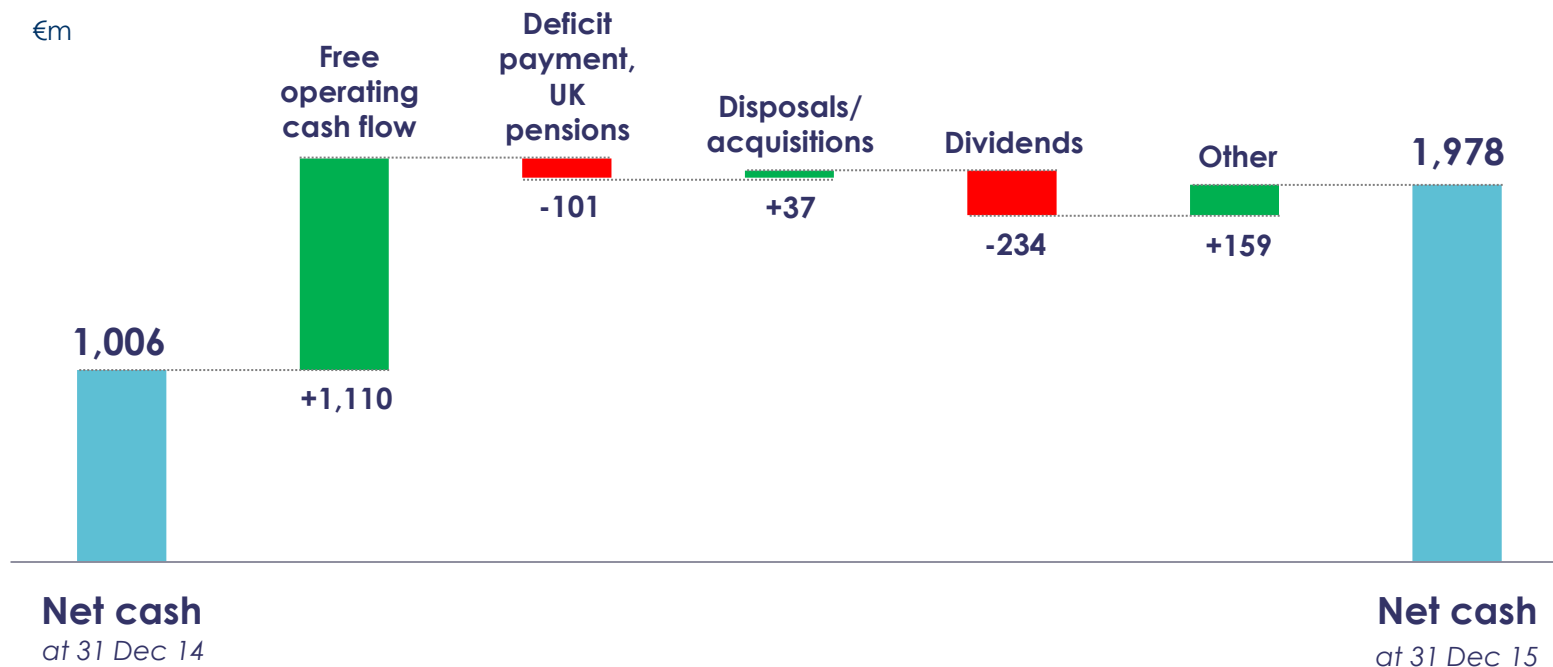
* Organique : « à périmètre et taux de change constants »

