



(established as a société anonyme with limited liability in France)

€5,000,000,000

Euro Medium Term Note Programme

Under this €5,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Thales (the "**Issuer**", the "**Company**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between itself and the relevant Dealer(s) (as defined below) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Notes may be issued on a continuing basis to one or more of the Dealers specified in "General Description of the Programme" herein and any additional Dealers appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together, the "**Dealers**").

Application has been made to the *Autorité des marchés financiers* (the "**AMF**") for approval of this Base Prospectus in its capacity as competent authority under the prospectus directive (Directive 2003/71/EC) as amended by Directive 2010/73/EU (the "**Prospectus Directive**"). This Base Prospectus received the visa no. 18-274 on 29 June 2018 from the AMF. Application may be made (i) to Euronext Paris during the period of 12 months from the date of the approval of this Base Prospectus for Notes issued under the Programme to be admitted to trading and/or (ii) to the listing authority of any other European Economic Area Member State for Notes issued under the Programme to be admitted to trading on a Regulated Market (as defined below) in such Member State. Euronext Paris is a regulated market (a "**Regulated Market**") for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended ("**MiFID II**"). References in this document to Euronext Paris ("**Euronext Paris**") and all related references shall include the Regulated Market. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**") as more fully described herein.

Dematerialised Notes will at all times be in book entry form in compliance with Articles L.211-3 *et seq.* of the French *Code monétaire et financier*. No physical documents of title will be issued in respect of the Dematerialised Notes.

Dematerialised Notes may, at the option of the Issuer, be in bearer dematerialised form (*au porteur*) inscribed as from the issue date in the books of Euronext Paris (acting as central depository) which shall credit the accounts of Account Holders (as defined in "Terms and Conditions of the Notes – Form, Denomination and Title") including Euroclear Bank SA/NV ("**Euroclear**") and the depository bank for Clearstream Banking, S.A. ("**Clearstream**") or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder (as defined in Condition 3(c)(iv)), in either fully registered form (*au nominatif pur*), in which case they will be inscribed either with the Issuer or with the registration agent (designated in the relevant Final Terms) for the Issuer, or in administered registered form (*au nominatif administré*) in which case they will be inscribed in the accounts of the Account Holders designated by the relevant Noteholders.

Materialised Notes will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (a "**Temporary Global Certificate**") will initially be issued in connection with Materialised Notes. Such Temporary Global Certificate will be exchanged for Definitive Materialised Notes in bearer form with, where applicable, coupons for interest attached, on or after a date expected to be on or about the fortieth calendar day after the issue date of the Notes (subject to postponement as described in "Temporary Global Certificates issued in respect of Materialised Notes" below) upon certification as to non U.S. beneficial ownership as more fully described herein. Temporary Global Certificates will (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, be deposited on the issue date with a common depository on behalf of Euroclear and/or Clearstream and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream or delivered outside a clearing system, be deposited as agreed between the Issuer and the relevant Dealer.

In the case of any Notes which are to be listed and admitted to trading on a Regulated Market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (as defined above), the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) or more.

See the "*Risk Factors*" section for a description of certain factors which should be considered by potential investors in connection with any investment in the Notes.

The Programme has been given a long-term public credit rating of A- and a short-term public credit rating of A-2 by Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw Hill Companies Inc. ("**Standard & Poor's**") and a senior unsecured rating of A2 and a short-term rating of P-1 by Moody's Investors Service Limited ("**Moody's**"). Tranches of Notes issued under the Programme may be rated or unrated. Each of Moody's and Standard & Poor's is a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such regulation and they appear on the latest update of the list of registered credit rating agencies (as of 1 December 2015) on the ESMA website <http://www.esma.europa.eu>. The rating of the Notes (if any) will be specified in the relevant Final Terms. Whether

or not a rating in relation to any Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. A credit rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein). This Base Prospectus supersedes the base prospectus dated 30 May 2017 issued in respect of the Programme.

Copies of this Base Prospectus, any supplements hereto and any Final Terms relating to Notes which are listed on Euronext Paris will be available on the website of the AMF (www.amf-france.org) and copies of the Base Prospectus and each document incorporated by reference will be available on the website of the Issuer (www.thalesgroup.com).

Arranger

Société Générale Corporate & Investment Banking

Dealers

Barclays

BNP PARIBAS

Commerzbank

Crédit Agricole CIB

HSBC

J.P. Morgan

MUFG

Natixis

NatWest Markets

Santander Global Corporate Banking

Société Générale Corporate & Investment Banking

29 June 2018

IMPORTANT NOTICES

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuer has confirmed to the Dealers named under "Subscription and Sale" below that this Base Prospectus (including for this purpose, the relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and none of the Dealers and any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and each of the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and Notes in bearer form are subject to U.S. tax law requirements. Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**").

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

In this Base Prospectus, unless otherwise specified, reference to "USD", "U.S. dollars" or "dollars" are to United States dollars and reference to "EUR", "euro" or "€" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union.

This Base Prospectus contains certain statements as to the Issuer's competitive position. Please note that these statements are based upon the Issuer's own assessments of the markets in which it operates.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation action may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 calendar days after the issue date of the relevant Tranche of Notes and 60 calendar days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive, as amended, the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / target market - The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the determination of the target market of the Notes, taking into account the five (5) categories referred to in item 18 of the Guidelines published by the European Securities and Markets Authority ("ESMA") on 5 February 2018, and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such determination; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. Prospective investors should, however, read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

A. RISK FACTORS RELATING TO THE ISSUER

Thales is exposed to numerous risks and uncertainties which could materially affect its business, reputation, financial position, results or ability to achieve its objectives. The risks described below are not the only ones that Thales faces. Other risks, currently unknown to Thales, or which presently appear to be non-significant, could also have an unfavourable impact on the business, profitability and financial position of the Group or its ability to achieve its objectives.

Generally, Thales may be faced with a number of operational and strategic risks, legal risks and financial risks.

1 Operational and strategic risks

1.1 Control of bids and projects

Many of Thales's products and systems are highly complex due to their advanced technology content, the rigorous operational constraints and harsh environments in which they operate (which require them to be extremely reliable), and the contractual arrangements surrounding their sale (comprehensive prime contractorships for large-scale systems, public-private partnerships or their equivalent, local shares, compensation commitments).

The actual cost of development and manufacture may therefore exceed initial cost estimates, which in turn may adversely impact Thales's results and financial position, especially considering that the associated contracts are generally based on a fixed, all-inclusive price. In addition, many contracts include stringent performance levels and/or tight delivery schedules for the products or systems sold, particularly given the strong competition. If Thales is unable to deliver these products or systems in line with the required level of performance and/or delivery schedule, customers may demand penalty payments or even decide to terminate the contract.

Bid and project management is therefore subject to a detailed risk assessment and management process. Thales ranks the various levels of criticality. Critical bids and projects are specifically monitored at the management level of the operating entities (Business Lines and Global Business Units) and, as needed, by Group management.

Contractual risk assessment is an integral part of the tendering process. Depending on the complexity of the bid, this procedure involves a number of steps which progressively sharpen the estimated level of profitability and the associated risks to be assessed.

Numerous Thales contracts, particularly those that involve the most complex products and services, run for several years. Their economic contribution to the Group's result over a given period is therefore assessed, in accordance with applicable accounting standards, based on an estimate of their cost to completion.

These assessments can result in uncertainties that require subsequent correction despite the careful attention that is paid to estimates for each project through regular reviews to measure the technical, contractual and financial progress made.

The Group pays special attention to analyses and action plans for efficiently managing bids and projects by measuring and monitoring financial variance on the projects as well as appropriately applying corrective actions.

As part of the Ambition Boost performance programme (see also Section 1.8 “Risk of lower impact of performance improvement measures”), the Group has also implemented action plans to improve the management of bids and projects, engineering and the supply chain. These actions aim in particular to:

- improve product policy and ensure it is better adapted to customer needs in order to streamline new developments and thus reduce risks;
- improve the management of commitments in both the bidding phase and the project phase, with the widespread use of independent peer reviews, closer involvement of Engineering, Purchasing, Production, Legal and Quality Control, and the introduction of Product and Project Design Authorities responsible for developing the technical solutions for products and projects (during the bid or project implementation phase);
- Improve the supply chain, by increasing its global dimension and enhance the increasing maturity of emerging countries in project implementation;
- improve methods, practices and tools to make them more relevant to international products/projects, in particular, through the implementation of a project management tool adapted to emerging countries, SAP by Design;
- introduce advanced training for project managers to obtain certification issued jointly with the International Project Management Association (IPMA). At the end of 2017, nearly 1,353 bid and project managers and project management officers (PMO) within the Group had gained IPMA certification, with approximately 187 certified during the year. The role of these project managers will be further increased within the PMO organizations and teams.

1.2 Supplier risk

Purchases constitute a very significant proportion of Thales’s business, representing nearly half its sales with purchases ranging from industrials to services, equipment and sub-systems. Thales is therefore exposed to the risk of the industrial, technical or financial default of any of its suppliers, which could affect its performance and, hence, profitability.

There are two major types of supplier risk:

- legal or regulatory non-compliance (ethics, export control, intellectual property, etc.); each of these risks is handled by the departments concerned using the Group Risk Management system with the support of the Purchasing department;
- structural and operational risks that could disrupt supply, which are dealt with in the Purchasing department using the Group Risk Management system. The Purchasing department has identified two key triggers: supplier default and economic dependence.

Risk of supplier default

Supplier default could be caused by a major incident at one of its sites, by its external environment (shortage of raw materials or components, major political instability, natural disasters, etc.) or through mismanagement. The supplier’s management performance is monitored both in operating terms (poor procurement planning, failure to manage tier 2 suppliers, loss of control over industrial processes, plant obsolescence, etc.) and in cross-disciplinary and financial terms (poor skills management, loss of know-how, fall in sales, mismanagement of working capital requirement, cash flow problems, administration or bankruptcy protection, etc.). A combination of problems could lead to the disappearance of a company or its takeover by investors with different interests from those of Thales.

Faced with this risk of a supply shortage, Thales implements a dual sourcing (or alternative-source) policy as frequently as possible for each technology family, regularly updated and accompanied by buffer inventories that cover its requirements until customer contracts have been fulfilled.

In addition, given the increased risk of fragility of certain suppliers in the current economic climate, Thales has introduced a special approach. Based on close cooperation between buyers and financial

teams, this is aimed at identifying, from among its critical suppliers, those that would be particularly susceptible financially and implementing appropriate action plans to ensure continuity of supply. Apart from individual monitoring, an analysis is also carried out by technology field in conjunction with the professional bodies concerned, to identify the most appropriate solutions.

Alongside these financial supervision measures, Purchasing and Quality Control have stepped up their appraisal, accreditation and management of supplier performance to better identify structural risks. Supplier performance audits are broad-based (covering quality control, industrial maturity, flow optimisation, compliance with environmental regulations, expertise in technical and technological processes, financial strength, etc.) and therefore allow a complete risk analysis to be carried out. When performing a purchasing contract, Thales closely monitors the implementation by the supplier of measures aimed at addressing the risks identified during the selection process.

Risk of economic dependence

The economic dependence of small and medium-sized enterprises (SMEs) towards Thales is considered a risk in its own right.

In order to mitigate this risk, the commitment rate (orders placed by Thales as a percentage of the supplier's annual sales) is measured for each panel of suppliers by market segment (vertical approach) and for the main countries where the Group is established (France, the UK, the Netherlands, etc.).

If the commitment rate exceeds 50% for more than two consecutive years, an action plan coordinated with internal specifiers and internal users is created in order to return to a commitment rate of 25%.

The purchasing policy, supplier selection and performance monitoring processes, and the supplier monitoring systems are designed to reduce these risks, during both the bidding phase and the project implementation phase.

1.3 Human resources risk

a) Workplace health and safety

One of the Group's key priorities is to provide a safe and healthy work environment for all employees, in compliance with applicable law, by monitoring procedures, preventing health and occupational risks and training employees.

These principles are reflected in a structure designed to prevent risks related to health and safety in the workplace, whether on Thales sites or external sites, and to manage major health crises that could occur internationally.

Regular monitoring of the risks to which the Group's employees may be exposed is performed each year.

Tangible measures are also implemented in relation to the prevention of risks related to the health and safety of employees in the workplace by the Group's Human Resources and Health, Safety and Environment Departments. For many years, Thales has also been committed to improving the quality of life in the workplace. In France, a third Group agreement on "quality of life in the workplace" is under negotiation to increase the Group's commitments and actions relating specifically to protecting the health of employees, improving well-being at work, preventing psychosocial risk situations and the right to disconnect to ensure a good work-life balance.

Proof of the Group's continuing commitment to certification, 107 Thales entities (representing 82% of the workforce) had obtained OHSAS 18001 certification by the end of 2017.

b) Talent development

If Thales is not attractive enough compared to its competitors to recruit the qualified staff it needs in a timely manner and to retain and motivate its employees, sales and operating profitability could be negatively affected.

Thales's success and performance effectively depend on:

- its capacity to recruit employees in the different employment markets, in France and abroad;
- the quality of the key skills and the commitment of its employees; and
- its capacity to globally manage the talent required for the development of its activity worldwide.

Thales therefore attaches great importance to its attractiveness and positioning as a top employer, ensuring a positive external image which will boost recruitment and an internal work environment that will contribute to retaining employees.

As an attractive and recognised employer in France, Thales is also building up its image in all the countries where the Group is already present and in the countries in which Thales plans to expand, notably through communication campaigns and partnerships with leading universities. In addition, a global recruitment role, reporting to the corporate HR department has been created to help the Group expand in these geographical zones.

Thales works constantly to support its employer brand. The Group recently updated its brochures, booths, posters, web visuals and all other communication materials used at the various recruitment events worldwide and on Thales's social media pages. The Group currently has more than 230,000 followers on LinkedIn.

Thales has also developed innovative initiatives to attract rare skills in fields such as in electronics and cyber-security, by organising challenges for students and young engineers such as cyber-security week and the Arduino project, a university competition held in 10 countries. This project gives more than 100 teams of young engineers the opportunity to develop innovative projects on subjects defined by the Group. These events give young engineers from across the world an insight into the Group and its business activities.

In recent years, Thales has also contributed to the integration of young people into business through the signature of close to 1,500 work-study contracts each year. Thales maintains active relations with schools and universities in all the countries where it intends to increase its presence. Many partnerships have been signed with these schools, which employees sometimes visit to provide training. Thales also has a presence on campuses through young employees who are alumni of these schools, and form a network of contacts. In France, Thales is regularly recognised as one of the top three companies by students of engineering schools.

The global process of identifying and developing talent within the Group has also been reinforced by encouraging interaction between management teams in different parts of the organisation.

Thales is also continuing its proactive skills management policy for the Group's main professional families. A Steering Committee per family, composed of operational and HR managers, conducts a yearly analysis of changes in jobs, expertise, and the needs of the Company, and creates action plans (for training, anticipated management of internal mobility, external recruitment, etc.). To complement this tool, each year the Group's internal university updates key training programmes in response to changing needs. Significant work was carried out from 2014 to 2016 to pinpoint employee soft skills, namely for those employees reporting to the R&D Systems, R&D Hardware, R&D Software, Purchasing and Project Management job families. This work helps to more precisely identify training and recruitment requirements. In July 2017, Thales University, renamed Learning Hub, was completely overhauled to adapt its training tools to the digital era and to better integrate the training into employees' professional life.

Lastly, in 2013, the Group signed a series of agreements with the unanimous support of the trade union organisations in France that encourage the integration of young people, either on work-study training schemes or post-qualification, and the transfer of knowledge (the Intergenerational Agreement); that develop diversity (the Gender Equality Agreement); and that take a forward-looking approach to jobs and skills. In 2017, the number of young people on work-study contracts in Thales's workforce in France represented close to 5%, in line with the agreement signed in 2013.

1.4 Environmental risks

For many years, Thales has conducted a regular analysis and update of environmental risks in accordance with its business activities, scientific and technical developments as well as with current regulatory change.

This analysis is aimed at:

- regularly ensuring that employees and neighbouring residents are not exposed to health and environmental risks (hazardous substances, pollution, asbestos, etc.) through their activities or work environment, whether on Thales or external sites;
- ensuring the compliance of activities and products used and/or marketed (substances, waste, etc.);
- analysing the impact of new regulations (e.g. REACH in Europe) on the supply chain and on product design;
- analysing the impact of the environment on activities (water stress, climatic events, etc.);
- identifying an appropriate organisational structure and associated action plans, either at Group level or locally, based on the results of this analysis to reduce and manage the associated risks.

To support this analysis, an environmental management system designed to ensure control and limitation of the environmental impacts of activities and products is implemented on all sites. This management system, which forms an integral part of the Group's framework, encompasses the different functions of the Group (engineering, manufacturing, supply chain, etc.) and is based on frameworks, special training, communication tools and sharing experience.

At the end of 2017, 124 entities had been ISO 14001 certified, representing 89% of the Group's workforce, 33 had been ISO 50001 certified, representing 26% of the Group's workforce and 107 had been OHSAS 18001 certified, representing 82% of the Group's workforce.

Thales also regularly assesses the risks linked to climate change in order to evaluate their impact on activity and costs. The main risks identified are:

- regulatory change (reporting, carbon taxes, etc.) which has a very limited impact for Thales (not affected by the EU Emissions Trading Scheme). Nevertheless, Thales closely monitors current and future laws and regulations in order to analyse and anticipate their impact and set in place the requisite measures;
- changes in the regulations on substances and products (REACH in Europe and elsewhere in the world) in order to anticipate obsolescence issues to secure its supplies, reduce and control the impacts on the products and services it delivers through the required avoidance and replacement measures; but also to control the risks related to the handling of hazardous substances, for both people and the natural environment;
- financial risks related to the effects of climate change (floods, hurricanes, fires, water stress, etc.) that can result in damages and a continuous disruption in activity at Thales sites as well as the sites of its subcontractors and partners.
To manage this risk and reduce its vulnerability, Thales has carried out regular assessments of the exposure of its different sites to natural disasters and their consequences for several years now. Action plans linked to these assessments have been defined in order to attenuate this risk, and the Group's insurance policy is also based on these assessments;
- risks related to water shortages. The majority of Group sites in vulnerable areas are offices that have very limited risk exposure given their low water consumption.
- An analysis of "natural disaster" and "water stress" risks is now included in the regular prevention visits at Thales' sites and those of our critical subcontractors and suppliers;
- image risk: any failure by Thales to implement adequate measures in the fight against climate change could have a specific negative impact on its corporate image. Thales publishes information on the measures it has put in place to combat climate change and the results it obtains for its stakeholders (customers, investors, civil society, etc.). In 2017, it was awarded a rating of A- for "climate change" in the CDP (Carbon Disclosure Project), placing it in the top 20% of best-performing companies listed. In keeping with the commitments made in 2015, in December 2017 Thales signed the Paris "French Business

Pledge”.

At 31 December 2017, provisions for environmental risks amounted to €5.7 million.

1.5 Security breaches in respect of sites and employees

Thales is exposed to attempts to breach the security of its sites: attempts by unauthorised persons to access confidential information, cyber-attacks, threats to the physical security of facilities and persons, etc. The occurrence of such events could affect the Group’s intellectual, economic or human capital, the rollout of the Group’s activities and its reputation and, consequently, its results and financial position.

In order to minimise these risk, the Group Security department has put in place a policy for regulating access to and movement around all sites. This policy, applied by the Group’s network of security officers, is in keeping with the Group’s defence businesses and the different national regulations requiring it to implement measures to protect its employees and industrial assets. The Group is therefore required to undergo a large number of audits and inspections by the national supervisory authorities.

It has also implemented a global procedure for employee safety and protection in all of the countries in which they perform their work. In certain countries, this global procedure runs alongside a local intervention system, which ensures a quick response to incidents.

Faced with the current heightened terrorist threat, the Group has increased the level of security and protection for its most sensitive sites.

Finally, in close collaboration with the other major functions concerned, the Group Security department is working to improve crisis management processes, put in place rules and define a policy to raise awareness on information protection.

1.6 Risk of IT system failure

The Group operates - whether directly or through service providers - complex IT systems and infrastructures that are essential to the smooth running of its commercial, industrial and financial processes. These information systems include management, development and engineering systems as well as platforms operated on behalf of our customers and must be protected against any malfunctions, natural disasters, malicious acts or human error at all costs. The malfunction or failure of these systems may have external causes (viruses or hacking, network failures, natural disasters, etc.) or internal causes (malicious acts, breaches of data confidentiality, human error or obsolescence). Any such malfunction or failure can have an impact on the Group’s operations and its financial results.

