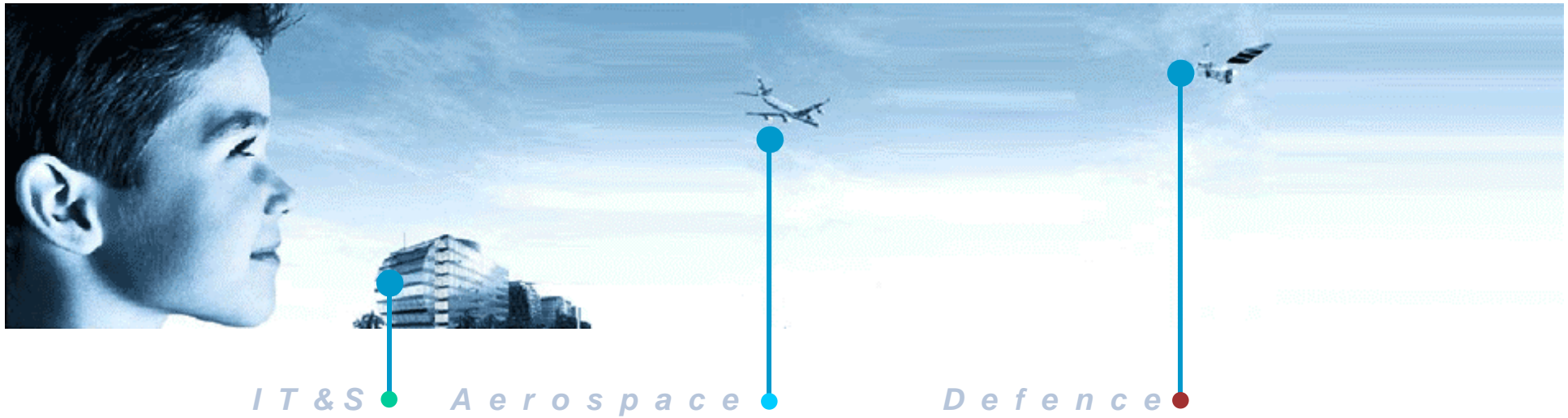


THALES EMPLOYEE SHARE OFFERS

What's happening today?

- ❑ **Welcome – HR Director**
- ❑ **Introduction – Rene Verot**
- ❑ **Overview of share offers – Michael Seabrook & Angela Purtil**
- ❑ **Mourant : Administration – Rachel Jennings**
- ❑ **Thales' Commitment to share schemes – Rene Verot**
- ❑ **TUES**

THALES EMPLOYEE SHARE OFFERS 1998, 2000 & 2002



April 2004

THALES

Michael Seabrook & Angela Purtill
UK Corporate Secretariat
Thales UK plc

Thales UK Corporate Our Role

- ❑ Management Representative in the UK
- ❑ Since 1998 responsible for all UK employee share scheme matters
 - Liaise with service providers – Mourant, Societe Generale and Credit Lyonnais
 - Monitor levels of service (+ action changes)
 - Obtain tax advice
 - Liaise with HR
 - Issue announcements and other paperwork
 - Implement management decisions
 - Launch new offers
 - Liaise with TUES

General Overview

- ❑ Three offers to date – 1998, 2000 and 2002
- ❑ **1998 and 2000** – similar offers, arose out of privatisations under which the French Govt reduced its stake in Thales SA
- ❑ **2002** – very different to previous offers, a company inspired offer, new shares created
- ❑ All offers open only to employees, not general public

As a result of the offers, approx 44,000 employees from 17 countries hold shares in Thales SA which represents more than 5% of the share capital

Overview - 1998/2000 Offers

- ❑ 3 ways to invest, each one offering different terms:
 - ThomExpress
 - ThomClassic
 - ThomClassic UK/ThomClassic+

- ❑ Shares held in trust by Mourant ECS Trustees Limited (not registered in your name but you have shareholder rights)

- ❑ Shares offered at discount to market value (except ThomExpress)

- ❑ Income tax and National Insurance (NI) paid at time of purchase (except ThomExpress 1998)

Overview - 1998/2000 Offers (cont)

- ❑ Employer contribution (ThomClassic UK & ThomClassic +)
- ❑ Two methods of payment – lump sum or instalments
- ❑ Dividends paid in cash
- ❑ All shares subject to minimum lock-in periods (except ThomExpress)
- ❑ Sales before the end of lock-in periods incur further income tax and NI (NB restrictions on early sales)