EBIT by segment

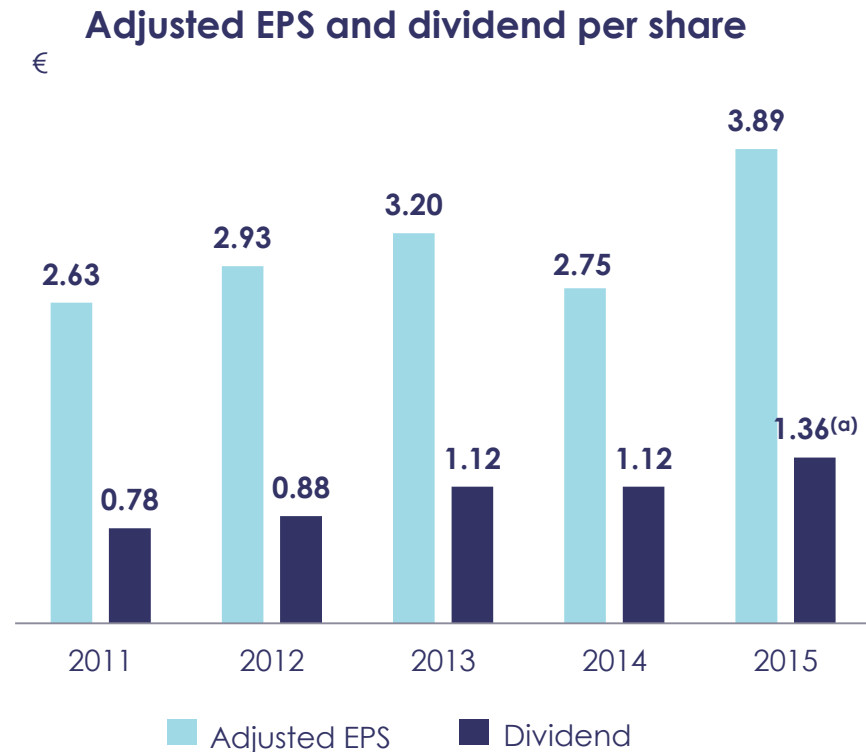
€m	2015		2014	
	€m	% of sales	€m	% of sales
Aerospace	518	9.6%	505	10.1%
Transport	(37)	-2.4%	32	2.3%
Defence & Security	760	10.7%	620	9.6%
DCNS (35% of net result)	22		(117)	
Others	(47)		(56)	
EBIT - total	1,216	8.6%	985	7.6%

Movement in net cash

High net cash position driven by free operating cash-flow



Adjusted EPS and dividend



(a) Subject to today's AGM approval

- Adjusted EPS up 10% per year since 2011
- Proposed dividend : €1.36 per share^(a)
- Dividend up 15% per year since 2011

Q1 2016 : Key figures

€m	Q1 2016	Q1 2015	change	
			total	organic
Order intake	2,312	2,823	-18%	-17%
Sales	2,732	2,576	+6.1%	+7.3%
Book-to-bill ratio	0.85	1.10		

Order intake in line with expectations
Acceleration of organic sales growth



3. Strategy and outlook

PATRICE CAINE



Strategy and outlook

- 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



Building a growing, more global and more profitable Thales

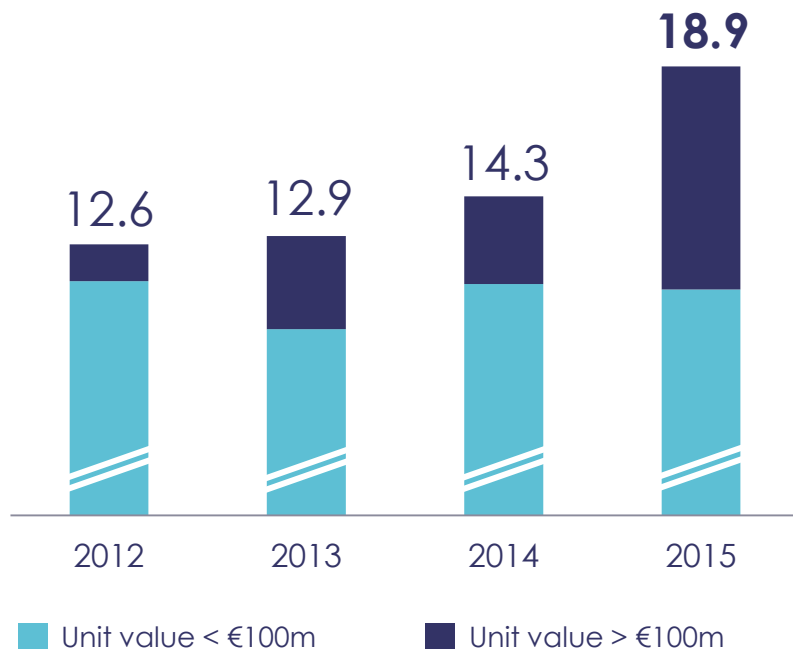
 COMPREHENSIVE PERFORMANCE PROGRAM	Growth	Competitiveness	People
	Emerging markets Larger contracts Services	International industrial footprint Customer-driven competitive innovation Engineering competitiveness	Leadership and diversity Customer value and customer mindset Teamwork, incentives
	Excellence in project delivery	Competitiveness In sourcing	Efficiency of structure