To guard against these risks, the Group has implemented multi-year plans to develop its protection measures in order to deal with part of its IT systems being temporarily or permanently unavailable, as well as any cyber-security threats to these systems.

Business continuity

A Disaster Recovery Plan is adapted to the different countries to deal with failures of part of Thales’s IT systems; a methodology to prevent the risk of a failure of the Group’s IT systems is applied to ensure disaster recovery solutions are adapted to the degree of the risk and its operational impact. The plan is based on an analysis of the criticality of the different services given their impact on the Group’s operations and undergoes regular test runs.

Cybersecurity

A plan to protect against risks related to cyber-security has been defined and implemented in countries where the Group currently operates. As well as adapting the means of protection already in place, the plan includes the introduction of new measures to heighten protection against cyber sabotage attacks (e.g. Wannacry) to identify and correct any non-compliance. It is adapted to new regulations (military programming law in France, general regulations on data protection) and to technological developments (e.g. cloud computing).

This plan also includes the implementation of “CyberSecurity Operation Centres” coordinated at global level, so that anomalies and incidents that could affect the security of systems are identified as early as possible and the appropriate solutions put in place. These measures for monitoring and sharing information in relation to vectors of attack were further developed throughout 2017.

A number of “Key rules” on the security of Thales’s information systems ensure the convergence and coherence of cyber-security and defence measures throughout the Group. Their effective application is regularly monitored and reporting submitted to the Group Information Systems Security department.

Awareness and know-how

The plan is completed by ongoing efforts to raise employee awareness of these threats: communication campaigns and training are rolled out to help users ensure the security of their IT systems and remind them of the best practices when using them. Regular forums for discussion attended by all employees are also held on site. Since 2017 new employees have also been made aware of cyber security issues.

1.7 Risk related to failure of equipment or technology

Thales systems and equipment are highly complex and technical and are likely to be integrated within high-value commercial or military platforms. A malfunction of any such systems, equipment or technologies could result in client claims or third-party litigation. Thales could therefore be held liable, notably in the event of damage to property or personal injury, or in the event that they result in a disruption in the business and activities of its customers. Were they to occur, such events would be liable to impact Thales’s results and financial position, as well as its reputation.

In order to limit the impact, Thales has put Group-wide standards in place (Design Authority, quality, documentation, contractual arrangements and risk management). In addition, Thales follows a policy of maintaining appropriate insurance coverage.

1.8 Risk of lower impact of performance improvement measures

In 2014, to support its medium-term financial targets, Thales launched the “Ambition Boost” performance plan to increase the entire Group’s performance.

This global performance plan provides a common framework within which the units can implement plans and initiatives adapted to their own issues in terms of performance improvements. Five new cross-disciplinary initiatives are also now in place to complete and strengthen the performance plans: Going Global, Digital Transformation, Competitiveness, Diversity & Inclusion and Leadership & Governance.

The earnings and financial position of Thales could be negatively impacted if the initiatives planned under the Ambition Boost framework could not be fully implemented or if they failed to generate the expected results according to the original timetable. Moreover, the cost of implementing these initiatives could end up being higher than expected.

Thales has introduced specific monitoring for performance improvement initiatives and the Group’s corporate management regularly reviews the progress of the main initiatives.

1.9 Competitive environment

Thales operates in highly competitive markets, both in terms of international groups and in terms of local or niche companies in certain market segments. This competitive pressure could negatively impact Thales’s commercial position, sales and profits.

It could also intensify in a less favourable economic environment and there is no guarantee that Thales will be able to position itself successfully against its current or future competitors.

In order to limit the impact of this risk, Thales continues its research and development investments in order to provide more competitive and differentiating elements, and it also works to structure and upgrade its product offer in order to always best meet the needs of its customers in both the defence and commercial markets.

The Group's success and performance in relation to its competitors also depends on its capacity to recruit and retain quality employees with the requisite skills and commitment. Thales therefore attaches great importance to its attractiveness and positioning as a top employer, ensuring a positive external image which will boost recruitment and an internal work environment that will help retain employees (see 1.3(b) above "Talent development").

1.10 Offsets

In some countries, the awarding of major contracts, particularly defence contracts, may be dependent on a legal or regulatory requirement to fulfil a direct, semi-direct or indirect offset requirement. The Group's ability to factor this into a proposal can be a major source of differentiation and, as such, have a decisive impact on its commercial success or failure.

The non-fulfilment of contractual offset obligations within the requisite deadlines can result in penalties, the payment of which does not always release the obligor from its obligations. It can also compromise the Group's capacity to expand its activities in a given country.

Thales's order intake in recent years (particularly the order for the Rafale fighter aircraft placed by the Indian authorities in the third quarter of 2016) has led to a substantial increase in its offset obligations.

Faced with these risks, Thales has set in place a dedicated structure, both at a central level and for its exporting units and destination countries, which is responsible for integrating and overseeing these obligations as early as the bid phase. The Group also has a specific unit that is entirely devoted to the management of indirect offsets, Thales International Offsets (TIO).

1.11 Market trends

The markets on which Thales operates are broadly correlated to the current economic backdrop, but can also be impacted by specific factors: technological breakthroughs, the impact of digitalisation, drastic changes in Business Models, deregulation, new standards, real or perceived increase in the threat of terrorism, changes in oil prices, conflicts or major political change, epidemics and disasters that could have an impact, however temporary, on these markets. This is particularly true of the civil aviation market.

As part of the development of its activities related to in-flight broadband, Thales entered into a strategic agreement with SES in 2016 to secure bandwidth over the Americas. Under this agreement, Thales committed to an annual bandwidth purchasing programme over the 2016 to 2028 period and the payment to SES of a set minimum fee. The profitability of this business could therefore be affected if the sale of the broadband services was lower than forecast for several consecutive years.

The main risk mitigation factors are Thales' efforts to bolster and promote the offer to airlines and the flexibility built into the agreement.

In the space sector, the telecommunications satellite market is affected by constant technological developments resulting in a decrease in the Megabyte transmission cost. Some operators face complex technological challenges which force them to postpone their investments. In particular, uncertainties remain in the articulation between new constellation models and the more traditional satellites in high orbit which are becoming increasingly technologically advanced, allowing for the development of higher capacity solutions. Thales is developing its offer and investing in breakthrough technologies to embrace these developments.

More generally, to limit the impact of market risk, Thales constantly seeks (i) to adapt its product lines to foreseeable changes in demand and to improve their competitive performance and industrial flexibility in line with fluctuations in activity, and (ii) a comprehensive strategy to balance its business portfolio.

1.12 Dependence on public procurement

Thales generates a significant share of its business from governments, particularly in the defence markets in many countries. In these markets, public spending is dependent on political and economic factors and is therefore likely to fluctuate from one year to the next. A reduction in the budget resources of

government customers could, for example, generate delays in order booking, contract execution and payments, or mean a cut in funding for research and development programmes.

Thales has based its strategy on a balanced portfolio of defence operations and civil operations, each accounting for approximately 50% of sales. The overall solidity of the portfolio is underpinned by a diversified order base with a unit value of less than €100 million. Finally, the broad geographic spread of Thales's business, particularly through its international operations, ensures further diversification of its customer base.

1.13 Political risks

A significant proportion of Thales's sales is subject to the risk of economic and/or political instability in the countries in which the Group operates. The materialisation of these risks may affect the Group's financial position and profitability.

In particular, a change in government, major political event, armed conflict, act of terrorism, sharp deterioration in the balance of payments, industrial action, strike or protest could lead to various types of risks. These include:

- more restrictive currency control, with limitations or exclusions on withdrawing currency from a customer country, preventing it from honouring its financial commitments to Thales;
- impairment of assets because of devaluations of the local currency or other measures taken by public authorities that significantly affect the value of operations;
- expropriation (by confiscation, nationalisation, requisition, etc.) or the forced sale of Thales' interest in a local company, or, more broadly, discriminatory measures that compromise Thales's operations in a country;
- a security situation entailing a risk of bodily harm for its employees and/or security breaches at its facilities, which severely limit or prevent Thales from assuming its performance obligations under a contract, or reduce or prohibit the use of its local industrial assets;
- an unexpected breach of a contract or commitment;
- an unfair call of a bond or a guarantee;
- the non-certification of documents eligible for payment, or non-payment on the due dates stipulated in a contract, that prevent the anticipated progress of that contract.

To limit the financial impact of the risks listed above, Thales has put in place a methodology to identify and analyse the risks, determine measures to reduce them and define roles and responsibilities, within Thales, for the teams involved in the financial engineering of contracts. This enables Thales to use public or private insurers to cover the risk of contract interruption, credit risk or the risk of unfair calling of sureties. It can also make use of financial instruments such as notified or confirmed letters of credit, receivables discounting without recourse or export credit facilities.

In June 2016, by referendum, the United Kingdom, which represents approximately 9% of Group sales and 6,400 employees, voted to leave the European Union. This decision could have a number of consequences on the activities and financial performance of Thales. It could notably lead to a higher degree of volatility between the pound sterling and the euro, in interest rates and in the value of plan assets covering the Group's pension commitments in the United Kingdom. The management of these financial risks is part of the procedures set in place by the Group. The risk of an increase in tariff barriers is automatically reduced by Thales's predominant use of local country production resources a strategy which also tends to reduce the effects of greater volatility in the pound since sales and production costs are essentially denominated in the same currency.

1.14 Risks relating to strategic acquisitions and investments

Thales regularly looks to acquire new companies (as well as making strategic investments and combining business activities through joint ventures, etc.) in order to round out its technological portfolio and strengthen its presence in certain markets. Integrating these businesses into Thales could prove more difficult and take longer than envisaged, requiring more significant involvement by senior managers and the teams concerned and, in turn, negatively impacting the Group's results and financial position.

In addition, there are no guarantees that the newly acquired companies will perform as well as expected in accordance with the assumptions which form the basis of their valuation and the investment decision. Significant variance could lead to the amortisation of goodwill and other intangible assets, thereby negatively impacting Thales's results and financial position.

In addition, the integration of a newly acquired company into the Group may prove difficult or fail to generate all the expected synergies and other benefits. Such events could have a negative impact on the Group's results.

The significance of these risks and their impact varies depending on the target company's size.

Before any planned acquisitions, Thales conducts audits and due diligence with the assistance of external consultants where necessary, in order to analyse the fundamentals of the target company. This due diligence is more limited when the target company is listed, due to the applicable regulations.

A review is also conducted at each key stage in the acquisition process to confirm Thales's interest and set the necessary conditions and parameters to ensure a successful outcome. The newly acquired company is then integrated into Thales's financial reporting system so that its performance can be monitored.

An internal audit is carried out for all major acquisitions within 18 months of the finalisation of the acquisition. These audits assess the strength of the business plans that led to the decision, the integration of the newly acquired company into the Group, the implementation of synergies and the level of performance in relation to the assumptions made. The audit reports are sent to the Group's corporate management and are summarised for the Audit and Accounts Committee.

1.15 Risks related to minority investments

Thales generates part of its sales from companies in which control is shared with, or exercised by, other partners; in accordance with the accounting principles in force on 1 January 2017, these companies are consolidated using the equity method.

By definition, the share in net income of equity-accounted companies is included in Thales's EBIT and adjusted net income. A deterioration in the performance of these companies may therefore impact on the Group's income, financial position and achievement of EBIT objectives.

Since Thales's influence over these minority investments varies, decisions that are detrimental to the interests of Thales may be taken, without Thales necessarily having the means to oppose them.

In addition, the risk of disagreement or deadlock, inherent in any jointly-controlled entity, exists, particularly in those where important decisions require the unanimity of members or where there are limited exit rights.

Lastly, the application of management rules and principles in these entities may differ from those adopted by Thales for entities over which it exerts exclusive control. This also means that the ability to carry out analyses and give instructions regarding financial or operational data, or even to access this data, may be more limited than in the entities over which Thales exerts exclusive control.

As a result, the Group aims to define appropriate governance methods by seeking to be represented on the Board of Directors (or a similar decision-making body), and more generally, to negotiate contractual provisions that are in Thales's best interests.

2 Legal and compliance risks

2.1 Compliance with laws and regulations

The Group operates its business, both nationally and internationally, in a strict and evolving complex legal and regulatory environment. This environment encompasses various fields such as company law, stock exchange law, tax law, employment law, intellectual property, personal data protection, export control, economic sanction measures, anti-corruption, influence peddling and money laundering.

Despite the steps taken by Thales in the form of organisation and internal procedures to comply with all applicable legislation, risks still exist due to their inherent nature, the interpretative powers of regulatory agents, the extraterritorial REACH of certain regulations, and changes in legal/judicial precedent and sanctioning powers.

In most cases, regulators in conjunction with the judicial authorities have the right to initiate legal proceedings, which could expose the Group or its employees to civil, administrative or criminal rulings. Such rulings could, if applicable, involve a temporary ban on trading, which would in turn have an adverse impact on the Group's profitability and financial position.

Using a risk map approved by the Risk Management Committee, the Audit, Risks & Internal Control Department carries out assessments and audits of the implementation and improvement of compliance plans within the Group's units. Compliance measures rely for these needs on networks of compliance officers who may be specialists (in Trade Compliance, international trade, etc.) and on risk advisors responsible for the prevention of each of the major risks identified and monitored by the Risk Assessment Committee.

The Audit, Risks & Internal Control Department takes into account these compliance areas when preparing its audit plan.

a) Business ethics

Thales's business encompasses a variety of sectors in more than 50 countries. Infringement of applicable laws and regulations may have severe legal and financial consequences and seriously harm the Group's reputation.

An integrity programme linked to corruption risk prevention has been in place in all Group entities for more than 15 years. It is based on a Code of Ethics for all Group employees that is regularly updated in line with external and internal reference systems and is posted on the Group intranet. With a preface by the Chairman and CEO, it reaffirms in particular the principle of zero tolerance for any act of corruption. Thales's integrity programme was certified by independent third parties Mazars and ADIT in 2014.

In 2017, the Group reviewed its integrity programme to bring it in line with French Law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy (known as the "**Sapin II Law**").

The various components of the integrity programme form an integral part of Thales's reference system (Chorus 2.0), particularly the processes which govern the management of bids and projects, purchases and subcontracting, and the use of agents and consultants. In addition to its internal control procedures, the Audit, Risks & Internal Control Department conducts regular compliance and integrity audits on the various components of the model.

b) Export control and economic sanctions

The export of many products, technologies and systems for military and dual use by Thales is subject to obtaining licences issued by the French and foreign authorities in advance.

In addition, the French, European and foreign regulations including the extraterritorial regulation issued by the Office of Foreign Assets Control (OFAC), establish a framework of embargoes and economic and criminal sanctions on any natural person or legal entity, or any state in breach of these provisions.

There are no guarantees that (i) the export controls to which Thales is subject will not be tightened; (ii) new-generation products or systems developed by Thales will not be subject to similar or tighter controls; (iii) geopolitical factors will not make it impossible for Thales or its suppliers to obtain export licences for certain customers or make it more difficult for Thales to execute previously signed contracts or will not give rise to economic sanctions (embargoes) which could prevent Thales from conducting or continuing to conduct business with certain countries or certain customers. Further limitations on access to certain international military markets could thus have a negative impact on Thales's business, financial position and profitability.

The Group has put in place an ISO 9100 certification process to ensure compliance with the regulations and controls applicable in terms of export and the economic sanctions in force. This process includes procedures, specific IT tools, employee awareness programmes, with, in particular, e-learning modules, an annual internal audit plan and a system to monitor changes in the legislation, regulations and restrictions following economic sanctions relevant to Thales's business activities.

Operating units have access to a network of specialists within the Group, who are responsible for monitoring the correct application of compliance rules decided at Group level as well as tracking requests for the required authorisations and the conformity of their implementation.

c) Competition law

Thales's business activities are subject to a wide range of national and international regulations mainly aimed at combating anti-competitive practices, concerning suppliers, customers, partners and the competitors themselves.

Infringement of these rules could lead to severe sanctions, such as fines, payment of damages and interest, and statutory prohibitions and criminal penalties. Such sanctions could also have a serious impact on the Group's reputation.

To prevent these risks, a dedicated team of experts carries out competitive assessment on sensitive agreements and projects, notifying the competent regulatory authorities in Europe or abroad as required. In addition, the Group has initiated a programme to raise awareness of these rules, in particular through the drafting of directives, the implementation of online training tools and dedicated training programmes for the most exposed employees.

d) Intellectual property

Thales is exposed to two main types of intellectual property risk: dependence on third-party technology and the infringement of intellectual property rights.

To reduce the risk of reliance on critical third-party technology, Thales has implemented a process to identify and manage each situation with a precise, strategic "Make/Team/Buy" (MTB) plan.

Given the nature of its activities and the specific features of its products, Thales conducts most of its research and development work in-house and focuses on controlling the key technology which is critical to the business. The size of Thales's internal intellectual property portfolio (over 16,500 patents, as well as software and know-how) and its presence throughout the value chain (equipment, systems and systems of systems) reduce its reliance on third-party technology. As a result, Thales's dependence on such technology can be considered low.

To reduce the risk of third-party actions for alleged infringement of their intellectual property rights by Thales entities, the Group identifies and analyses this risk in the context of its own patent filing procedures and/or when embarking on technical research or product development.

In the event of a third-party infringement claim against a Thales company, the legal and technical analysis of the allegedly infringing products and intellectual property rights are handled centrally by Thales experts, with the assistance of specialist external consultants where needed.

Thales may be exposed to the risk of infringement of its intellectual property rights by a third party. To limit this risk, Thales contractually protects its rights in its contracts and agreements, engages in an active policy for filing and maintaining its patents, carries out technological monitoring on the equipment and systems sold by third parties to ensure that its own intellectual property rights are not infringed and, where applicable, takes all necessary measures to ensure these rights are respected.

e) Personal data protection

In the context of the application, effective 25 May 2018, of Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, Thales has committed to bringing its policies into line with this European regulation.

A Data Protection Officer has been appointed to coordinate compliance with this new European regulation within the Thales group. The Data Protection Officer relies on a network of contacts in the different functions and entities both in France and the other countries where the group operates.

Initiatives are already under way within the Group to launch this compliance process, including insertion into contractual clauses on personal data protection, the drafting of factsheets, the acquisition of a tool to record Thales's processing of personal data.

2.2 Litigation

Due to the nature of its business, Thales is exposed to the risk of technical and commercial disputes.

To prevent disputes or limit their impact, Thales's policy is to systematically seek alternative dispute resolution mechanisms. This policy is reviewed on a regular basis to take into account changes in the Group's core areas of business and is backed by employee training programmes.

In addition, for several years now Thales has implemented a procedure to centralise all civil, commercial and criminal litigation and claims. These are handled by the Corporate Legal Affairs department, with the support of the Group companies concerned.

In October 2017, Thales was notified of an arbitration award in a commercial dispute between the Republic of China and a group of three French manufacturers, including Thales Systèmes Aéroportés, a Thales subsidiary. As a result of this arbitration award, which pertains to a contract signed in 1992, the manufacturers were ordered to pay a total sum of €227 million including interest, of which €64.2 million was payable by Thales Systèmes Aéroportés. The corresponding charge was recognised under "Disposal of assets, changes in scope of consolidation and other" in the financial statements as at 31 December 2017 (see Note 3.2 of the 2017 consolidated financial statements).

There are no other government, judicial or arbitration claims, of which the Group is aware, which are pending or threatened, which had, in the course of the last 12 months, or which could have a material impact on the financial position or the profitability of the Company and/or the Group.

3 Financial risks

3.1 Liquidity

The Group's liquidity risk is the risk of it being unable to meet its cash needs out of its financial resources. In particular, it relates to Thales's level of exposure to changes in the main market indicators that could lead to an increase in the cost of credit or even to a temporary limitation of access to external sources of financing.

The Group manages this risk by trying to anticipate its cash needs and ensures that these are covered by the Group's short-term and long-term financial resources, as follows:

- shareholders' equity, listed by caption in Note 8 to the consolidated financial statements;
- gross debt, listed by maturity in Note 6 to the consolidated financial statements;
- committed, undrawn bank credit facilities used as backup to the commercial paper programme and as a financial reserve. These are described in more detail in Note 6 to the consolidated financial statements. At 31 December 2017, the Group also had an undrawn bridge loan to finance its proposed offer for the acquisition of Gemalto.

