

Mourant Equity  
Compensation  
Solutions

## Thales Share Incentive Plan

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## Introduction and Objectives

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## Our Experience

- 18 years plan administration
- 1200+ plans
- 500 clients including:
  - 44 of the FTSE 100
  - 81 FTSE 250
  - 10 of the DJIA 30
  - 27 of the FTSE Eurotop 100
- Participants in over 180 jurisdictions



## Clients

UK IR A pproved Share Incentive Plans ("SIPs")

- Over 45 SIP appointments, including:
  - V odafone
  - Merrill Lynch
  - G A P
  - Total
  - Honeywell
  - Thales
  - ExxonMobil
  - IBM
  - General Electric
  - Johnson Matthey
  - Deutsche Bank
  - Halliburton



## Structure Within Mourant

- **Call Centre** - Dedicated Thales Help Line 020 8409 2629
- **Operations Department:**
  - Sales Team
  - Purchasing Team
  - Dividend Team
  - Reporting Team
- **Client Relationship Management Team**



## Thales SIP

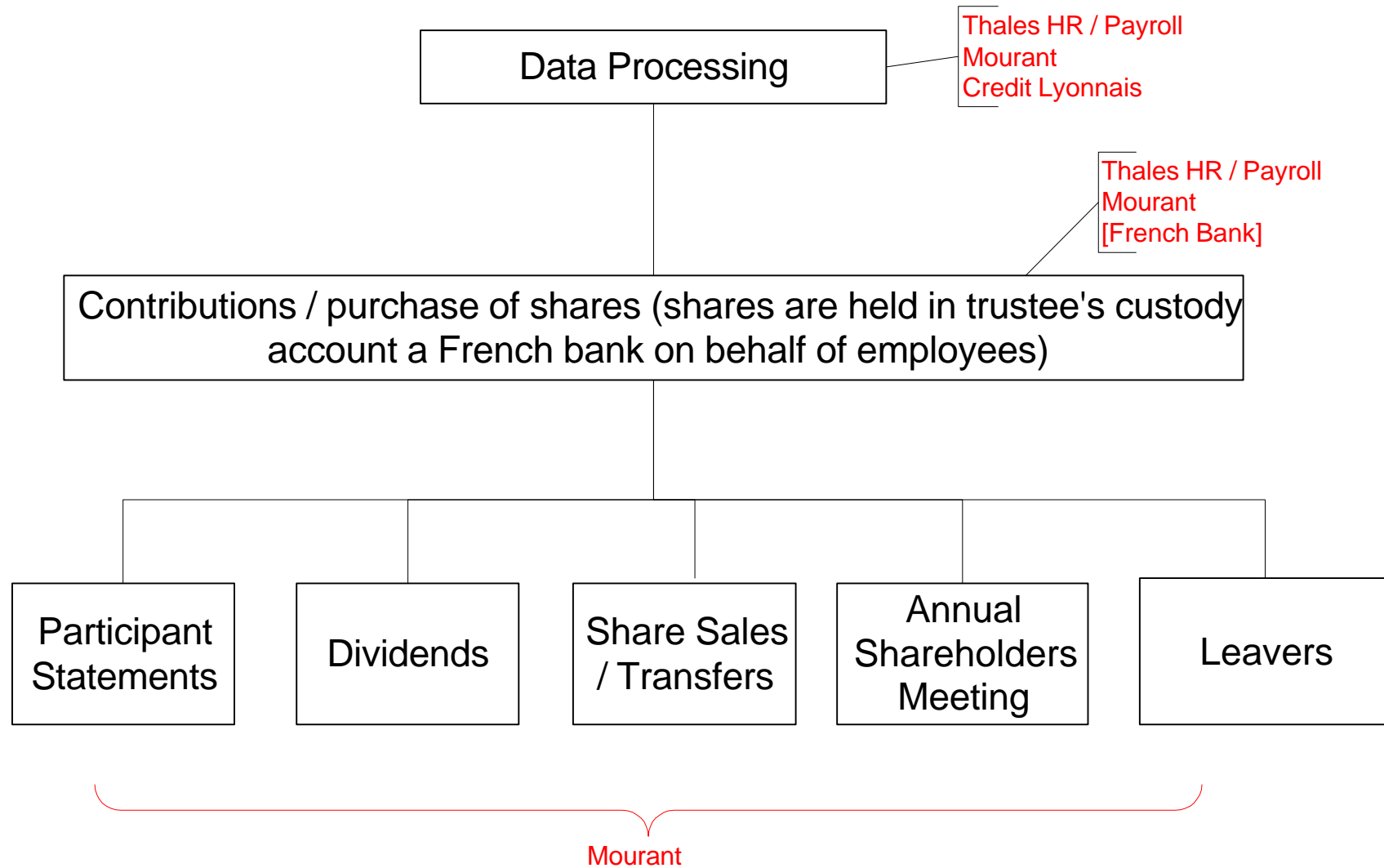
- Limit = lower of : 10% of 2004/05 basic earnings or £1500
- Employees buy "Partnership Shares"
- Shares allocated at end of Accumulation Period, if still employed at time of 3<sup>rd</sup> month's salary deduction