2014-2015: Ambition Boost delivers

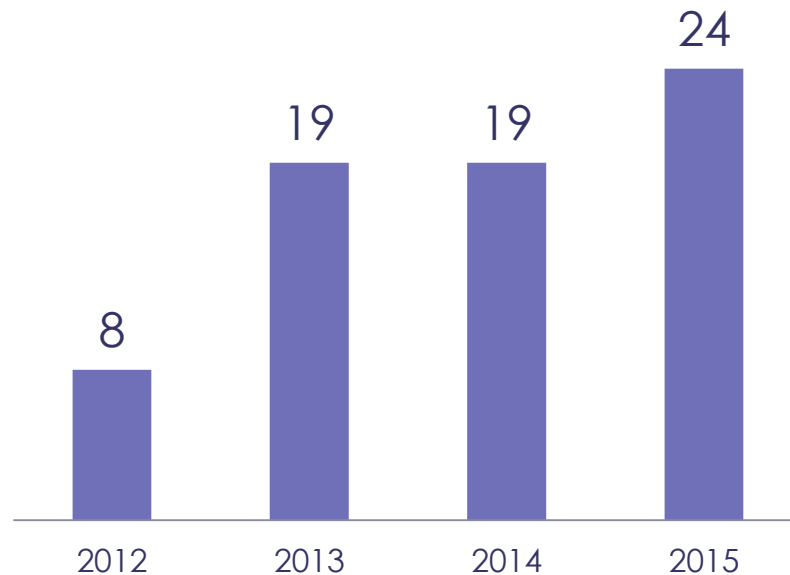
- ✓ Visible acceleration in order intake
- ✓ Success of development in emerging markets
- ✓ Return of sustainable sales growth
- ✓ First phase of engineering competitiveness plan
- ✓ Talents: commitments to diversity

Visible acceleration in order intake

Yearly order intake
(€bn)



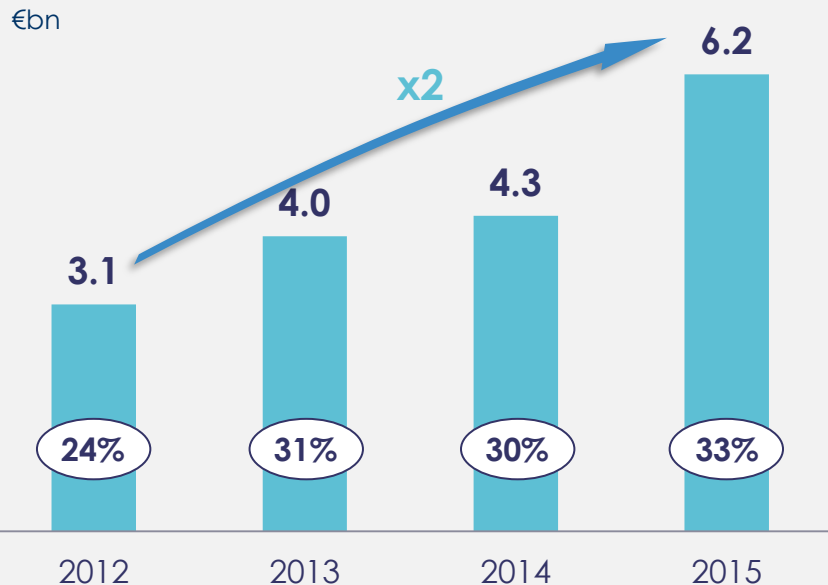
Number of large orders booked
(Unit value over €100m)