The principle of centralising the entities' short-term assets and liabilities (cash pooling) is applied to the combination of entities in the same currency zone (eurozone, sterling zone, dollar zone and Australian dollar zone, etc.) and, in some cases, in the same country.

By consolidating and centralising the cash requirements and surpluses of its units, the Group is in a position to:

- simplify cash management and match the cash positions of units to produce a single consolidated position that is easier to manage;

- gain prime access to financial markets through the parent company's financing programmes, rated by S&P Global Ratings and Moody's (see below).

At 31 December 2017, cash recorded under consolidated assets amounted to €4,282.7 million (compared with €3,616.9 million at end-2016), including:

- €3,450.5 million held by the parent company and available for immediate use (€3,183.1 million in 2016);
- €32.2 million in the credit balances of subsidiaries (€433.8 million in 2016), most of them outside France. This figure includes payments received in the last days of the financial year and subsequently transferred to the cash pooling account.

Cash at bank and equivalents at year-end is invested solely in sight and term bank deposits or in money market funds. At the date of publication, Thales's risk ratings were as follows:

	Moody's	S&P Global Ratings
Medium & long-term loans	A2	A-
Outlook	Negative	Negative watch
Commercial paper & short-term loans	Prime-1	A2

Moody's and S&P Global ratings downgraded their outlook (from "stable" to "negative" and "negative watch" respectively) following the announcement on 17 December 2017 of the planned cash tender offer for Gemalto. If this acquisition, partly financed from the Group's own cash flow and partly through borrowings, goes ahead, it would in all likelihood cause Thales's rating to be lowered, due mainly to the change in the Group's financing structure.

The decrease of Thales's credit risk rating would not trigger the financial covenants included in its financing contracts. The coming into effect of the unique clause providing for accelerated repayment of bank credit facilities would only apply in the event that the French government no longer held its golden share and, simultaneously, the ratio of consolidated net financial debt to EBITDA (earnings before interest, taxes, depreciation and amortisation) were to exceed 3.

A lower rating would result in an increase (capped) in the margins applicable to the committed credit facility of €1.5 billion (described in Note 6 to the consolidated financial statements); at the same time, these margins would be improved (with a minimum threshold) in the event of a rating upgrade.

3.2 Interest rates

Thales is exposed to interest-rate volatility and in particular its impact on the conditions associated with variable-rate financing. To limit this risk, Thales operates an active interest rate hedging policy.

The Corporate Financing and Treasury Department consolidates data on Thales's exposure to interest rate risk and uses appropriate financial instruments to hedge those risks.

Thales policy is to control interest rate and counterpart risks and to optimise its funding and banking operations.

The breakdown of Thales's debt by type of interest rate is described in Note 6 to the consolidated financial statements. The table below summarises the Group's exposure to interest rate risk before and after hedging. Based on the average net cash (taking into account hedging instruments), a 1% rise in interest rates would impact net financial interest by €25.9 million in 2017 (€21.6 million in 2016).

(31/12/2017, in €millions)	< 1 year	> 1 year	Total

	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Financial liabilities	(512.1)	(192.1)	(891.8)	(47.3)	(1,403.9)	(239.4)
Financial assets	-	4,614.7	-	-	-	4,614.7
Net exposure before impact of derivative instruments	(512.1)	4,422.6	(891.8)	(47.3)	(1,403.9)	4,375.3
Derivatives	296.2	(296.2)	695.4	(695.4)	991.6	(991.6)
Net exposure after impact of derivative instruments	(215.9)	4,126.4	(196.4)	(742.7)	(412.3)	3,383.7

3.3 Foreign exchange

Due to the international nature of its business, Thales is exposed to the risk of exchange rate fluctuations.

a) Business-related currency risk

Business-related currency risk occurs when some of the business is billed in a currency other than that of the related costs.

- a. As a general rule, Thales is structurally immune to exchange rate fluctuations for a significant part of its business activity. Around 40% of Thales's sales are generated in the eurozone, where a significant portion of its industrial operations are located. More generally, the reinforcement of the Group's international industrial footprint allows it to produce and invoice in local currency, which helps to reduce exchange rate risk on local sales.
- b. The accounts of Thales's subsidiaries located in countries where the functional currency is not the euro are translated into euros in the Group's consolidated financial statements. A fall in these currencies against the euro is likely to have a negative impact on the accounts. Its impact on profitability is limited, however, since the cost base of these subsidiaries is essentially in the same currency as their sales. The main currencies concerned are the pound sterling, the US dollar, the Canadian dollar and the Australian dollar.
- c. For certain Group businesses (commercial avionics and microwave systems, commercial space, etc.), the US dollar ("\$" or "USD") is the reference transaction currency. For business activities outside the dollar zone (the in-flight entertainment and connectivity business is based essentially in the United States and is therefore naturally immune to this risk), a specific currency risk hedging policy is implemented:
 - for equipment transactions (avionics and microwave systems), this policy is defined on the basis of sales forecasts in USD, after accounting for corresponding purchases in USD. For these transactions, net exposure to dollar risk represents around 3.5% of the Group's total sales for 2017,
 - for longer-term programmes in markets traditionally denominated in USD (primarily commercial space activities), each bid is examined for profitability in light of the effect of currency fluctuations, after accounting for corresponding purchases in USD, and, if necessary, is specifically hedged through market transactions (forward exchange-rate contracts and options).

Where necessary, a similar approach is adopted for other Thales activities if a customer specifically requires a contract denominated in USD on an ad hoc basis.

Overall, net exposure amounted to around 2% of the Group's total sales for 2017;

- as well as this direct dollar risk, which concerned around 5.5% in total of consolidated sales at end-2017, the Group is also exposed to an “indirect” dollar risk on contracts denominated in currencies other than the dollar. This occurs when it is bidding against companies that benefit from a cost base in dollars. At least one quarter of total sales may be exposed to this “indirect” dollar risk.

The “dollar risk” is thus the main currency risk that Thales needs to manage. The figures corresponding to the management of business-related dollar risk are as follows:

- \$2,496 million, the amount of financial instruments hedging net firm commitments (US dollar risk against the euro, Canadian dollar and pound sterling) at 31 December 2017 compared with \$2,985 million at 31 December 2016;
- financial instruments (forward transactions) used to hedge bids in US dollars against the euro, Canadian dollar and pound sterling amounted to zero at 31 December 2017 versus \$310 million at 31 December 2016.

Operating receivables and payables denominated in foreign currency are exchange-rate hedged and therefore not exposed to currency risk.

The change in the value of financial instruments (forward transactions) used to hedge cash flows is recognised in equity for the spot rate component. A decrease (increase) of 5% in the dollar against the main currencies (EUR, GBP and CAD), would have increased (decreased) shareholders’ equity by approximately €104 million at 31 December 2017 (€153 million at 31 December 2016). The premium/discount component is not eligible for hedge accounting and is recognised through profit and loss. In 2017, the change in market value of the premium/discount was -€5.3 million (compared to -€4.0 million in 2016).

The change in value of financial instruments used to hedge commercial bids which are not eligible for hedge accounting is recognised in profit and loss. A decrease (increase) of 5% in the dollar against the main currencies (EUR, GBP and CAD) would have had no impact on profit or loss at 31 December 2017 or 31 December 2016.

Foreign currency-denominated financial debt does not generate any exposure in profit and loss, as it is either denominated in the functional currency of the entity in which it is recognised or is used as a net foreign investment hedge.

b) Management of risks relating to foreign currency-denominated assets

The Group may hedge a portion of its foreign currency-denominated assets, mainly those likely to be disposed of. The main criteria for determining whether or not a given foreign currency denominated asset should be hedged are as follows:

- the nature of the business operations involved;
- the structure of Thales’s commitment with respect to jointly held companies, in particular the specific features of the shareholders’ agreement in each joint venture.
- The actual application of this policy also depends on:
- the objective of optimising hedges in light of market conditions (availability of foreign currency, interest rates, hedging rate, etc.);
- the risks inherent in the future value of the assets being hedged and the nature of the business of the corresponding subsidiaries.

SUMMARY OF ASSET RISKS AT 31 DECEMBER 2017 FOR THE MAIN CURRENCIES

(in € millions)	GBP zone	USD zone	AUD zone	Other currencies & eliminations	Total
Assets	1,989.6	1,652.5	963.9	17,037.5	21,643.5
Liabilities	2,093.1	1,424.3	489.5	12,081.1	16,088.0
Net position before hedging	(103.5)	228.2	474.4	4,956.4	5,555.5
Hedge	-	-	-	-	-
NET POSITION AFTER HEDGING	(103.5)	228.2	474.4	4,956.4	5,555.5

3.4 Shares

Thales was not exposed to any material equity risk at end-2017, excluding the risk on treasury shares.

At 31 December 2017, Thales held 568,739 treasury shares, representing 0.27% of the share capital.

3.5 Pension commitments

Defined-benefit pension plans are in place for certain Group employees, mainly in the UK, which are financed by the Group under the provisions of the applicable domestic legislation. As such, at 31 December 2017, Thales's pension commitments in the United Kingdom amounted to €4,431.8 million, hedged by €3,248.7 million in investments, representing an underlying shortfall of €1,183.1 million.

Changing market parameters can lead to a substantial increase or decrease in the amount of the shortfall and the annual costs of defined-benefit plans. At 31 December 2017, the main sensitivity factors were as follows:

- a decrease or increase in the discount rate applied to liabilities, which could increase or reduce the underlying shortfall; this variable is partly offset by changes in the value of fixed-rate hedging bonds held as plan assets and interest rate swaps;
- changes in the total return on investments in equities and other assets;
- changes in the forecast inflation rate;
- a substantial change in mortality tables;
- exchange rate fluctuations (mainly sterling against the euro).

Thales has introduced six-monthly reporting on its pension plan commitments and makes regular projections measuring the sensitivity of underlying shortfalls to possible market changes taking into account their correlations. In the UK, Thales plan assets are managed by trustees in accordance with the applicable regulations and in consultation with the Group. Plan assets are allocated with regard to the long-term maturity of the commitments they cover.

Additional information on the amount of commitments and the annual costs linked to pension and other employee benefits, as well as the valuation and allocation of plan assets and the sensitivity of net commitments to different actuarial assumptions is given in Note 9.3 of the consolidated financial statements at 31 December 2017.

3.6 Sureties, endorsements and guarantees granted by Thales (parent company)

Thales (parent company) issues sureties, endorsements and guarantees, primarily in support of commitments undertaken by its subsidiaries through commercial contracts. The Group's Corporate

Financing and Treasury Department centralises the issuance of these sureties, endorsements and guarantees.

They are issued out of an envelope of €4 billion, which is regularly delegated by the Board of Directors to the Chairman and CEO. Prior to each renewal of the Chairman's authorisation, the extent of use of this envelope, which is monitored by the Corporate Financing and Treasury Department, is notified to the Board.

As of 31 December 2017, outstanding sureties, endorsements and guarantees granted by Thales (parent company) to its subsidiaries amounted to €12,760.4 million. These guarantees include all commitments given in relation to Thales Alenia Space, which are backed by a counter guarantee from Leonardo in proportion to its interest in the capital of Thales Alenia Space (33%).

Thales has initiated a programme to control risks related to these sureties, endorsements and guarantees through the parent company and to optimise the financial terms of transactions guaranteed using these instruments with the following main objectives:

- to limit the risks to those corresponding to normal commitments in commercial contracts, particularly in terms of volume and duration;
- to limit their issuance to commitments made by wholly owned subsidiaries, with guarantees commitments involving business combinations or joint ventures only being issued in proportion to the Group's interest or counter-guaranteed by the other shareholder in proportion to its interest;
- to allow its subsidiaries to benefit, where appropriate, from the credit quality of Thales (parent company), by controlling the financial terms of guaranteed transactions.

3.7 Customer credit

Credit risk relates to the risk that a party to a contract will default on its commitments or fail to pay what it owes.

a) Risk of default by private sector customers

Non-governmental customers (aircraft manufacturers, airlines, private infrastructure operators and industry) account for approximately 25% of Thales's sales. These customers may encounter major and/or prolonged financial difficulties that could lead to payment defaults or order cancellations. Such occurrences could have a negative impact on the Group's sales, profitability and financial position.

To mitigate these risks, Thales conducts regular analyses of the ability of customers to meet their obligations. When necessary, Thales may request bank guarantees or corporate guarantees, or may use credit insurers.

b) Credit risk relating to public sector customers

Public, government and institutional customers account for around 75% of Thales's sales. Thales works with a large number of countries. Some of them could present a significant credit risk which could, for example, lead them to suspend an order in production, or render them unable to pay on delivery, as agreed under the terms of the contract. To limit its exposure to these risks, Thales takes out insurance with export credit agencies (such as BPIFrance) or private insurers.

At 31 December 2017, only three customers accounted for annual sales in excess of €500 million: the French government (around €2.8 billion), the UK government (around €1 billion) and the Australian government (around €0.7 billion). At 31 December 2017, these three countries had first-class or high-quality ratings (France was rated AA by S&P and Aa2 by Moody's, the United Kingdom was rated AA by S&P and Aa2 by Moody's, and Australia was rated AAA by S&P and Aaa by Moody's).

3.8 Insurance

Thales's Insurance and Risk Management department, based at head office and reporting to the SEVP Finance & Information Systems, is responsible for insurance activities and insurable risk management.

It is in charge of Group operations and oversees policy implementation by Group companies.

The Group is covered against the financial consequences of the risk of accidental damage suffered or caused by property or people using appropriate insurance policies with leading international insurance and reinsurance companies.

The insurance policies arranged by the Group to cover these major risks relate to areas such as:

- damage to property and consequent operating losses;
- transport;
- assembling and testing;
- aviation liability, including liability for aeronautical products and hull/test flight insurance;
- liability for space products;
- risks of damage to or by naval vessels by subsidiaries, as naval equipment suppliers;
- general third-party liability;
- environmental liability;
- liability of executive officers and directors;
- individual accident - repatriation assistance for employees on assignment;
- cyber liability.

The Group had no major loss in 2017.

The Group's policy is to arrange cover on the insurance market based on the rates and within the limits that it considers reasonable, in view of the conditions offered by the market. Insurance policies covering the major risks may be limited in terms of guarantee (application of limits), while general exclusions for the entire market (e.g. asbestos) also apply to Thales.

In 2017, the maximum coverage limit for insurance against damage to property and consequent operating losses was €1.3 billion. This limit takes into account the estimated maximum possible loss caused to an industrial site which the Group could incur in this regard. In 2017, the Group renewed a specific cover against cyber incidents (IT data attack) and damages that could compromise its internal IT systems.

Levels of liability cover depend on the quantification of a reasonable claim expectancy for Thales, as identified by the risk map of the main business activities and at Group level, and on cover capacity available on the insurance market. The insurance coverage for aviation liability commitments, which is covered by a specific programme, is capped at \$2 billion.

The insurance industry depends on the financial markets. There are therefore no guarantees that Thales will be able to maintain current levels of insurance under similar financial conditions in the future.

In order to reduce its exposure to insurance market volatility, Thales insures major risks on a two-tier basis:

- the Group's contribution, through captive insurance and reinsurance companies, towards the settlement of claims, to a maximum net retention of €12 million per year, for damage to property and consequent operating losses, transport, general third-party liability, assembling and testing, development and space risks;
- transfer to insurers of payment for catastrophic or high intensity losses.

In parallel, an active Prevention and Protection policy for industrial sites is designed to reduce the magnitude and frequency of the accidental risks of fire or explosion and to detect other exposures, such as environmental or natural disasters and the vulnerability of critical industrial facilities. In 2017, more than 70% of the assets insured were the subject of a "multi-peril" audit by the insurers during their visits to the principal operating sites and infrared thermography inspections by an outside organisation specialised in the prevention of electrical damage.

In accordance with Group processes, measures were taken to minimise business interruption and the consequences of any unforeseen events. An organisational structure and crisis management tools are in place to deal as efficiently as possible with the immediate consequences of a catastrophic event and to take the necessary emergency measures.

A risk prevention policy for critical supplier sites was also pursued to reduce the risk of operating losses for Thales in the event of an accidental disaster at one of their sites.

Furthermore, Thales continues to roll out an insurance policy for its staff to cover them in the context of their professional activity. Lastly, specific and/or local cover has been arranged to comply with the regulations in force and to satisfy the specific requirements of certain business activities or projects, particularly public-private partnerships.

B. RISK FACTORS RELATING TO THE NOTES

1 GENERAL RISKS RELATING TO THE NOTES

1.1 Independent Review and Advice.

Each prospective investor of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

A prospective investor may not rely on the Issuer or the Dealer(s) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

1.2 The trading market for debt securities may be volatile and may be adversely impacted by many events.

The market for debt securities issued by issuers is influenced by economic and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in Luxembourg, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

1.3 An active trading market for the Notes may not develop.

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. The Issuer and any of its subsidiaries are entitled to buy the Notes, as described in Condition 10 (*Redemption, Purchase and Options*), and the Issuer may issue further notes, as described in Condition 17 (*Further Issues*). Such transactions may favourably or adversely affect the price development of the Notes. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

1.4 Market Value of the Notes.

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including market interest and yield rates and the time remaining to the maturity date.

The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

1.5 Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in the Specified Currency as defined in "Terms and Conditions of the Notes" below. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

1.6 Credit risk.

The value of the Notes will also depend on the credit worthiness of the Issuer. If the credit worthiness of the Issuer deteriorates, it may not be able to fulfill all or part of its payment obligations under the Notes, the value of the Notes may decrease and investors may lose all or part of their investment.

1.7 Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions, insurance companies and other regulated entities should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

1.8 A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

1.9 Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Notes or to the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

1.10 Taxation.

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial Notes. Potential investors are advised not to rely upon the tax summary contained in this Base Prospectus and/or in the Final Terms

but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

1.11 Change of law.

The Conditions of the Notes are based on French law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to French law or administrative practice after the date of this Base Prospectus.

1.12 Modifications and waivers.

Subject to the provisions of the Final Terms, the Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *Masse*, as defined in Condition 15 (*Representation of Noteholders*). The Terms and Conditions of the Notes contain provisions for Noteholders to consider matters affecting their interest generally to be adopted either through a general meeting (the "**General Meetings**") or by consent following a written consultation (the "**Written Decisions**", together with the General Meetings, the "**Collective Decisions**"). The Terms and Conditions permit in certain cases defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant General Meeting or were not represented at the relevant meeting or did not consent to a Written Decision and Noteholders who voted in a manner contrary to the majority. In particular, Noteholders may be asked to decide on any proposal relating to the modification of the Terms and Conditions through Collective Decisions, subject to limitations provided by French law.

1.13 French insolvency law.

Subject to the provisions of the relevant Final Terms, the Noteholders, in respect of all Tranches in any Series, will be grouped automatically for the defence of their common interests in a *Masse*, as defined in Condition 15 (*Representation of Noteholders*). However, under French insolvency law, notwithstanding any clause to the contrary, holders of debt securities (*obligations*) are automatically grouped into a single assembly of holders (the "**Assembly**") in order to defend their common interests if a safeguard procedure (*procédure de sauvegarde*), an accelerated safeguard procedure (*procédure de sauvegarde accélérée*), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*) or a draft judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities (*obligations*) issued by the Issuer (including the Notes), whether or not under a debt issuance programme (EMTN).

The Assembly deliberates on the draft safeguard plan (*projet de plan de sauvegarde*), draft accelerated safeguard plan (*projet de plan de sauvegarde accéléré*), draft accelerated financial safeguard procedure (*projet de plan de sauvegarde financière accélérée*) or draft judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may further agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling and/or writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities held by the holders expressing a vote). No quorum is required on convocation of the Assembly. The holders whose rights are not modified by the proposed plan or who are to be fully repaid at the date of either (i) the adoption of the plan by the court or (ii) the admission of their claims in the insolvency estate do not participate in the vote.

For the avoidance of doubt, the provisions relating to the Representation of the Noteholders described in the Terms and Conditions of the Notes set out in this Base Prospectus will not be applicable with respect to the Assembly to the extent they conflict with compulsory insolvency law provisions that apply in these circumstances.

1.14 Transactions on the Notes could be subject to the European financial transaction tax (the "FTT"), if adopted.

On 14 February 2013, the European Commission published a proposal for a directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

During the last Ecofin meeting on 6 December 2016, EU Finance Ministers indicated that the Participating Member States will continue the discussions in relation to the FTT in January 2017 with a view to reaching an agreement by mid-2017.