## Thales SIP

- Thales provide 1 Matched share for every 6 Partnership shares (rounded down to lower whole share number)
- All shares earn Dividends immediately – reinvested to buy further shares

# High Level Overview of Operation





## Subscription Period 25<sup>th</sup> November to 6<sup>th</sup> December

- Participant receives offer details direct to home address
- Participant sends Partnership Agreement to Mourant
- Mourant collates all agreements and sends details to Thales Payroll
- Thales Payroll to validate contribution amounts
- Thales Corporate informed of take up



## Contributions / Share Purchase (Accumulation Period Jan, Feb, March 2005 )

- Thales Payrolls process employee contributions
- Thales Payrolls send monthly contribution / demographic file to Mourant (includes notification of leavers / suspensions)
- Mourant allocates cash to individual Plan accounts
- Mourant returns to Thales Payrolls listings and cash payments for leavers / suspensions.
- Thales Payrolls repay these amounts to leavers / suspenders, net of tax and NICs



## Contributions / Share Purchase (A pril 2005 onwards)

- Partnership and Matching Shares allocated
- Shares held in trust by Mourant on behalf of each participant
- Unused employee contributions repaid to participants via Thales Payroll, net of tax and NICs
- Mourant issue statements to employees



## Partnership Shares

- No holding period, i.e. can be sold immediately
- Subject to income tax and National Insurance if sold before 5<sup>th</sup> anniversary of purchase (except if leaver due to 'special reasons')
- Dividends earned immediately



## Matching Shares

- 3 year holding period
- Subject to Income Tax and National Insurance if sold before 5<sup>th</sup> anniversary of purchase (except if leaver due to 'special reasons')
- Dividends earned immediately



## Selling Shares

- Participant sends Sale Form to Mourant
- Instructions received by 12 noon UK time, to be processed that day
- Mourant arranges sale via broker at market value
- Taxable funds sent to Thales Payrolls - 10 working days from sale date
- Thales Payrolls pay taxable sale proceeds to participant net of tax /NICs through payroll
- Mourant sends participant a sale confirmation letter plus any non taxable proceeds



## Transferring Shares

- Participant sends Transfer Form to Mourant
- Mourant calculates gross taxable amount
- Mourant liaises with Thales Payroll to ensure tax / NICs collected via Payroll
- When tax has been paid, Mourant arranges transfer of stock to employee's personal custody account



## Annual General Meeting

- Participants may vote via Trustee but may not attend
- Mourant will contact participants asking if they wish to receive the A G M material (A nnual Report etc)
- For those who require it, Mourant will liaise with mailing agent so that participant receives A G M material including voting card
- V oting cards will be returned to mailing agent who will collate replies and submit consolidated vote to Thales S.A .



## Dividends

- Dividends are paid annually in May / June (not guaranteed)
- Mourant receive dividend payment net of French withholding tax (A voir Fiscal no longer applied)
- Mourant allocate the net cash dividend to each participant and arrange purchase of Dividend shares
- Unused dividend cash carried forward to next dividend
- Dividend shares have 3 year holding period.



## Leaving Thales

- Two kinds of leaver:
  - Ordinary Leaver : All shares are available for sale / transfer, but taxable.
  - 'Special Reason' Leaver : All shares are available for sale / transfer free of tax
- 'Special Reason' leaver Status:
  - Injury, disability, redundancy or retirement at age 50+



## Leaving Thales (cont'd)

- Employees will be notified by Mourant of their choices :
  - Sell all shares
  - Transfer all shares
  - Sell enough shares to cover tax /NIC liability, and transfer balance of shares
- If no response, Mourant will sell enough shares to cover tax /NIC liability, and transfer balance of shares to a default custody account
- Tax /NICs processed via Thales Payrolls



## Summary

- Participants must ensure Mourant and HR are informed of any changes in circumstance via COC Form or by letter
- Leavers will be notified to Mourant by payroll once HR have informed payroll
- Shares exit the Plan on the date of leaving
- Tax and NICs may be payable upon leaving – Mourant will contact you



## Questions

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