Note: 2012 excluding DCNS, before IFRS10/11

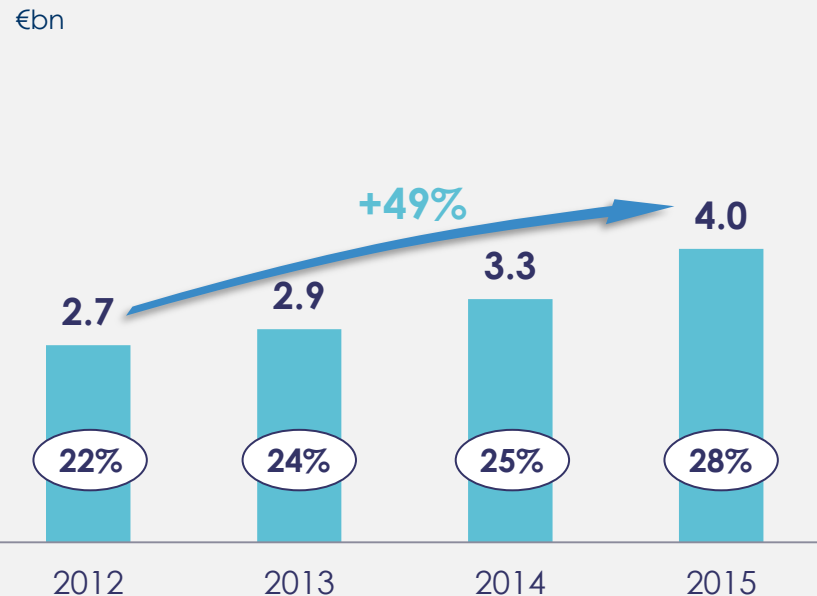
Success of development in emerging markets

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



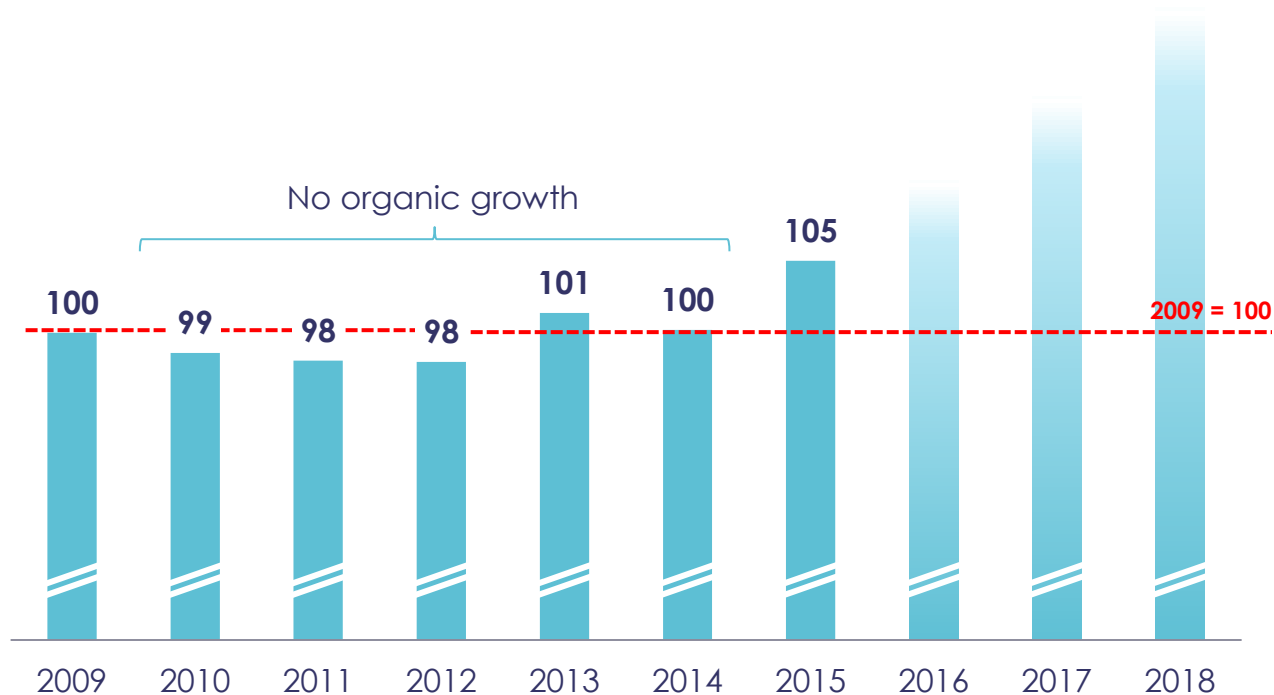
Note: 2012 proforma, restated based on 2012-13 growth