However, the FTT proposal remains subject to negotiation between Participating Member States and its scope is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or Participating Member States may decide to withdraw. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

1.15 Potential Conflicts of Interest.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer may appoint a Dealer as Calculation Agent or Quotation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent or Quotation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent or Quotation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

1.16 The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to such "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Rate ("**EURIBOR**") and other indices which are deemed to be "benchmarks" are the subject of recent national, international and other

regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and has been in force since 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a "benchmark".

On 27 July 2017, the Chief Executive of the UK Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions of outstanding Floating Rate Notes of any Series, which may require a Collective Decision (as defined in Condition 15(a) of the Conditions) of the Noteholders of such Series, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which the LIBOR benchmark is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR benchmark which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

2 RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

2.1 The Notes may be redeemed prior to maturity.

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the jurisdiction of the Issuer or a political subdivision thereof or any authority therein or thereof having

power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If at the time of such redemption, the market interest rates are lower than at the time of the issuance of the relevant Notes, the amount received upon such early redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. As a consequence, part of the capital invested by the Noteholder may be lost, so that the Noteholder in such case would not receive the total amount of the capital invested. In addition, investors that choose to reinvest monies they receive through such early redemption may be able to do so only in securities with a lower yield than the redeemed Notes.

2.2 Partial redemption at the option of the Issuer or redemption at the option of the Noteholders.

Depending on the number of Notes of the same Series in respect of which a partial redemption of the Notes at the option of the Noteholders or at the option of the Issuer is made, any trading market in respect of those Notes in respect of which such option is not exercised may become illiquid.

2.3 Any early redemption at the option of the Issuer, if provided for in any Final Terms for a particular issue of Notes, could cause the yield anticipated by Noteholders to be considerably less than anticipated.

The Final Terms for a particular issue of Notes may provide for early redemption at the option of the Issuer. Such right of termination is often provided for bonds or notes in periods of high interest rates. If the market interest rates decrease, the risk to Noteholders that the Issuer will exercise its right of termination increases. As a consequence, the yields received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. As a consequence, part of the capital invested by the Noteholder may be lost, so that the Noteholder in such case would not receive the total amount of the capital invested. In addition, investors that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than the redeemed Notes. The Notes may also be redeemed early if an Acquisition Event (as described in Condition 10(h) (*Redemption on Acquisition Event*)) occurs.

The existence of an early redemption option in a particular Series of Notes could limit the market value of such Notes.

In particular, with respect to the Clean-up Call Option (Condition 10(g) (*Redemption, Purchase and Options – Clean-up Call Option*)), there is no obligation on the Issuer to inform investors if and when 80 per cent. or more of the original aggregate principal amount of the relevant Series of Notes has been redeemed or is about to be redeemed, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-up Call Option the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

3. RISKS RELATED TO INTEREST RATES

3.1 Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

3.2 Zero Coupon Notes are subject to higher price fluctuations than non-discounted bonds.

Changes in market interest rates have a substantially stronger impact on the prices of Zero Coupon Notes than on the prices of ordinary Notes because the discounted issue prices are substantially below par. If market interest rates increase, Zero Coupon Notes can suffer higher price losses than other Notes having the same maturity and credit rating. Due to their leverage effect, Zero Coupon Notes are a type of investment associated with a particularly high price risk.

3.3 Variable rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may

be even more volatile than those for securities that do not include those features.

3.4 Fixed Interest Rate Risk.

In relation to the Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. While the nominal interest rate of a fixed interest rate bond is fixed during the life of such a bond or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such bond changes in the opposite direction. If the market interest rate increases, the price of such bond typically falls, until the yield of such bond is approximately equal to the market interest rate. If the market interest rate decreases, the price of a fixed rate bond typically increases, until the yield of such bond is approximately equal to the market interest rate. Noteholders should be aware that movements of the market interest rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell Notes during the period in which the market interest rate exceeds the fixed rate of the Notes.

3.5 Fixed/Floating Rate Notes

The Fixed/Floating Rate Notes bear interest at a rate that, automatically or upon decision of the Issuer at a date specified in the Final Terms, can be converted from a fixed rate to a floating rate or from a floating rate to a fixed rate. The (automatic or optional) conversion may affect the secondary market and the market value of the Notes as it can lead to a reduction of the total borrowing costs. If a fixed rate is converted into a floating rate, the rate spread between the fixed rate and the floating rate may be less in favour than the rate spreads on comparable Floating Rate Notes that have the same reference rate. In addition, the new floating rate may be, at any time, lower than the interest rates of other Notes. If a floating rate is converted into a fixed rate, the fixed rate may be lower than the rates applicable to these Notes.

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall have the same meanings in this general description.

Issuer:	Thales
Arranger:	Société Générale
Dealers:	Banco Santander, S.A., Barclays Bank PLC, BNP PARIBAS, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities plc, MUFG Securities EMEA plc, Natixis, NatWest Markets Plc and Société Générale and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Description:	Euro Medium Term Note Programme.
Fiscal Agent:	CACEIS Corporate Trust
Listing and admission to trading:	Each Series may be listed on Euronext Paris and their admission to trading on the Regulated Market of the Euronext Paris and/or admitted to listing, trading and/or quotation by any other listing authority and/or quotation system, as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be unlisted.
Clearing Systems:	Euroclear France as central depository in relation to Dematerialised Notes and, in relation to Materialised Notes, Clearstream and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Programme Amount:	Up to €5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement. In the event of an increase to the Initial Programme Amount, a supplement to the Base Prospectus will be prepared by the Issuer.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue price, the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that in respect of Materialised Notes only, a Tranche may comprise Notes of different denominations.
Final Terms:	Each Tranche will be the subject of a Final Terms which, for the purposes of that Tranche only, completes the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as completed by the relevant Final Terms.
Forms of Notes:	Notes may be issued in either dematerialised form (" Dematerialised Notes ") or in materialised form (" Materialised Notes ").

Dematerialised Notes may, at the option of the Issuer, be issued in bearer dematerialised form (*au porteur*) or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder, in either fully registered form (*au nominatif pur*) or administered registered form (*au nominatif administré*) form. No physical documents of title will be issued in respect of Dematerialised Notes. See "Terms and Conditions of the Notes - Form, Denomination and Title".

Materialised Notes will be in bearer materialised form only. A temporary Global Certificate will be issued initially in respect of each Tranche of Materialised Notes. Materialised Notes may only be issued outside France. See "Terms and Conditions of the Notes - Form, Denomination and Title" below.

Initial delivery of Notes:	<p>No later than one Paris business day before the issue date of each Tranche of Dematerialised Notes, the <i>lettre comptable</i> relating to such Tranche shall be deposited with Euroclear France as central depository.</p> <p>On or before the issue date for each Tranche of Materialised Notes, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depository for Euroclear and Clearstream or with any other clearing system or may be delivered outside any clearing system <i>provided that</i> the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.</p>
Currencies:	<p>Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.</p>
Status of the Notes:	<p>Notes will be issued on an unsubordinated basis.</p>
Specified Denomination:	<p>Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).</p>
Issue Price:	<p>Notes may be issued at any price, as specified in the relevant Final Terms.</p>
Maturities:	<p>Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p>
Redemption:	<p>Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms.</p>

Redemption at the option of the Issuer:	The Final Terms issued in respect of each Series of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Acquisition Event Call Option:	If specified as applicable in the relevant Final Terms, the Issuer may redeem the Notes in the case of an Acquisition Event as described in Condition 10(h) (<i>Redemption on Acquisition Event</i>).
Tax Redemption:	Early redemption will also be permitted for tax reasons as described in Condition 10(b) (<i>Redemption, Purchase and Options – Redemption for tax reasons</i>).
Make-whole Redemption by the Issuer:	Unless specified as not being applicable in the relevant Final Terms in respect of any issue of Notes, the Issuer will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their Maturity Date at the Make-whole Redemption Amount.
Clean-up Call Option:	If the Clean-up Call Option is specified in the relevant Final Terms as being applicable, the Issuer may redeem, at par together with accrued interest (if any), all (but not some only) of the Notes of any Series for the time being outstanding, if, Notes representing an aggregate amount equal to or exceeding 80 per cent. of the original aggregate nominal amount of such Series (including any Notes which have been consolidated and form a single Series therewith) shall have been redeemed or purchased (and subsequently cancelled) by the Issuer in accordance with Condition 10(c) (<i>Redemption at the Option of the Issuer</i>) or Condition 10(f) (<i>Make-whole Redemption by the Issuer</i>).
Redemption at the option of the Noteholders:	The Final Terms in respect of each Series of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the holder of any such Note.
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or the FBF Definitions (as published by the Fédération Bancaire Française), each as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) either the (a) offered quotation or (b) the arithmetic mean of the offered quotations for the reference rate(s) which appears or appear, as the case may be, on the relevant screen page as at the relevant Screen

page time on the interest determination date in question

Interest periods will be specified in the relevant Final Terms. Linear Interpolation may apply to the calculation of interest with respect to Floating Rate Notes where so specified in the relevant Final Terms.

Fixed/Floating Rate Notes:	Fixed/Floating Rate Notes may bear interest at a rate (i) that the Issuer may elect to convert on the date set out in the Final Terms from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate or (ii) that will automatically change from a Fixed Rate to a Floating Rate or from a Floating Rate to a Fixed Rate on the date set out in the Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in “Terms and Conditions of the Notes”) may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms. For the avoidance of doubt, the minimum rate of interest shall never be less than zero.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 6 (<i>Negative Pledge</i>).
Events of Default:	There will be Events of Default and a cross default as described in Condition 14 (<i>Events of Default</i>).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of French withholding taxes, subject as provided in Condition 12 (<i>Taxation</i>). In the event that a deduction becomes due, the Issuer will (subject as provided in Condition 12 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Redenomination:	In respect of any Tranche of Notes, if the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Notes may be redenominated in euro in accordance with Condition 20 (<i>Redenomination, Renominalisation and Reconventioning</i>) if so specified in the relevant Final Terms.
Governing Law:	French law.
Ratings:	Unless otherwise specified in the applicable Final Terms, the Programme has been given a long-term public credit rating of A- and a short-term public credit rating of A-2 by Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw Hill Companies Inc. (" Standard & Poor's ") and a senior unsecured rating of A2 and a short-term rating of P-1 by Moody's Investors Service Limited (" Moody's "). Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. A credit rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension

or withdrawal at any time by the relevant rating organisation.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, France, The Netherlands and Japan, see "Subscription and Sale" below. Further restrictions may be required in connection with any particular issue of Notes. Any such further restrictions will be specified in the relevant Final Terms.

DOCUMENTS INCORPORATED BY REFERENCE

Copies of this Base Prospectus, any supplements hereto, any Final Terms relating to Notes which are listed on Euronext Paris and each document incorporated by reference will be available on the website of the Issuer (www.thalesgroup.com). Copies of this Base Prospectus, any supplements hereto and any Final Terms relating to Notes which are listed on Euronext Paris, will be available on the website of the AMF (www.amf-france.org)

This Base Prospectus shall be read and construed in conjunction with the following sections identified in paragraphs (a) – (c) and the cross-reference table below of the following documents which have been previously published and have been filed with the *Autorité des marchés financiers* ("AMF"). Such sections shall be incorporated in, and shall be deemed to form part of, this Prospectus:

- (a) the sections identified in the cross-reference table below of the 2017 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 30 March 2018 under no. D.18-0233, including the statutory audited consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2017 and the related notes thereto (the "**2017 Reference Document**") except for the third paragraph of the "Declaration by person responsible for the *Document de Référence*" on page 245 of the 2017 Reference Document;
- (b) the sections identified in the cross-reference table below of the 2016 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 5 April 2017 under no. D.17-0320, including the statutory audited consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2016 and the related notes thereto (the "**2016 Reference Document**") except for the third paragraph of the "Declaration by person responsible for the *Document de Référence*" on page 225 of the 2016 Reference Document; and
- (c) the terms and conditions set out in pages 41 to 66 of the base prospectus dated 30 May 2017 which received the visa no. 17-241 from the AMF (the "**2017 EMTN Conditions**"),

save that any statement contained in this Base Prospectus or in any document incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Base Prospectus and all documents incorporated by reference therein and English translations of the 2017 Reference Document and the 2016 Reference Document will be available on the website of the Issuer (www.thalesgroup.com).

In relation to each issue of Notes, this Base Prospectus shall be completed by the applicable Final Terms.

Rule	Prospectus Regulation – Annex IX	Document incorporated by reference	Page(s)
4.	INFORMATION ABOUT THE ISSUER		
4.1.	<u>History and development of the Issuer</u>	2017 Reference Document	4-5
4.1.1.	the legal and commercial name of the issuer	2017 Reference Document	176
4.1.2.	the place of registration of the issuer and its registration number		
4.1.3.	the date of incorporation and the length of life of the issuer, except where indefinite		
4.1.4.	the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office)		

5.	BUSINESS OVERVIEW		
5.1.	<u>Principal activities</u>		
5.1.1.	A brief description of the issuer's principal activities stating the main categories of products sold and/or services performed	2017 Reference Document	122-129
5.1.2.	The basis for any statements in the registration document made by the issuer regarding its competitive position	2017 Reference Document	122-129
6.	ORGANISATIONAL STRUCTURE		
6.1.	If the issuer is part of a group, a brief description of the group and of the issuer's position within it	2017 Reference Document	3 133-136
6.2.	If the Issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.	2017 Reference Document	112-113
7	TREND INFORMATION	2017 Reference Document	17
9.	ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES		
9.1.	Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital.	2017 Reference Document Not Applicable	140-147, 168 NA
9.2.	<u>Administrative, Management, and Supervisory bodies conflicts of interests</u> Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 9.1 and their private interests and or other duties must be clearly stated In the event that there are no such conflicts, a statement to that effect	2017 Reference Document	140-147 NA
10.	MAJOR SHAREHOLDERS		
10.1.	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom, and describe the nature of such control, and describe the measures in place to ensure that such control is not abused	2017 Reference Document	178-186
10.2.	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	Not Applicable	NA

11.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
11.1.	<p><u>Historical Financial Information</u> Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year</p> <p>If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:</p> <p>(a) the balance sheet</p> <p>(b) the income statement</p> <p>(c) the accounting policies and explanatory notes</p>	<p><i>Statutory Consolidated Financial Statements</i></p> <p>2017 Reference Document 38-39 2016 Reference Document 30-31</p> <p>2017 Reference Document 35 2016 Reference Document 27</p> <p>2017 Reference Document 42-83 2016 Reference Document 34-70</p>	
11.2	<p><u>Financial statements</u> If the issuer prepares both own and consolidated financial statements, include at least the consolidated financial statements in the registration document.</p>	<p><i>Statutory Consolidated Financial Statements</i></p> <p>2017 Reference Document 35-83 2016 Reference Document 27-71</p>	
11.3.	<u>Auditing of historical annual financial information</u>		
11.3.1.	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers, must be reproduced in full and the reasons given	<p><i>Statutory Consolidated Financial Statements</i></p> <p>2017 Reference Document 80-83 2016 Reference Document 70-71</p>	
11.3.3	Where financial data in the registration document is not extracted from the issuer's audited financial statements, state the source of the data and state that the data is unaudited.	<p><i>Adjusted Consolidated Data</i></p> <p>2017 Reference Document Not Applicable 2016 Reference Document Not Applicable</p>	

11.5.	<u>Legal and arbitration proceedings</u> Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement	2017 Reference Document	24-108
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SUPPLEMENT TO THE BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to the provisions of Article 16 of the Prospectus Directive and Article 212-25 of the *Règlement Général* of the AMF, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus or a further Base Prospectus, which in respect of any subsequent issue of Notes to be listed and admitted to trading on Euronext Paris or on a Regulated Market of a Member State of the European Economic Area, shall constitute a supplement to the Base Prospectus for the purpose of the relevant provisions of the Prospectus Directive.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes.

In the case of Dematerialised Notes, the text of the terms and conditions will not be endorsed on physical documents of title but will be constituted by the following text as completed by the relevant Final Terms. In the case of Materialised Notes, either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on Definitive Materialised Notes. All capitalised terms that are not defined in these Conditions (as defined below) will have the meanings given to them in the relevant Final Terms. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. Introduction

- (a) *Programme:* Thales (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €5,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions subject to completion by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are issued with the benefit of an agency agreement dated 29 June 2018 between the Issuer and CACEIS Corporate Trust, as fiscal agent and the other agents named in it (the "**Agency Agreement**"). The fiscal agent, the paying agent and the calculation agent for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agent**" (which expression shall include the Fiscal Agent and any additional Paying Agent) and the "**Calculation Agent**". Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of the Fiscal Agent and the Paying Agent.
- (d) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent and the Paying Agent.
- (f) *Miscellaneous:* The provisions of Article 1195 of the French *Code civil* shall not apply to these Conditions.

2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:
 - "**Accrual Yield**" has the meaning given in the relevant Final Terms;
 - "**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
 - "**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
 - "**Business Day**" means:
 - (i) in relation to any sum payable in euro, a TARGET2 Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
 - (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;
 - "**Business Day Convention**", in relation to any particular date, has the meaning given in the

relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" means that the relevant date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event that date shall be brought forward to the immediately preceding Business Day;
- (iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Day Count Fraction**" means (subject as provided in Condition 7 (*Fixed Rate Note Provisions*)), in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if "**Actual/Actual**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if "**Actual/Actual (FBF)**" is specified in the relevant Final Terms, the fraction whose numerator is the actual number of calendar days elapsed during such period and whose denominator is 365 (or 366 if 29 February falls within the Interest Period). If the Interest Period is of a duration of more than one (1) year, the basis shall be calculated as follows:
 - (A) the number of complete years shall be counted back from the last calendar day of the Interest Period; and
 - (B) this number shall be increased by the fraction for the relevant period calculated as set out in the first paragraph of this definition
- (iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if "**30E/360 (ISDA)**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately

following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the maturity date (as specified in the applicable Final Terms) or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case, the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

"**Early Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) any indemnity in respect of such indebtedness.

"**ICMA**" means the International Capital Markets Association;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility; or
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases,

but excluding any such indebtedness owed by one company within the Issuer's group of companies (including the Issuer) to another such company.

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final

Terms) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**outstanding**" means, in relation to the Notes of any Series, all the Notes issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid (i) in the case of Dematerialised Notes in bearer form and in administered registered form, to the relevant Account Holders on behalf of the Noteholder as provided in Condition 7(a) (*Payments and Talons – Dematerialised Notes*), (ii) in the case of Dematerialised Notes in fully registered form, to the account of the Noteholder as provided in Condition 7(a) (*Payments and Talons – Dematerialised Notes*) and (iii) in the case of Materialised Notes, to the Fiscal Agent as provided in the Agency Agreement and remain available for payment against presentation and surrender of Materialised Notes and/or Coupons, as the case may be, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled or purchased and held as provided in the Conditions, (e) in the case of Materialised Notes (i) those mutilated or defaced Materialised Notes that have been surrendered in exchange for replacement Materialised Notes, (ii) (for the purpose only of determining how many such Materialised Notes are outstanding and without prejudice to their status for any other purpose) those Materialised Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Materialised Notes have been issued and (iii) any Temporary Global Certificate to the extent that it shall have been exchanged for one or more Definitive Materialised Notes, pursuant to its provisions;

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency, *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Principal Subsidiary" means at any relevant time a Subsidiary of the Issuer at least 70 per cent. of whose share capital and voting rights are owned, directly or indirectly, by the Issuer and whose total assets and operating income (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets and consolidated operating income, as the case may be) attributable to the Issuer represent no less than 10 per cent. of the total consolidated assets and the consolidated operating income of the Issuer, all as calculated by reference to the then latest audited accounts (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its consolidated subsidiaries;

"Project Financing" means any financing of the acquisition, construction or development of any asset in connection with a particular project where, pursuant to the terms of the agreement or agreements under which the financing is provided, the creditors involved agree to look to the asset financed or the revenues to be generated by the operation of, or loss or damage to, the financed asset as the principal source of repayment and, once the asset, the acquisition, construction or development of which is being financed has been acquired, built or developed and is in use or operation, as the primary source of repayment for the monies to be advanced on the security of such asset;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms. The Rate of Interest shall at all times not be less than zero;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"Redemption Notice" means a notice in the form of Schedule 8 of the Agency Agreement which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond or note (*obligations*) instrument which at the time of issue is, or is intended by the Issuer to be, or which at any time thereafter the Issuer shall authorise to be, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Relevant Screen Page" means the page, section or other part of a particular information service

(including, without limitation, the Reuter Monitor Money Rates Service, Bloomberg and the Dow Jones Telerate Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest (*sûreté réelle*), including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means, in relation to any person or entity at any time, any other person or entity (whether or not now existing) as defined in article L233-1 of the French *Code de Commerce* or any other person or entity controlling directly or indirectly such person or entity within the meaning of article L233-3 of the French *Code de Commerce*;

"**Talon**" means a talon for further Coupons;

"**Treaty**" means the Treaty establishing the European Communities, as amended by the Treaty on European Union;

"**TARGET2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement; and
- (vii) if an expression is stated in paragraph (a) above to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

3. Form, Denomination and Title

(a) **Form:** Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**"), as specified in the relevant Final Terms.