Overview – 1998/2000 Offers (cont)

- ❑ Free shares awarded if purchased shares not sold to encourage long term investment:
 - 1 for 1 (up to xx purchased shares)
 - 1 for 4

- ❑ Free shares awarded on 1:1 basis could be locked-in for 3 years
 - not subject to income tax and NI provided not sold in lock-in period

- ❑ All free shares awarded on 1:4 basis subject to income tax and NI upon allocation

Note change in law meant that all 2000 offer free shares were subject to income tax and NI when allocated (June 2003), collected through PAYE

1998 Offer

1998 Offer – Current Position

Which shares have been released?

- ❑ **All shares** except free shares awarded in Sept 2001 under ThomClassic and ThomClassic UK (locked-in for three years for maximum tax benefit)
 - Release date Sept 2004
 - Can sell now but income tax will be payable

What happens when shares are released?

- ❑ Nothing physically changes (shares stay with Mourant, dividends, voting etc)

1998 Offer – Current Position (cont)

What are the tax consequences of selling shares?

❑ Shares still locked-in

- ❑ Sales before Sept 2004 will incur income tax but not NI
- ❑ *How is income tax calculated?*

Income tax is paid on **the lower of**: (1) the market value of the shares on the original date of allocation (£23.36) OR (2) the selling price of the shares

❑ Released shares

- ❑ Income Tax and NI (if due) was paid when shares purchased/free shares awarded
- ❑ When shares are sold any increase in value over their base cost might be subject to **Capital Gains Tax** if all gains in tax year exceed your CGT allowance (currently £8,200) (base cost shown on share statement)

2000 Offer

2000 Offer – Current Position

Which shares have been released?

- All shares except
 - **ThomClassic Purchased Shares**
 - Become free June 2004
 - Can sell now but tax and NI will be payable
 - **ThomClassic+ Purchased Shares**
 - Become free June 2005
 - Cannot sell before then

What happens when shares are released?

- Nothing physically changes (shares stay with Mourant, dividends, voting etc)

2000 Offer – Current Position (cont)

What are the tax consequences of selling shares?

❑ Shares still locked-in

❑ **ThomClassic Purchased Shares** – sales before June 2004 will incur income tax and NI

❑ *How is income tax and NI calculated?*

Income tax & NI paid on £1.37 per share

❑ **ThomClassic+ Purchased Shares** – **cannot** be sold before June 2005

❑ Released shares

❑ Income Tax and NI (if due) was paid when shares purchased/free shares allocated

❑ When shares are sold any increase in value over their original base cost might be subject to **Capital Gains Tax** (if all gains in tax year exceed your CGT allowance (currently £8,200) (base cost shown on share statement)

2002 Offer

2002 Offer - Overview

- ❑ Two types of investment:
 - Classic
 - Leveraged (plus bank contribution)
- ❑ Two methods of payment – lump sum or instalments
- ❑ Shares offered at 20% discount to agreed market value - €21.36 (£13.69)
- ❑ No income tax or NI payable at subscription (except £5,000 loan)
- ❑ Shares converted into units and held in an FCPE by Credit Lyonnais – split into 2 compartments (not registered in your name, but you have most shareholder rights)
- ❑ Mature on 2 April 2007 (early redemption possible in some cases) – CGT may be payable on redemption



2002 Offer - Current Position

- ❑ All subscriptions paid
- ❑ Dividends are being reinvested (Classic only)
- ❑ Units locked in until 2 April 2007
- ❑ Early redemption possible in some circumstances (e.g. redundancy, sale of company, ill-health retirement, retirement)

2002 Offer - Maturity - Classic

What happens on 2 April 2007?

Classic

- You can keep your units in the World Classic Compartment where they can be redeemed upon demand

OR

- You can sell some or all of your units

If you choose the latter.....

You will receive the market value of your units

2002 Offer - Maturity - Leveraged

What happens on 2 April 2007?

Leveraged

You redeem your units into cash, with the cash you can:

- use the proceeds to convert into Classic units and transfer them to the World Classic Compartment where they can be redeemed upon demand

OR

- You can keep the cash

You are guaranteed to get a refund of your personal contribution PLUS 72% of any gain* x 10

** Gain is increase in share price above €26.70 (share price is calculated over 6 months prior to maturity)*



END