Emerging market sales
(and % of total sales)



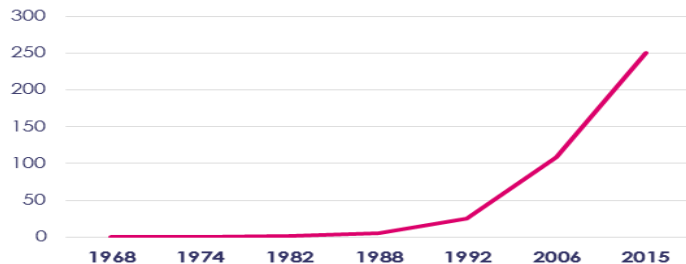
Return of sustainable sales growth

Organic sales evolution,
base 100 = 2009 sales



Competitiveness: engineering

Software size evolution on board a commercial aircraft



Engineering: the core added value of Thales

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

AM^{Boost} Engineering



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

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



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

PARIS2015
CONFÉRENCE DES NATIONS UNIES
SUR LES CHANGEMENTS CLIMATIQUES
COP21·CMP11



Participation to the COP21 conference

- Signature of « business proposals »
- Display of the most innovative solutions of the Group

THALES
Fondation

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



Strategic opportunity: digital transformation



BROADBAND
COMMS



MOBILE



SOFTWARE



INTERNET OF
THINGS



CLOUD



ALGORITHMS/
ANALYTICS

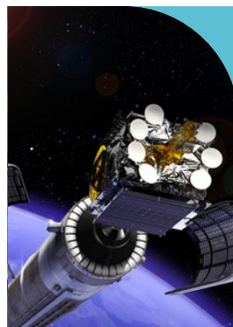


SOCIAL MEDIA

At the heart of our customers' digital transformation



AERONAUTICS



SPACE



GROUND
TRANSPORT



DEFENCE



SECURITY

4. Remuneration of the company representative

YANNICK D'ESCATHA
CHAIRMAN OF THE GOVERNANCE AND
REMUNERATION COMMITTEE



Remuneration of the company representative

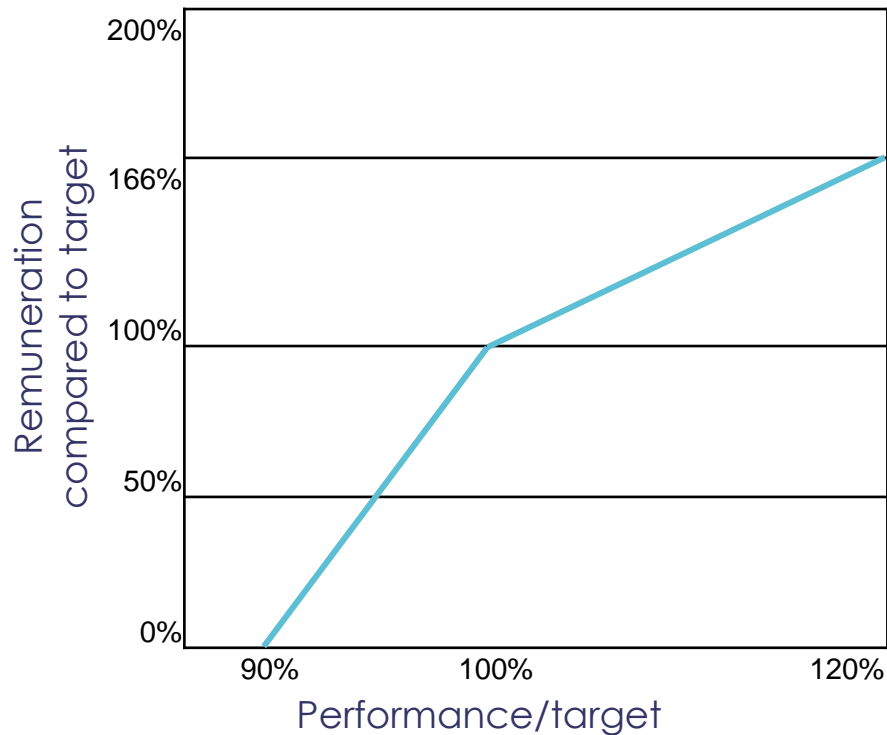
- Full Year 2015 remuneration:
“say on pay”
- Evolution of the remuneration in
2016