- (i) Title to Dematerialised Notes will be evidenced in accordance with Articles L.211-3 *et seq.* and R.211-1 of the French *Code monétaire et financier* (the "**Code**") by book entries (*inscriptions en compte*). No physical document of title (including *certificats*

représentatifs pursuant to Article R.211-7 of the Code) will be issued in respect of the Dematerialised Notes.

Dematerialised Notes are issued, at the option of the Issuer, in either bearer dematerialised form (*au porteur*), which will be inscribed in the books of Euroclear France ("**Euroclear France**", acting as central depository) which shall credit the accounts of Account Holders (as defined below), or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder in either administered registered form (*au nominatif administré*) inscribed in the books of an Account Holder or in fully registered form (*au nominatif pur*) inscribed in an account in the books of Euroclear France maintained by the Issuer or the registration agent (designated in the relevant Final Terms) acting on behalf of the Issuer (the "**Registration Agent**").

Unless this option is expressly excluded in the relevant Final Terms in accordance with the provisions of Article L.228-2 of the French *Code de commerce*, the Issuer may at any time request from the central depository the following identification information of the holders of Dematerialised Notes in bearer form (*au porteur*): the name or the company name, nationality, date of birth or year of incorporation and mail address or, as the case may be, e-mail address as well as the quantity of Notes held by each of them and any restrictions applicable to the Notes.

For the purpose of these Conditions, "**Account Holder**" means any authorised financial intermediary institution entitled, either directly or indirectly, to hold accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank SA/NV, as operator of the Euroclear System ("**Euroclear**") and the depository bank for Clearstream Banking, S.A. ("**Clearstream**").

- (ii) Materialised Notes are issued in bearer form only. Materialised Notes are serially numbered and are issued with coupons (the "**Coupons**") (and, where appropriate, a talon (the "**Talon**")) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

In accordance with Articles L.211-3 *et seq.* and R. 211-1 of the Code, securities (such as Notes) which are governed by French law and are in materialised form must be issued outside the French territory.

- (b) **Denomination:** Notes shall be issued in the specified denomination set out in the relevant Final Terms (the "**Specified Denomination**") save that the minimum denomination of each Note admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such other currency at the issue date or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency). Dematerialised Notes shall be issued in one Specified Denomination only.

(c) **Title:**

- (i) Title to Dematerialised Notes in bearer dematerialised form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of Account Holders. Title to Dematerialised Notes in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of the Issuer or the Registration Agent.
- (ii) Title to Materialised Notes in definitive form having, where appropriate, Coupons and/or a Talon attached thereto on issue ("**Definitive Materialised Notes**"), shall pass by delivery.

- (iii) Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.
- (iv) In these Conditions, "**Noteholder**", "**holder of Notes**" or, as the case may be, "**holder of any Note**" means (i) in the case of Dematerialised Notes, the person whose name appears in the account of the relevant Account Holder or the Issuer or the Registration Agent (as the case may be) as being entitled to such Notes and (ii) in the case of Materialised Notes, the bearer of any Definitive Materialised Note and the Coupons, or Talon relating to it, and capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

4. Conversion and Exchanges of Notes

(a) Dematerialised Notes

- (i) Dematerialised Notes issued in bearer dematerialised form (*au porteur*) may not be converted into Dematerialised Notes in registered dematerialised form, whether in fully registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*).
- (ii) Dematerialised Notes issued in registered dematerialised form (*au nominatif*) may not be converted into Dematerialised Notes in bearer dematerialised form (*au porteur*).
- (iii) Dematerialised Notes issued in fully registered form (*au nominatif pur*) may, at the option of the Noteholder, be converted into Notes in administered registered form (*au nominatif administré*), and *vice versa*. The exercise of any such option by such Noteholder shall be made in accordance with Article R.211-4 of the Code. Any such conversion shall be effected at the cost of such Noteholder.

(b) Materialised Notes

Materialised Notes of one Specified Denomination may not be exchanged for Materialised Notes of another Specified Denomination.

5. Status

The Notes constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6. Negative Pledge

So long as any of the Notes, and if applicable any Coupons relating to them remain outstanding, the Issuer shall not, and the Issuer shall procure that its Principal Subsidiaries will not, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes and Coupons equally and rateably therewith or (b) providing such other security for the Notes as may be approved at a General Meeting of the Noteholders.

The above provision shall not apply to the following:

- (a) any Security Interest existing at the time of acquisition of any asset acquired by it after the Issue Date and not created in contemplation of that acquisition;
- (b) any Security Interest to secure Indebtedness incurred in connection with any Project Financing; or
- (c) any Security Interest upon any of its present or future assets or revenues which is created

pursuant to any securitisation arrangement whereby the Relevant Indebtedness secured by such Security Interest is limited to the value of such assets or revenues.

7. Fixed Rate Note Provisions

- (a) *Application:* This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments and Talons*). Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after date upon which the Fiscal Agent has received the full amount of the moneys payable and has notified the Noteholders to such effect.
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Regular Interest Periods:* If all of the Interest Payment Dates fall at regular intervals between the Issue Date and the Maturity Date, then:
- (i) the Notes shall for the purposes of this Condition 7 be "Regular Interest Period Notes";
 - (ii) the day and month (but not the year) on which any Interest Payment Date falls shall for the purposes of this Condition 7 be a "Regular Date"; and
 - (iii) each period from and including a Regular Date falling in any year to, but excluding the next succeeding Regular Date shall for the purposes of this Condition 7 be a "Regular Period".
- (e) *Irregular first or last Interest Periods:* If the Notes would be Regular Interest Period Notes but for the fact that either or both of:
- (i) the interval between the Issue Date and the first Interest Payment Date; and
 - (ii) the interval between the Maturity Date and the immediately preceding Interest Payment Date,
- is longer or shorter than a Regular Period, then the Notes shall nevertheless be deemed to be Regular Interest Period Notes, *provided, however, that* if the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, the day and month on which the Maturity Date falls shall not be a "Regular Date".
- (f) *Irregular interest amount:* If the Notes are Regular Interest Period Notes, the amount of interest payable in respect of each Note for any period which is not a Regular Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Day Count Fraction:* In respect of any period which is not a Regular Period the relevant day count fraction (the "**Day Count Fraction**") shall be determined in accordance with the following provisions:
- (i) if the Day Count Fraction is specified in the relevant Final Terms as being 30/360, the relevant Day Count Fraction will be the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360;
 - (ii) if the Day Count Fraction is specified in the relevant Final Terms as being Actual/Actual (ICMA) and the relevant period falls during a Regular Period, the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A)

the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; and

- (iii) if the Day Count Fraction is specified in the relevant Final Terms as being Actual/Actual (ICMA) and the relevant period begins in one Regular Period and ends in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:
 - (A) the number of days in the relevant period falling within the first such Regular Period divided by the product of (1) the number of days in the first such Regular Period and (2) the number of Regular Periods in any period of one year; and
 - (B) the number of days in the relevant period falling within the second such Regular Period divided by the product of (1) the number of days in the second such Regular Period and (2) the number of Regular Periods in any period of one year.
- (h) *Number of days:* For the purposes of this Condition 7, unless the Day Count Fraction is specified in the relevant Final Terms as being 30/360 (in which case the provisions of paragraph (g)(i) above shall apply), the number of days in any period shall be calculated on the basis of actual calendar days from and including the first day of the relevant period to but excluding the last day of the relevant period.

8. Floating Rate Note Provisions

- (a) *Application:* This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments and Talons*). Each Note will cease to bear interest from the due date for redemption unless (i) in the case of Dematerialised Notes, on such due date or (ii) in the case of Materialised Notes, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the date upon which the Fiscal Agent has received the full amount of the moneys payable and has notified the Noteholders to such effect.
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the

first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *FBF Determination:* Where FBF Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant FBF Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (B), "**FBF Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Transaction under the terms of an agreement incorporating the FBF Definitions and under which:
- (i) the Floating Rate is as specified in the relevant Final Terms, and
 - (ii) the relevant Floating Rate Determination Date (*Date de Détermination du Taux Variable*) is the first calendar day of that Interest Accrual Period unless otherwise specified in the relevant Final terms.

For the purposes of this sub-paragraph (B), "**Floating Rate**" (*Taux Variable*), "**Calculation Agent**" (*Agent*), "**Floating Rate Determination Date**" (*Date de Détermination du Taux Variable*) and "**Transaction**" (*Transaction*) have the meanings given to those terms in the FBF Definitions, provided that Euribor means the rate calculated for deposits in euro which appears on Reuters Page EURIBOR01, as more fully described in the relevant Final Terms. "**FBF Definitions**" means the definitions set out in the 2007 FBF Master Agreement relating to transactions on forward financial instruments as supplemented by the Fédération Bancaire Française (together the "**FBF Master Agreement**"), unless otherwise specified in the relevant Final Terms. Investors should consult the Issuer should they require a copy of the FBF Definitions.

- (f) *Linear Interpolation:* Where Linear Interpolation is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Final Terms as applicable), the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Final Terms as applicable) or the relevant Floating Rate (where FBF Determination is specified in the relevant Final Terms as applicable) one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available (as determined by the Calculation Agent in relation to the

relevant Series in accordance with clauses 8(c) or 8(d), as applicable, above) next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available (as determined by the Calculation Agent in relation to the relevant Series in accordance with clauses 8(c) or 8(d), as applicable, above) next longer than the length of the relevant Interest Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (g) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. The Minimum Rate of Interest shall at all times not be less than zero.
- (h) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction.
- (i) *Giving of Notices:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and each stock exchange (if any) on which the Notes are then listed as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (k) *Fixed/Floating Rate Notes:* Fixed/Floating Rate Notes are Notes for which a change of interest basis (the "**Change of Interest Basis**") is specified to be applicable in the relevant Final Terms.

Fixed/Floating Rate Notes may bear interest at a rate that:

- (i) the Issuer may elect to convert on the date set out in the Final Terms (the "**Switch Date**") from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate. The Issuer election to change the interest basis (the "**Issuer Change of Interest Basis**") will be deemed effective upon receipt of a valid notification sent by the Issuer, in accordance with Condition 18 (*Notices*), to the relevant Noteholders within the period specified in the relevant Final Terms; or
- (ii) will automatically change from a Fixed Rate to a Floating Rate or from a Floating Rate to a Fixed Rate on the date set out in the Final Terms (the "**Automatic Change of Interest Basis**").

9. Zero Coupon Note Provisions

- (a) *Application:* Unless otherwise specified in the applicable Final Terms, this Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an

amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. Redemption, Purchase and Options

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount, which shall be the principal amount of such Note unless another amount is specified in the applicable Final Terms, on the Maturity Date, subject as provided in Condition 11 (*Payments and Talons*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if neither the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 calendar days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of France or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided, however, that* no such notice of redemption shall be given earlier than:
 - (1) where the Notes may be redeemed at any time, 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
 - (2) where the Notes may be redeemed only on an Interest Payment Date, 60 calendar days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

In addition, if the Issuer would on the occasion of the next payment due under the Notes, and in the reasonable opinion of a duly authorised officer of the Issuer having knowledge of such matters, be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained above, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall forthwith redeem all, but not some only, of the Notes then outstanding, upon giving not less than 30 nor more than 60 calendar days' irrevocable notice to the Noteholders, provided that the due date for redemption of which notice hereunder shall be given, shall be the latest practicable date on which the Issuer could make payment without withholding for French taxes, or if such date is past, as soon as practicable thereafter.

Notes redeemed pursuant to this Condition 10(b) will be redeemed at their Early Redemption Amount, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

- (c) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so

specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 calendar days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- (d) *Partial redemption:* If only some of the Notes of a Series are to be redeemed or subject to the exercise of an Issuer's option, on such date (i) in the case of Materialised Notes, the Fiscal Agent shall make the drawing that is required in accordance with the Conditions and, where applicable, the Issuer shall be entitled to send representatives to attend such drawing and (ii) in the case of Dematerialised Notes, such partial redemption shall be made by reducing the aggregate nominal amount of all such Dematerialised Notes in a Series in proportion to the aggregate nominal amount redeemed.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Redemption Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. To exercise such option the Noteholder must deposit with any Paying Agent at its specified office during usual business hours a duly completed option exercise notice (the "**Exercise Notice**") in the form obtained during usual business hours from any Paying Agent or the Registration Agent, as the case may be, within the notice period. Such notice shall, in the case of Materialised Notes, have attached to it such Note (together with all unmatured Coupons and unexchanged Talons). In the case of Dematerialised Notes, the Noteholder shall transfer, or cause to be transferred, the Dematerialised Notes to be redeemed to the account of the Principal Paying Agent specified in the Exercise Notice. No option so exercised and, where applicable, no Note so deposited or transferred may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer;
- (f) *Make-whole Redemption by the Issuer:*

Unless specified as not being applicable in the relevant Final Terms, the Issuer may, having given:

- (a) not less than 15 nor more than 30 calendar days' notice to the Noteholders in accordance with Condition 18 (*Notices*); and
- (b) not less than 15 days before the giving of notice referred to in (a) above, notice to the Fiscal Agent, the Quotation Agent and such other parties as may be specified in the Final Terms,

(which notices shall be irrevocable and shall specify the date fixed for redemption (each such date, a "**Make-whole Redemption Date**") redeem, in whole or in part, the Notes then outstanding at any time prior to their Maturity Date at their relevant Make-whole Redemption Amount.

"**Calculation Date**" means the third Business Day (as defined above) prior to the Make-whole Redemption Date.

"**Make-whole Redemption Amount**" means the sum of:

- (i) the greater of (x) the Final Redemption Amount of the Notes so redeemed and (y) the sum of the then present values of the remaining scheduled payments of principal and interest on such Notes (excluding any interest accruing on the Notes to, but excluding, the relevant Make-whole Redemption Date) discounted to the relevant Make-whole Redemption Date on either an annual or a semi-annual basis (as specified in the relevant Final Terms) at the Make-whole Redemption Rate plus a Make-whole Redemption Margin; and
- (ii) any interest accrued but not paid on the Notes to, but excluding, the Make-whole Redemption Date,

as determined by the Quotation Agent and as notified on the Calculation Date by the Quotation Agent to the Issuer, the Fiscal Agent and such other parties as may be specified in the Final Terms.

"**Make-whole Redemption Margin**" means the margin specified as such in the relevant Final Terms.

"**Make-whole Redemption Rate**" means the average of the four quotations given by the Reference Dealers of the mid-market yield to maturity of the Reference Security on the third

Business Day preceding the Make-whole Redemption Date at 11:00 a.m. (Central European Time ("CET"))).

"Quotation Agent" means any Dealer or any other international credit institution or financial services institution appointed by the Issuer for the purpose of determining the Make-whole Redemption Amount, in each case as such Quotation Agent is identified in the relevant Final Terms.

"Reference Dealers" means each of the four banks, as specified in the relevant Final Terms, selected by the Quotation Agent, which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues.

"Reference Security" means the security specified as such in the relevant Final Terms. If a Reference Security is no longer outstanding, a Similar Security will be chosen by the Quotation Agent at 11:00 a.m. (CET) on the third Business Day preceding the Make-whole Redemption Date, quoted in writing by the Quotation Agent to the Issuer and published in accordance with Condition 18 (*Notices*).

"Similar Security" means a reference bond or reference bonds issued by the same issuer as the Reference Security having actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Quotation Agent shall (in the absence of manifest error) be final and binding upon all parties.

In the case of a partial redemption of Notes, the relevant provisions of Condition 10(d) (*Partial Redemption*) shall apply *mutatis mutandis* to this Condition 10(f).

- (g) *Clean-up call option:* If the Clean-up Call Option is specified in the relevant Final Terms as being applicable, the Issuer may, having given not less than 15 nor more than 30 calendar days' notice to the Noteholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the Notes of any Series for the time being outstanding, if, immediately prior to the date that such notice is given, Notes representing an aggregate amount equal to or exceeding 80 per cent. of the original aggregate nominal amount of such Series (including, for the avoidance of any doubt, any Notes which have been consolidated and form a single Series therewith) shall have been redeemed or purchased (and subsequently cancelled) by the Issuer other than by way of a redemption at the option of the Issuer in accordance with Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 10(f) (*Make-whole Redemption by the Issuer*). Any such redemption shall be at par together, if appropriate, with any interest accrued to the date fixed for redemption.

- (h) *Redemption on Acquisition Event:*

If the Acquisition Event Call Option is specified as applicable in the relevant Final Terms, if an Acquisition Event (as defined below) occurs, and provided that the Issuer has given notice to the Noteholders, in accordance with Condition 18 (*Notices*) and on or prior to 12 months after the Issue Date of the relevant Series of Notes, that the Acquisition Event has occurred, then the Issuer may at any time within 60 days following such notice, subject to having given notice to the Fiscal Agent and, in accordance with Condition 18 (*Notices*), the Noteholders (which notice shall be irrevocable) not more than 45 nor less than 30 days before the redemption, redeem all, but not some only, of the Notes at the Acquisition Event Redemption Amount specified in the relevant Final Terms together, if appropriate, with any interest accrued to the date fixed for redemption. The Issuer may waive its right to call the Notes in accordance with this Condition 10(h) by giving notice (which shall be irrevocable) pursuant to Condition 18 (*Notices*).

An **"Acquisition Event"** shall have occurred if:

- (i) the Issuer has not completed and closed the acquisition of Gemalto which was announced in a press release dated 17 December 2017; or
 - (ii) the Issuer has publicly stated that it no longer intends to pursue the acquisition of Gemalto.
- (i) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (h) above.

- (j) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (k) *Purchase:* The Issuer and any of its Subsidiaries may at any time purchase Notes (provided that, in the case of Materialised Notes, all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price, subject to the applicable laws and/or regulations. All Notes so purchased by the Issuer may be held and resold in accordance with Articles L.213-0-1 and D. 213-0-1 of the Code for the purpose of enhancing the liquidity of the Notes.
- (l) *Cancellation:* All Notes purchased by or on behalf of the Issuer may, at its sole option, be held or cancelled in accordance with applicable laws and regulations. Notes will be cancelled, in the case of Dematerialised Notes, by transfer to an account in accordance with the rules and procedures of Euroclear France and, in the case of Materialised Notes, by surrendering the Temporary Global Certificate and the Definitive Materialised Notes in question together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, in each case, if so transferred or surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Notes, all rights relating to payment of interest and other amounts relating to such Dematerialised Notes and, in the case of Materialised Notes, all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so cancelled or, where applicable, transferred or surrendered for cancellation may not be re-issued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged. To the extent that the Notes are admitted to trading on Euronext Paris, the Issuer will inform Euronext about such cancellation.

11. Payments and Talons

- (a) *Dematerialised Notes:* Payments of principal and interest in respect of Dematerialised Notes shall, in the case of Dematerialised Notes in bearer dematerialised form or administered registered form, be made by transfer to the account denominated in the relevant currency of the relevant Account Holders for the benefit of the Noteholders and, in the case of Dematerialised Notes in fully registered form, to an account denominated in the relevant currency with a Bank designated by the Noteholders. All payments validly made to such Account Holders will be an effective discharge of the Issuer in respect of such payments.
- (b) *Materialised Notes:* Payments of principal and interest in respect of Materialised Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 11(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 11(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET2 System.
- (c) *Payments in the United States:* Notwithstanding the foregoing, if any Materialised Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar

restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (d) *Payments Subject to Fiscal Laws:* All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Appointment of Agents:* The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed at the end of this Base Prospectus. The Fiscal Agent, the Paying Agents and the Registration Agent act solely as agents of the Issuer and, in each such case, do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent and the Registration Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities (including Paris so long as the Notes are admitted to trading on Euronext Paris and in such other city so long as the Notes are admitted to trading on any other Regulated Market), (iv) in the case of Dematerialised Notes in fully registered form, a Registration Agent and (v) such other agents as may be required by any other Stock Exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Notes denominated in U.S. Dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 18 (*Notices*) below.

- (f) **Unmatured Coupons and unexchanged Talons:**
 - (i) Unless Materialised Notes provide that the relevant Coupons are to become void upon the due date for redemption of those Notes, Materialised Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 13 (*Prescription*)).
 - (ii) If Materialised Notes so provide, upon the due date for redemption of any such Materialised Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Materialised Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Where any Materialised Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Materialised Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (v) If the due date for redemption of any Materialised Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Definitive Materialised Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Definitive Materialised Note.
- (vi) The provisions of paragraph (i) of this Condition 11(f) notwithstanding, if any Note should be issued with a maturity date and Interest Rate or Rates such that, on the presentation for payment of any such Notes without all unmatured Coupons attached thereto or surrendered therewith, the amount required by such paragraph (i) to be deducted in respect of such missing unmatured Coupons would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Note, such missing unmatured Coupons shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of such paragraph (i) in respect of such Coupons as have not so become void, the amount required by such paragraph (i) to be deducted would not be greater than the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or the Make-Whole Redemption Amount, as the case may be, otherwise due for payment (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupons that the sum of principal so paid bears to the total principal due). Where the application of the foregoing sentence requires some but not all of such missing unmatured Coupons relating to a Note to become void, the relevant Paying Agent shall determine which missing unmatured Coupons (or proportion thereof) are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13 (*Prescription*)).
- (h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the Noteholder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Notes, on which Euroclear France is open for business or (ii) in the case of Materialised Notes, on which banks and foreign exchange markets are open for business in the relevant place of presentation, (B) on which banks and foreign exchange markets are open for business in such jurisdictions as shall be specified as "**Financial Centres**" in the relevant Final Terms and (C) (i) (in the case of a payment in a currency other than Euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in Euro), which is a TARGET Business Day.

12. Taxation

- (a) **Withholding Tax:** All payments of principal and interest (if any) by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges whatsoever imposed or levied by or on behalf of France or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.
- (b) **Additional Amounts:** In the event that French law should require that any payments in respect of the Notes or the Coupons (if relevant) be subject to deduction or withholding with respect to any present or future taxes, duties, assessments or other governmental charges whatsoever

imposed or levied by or on behalf of the Republic of France, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders (if relevant) of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a holder (including a beneficial owner (*ayant droit*)) which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with France other than the mere holding (or beneficial ownership) of such Note or Coupon;
- (ii) by or on behalf of a holder who could avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so; or
- (iii) in relation to holders of Materialised Notes only, more than 30 calendar days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 calendar days; or
- (iv) in relation to holders of Materialised Notes only, by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

13. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or 5 years (in the case of interest) from the appropriate Relevant Date in respect of them.

14. Events of Default

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal or interest in respect of the Notes and such default is not remedied within a period of 15 calendar days from such date; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 calendar days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent requiring such default to be remedied; or
- (c) *Cross-default*:
 - (i) any Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default of the Issuer; or
 - (iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of any Indebtedness or within any originally applicable grace period;

provided that (a) the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €100,000,000 (or its equivalent in any other currency or currencies) and (b) such Indebtedness shall not include Indebtedness incurred in connection with Project Financing; or

- (d) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer; or
- (e) *Insolvency, etc*: if the Issuer enters into an amicable settlement (*accord amiable*) with its creditors or a judgement is issued for the judicial liquidation (*liquidation judiciaire*) or for a judicial transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer or, to the extent permitted by applicable law, if the Issuer makes any conveyance, assignment or other arrangement for the

benefit of its creditors or enters into a composition with its creditors; or

- (f) *Winding up, etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to a Permitted Transfer); or
- (g) *Analogous event*: any event occurs which under the laws of France has an analogous effect to any of the events referred to in paragraphs (d) to (f) above,

then the Representative (as defined in Condition 15 (*Representation of Noteholders*)), upon request of any Noteholder, may give written notice to the Issuer and the Fiscal Agent at its specified office that all the Notes held by such Noteholder are immediately repayable, whereupon the Early Redemption Amount of such Notes together with accrued interest to the date of payment shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Issuer and the Fiscal Agent.

For the purposes of this Condition 14, "**Permitted Transfer**" means (a) any merger, amalgamation or group reorganisation either (i) where the surviving legal entity acquires the whole or substantially the whole of the assets of the Issuer and expressly and effectively or by law assumes all its obligations with respect to the Notes and has obtained all necessary authorisations therefor or (ii) the terms of which have been previously approved at a General Meeting.

15. Representation of Noteholders

The Noteholders will, in respect of all Tranches of the relevant Series, be grouped automatically for the defence of their common interests in a *masse* (the "**Masse**") which will be governed by the provisions of articles L.228-46 *et seq.* of the French *Code de Commerce* as amended by this Condition 15.

The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which may accrue with respect to the Notes, without prejudice to the rights that Noteholders may exercise individually in accordance with, and subject to, the provisions of the Conditions of the Notes.

(a) *Legal Personality of the Masse*

The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through collective decisions of the Noteholders (the "**Collective Decisions**").

(b) *Representative*

The names and addresses of the Representative and its alternate (if any), will be set out in the relevant Final Terms. The Representative appointed in respect of the first Tranche of the Series of Notes will be the Representative of the single Masse of all subsequent Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its functions or duties as set out in the relevant Final Terms. No additional remuneration is payable in relation to any subsequent Tranche of any given Series.

In the event of death, liquidation, retirement, resignation or revocation of appointment of the Representative, such Representative will be replaced by its alternate, if any. Another Representative may be appointed. Collective Decisions in relation to the appointment or replacement of the Representative shall be published in accordance with Condition 15(j).

All interested parties will at all times have the right to obtain the name and address of the Representative and the alternate Representative at the head office of the Issuer.

(c) *Powers of Representative*

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests

of the Noteholders.

All legal proceedings against the Noteholders or initiated by them must be brought by or against the Representative.

(d) *Collective Decisions*

Collective Decisions are adopted either (i) in a general meeting (the "**General Meeting**"), or (ii) by unanimous consent of the Noteholders following a written consultation (the "**Written Unanimous Decisions**"), or (iii) by the consent of one or more Noteholders holding together at least 75 per cent. of the principal amount of the Notes outstanding, following a written consultation (the "**Written Majority Decisions**", and together with the Written Unanimous Decisions, the "**Written Decisions**").

In accordance with Article R.228-71 of the French Code de commerce, the rights of each Noteholder to participate in Collective Decisions will be evidenced by the entries in the books of the relevant Account Holder or the Issuer or the Registration Agent (as the case may be) of the name of such Noteholder as of 0:00 Paris time, on the second (2nd) business day in Paris preceding the date set for the Collective Decision.

Collective Decisions must be published in accordance with Condition 15(j).

The Issuer shall hold a register of the Collective Decisions and shall make it available, upon request, to any subsequent holder of any of the Notes of such Series.

(e) *General Meetings*

A General Meeting may be called at any time, either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30) of the principal amount of Notes outstanding, may address to the Issuer and the Representative a demand for a General Meeting to be called. If such General Meeting has not been called within two (2) months after such demand, the Noteholders may commission one of them to petition the competent court to appoint an agent (mandataire) who will call the General Meeting.

General Meetings may deliberate validly on first convocation only if the Noteholders present or represented hold at least one-fifth (1/5) of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. The decisions of the General Meeting shall be taken by a two-third (2/3) majority of votes held by the Noteholders attending such General Meeting or represented thereat.

Notice of the date, time, place and agenda of any General Meeting will be published in accordance with Condition 15(j) not less than fifteen (15) calendar days prior to the date of the General Meeting on first convocation and not less than five (5) calendar days prior to the date of the General Meeting on second convocation.

Each Noteholder has the right to participate in a General Meeting in person, by proxy or by correspondence.

Each Noteholder or representative thereof will have the right to consult or make a copy of the text of the resolutions which will be proposed and of the reports, if any, which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer and at any other place specified in the notice of the General Meeting, during the fifteen (15) calendar day period preceding the holding of the General Meeting on first convocation, or during the five (5) calendar day period preceding the holding of the General Meeting on second convocation.

The General Meeting is chaired by the Representative. In the event of the absence of a representative at the start of a General Meeting and if no Noteholder is present or represented at the General Meeting, the Issuer may, notwithstanding the provisions of article L.228-64 of the French *Code de commerce*, designate a provisional chairman until a new Representative has been appointed

(f) *Written Decisions*

At the initiative of the Issuer, Collective Decisions may also be taken by Written Unanimous Decisions or Written Majority Decisions.

i. *Written Unanimous Decision*

Written Unanimous Decisions shall be signed by or on behalf of all the Noteholders without having to comply with formalities and time limits referred to in Condition 15(e). Approval of a Written Unanimous Decision may also be given by way of electronic communication allowing the identification of Noteholders in accordance with Article L.228-46-1 of the French Code de commerce ("**Electronic Consent**"). Any such decision shall, for all purposes, have the same effect as a resolution passed at a General Meeting of such Noteholders. Such Written Unanimous Decision may be contained in one document, or in several documents in like form each signed by or on behalf of one or more of such Noteholders, and shall be published in accordance with Condition 15(j).

ii. *Written Majority Decision*

Notices seeking the approval of a Written Majority Decision, which shall include the text of the proposed resolutions together with any report thereon, will be published as provided under Condition 15(j) no less than fifteen (15) calendar days prior to the date fixed for the passing of such Written Majority Decision (the "**Written Majority Decision Date**"). Notices seeking the approval of a Written Majority Decision will contain the conditions of form and time limits to be complied with by the Noteholders who wish to express their approval or rejection of such proposed Written Majority Decision. Noteholders expressing their approval or rejection before the Written Majority Decision Date will undertake not to dispose of their Notes until after the Written Majority Decision Date.

Written Majority Decisions shall be signed by one or more Noteholders holding together at least 75 per cent. of the principal amount of the Notes outstanding. Approval of a Written Majority Decision may also be given by Electronic Consent. Any Written Majority Decision shall, for all purposes, have the same effect as a resolution passed at a General Meeting of the Noteholders. Such Written Majority Decisions may be contained in one document, or in several documents in like form each signed by or on one behalf of one or more of the Noteholders, and shall be published in accordance with Condition 15(j).

(g) *Expenses*

The Issuer shall pay all expenses relating to the operations of the Masse, including all expenses relating to the calling and holding of Collective Decisions and, more generally, all administrative expenses resolved upon by Collective Decisions, it being expressly stipulated that no expenses may be imputed against interest payable under the Notes.

(h) *Single Masse*

The holders of Notes of the same Series, and the holders of Notes of any other Series which have been assimilated with the Notes of such first-mentioned Series in accordance with Condition 17 (*Further Issues*), shall, for the defence of their respective common interests, be grouped in a single Masse.

(i) *Sole Noteholder*

If and for so long as the Notes of any Series are held by a sole Noteholder and unless a Representative has been appointed in relation to such Series, such Noteholder shall exercise all powers, rights and obligations entrusted to the Masse by the provisions of the French Code de commerce. The Issuer shall hold a register of the decisions taken by the sole Noteholder in this capacity and shall make it available, upon request, to any subsequent holder of any of the Notes of such Series.

(j) *Notices for the purposes of this Condition 15*

Any notice to be given to Noteholders in accordance with this Condition 15 shall be published on the website of Thales (<https://www.thalesgroup.com/>) and,

(i) in the case of the holders of Notes in registered form (*au nominatif*), mailed to them at their respective addresses, in which case they shall be deemed to have been given on the fourth (4th) weekday (being a day other than a Saturday or a Sunday) after the mailing; or

(ii) in the case of the holders of Notes in bearer form (*au porteur*), given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Notes are for the time being cleared.

Any decision to proceed with a transaction, notwithstanding the failure to obtain Noteholders' approval, as contemplated by Article L.228-72 of the French Code de commerce, will be notified to Noteholders in accordance with this Condition 15(j). Any Noteholder will then have the right to request redemption of its Notes at par within three (3) months of the date of notification, in which case the Issuer shall redeem such Noteholder within thirty (30) days of the Noteholder's request for redemption.

If a merger or a spin-off is contemplated by the Issuer, the Issuer will have the option to submit the proposal for approval by a Collective Decision of the Masse or to offer redemption at par to Noteholders pursuant to Article L. 228-73 of the French Code de commerce. Such redemption offer shall be notified to Noteholders in accordance with this paragraph 15(j). If the Masse does not approve the merger or spin-off proposal, any decision to proceed with the merger or spin-off will be notified to Noteholders in accordance with this paragraph 15(j).

In this Condition 15, the expression "outstanding" does not include the Notes subscribed or purchased by the Issuer in accordance with Article L.213-0-1 of the French *Code monétaire et financier* which are held by the Issuer and not cancelled.

16. Replacement of Materialised Notes, Coupons and Talons

If, in the case of any Materialised Notes, a Definitive Materialised Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and Regulated Market regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Definitive Materialised Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Notes, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Notes, Coupons or Talons must be surrendered before replacements will be issued.

17. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes to be assimilated (*assimilées*) and form a single series with the Notes provided such Notes and further notes carry rights identical in all respects (or in all respects save for the principal amount thereof and the first payment of interest specified in the relevant Final Terms) and that the terms of such further notes provide for such assimilation and references in these Conditions to "**Notes**" shall be construed accordingly.

18. Notices

(a) Subject to Condition 18(d), notices to the holders of Dematerialised Notes in registered form (*au nominatif*) shall be valid if either, (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth (4th) weekday (being a day other than a Saturday or a Sunday) after the mailing, or, (ii) at the option of the Issuer, they are published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*); provided that, so long as such Notes are admitted to trading on any Regulated Market and the rules applicable to such Regulated Market so require, notices shall be valid if published in a daily newspaper with general circulation in the city/ies where the Regulated Market on which such Notes is/are admitted to trading is located which, in the case

of Euronext Paris, is expected to be *Les Echos*, and as otherwise required by the applicable rules of that Regulated Market, as the case may be.

- (b) Notices to the holders of Materialised Notes and Dematerialised Notes in bearer form (*au porteur*) shall be valid if published in a daily leading newspaper of general circulation in Europe (which is expected to be the Financial Times) and so long as such Notes are admitted to trading on any Regulated Market and the rules applicable to such Regulated Market so require, in a leading daily newspaper with general circulation in the city/ies where the Regulated Market on which such Notes is/are admitted to trading is located which, in the case of Euronext Paris is expected to be *Les Echos*, and as otherwise required by the applicable rules of that Regulated Market, as the case may be.
- (c) If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe, provided that so long as such Notes are admitted to trading on any Regulated Market, notice shall be published as otherwise required by the applicable rules of that Regulated Market, as the case may be. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Holders of Coupons shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Notes in accordance with this Condition.
- (d) Notices required to be given to the holders of Dematerialised Notes (whether in registered or in bearer form) (*au nominatif ou au porteur*) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream and any other clearing system through which the Notes are for the time being cleared in substitution for the mailing and publication as required by Conditions 18 (a), (b) and (c) above; except that (i) so long as such Notes are listed on any Regulated Market and the rules applicable to such Regulated Market so require, notices shall also be published in a daily newspaper with general circulation in the city/ies where the Regulated Market on which such Notes are admitted to trading is/are located which, in the case of Euronext Paris is expected to be *Les Echos*, and as otherwise required by the applicable rules of that Regulated Market, as the case may be.
- (e) For the avoidance of doubt, this Condition 18 shall not apply to notices to be given pursuant to Condition 15.

19. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. Redenomination, Renominalisation and Reconventioning

- (a) *Application:* This Condition 20 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.
- (b) *Notice of redenomination:* If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 calendar days' prior notice to the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.
- (c) *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Fiscal Agent that, the market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;
- (ii) if Notes have been issued in definitive form:
 - (A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 20) shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.
- (d) *Interest: Following* redenomination of the Notes pursuant to this Condition 20, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.
- (e) *Interest Determination Date:* If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET2 Settlement Day before the first day of the relevant Interest Period.

21. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes and where applicable, the Coupons and the Talons, are governed by, and shall be construed in accordance with, French law.
- (b) *Jurisdiction:* The competent courts of Nanterre have jurisdiction to settle any dispute arising out of or in connection with any Notes, Coupons or Talons.

TEMPORARY GLOBAL CERTIFICATES ISSUED IN RESPECT OF MATERIALIZED NOTES

Temporary Global Certificates

A Temporary Global Certificate, without interest Coupons, will initially be issued in connection with Materialised Notes. Upon the initial deposit of such Temporary Global Certificate with a common depository for Euroclear and Clearstream (the "**Common Depository**"), Euroclear or Clearstream will credit the accounts of each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depository may also credit with a nominal amount of Notes the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, a nominal amount of Notes that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Exchange

Each Temporary Global Certificate issued in respect of Notes will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

- (a) if the relevant Final Terms indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Subscription and Sale" below), in whole, but not in part, for the Definitive Materialised Notes; and
- (b) otherwise, in whole but not in part upon certification as to non-U.S. beneficial ownership (a form of which shall be available at the specified offices of any of the Paying Agents) for Definitive Materialised Notes.

Delivery of Definitive Materialised Notes

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to or to the order of the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Notes. In this Base Prospectus, Definitive Materialised Notes means, in relation to any Temporary Global Certificate, the Definitive Materialised Notes for which such Temporary Global Certificate may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Notes will be security printed in accordance with any applicable legal and Regulated Market requirements. Forms of such Definitive Materialised Notes shall be available at the specified offices of any of the Paying Agent(s).

Exchange Date

"Exchange Date" means, in relation to a Temporary Global Certificate, the calendar day falling after the expiry of 40 calendar days after its issue date, provided that, in the event any further Materialised Notes are issued prior to such day pursuant to Condition 17 (*Further Issues*), the Exchange Date for such Temporary Global Certificate shall be postponed to the calendar day falling after the expiry of 40 calendar days after the issue of such further Materialised Notes.

BUSINESS DESCRIPTION OF THALES

Information relating to the Issuer, including its business description, has been incorporated by reference into this Base Prospectus in the section "Documents Incorporated by Reference" in the table therein.

RECENT DEVELOPMENTS

Thales acquisition of Gemalto

On 17 December 2017, the Issuer published the following press release regarding the agreement between the Issuer and Gemalto on a recommended all-cash offer for all issued and outstanding ordinary shares of Gemalto:

"Thales and Gemalto create a world leader in digital security

€51 offer price, representing a premium of 57% over the closing price as of 8 December 2017

All-cash offer unanimously recommended by Gemalto's Board of Directors and unanimously approved by Thales's Board of Directors

Creation of a global market leader in the fast-growing digital security market, supporting the most demanding clients in their digital transformation

Thales to combine its digital assets with Gemalto, within a new Global Business Unit

Thales (Euronext Paris: HO) and Gemalto (Euronext Amsterdam and Paris: GTO) announce today that they have reached an agreement (the "Merger Agreement") on a recommended all-cash offer for all issued and outstanding ordinary shares of Gemalto, for a price of €51 per share cum dividend.

Patrice Caine, Thales's Chairman and Chief Executive Officer, commented: *"The acquisition of Gemalto marks a key milestone in the implementation of Thales's strategy. Together with Gemalto's management, we have big ambitions based on a shared vision of the digital transformation of our industries and customers. Our project will be beneficial to innovation and employment, whilst respecting sovereign strategic technologies. We have a tremendous respect for Gemalto's technological achievements, and our two Groups share the same culture and DNA. I would like to personally thank Gemalto's management and Board of Directors for their unanimous support and I welcome warmly Gemalto's 15,000 employees to our Group. By combining our talents, Thales and Gemalto are creating a global leader in digital security."*

Philippe Vallée, Gemalto's Chief Executive Officer, added: *"I am convinced that the combination with Thales is the best and the most promising option for Gemalto and the most positive outcome for our Company, employees, clients, shareholders and other stakeholders. We share the same values and Gemalto will be able to pursue its strategy, accelerate its development and deliver its digital security vision, as part of Thales."*

Alex Mandl, Chairman of Gemalto's Board of Directors, stated: *"The Board of Directors, after full and careful review, together with its financial and legal advisors, of the various options available to the Company, has established unanimously that the Thales offer is in the best interests of Gemalto and all its stakeholders. As a result, the Gemalto Board of Directors unanimously recommends the Thales offer to its shareholders."*

Creation of a global digital security leader

Acceleration of Thales's digital strategy

Over the past three years, Thales has significantly increased its focus on digital technologies, investing over €1 billion in connectivity, cybersecurity, data analytics and artificial intelligence, in particular with the acquisition of Sysgo, Vormetric and Guavus. The integration of Gemalto strongly accelerates this strategy, reinforcing Thales's digital offering, across its five vertical markets (aeronautics, space, ground transportation, defence and security). Altogether, this new business unit will represent c. 20% of pro forma Group revenues and rank among the top three players worldwide, with €3.5bn revenues in the fast growing digital security market.