Compensation structure

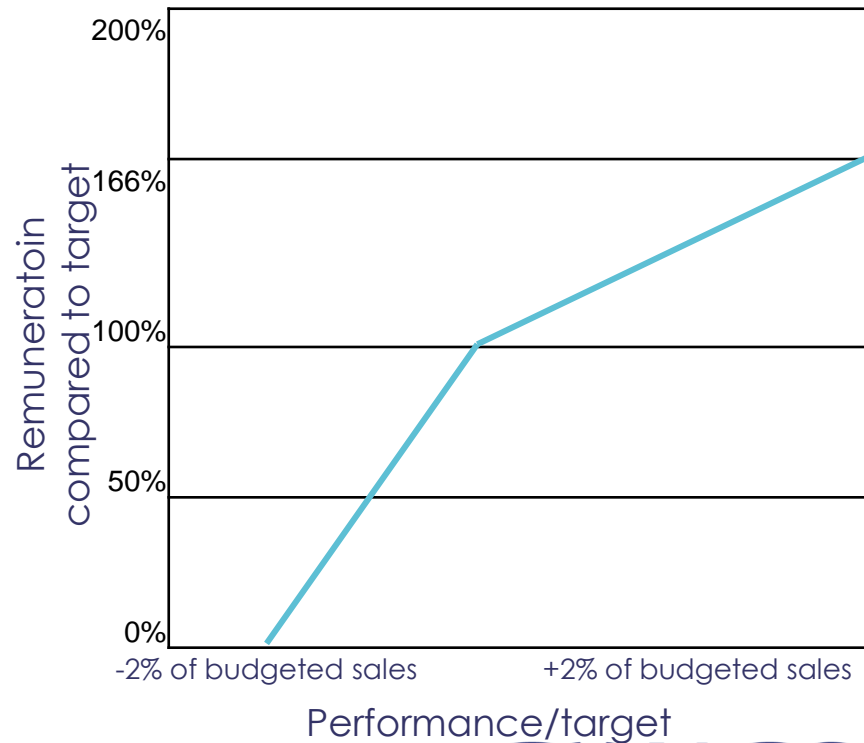
- **Fixed remuneration: €440,000**
- **Target variable remuneration: €400,000 (maximum: €600,000)**
- **4 criteria for quantitative share (75%, ie €300,000 on target)**
 - 22.5% adjusted net income per share
 - 22.5% EBIT
 - 15% order intake
 - 15% Free operating cash-flow
- **4 objectives for qualitative 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



Say on pay (6th resolution) : achievements and amounts due

	Target	Max	% achieved	Due for 2015
Fixed remuneration	€440,000			€440,000
Total variable remuneration	€400,000	€600,000	129.57%	€518,287
<i>o/w quantitative variable (75%)</i>	€300,000	€500,000	141.09%	€423,287
<i>o/w qualitative variable (25%)</i>	€100,000	€100,000	95%	€95,000
Attendance fees	None			None
Deferred incremental and conditional compensation – amount acquired in 2015				€5,097
In-kind benefits (legal and tax advice, chauffeur-driven car)				€56,566
Long-term or exceptional remuneration (stock-options/performance shares)	None			None