Unique and innovative technology portfolio in an IoT, Mobile and Cloud World

Combined with Gemalto's unique leading digital security portfolio, Thales will be ideally positioned to offer an end-to-end solution, to secure the full critical digital decision chains, from data creation in sensors to real-time decision making. This unrivalled and innovative technology portfolio will put Thales in a highly differentiated position to provide enterprises and governments with a seamless response to the data security challenges that lie at the heart of their digital transformation.

Creation of a global leader in digital security and cybersecurity

By acquiring a global leader in trusted identities and data security, Thales adds over €3bn of revenue to its digital business sales and acquires a set of technologies and competencies that have applications in all of Thales's five vertical markets. The combination creates a powerhouse with a solution portfolio including security software, expertise in biometrics and multifactor authentication and the issuance of secure digital and physical credentials. These technologies, which combine diverse and constantly evolving use cases, are expected to yield significant commercial opportunities and revenue synergies in the years ahead.

Both Thales and Gemalto are experts at addressing the needs of the most demanding clients who are facing data security challenges. These include all operators of critical infrastructures including banks, telcos, governments, utilities, and general industries. This combination will reinforce and further globalise Thales's footprint.

Capacity to address all customer digital security needs

Thales will combine its digital businesses into Gemalto, which will continue to operate under its own brand as one of the seven Thales global business units. Both the Thales and Gemalto management teams share a common industrial vision and endorse the growth project of this newly created digital security global business. Philippe Vallée will lead the combined digital security business.

R&D: the common DNA of Thales and Gemalto digital businesses

Gemalto and Thales are technology-driven companies with world-class R&D capabilities and an extensive patent portfolio. R&D is at the core of Thales's and Gemalto's digital security businesses, and will remain so. The combined Group will have more than 28,000 engineers, 3,000 researchers, and invests more than €1bn in self-funded R&D.

A combination providing enhanced opportunities to Gemalto's employees and management

Thales does not anticipate any reduction in Gemalto's workforce as a consequence of this transaction.

Employees who are included in the current Gemalto efficiency program are immediately offered access to Thales's internal job boards and to the Thales internal mobility mechanism under the same conditions as Thales's employees. Furthermore, Thales has committed to preserve employment in Gemalto's French activities until at least the end of 2019. Thales recruited 6,000 people worldwide in 2017, and will actively pursue its human capital investments in the future.

An attractive offer to Gemalto shareholders

Thales offers €1 in cash per Gemalto share cum dividend. The offer price represents a premium of:

57% over the closing price as of 8 December 2017¹

56% over the 1-month volume weighted average price¹

¹ Closing 8 December 2017 share price: €32.5, 1-month VWAP of €32.6, 3-month VWAP of €34.35

48% of the 3-month volume weighted average price¹

Implied EV/2018E EBIT² of 17x

Significant value creation for Thales shareholders

Gemalto is well advanced in its transition from its historical markets to the fast-growing Government, Enterprise security, and Industrial IoT markets, with significant growth potential both in revenue and margin terms.

In addition, Thales estimates that the combination will generate run-rate pre-tax cost synergies of €100m to €150m by 2021, as well as meaningful revenue synergies.

The transaction will generate mid to high teens adjusted EPS accretion, pre synergies, as of the first year post closing. The acquisition's return on capital employed (including synergies) will exceed Thales's cost of capital within 3 years following the closing of the acquisition.

An offer unanimously recommended by Gemalto's Board of Directors

Consistent with its fiduciary duties, Gemalto's Board of Directors, with the support of its financial and legal advisors, has carefully reviewed and unanimously concluded that the offer is in the best interests of the Company, the sustainable success of its business and clients, employees, shareholders and other stakeholders.

Accordingly, the Gemalto Board has decided to unanimously support the transaction and recommend that Gemalto's shareholders accept the offer and vote in favour of the resolutions relating to the offer at the upcoming Extraordinary General Meeting. Furthermore, all members of Gemalto's Board who hold shares for their own account have committed to tender all those shares into the offer.

On 16 December 2017, Deutsche Bank and J.P. Morgan Securities plc issued fairness opinions relating to the offer to Gemalto's Board of Directors.

Fully secured transaction financing

Thales will be able to finance the offer through its available cash resources and through new debt arrangements. In connection with the offer, Thales has secured a €4.0 billion fully committed credit agreement.

Solid combined balance sheet

Following the transaction, Thales will maintain a solid investment grade rating, based on continued disciplined capital allocation.

In this context, Thales's dividend policy will remain unchanged.

Other non-financial covenants

In addition to the arrangements agreed with regard to strategy, R&D, and Gemalto employees described above, Thales and Gemalto have agreed on certain non-financial covenants with regard to the location of the Gemalto headquarters, continuation of the Gemalto brand, financing strategy and CSR matters. In general, these non-financial covenants (including with respect to strategy, R&D and employees) will continue to apply for two years after closing of the offer. Any material deviation from the non-financial covenants will require the affirmative vote of two independent directors who will remain on the Gemalto Board for the duration of the non-financial covenants. These independent directors will particularly monitor that appropriate consideration will be given to the interests of Gemalto minority shareholders and all other stakeholders' and relevant employee representation bodies' information and/or consultation requirements.

² Based on 2018 IBES consensus EBIT of €326m

To facilitate the integration of the Gemalto Group within Thales, an Integration Committee will be established that is composed of senior representatives of both Thales and Gemalto. The Integration Committee will determine an integration plan, monitor its implementation and do all things necessary to assist and facilitate the integration.

Offer Conditions

The commencement of the offer, and if and when made, the consummation of the offer is subject to the satisfaction or waiver of conditions that are customary for transactions of this kind, including:

- minimum acceptance level of at least 67% of Gemalto shares;
- no material adverse effect having occurred and is continuing;
- no material breach of the Merger Agreement having occurred; and
- no Superior Offer having been made or agreed upon.

Thales and Gemalto may terminate the Merger Agreement if a third-party offeror makes an offer which, in the opinion of the Gemalto Board, taking into account certainty, timing, financing, strategic fit, consequences for employees and other non-financial aspects of Thales's offer, is substantially more beneficial than Thales's offer and exceeds the offer price by 9% at least (a "Superior Offer").

In the event of a Superior Offer, Gemalto shall give Thales the opportunity to match such offer, in which case the Merger Agreement may not be terminated by Gemalto. Gemalto has agreed in the Merger Agreement to customary non-solicitation undertakings.

On termination of the Merger Agreement by Thales on account of a material breach by Gemalto or in the event of a third-party offer at a higher price, Gemalto will pay a termination fee of €60m to Thales.

In addition, taking into account the interests of Gemalto, the sustainable success of its business and clients, employees, shareholders and other stakeholders, in order to secure the benefits of the transaction, Gemalto has agreed to issue contingent rights. In the event that a competing offer at a price that is less than 109% of the offer price is declared unconditional, these contingent rights will be issued for no consideration to all Gemalto shareholders and will entitle them to receive additional Gemalto shares.

On the date such a competing offer is declared unconditional, all Gemalto shareholders will acquire contingent rights which will entitle them to receive additional shares within three months after that date. The value of all the shares issued pursuant to the contingent rights will be equal to the difference between (i) the value of an offer made at a price of 109% of the offer price and (ii) the consideration offered in the competing offer.

In the event that a competing offer exceeds 109% of the offer price, the contingent rights will be automatically cancelled.

Indicative timetable

The transaction is expected to close shortly after Thales has secured all customary regulatory approvals and clearances, which is expected for the second half of 2018. Thales's and Gemalto's works councils will be informed shortly.

Offer memorandum and general meeting of shareholders

Thales intends to submit a request for approval of its offer memorandum to the AFM within four weeks and to publish the offer memorandum shortly after approval by the AFM.

Gemalto will hold an Extraordinary General Meeting prior to the closing of the offer period to inform its shareholders about the offer and to adopt certain technical resolutions that are conditional on the consummation of the offer.

Transaction advisors

In connection with the transaction, Thales's financial advisors are Lazard, Messier Maris & Associés and Société Générale, and its legal counsel are Cleary Gottlieb Steen & Hamilton LLP and NautaDutilh N.V.

On behalf of Gemalto, Deutsche Bank and J.P. Morgan are acting as financial advisors and Allen & Overy LLP and Darrois Villey Maillot Brochier are acting as legal counsel."

Issuances of Notes under the Programme

On 23 January 2018, the Issuer issued Euro 500,000,000 0.750 per cent. Notes due 23 January 2025.

On 19 April 2018, the Issuer issued Euro 500,000,000 0.875 per cent. Notes due 19 April 2024 and Euro 500,000,000 Floating Rate Notes due April 2020.

As a result of the above and the redemption at maturity of the Issuer's Euro 500,000,000 1.625 per cent. Notes due 20 March 2018, the global long term debt of the Issuer has increased by Euro 1,000,000,000 since 31 December 2017.

Q1 2018: Order Intake and Sales

On 3 May 2018, Thales published the following press release in relation to its financial results in the first quarter of 2018:

"Thales (Euronext Paris: HO) announced today its order intake and sales for Q1 2018.

Order intake, in € millions	Q1 2018	Q1 2017 restated for IFRS 15	Q1 2017 reported	Total change	Organic change
Aerospace	751	925	938	-19%	-16%
Transport	488	215	215	+127%	+132%
Defence & Security	1,782	1,112	1,112	+60%	+68%
Other	11		16		16
Total	3,032	2,267	2,281	+34%	+39%
Sales , in € millions					
Aerospace	1,285	1,332	1,252	-3.5%	-0.3%
Transport	386	310	279	+24.4%	+29.3%
Defence & Security	1,729	1,620	1,511	+6.7%	+9.5%
Other	11		16		15
Total	3,412	3,278	3,058	+4.1%	+7.2%
Of which mature markets ²	2,463	2,372	2,148	+3.8%	+6.6%
Of which emerging markets ²	949	905	909	+4.8%	+8.9%

As of 1 January 2018, the Group has been applying the IFRS 15 standard “Revenue from contracts with customers”. All changes discussed below are calculated compared with the Q1 2017 figures restated for the application of this standard.

Order intake

In Q1 2018, order intake amounted to €3,032 million, up 34% compared to Q1 2017 (up 39% at constant scope and currency). Three large orders worth over €100 million were booked in Q1 2018:

- The jumbo3 contract to modernize civil and military air traffic management (ATM) infrastructures across Australia (“OneSKY” project)
- The contract related to Qatar ordering 12 additional Rafale combat aircraft
- Renovation of the signalling system on one of the main railways in Poland

At €1,834 million, orders with a unit value of less than €100 million declined by 15% compared to Q1 2017, impacted by quarter-to-quarter phasing effects.

From a **geographical**⁴ point of view, order intake in mature markets recorded strong growth (€2,496 million, up 59%), driven particularly by the OneSKY project in Australia, while order intake in emerging markets declined (€336 million, down 15%).

Order intake in the **Aerospace** segment fell 19%, to €751 million, compared to €925 million in Q1 2017 which had benefited from the order of a telecommunications satellite by Russian operator Gazprom Space Systems.

At €488 million, order intake in the **Transport** segment was particularly dynamic, since it benefited, in addition to the contract in Poland mentioned above, from the booking of the first phase of the traffic management system that covers the entire Norwegian railway network. Orders thus increased by 127% compared to Q1 2017 (€115 million).

At €1,782 million versus €1,112 million in Q1 2017, order intake in the **Defence & Security** segment also saw a strong increase (up 60%), benefiting in particular from OneSKY, the jumbo Australian ATM contract mentioned above. "

Sales

Sales for Q1 2018 stood at €3,412 million compared to €3,278 million in Q1 2017, up 4.1% on a reported basis, and up 7.2% at constant scope and currency⁵ (“organic” change).

From a **geographical**⁶ perspective, this increase reflects both continued strong organic growth in emerging markets (+8.9%, following on from +16.6% in Q1 2017) and the continuing solid organic growth in mature markets (+6.6%, after +8.7% in Q1 2017).

Sales in the **Aerospace** segment totalled €1,285 million, down 3.5% compared to Q1 2017 (down 0.3% at constant scope and currency). This stability reflects a high comparison basis, particularly in In-Flight Entertainment and in the Space business: organic growth was exceptionally strong in Q1 2017 (+16.2%).

In the **Transport** segment, sales totalled €386 million, up 24.4% compared to Q1 2017 (up 29.3% at constant scope and currency). The segment is still benefiting from the ramp-up of the large urban rail signalling contracts signed in 2015 and 2016, combined with an upturn in mainline activity. In the coming quarters, the growth of this segment is expected to be significantly lower.

Sales in the **Defence & Security** segment represented €1,729 million, up 6.7% compared to Q1 2017 (up 9.5% at constant scope and currency). This segment continues to enjoy a solid growth base, particularly driven this quarter by surface radars, military naval and aircraft systems, military telecommunication networks, and civil cybersecurity.

Outlook

Q1 2018 order intake and sales are in line with expectations. In this context, the Group confirms all of its objectives, as set out below.

As of 1 January 2018, the Group has been applying the IFRS 15 standard “Revenue from contracts with customers”. To provide a basis for understanding the 2018 financial targets, the 2017 results restated for the application of this standard are presented on page 20 of the 2017 full-year results press release published on 6 March 2018.

In 2018, Thales should continue to benefit from positive trends in the majority of its markets. The

acceleration of the commercial momentum in the defence businesses should offset the slowdown of the telecom satellite market. In this context, 2018 order intake is expected to be around €15.5 billion.

In spite of a more moderate growth in the aerospace segment, sales should see an organic growth of between 4 and 5% compared to 2017 sales restated for the application of the IFRS 15 standard (€15,228 million).

The Group will continue to significantly increase its R&D investments, particularly in digital technologies. The self-funded R&D expenses should therefore increase by approximately 10% compared to 2017.

The growth in sales, combined with the impact of the Ambition 10 strategy on product competitiveness and differentiation, should result in Thales delivering an EBIT of between €1,620 and €1,660 million in 2018 (based on February 2018 scope and exchange rates), representing an increase of 19% to 22% compared to 2017 EBIT restated for the application of the IFRS 15 standard (€1,365 million).

Therefore, the Group expects to exceed its two mid-term objectives: the average organic sales growth in the 2016-2018 period should be over 5%, and the 2018 EBIT margin should be above the top end of the range set in April 2014 (9.5% to 10% in 2017/2018).

This outlook does not take into account the projected acquisition of Gemalto. The Group may need to update its outlook depending on the effective conclusion date of this transaction.

The Group will review its strategy and set medium-term objectives at a capital markets day to be held on 6 June 2018 at its Gennevilliers (France) site.

Order intake by destination – Q1 2018 (in € millions)	Q1 2018	Q1 2017 restated for IFRS 15	Q1 2017 reported	Total change	Organic change	Q1 2018 weighting in %
France	433	565	571	-23%	-22%	14%
United Kingdom	97	123	123	-21%	-18%	3%
Rest of Europe	728	522	522	+40%	+42%	24%
Sub-total Europe	1,258	1,209	1,216	+4%	+6%	41%
United States and Canada	278	229	264	+21%	+34%	9%
Australia and New Zealand	961	197	197	x 4.9	x 5.4	32%
Total mature markets	2,496	1,636	1,677	+53%	+59%	82%
Asia	180	418	412	-57%	-56%	6%
Middle East	304	135	140	+124%	+133%	10%
Rest of the world	52	79	51	-34%	-28%	2%

Total emerging markets	536	632	603	-15%	-12%	18%
Total all markets	3,032	2,267	2,281	+34%	+39%	100%

Organic change in sales (in € millions)	2017 sales restated for IFRS 15	Currency impact	Impact of disposals	2018 sales	Impact of acquisitions	Total change	Organic change
Q1	3,278	-94	9	3,412	8	+4.1%	+7.2%

''

**PRO FORMA FINAL TERMS FOR USE IN CONNECTION WITH ISSUES
OF
SECURITIES WITH A DENOMINATION OF AT LEAST €100,000 TO BE
ADMITTED TO TRADING ON AN EU REGULATED MARKET**

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) or Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) or Article 4(1) or MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's approval process, the target market assessment in respect of the Notes, taking into account the five categories referred to in item 18 of the Guidelines on MiFID II product governance requirements published by ESMA dated 5 February 2018, has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

Final Terms dated [●]

Thales

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the **Euro 5,000,000,000 Euro Medium Term Note Programme**

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 29 June 2018 [and the supplement to the Base Prospectus dated [●]] which together constitute[s] a base prospectus for the purposes of Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EC (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplement to the Base Prospectus] [and the Final Terms] [is] [are] available for viewing on the website of the *Autorité des marchés financiers* (www.amf-france.org) and copies may be obtained from the Issuer.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 30 May 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EC (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 29 June 2018 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 30 May 2017 [and the supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the 2017 EMTN Conditions and the Base Prospectus dated 29 June 2018 [and the supplement to the Base Prospectus dated [●]]. [The Base Prospectuses [and the Supplement to the Base Prospectuses] are available for viewing on the website of the *Autorité des marchés financiers* (www.amf-france.org) and copies may be obtained from the Issuer.]

- | | | |
|----|--|--|
| 1. | Issuer | Thales |
| 2. | (i) Series Number: | [●] |
| | (ii) Tranche Number: | [●] |
| | (iii) Date on which the Notes become fungible: | [Not Applicable/ The Notes shall be consolidated, from a single series and be interchangeable for trading purposes with the existing [<i>insert issue amount</i>] Notes due [<i>insert maturity date</i>] issued by the Issuer on [<i>insert issue date</i>]/the Issue Date] |
| 3. | Specified Currency: | [●] |
| 4. | Aggregate Nominal Amount of Notes: | [●] |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 5. | Issue Price: | [●] per cent of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] (if applicable)] |
| 6. | Specified Denominations: | [●][<i>one denomination only for Dematerialised</i>] |

Notes]

7. [(i) Issue Date: [●]
[(ii) Interest Commencement Date: [Issue Date/[●]/Not Applicable]
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9. Interest Basis: [[●] % Fixed Rate]
[[*specify reference rate*] [●] % Floating Rate]
[Zero Coupon]
[●]
(further particulars specified below)
10. Redemption/Payment Basis: Redemption at par
[●]
11. Change of Interest or Redemption/Payment Basis: [*specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Not Applicable]
[Investor Put]
[Issuer Call]
[Make-Whole Redemption by the Issuer]
[Acquisition Event Call Option]
[Clean-up Call Option]
[(further particulars specified below)]
13. [Date [Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST
(IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [●] per cent. *per annum* payable in arrear on each Interest Payment Date.
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*Specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount(s): [●] per Specified Denomination
- (iv) Broken Amount(s): [●] per Specified Denomination, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]

- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA) / Actual/365 (FBF) / Actual/Actual (FBF) / other]
- (vi) Interest Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other]
- (v) Business Centre(s): [●] [*Note that this item relates to interest period end dates and not to the date and place of payments*]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/FBF Determination/ISDA Determination/other]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [●]
- (viii) Screen Rate Determination: [Applicable/Not Applicable]
(*if not applicable, delete the remaining subparagraphs of this paragraph*)
- Reference Rate: [●]
- Interest Determination Date(s): [●]
- Relevant Screen Page: [●]
- (ix) ISDA Determination: [Applicable/Not Applicable]
(*if not applicable, delete the remaining subparagraphs of this paragraph*)
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (x) FBF Determination: [Applicable/Not Applicable]
(*if not applicable, delete the remaining subparagraphs of this paragraph*)
- Floating Rate: [●]
- Floating Rate: [●]

	Determination Date (<i>date de Détermination du Taux Variable</i>):	
(xi)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>).
	– Applicable Maturity:	[●]
(xii)	Margin(s):	[+/-][●] per cent per annum
(xiii)	Minimum Rate of Interest:	[●] per cent per annum
(xiv)	Maximum Rate of Interest:	[●] per cent per annum
(xv)	Day Count Fraction:	[●]
(xvi)	Specified Period:	[[●]/Not Applicable] (<i>specify when the Business Day Convention is FRN Convention, Floating Rate Convention or Eurodollar Convention</i>)
17.	Fixed/Floating Rate Notes Provisions:	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
	(i) Issuer Change of Interest Basis:	[Applicable/Not Applicable]
	(ii) Automatic Change of Interest Basis:	[Applicable/Not Applicable]
	(iii) Rate of Interest applicable to the Interest Periods preceding the Switch Date (excluded):	Determined in accordance with [Condition 7, as though the Notes were Fixed Rate Notes]/ [Condition 8, as though the Notes were Floating Rate Notes] with further variables set out in item [15/16] of these Final Terms
	(iv) Rate of Interest applicable to the Interest Periods following the Switch Date (included):	Determined in accordance with [Condition 7, as though the Notes were Fixed Rate Notes]/ [Condition 8, as though the Notes were Floating Rate Notes] with further variables set out in item [15/16] of these Final Terms
	(v) Switch Date:	[●]
	(vi) Minimum notice period required for notice from the Issuer:	[[●] Business Days prior to the Switch Date] / [(<i>for Automatic Change of Interest</i> :)] [Not Applicable]
18.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
	(i) Accrual Yield:	[●] per cent per annum
	(ii) Reference Price:	[●]

PROVISIONS RELATING TO REDEMPTION

19. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Specified Denomination
- (iii) Notice period: [As per Conditions] /[not less than [●] days nor more than [●] days]
20. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) (Put) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] Specified Denomination
- (iii) Notice period: [●]
21. **Make-whole Redemption** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Parties to be notified by Issuer of Make-whole Redemption Date and Make-whole Redemption Amount (if other than set out in Condition 10(f)): [[●]/Not Applicable]
- (ii) Make-whole Redemption Margin: [●]
- (iii) Discounting basis for purposes of calculating sum of the present values of the remaining scheduled payments of principal and interest on Redeemed Notes in the determination of the Make-whole Redemption Amount: [Annual/Semi-Annual]
- (iv) Reference Security: [Not Applicable/[●]]
- (v) Reference Dealers: [Not Applicable/[●]]
- (vi) Quotation Agent: [●] /[Not Applicable]
22. **Acquisition Event Call Option** [Applicable/Not Applicable]

	[Acquisition Event Redemption Amount	[●] per cent. of the aggregate principal amount of the Notes]
23.	Clean-up Call Option	[Applicable/Not Applicable]
24.	Final Redemption Amount of each Note	[[●] per Note of [●] Specified Denomination]
25.	Early Redemption Amount (taxation reasons)	
	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons on an event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26.	Form of Notes:	[Dematerialised Notes/Materialised Notes] (<i>Materialised Notes are only in bearer form</i>) [Delete as appropriate]
	(i) Form of Dematerialised Notes:	[Applicable/Not Applicable] (If applicable, <i>specify whether bearer dematerialised form (au porteur) / registered dematerialised form (au nominatif administré) / fully registered dematerialised form (au nominatif pur)</i>)
	(ii) Registration Agent:	[Not Applicable/If Applicable, give name and details] (<i>Note that a Registration Agent may be appointed in relation to Dematerialised Notes in fully registered form (au nominatif pur) only</i>)
	(iii) Temporary Global Certificate:	[Not Applicable/Temporary Global Certificate exchangeable for Definitive Materialised Notes on [●] (the “Exchange Date”), being 40 calendar days after the Issue Date subject to postponement as provided in the Temporary Global Certificate]
	(iv) Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]
27.	Additional Financial Centre(s) or other special provisions relating to Payment Business Days:	[Not Applicable/give details. <i>Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii) and 16(ii) relates</i>]
28.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No]
29.	Redenomination, renominatisation and reconventioning provisions:	[Not Applicable/The provisions in Condition 20 apply]
30.	Representation of holder of Notes/Masse	<i>Insert below details of Representative or alternate Representative, if any, and remuneration, if any:</i>

Name and address of the Representative: [●]

[Name and address of the alternate Representative: [●]]

[The Representative will be entitled to a remuneration of [●] per year/The Representative will not be entitled to a remuneration]

[If the Notes are held by a sole Noteholder, insert the wording below:

As long as the Notes are held by a sole Noteholder, it shall exercise all rights and obligations assigned by law to the Representative and the general meeting of the Noteholders. A Representative will be appointed as soon as the Notes are held by several Noteholders.]

DISTRIBUTION

- | | | | |
|-----|------|---|---|
| 31. | (i) | If syndicated, names of Managers: | [Not Applicable/give names and address(es)] |
| | (ii) | Stabilising Manager(s) (if any): | [Not Applicable/give name(s) and address(es)] |
| 32. | | If non-syndicated, name of Dealer: | [Not Applicable/give name and address] |
| 33. | | US Selling Restrictions (Categories of potential investors to which the Notes are offered): | Reg. S Compliance Category 2 applies to the Notes; [TEFRA C applies to Materialised Notes/TEFRA D applies to Materialised Notes/TEFRA not applicable to Dematerialised Notes] |

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [Euronext Paris and their admission to trading on the Regulated Market of the Euronext Paris /other (*specify*)] of the Notes described herein pursuant to the Euro 5,000,000,000 Euro Medium Term Note Programme of Thales.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Euronext Paris //None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on with effect from .] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Paris /] with effect from [].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: .

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P:
[Moody's:
[Fitch:
[[Other]:

*(*The exact legal name of the rating agency entity providing the rating should be specified.)*

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating

Option 1- CRA established in the EEA and registered under the CRA Regulation

*[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**).*

Option 2 -CRA established in the EEA, not registered under the CRA Regulation but has applied for registration

*[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**), although notification of the corresponding registration decision has not yet been provided by European Securities and Markets Authority.*

Option 3 -CRA established in the EEA, not registered under the CRA Regulation and not applied for registration

*[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the **CRA***

Regulation).

Option 4 -CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**).

Option 5 -CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**).

Option 6 -CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**) and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

[4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

Estimated total expenses: [•] *[include breakdown of expenses]*

5. [Fixed Rate Notes only – YIELD

Indication of yield: [•]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. OPERATIONAL INFORMATION

(i) ISIN Code: [•]

(ii) Common Code: [•]

(iii) Depositories:

Euroclear France to act as Central [Yes/No]

Depository:

Common Depository for Euroclear and Clearstream Luxembourg: [Yes/No]

Any clearing system[s] other than Euroclear and Clearstream and the relevant identification numbers[s]: [Not Applicable/give name(s) and number(s) [and addresses(es)]]

(iv) Deliver: Delivery [against/free of] payment

(v) Names and addresses of Initial Paying Agents: [•]

(vi) Names and addresses of additional Paying Agent(s) (if any): [•]

7. [FLOATING RATE NOTES ONLY – HISTORIC INTEREST RATES

[BENCHMARKS

Amounts payable under the Notes will be calculated by reference to [•] which is provided by [•]. As at [•], [•] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**"). [As far as the Issuer is aware the transitional provisions in Article 51 of the Benchmark Regulation apply, such that [•] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]/[Not Applicable]

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in France or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of such country. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

France

The following is a general overview of certain French tax considerations relating to the Notes, focusing specifically on withholding taxes applicable to payments under the Notes. This overview is based on French tax laws currently in force and does not purport to constitute a complete tax analysis of all the tax considerations relating to the Notes nor to be viewed as legal advice. Potential purchasers are urged to consult with their own tax advisers prior to purchasing the Notes to determine the tax implications of investing in the Notes in light of each purchaser's circumstances.

The following is an overview of certain withholding tax consequences that may be relevant to Noteholders who do not concurrently hold shares of the Issuer.

Payments of interest and other revenues made by the Issuer with respect to the Notes will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "**Non-Cooperative State**"). If such payments under the Notes are made in a Non-Cooperative State, a 75 per cent. withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts*.

Furthermore, in application of Article 238 A of the French *Code général des impôts*, interest and other revenues on such Notes are not deductible from the Issuer's taxable income, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid on a bank account opened in a financial institution located in such a Non-Cooperative State (the "**Deductibility Exclusion**"). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Articles 109 *et seq.* of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* 2 of the French *Code général des impôts*, at a rate of (i) 75 per cent. if they are paid on an account opened in a financial institution located in a Non-Cooperative State (subject to the more favourable provisions of any applicable tax treaty), or (ii) 30 per cent. otherwise (it being noted that such withholding tax rate should be reduced to 25 per cent. by 2022) or a lower rate if the holder is an individual (in each case subject to the more favourable provisions of any applicable treaty).

Notwithstanding the foregoing, neither the 75 per cent. withholding tax set out under Article 125 A III of the French *Code general des impôts* nor the Deductibility Exclusion and the withholding tax set out under Article 119 *bis* 2 of the French *Code general des impôts* that may be levied as a result of the Deductibility Exclusion will apply in respect of the issue of the Notes if the Issuer can prove that (i) the principal purpose and effect of such issue of Notes were not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**") and (ii) in respect of the Deductibility Exclusion, the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount.

Pursuant to the *Bulletin Officiel de Finances Publiques-Impôts* (BOI-INT-DG-20-50-20140211, n°550 and n°990, BOI-RPPM-RCM-30-10-20-40-20140211, n°70 and BOI-IR-DOMIC-10-20-20-60-20150320, n°10), an issue of Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the Notes if such Notes are, *inter alia*:

(i) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation

of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(ii) admitted, at the time of their issue, to the operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depositories or operators are not located in a Non-Cooperative State.

If the Notes are admitted, at the time of their issue, to the operations of Euroclear France, the Notes will benefit from the Exception and will therefore be exempt from the withholding tax set out under Article 125 A III of the French *Code général des impôts*. In addition, they will be subject neither to the Deductibility Exclusion nor to the withholding tax set out under Article 119 *bis* 2 of the same *Code* solely on account of their being paid to a bank account opened in a financial institution located in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State, to the extent that the Issuer can prove that the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount.

Pursuant to Articles 125 A and 125 D of the French *Code général des impôts* and subject to certain exceptions, interest and other similar revenues received by individuals who are fiscally domiciled in France, as from January 1, 2018, are subject to a 12.8 per cent. mandatory withholding tax, along with social contributions withheld at source at an aggregate rate of 17.2 per cent. (CSG, CRDS and other related contributions), i.e. an overall withholding tax rate of 30 per cent. (*le prélèvement forfaitaire unique*). Practical steps to be taken for purposes of levying this withholding tax will depend on the place where the paying agent is located. The 12.8 per cent. withholding tax should correspond to the final tax liability, except if the taxpayer has elected for income tax at progressive rates (from 0 to 45 per cent.) on all his/her investment income. If the withholding tax exceeds the personal income tax, the excess will be refunded.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal for a directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

During the last Ecofin meeting on 6 December 2016, EU Finance Ministers indicated that the Participating Member States will continue the discussions in relation to the FTT in January 2017 with a view to reaching an agreement by mid-2017.

However, the FTT proposal remains subject to negotiation between Participating Member States and its scope is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banco Santander, S.A., Barclays Bank PLC, BNP PARIBAS, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities plc, MUFG Securities EMEA plc, Natixis, NatWest Markets Plc and Société Générale (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealer agreement dated 29 June 2018 (as amended or supplemented from time to time, the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America:

Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meaning given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed and any further Dealers appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered and sold, and will not offer, sell or, in the case of Materialised Notes, deliver the Notes of any identifiable Tranche (a) as part of their distribution at any time and (b) otherwise until 40 calendar days after the later of the date of issue of the relevant Tranche of Notes and the completion of the distribution of such Tranche as certified to the Fiscal Agent or the Issuer by the relevant Dealer (or, in the case of a syndicated issue, each such Dealer as to the Notes of such Tranche purchased by or through it in which case the Fiscal Agent and the Issuer shall notify each such Dealer when all such Dealers have so certified), only in accordance with Rule 903 of Regulation S of the Securities Act. Each Dealer has agreed and any further Dealers appointed under the Programme will be required to agree that it will have sent to each Dealer to which it sells Notes of such Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither the Dealers, their affiliates (if any) nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Dealers, their affiliates (if any) and any person acting on their behalf have complied with the offering restriction of Regulation S.

In addition, until 40 calendar days after the commencement of the offering of any Tranche of Notes, an offer or sale of Notes of such Tranche within the United States by a Dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act.

In addition, certain Series of Notes in respect of which any payment is determined by reference to an index or formula, or to changes in prices of securities or commodities, or certain other Notes will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealers may agree, as indicated in the relevant Final Terms. Each Dealer has agreed and any further Dealers appointed under the Programme will be required to agree that it will offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area.

- (a) For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:
- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Selling restrictions addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed (and any further Dealers appointed under the Programme will be required to represent, warrant and agree) that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each Dealer and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with the initial distribution of the Notes, it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and that offers of Notes will be made in the Republic of France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or

(b) qualified investors (*investisseurs qualifiés*), and/or (c) a restricted circle of investors (*cercle restreint d'investisseurs*) as defined in Articles L.411-2 and D.411-1 and D.411-4 of the Code monétaire et financier.

Each Dealer and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, in connection with the initial distribution of the Notes, it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Base Prospectus or any other offering material relating to the Notes other than to those investors (if any) to whom offers and sales of the Notes in the Republic of France may be made as described above.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a Japanese Person, or to others for re-offering or resale, directly or indirectly, in Japan or to a Japanese Person, except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan. As used in this paragraph, "Japanese Person" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Netherlands

For selling restrictions in respect of The Netherlands see "*Public Offer Selling Restriction under the Prospectus Directive*" above and in addition:

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext (Amsterdam) admitted in a function on one or more of the markets or systems operated by Euronext Amsterdam N.V., in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series or Tranche of Notes are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "Zero Coupon Notes" are Notes that are in bearer form (i.e. Materialised Notes) and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

General

Other than with respect to the listing of the Notes on such stock exchange as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

Neither the Issuer, nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirement in any jurisdiction or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the relevant Dealer or, as the case may be, the Dealers. Any such supplement or modification will be set out in a supplement to this document. The relevant Dealers will be required to comply with such selling restrictions as so supplemented and/or modified.

GENERAL INFORMATION

Application for approval

Application has been made to the AMF to approve this document as a base prospectus. Application will be made in certain circumstances to Euronext Paris for Notes issued under the Programme to be admitted to trading on Euronext Paris.

This Base Prospectus received the visa No. 18-274 on 29 June 2018 from the AMF. Euronext Paris is a Regulated Market for the purposes of the Directive 2014/65/EC. The Final Terms applicable to each Series of Notes admitted to trading on Euronext Paris will be filed with the AMF. If the Final Terms in relation to a Series of Notes do not specify the aggregate nominal amount of Notes admitted to trading on Euronext Paris, the relevant Final Terms will indicate the manner in and date on which such amount will be made public in accordance with Article 212-27 of the *Règlement Général* of the AMF.

Authorisations

No authorisation procedures were required of the Issuer under French law for the establishment of the Programme. However issues of Notes have been authorised by a resolution of the Board of Directors of the Issuer dated 23 May 2018 for a period of 1 year up to a maximum amount of €2,000,000,000.

Clearing of the Notes

Application may be made for the Notes to be accepted for clearance through Euroclear France and/or Euroclear and Clearstream. The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear France is 66, rue de la Victoire 75009 Paris, France, the address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream is 42 Avenue JF Kennedy L-1855 Luxembourg, Grand-Duchy of Luxembourg.

Dematerialised Notes will be inscribed in the books of Euroclear France (acting as central depository). Dematerialised Notes which are in registered form (*au nominatif*) are also inscribed either with the Issuer or with the registration agent.

If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the relevant Final Terms.

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of its general financing requirements.

Litigation and Arbitration Proceedings

Save as disclosed in this Base Prospectus on pages [38-39], neither the Issuer, nor any of its Subsidiaries, has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or of any of its Subsidiaries.

No Material Adverse Change

Except as disclosed in this Base Prospectus (including the documents incorporated by reference), there has been no material adverse change in the prospects of the Issuer or any of its Subsidiaries since 31 December 2017.

No Significant Change

Except as disclosed in this Base Prospectus (including the documents incorporated by reference), there has been no significant change in the financial or trading position of the Issuer or any of its Subsidiaries since 31 December 2017.

Auditors

The auditors of the Issuer are as follows:

Ernst & Young Audit
1/2, place des Saisons
92400 Courbevoie
Paris, La Defense 1
France

Mazars
61, Rue Henri Regnault, Tour Exaltis
92400 Courbevoie
France

Ernst & Young and Mazars have audited the Issuer's accounts for the years ended 31 December 2017 and 31 December 2016 prepared in accordance with International Financial Reporting Standards, as adopted in the European Union. Ernst & Young carry out their duties in accordance with the principles of the *Compagnie Nationale des Commissaires aux Comptes* (CNCC) and are a member of the Versailles *Compagnie Regionale des Commissaires aux Comptes* (CRCC). Mazars carry out their duties in accordance with the principles of the CNCC and are a member of the Paris CRCC.

Documents available for inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents, may be inspected during normal business hours at the specified office of the Fiscal Agent free of charge, namely:

- (a) *statuts* of the Issuer;
- (b) the Agency Agreement; and
- (c) any Final Terms relating to Notes which are listed on any stock exchange (copies of which will be obtainable free of charge as well and not just available for inspection). In the case of any Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders.

In addition, copies of this Base Prospectus and any Final Terms relating to Notes which are listed on Euronext Paris will be available on the website of the *Autorité des marchés financiers* (www.amf-france.org) and copies of the Base Prospectus and each document incorporated by reference (including English translations of the 2017 Reference Document and the 2016 Reference Document) will be available on the website of the Issuer (www.thalesgroup.com).

Post-Issuance Information

In respect of derivative securities as defined in Article 15.2 of Commission Regulation no.809/2004, the Final Terms will indicate whether or not the Issuer intends to provide post-issuance information concerning the underlying. If the Issuer intends to report such information, the Final Terms will specify what information will be reported and where such information can be obtained.

Interests of Natural and Legal Persons involved in the Issue/Offer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuers and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any

such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

No Material Contracts

To the best of its knowledge, Thales has not entered into any material contract which could result in any Group member being under an obligation that is material to Thales' ability to meet its obligations to Noteholders in respect of Notes issued under the Programme.

Benchmark Regulation

Amounts payable under the Floating Rate Notes may be calculated by reference to EURIBOR or LIBOR which are respectively provided by the European Money Markets Institute ("**EMMI**") and ICE Benchmark Administration Limited ("**ICE**"). The ICE has been authorised as a regulated benchmark administrator pursuant to Article 34 of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") and appears on the public register of administrators established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation. As at the date of this Base Prospectus, the EMMI does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that EMMI is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). The relevant Final Terms in respect of an issue of Floating Rate Notes may specify the relevant benchmark, the relevant administrator and whether such administrator appears on the ESMA register referred to above. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update this Base Prospectus or the relevant Final Terms to reflect any change in the registration status of the administrator.

Board of Directors

The business address of each of the board members of Thales is Thales, Tour Carpe Diem, 31 place des Corolles, CS 2001 92098 Paris La Défense, France.

PERSONS RESPONSIBLE FOR THE BASE PROSPECTUS

1.1. Person responsible for the Base Prospectus

Thales, Tour Carpe Diem, 31 place des Corolles, CS 20001 92098 Paris La Défense, France.

1.2. Declaration by the person responsible for the Base Prospectus

I declare, having taken all reasonable measures for this purpose and to the best of my knowledge, that the information contained in this Base Prospectus is in accordance with the facts and that it contains no omission which could affect its import.

Thales
Tour Carpe Diem
31 place des Corolles
CS 20001 92098 Paris La Défense

France

duly represented by Jean-Claude CLIMEAU on 29 June 2018



In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* ("AMF"), in particular articles 212-31 to 212-33, the AMF has granted to this Base Prospectus its visa n° 18-274 on 29 June 2018. This prospectus was prepared by the Issuer and its signatories assume responsibility for it.

In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply an approval by the AMF of the appropriateness of the transactions contemplated hereby nor that the AMF has verified the accounting and financial data set out in it.

In accordance with Article 212-32 of the AMF's General Regulations, any issuance or admission to trading of notes on the basis of this Base Prospectus shall be subject to the publication of Final Terms setting out the terms of the securities being issued.

NAME AND REGISTERED OFFICE OF THE ISSUER

THALES

Tour Carpe Diem
31 place des Corolles
CS 20001 92098 Paris La Défense
France

ARRANGER

SOCIÉTÉ GÉNÉRALE

29, boulevard Haussmann
75009 Paris
France

DEALERS

BANCO SANTANDER, S.A.

Ciudad Grupo Santander
Avenida de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

BARCLAYS BANK PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP PARIBAS

10 Harewood Avenue
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