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:
 - No attendance fees
 - No long-term remuneration (stock-options / performance shares)
 - 12-months severance pay (*)
 - Deferred incremental and conditional compensation (*)
 - 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

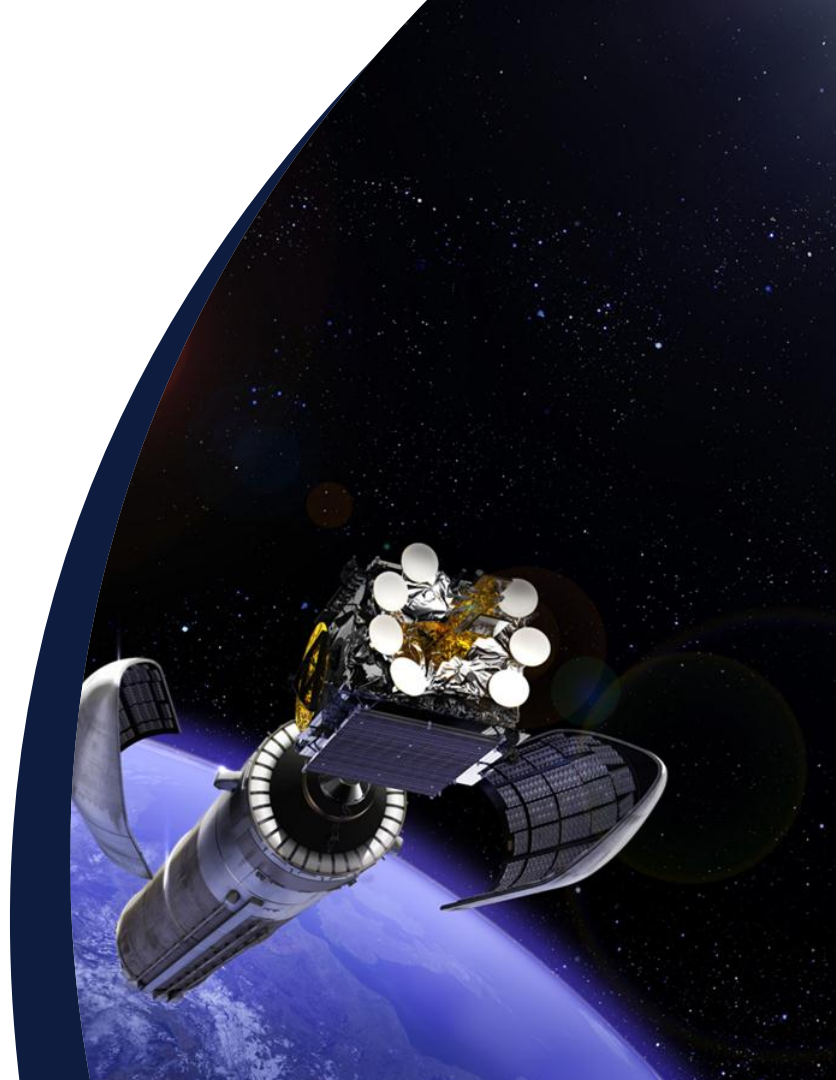
(*) Regulated commitments approved by the 2015 AGM

Evolution in 2016 of the remuneration of the chairman and CEO

	2015 CEO only	2016: Chairman & CEO	% change
Fixed remuneration	€440,000	€450,000	+ 2.27 %
Variable remuneration on target	€400,000	€490,000	+ 22.5 %
Total on target	€840,000	€940,000	+ 11.9 %
Maximum variable remuneration	€600,000 ie 150% of target	€735,000 ie 150% of target	+ 22.5 %
Maximum total	€1,040,000	€1,185,000	+ 13.9 %



5. Statutory auditors reports



6. Q&A with shareholders



7. Vote on the resolutions





Appendix

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.



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