

**THALES**

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

**€3,000,000,000**

## **Global Medium Term Note Programme**

Under this €3,000,000,000 Global Medium Term Note Programme (the "**Programme**"), Thales (the "**Issuer**") 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) (the "**Prospectus Directive**"). This Base Prospectus received the visa no. 11-462 on 14 October 2011 from the AMF. Application may be made (i) to Euronext Paris during the period of 12 months from the date 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 for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (a "**Regulated Market**"). 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.

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.

Unless otherwise specified in the applicable Final Terms, Notes to be issued under the Programme with a maturity of 12 months or more will be rated BBB+ by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. ("**Standard & Poor's**") and A2 by Moody's Investors Service Limited ("**Moody's**") and Notes to be issued under the Programme with a maturity of less than 12 months will be rated A2 by Standard & Poor's and P1 by Moody's. Tranches of Notes issued under the Programme may be rated or unrated. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. 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 7 October 2010 issued in respect of the Programme.

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 AMF ([www.amf-france.org](http://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](http://www.thalesgroup.com)).

**Arranger**  
**The Royal Bank of Scotland**

*Dealers*

**Barclays Capital**  
**Commerzbank**  
**Deutsche Bank**  
**Natixis**  
**Société Générale Corporate and Investment Banking**

**BNP PARIBAS**  
**Crédit Agricole CIB**  
**HSBC**  
**Santander Global Banking & Markets**  
**The Royal Bank of Scotland**

14 October 2011

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## 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 and the guarantee 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 and the guarantee 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" and "Form of Notes and Transfer Restrictions relating to U.S. Sales". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. 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**") and in the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A. In addition, prospective purchasers of Notes are hereby notified that a seller of Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

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.

Each Tranche of Bearer Notes will initially be represented by a temporary global Note (a "**Temporary Global Note**") or a permanent global note (a "**Permanent Global Note**"), in each case, without interest coupons. Each Temporary Global Note and each Permanent Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the applicable Final Terms, will be deposited on the issue date thereof with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg and each Temporary Global Note and each Permanent Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the applicable Final Terms, will be

deposited on the issue date thereof with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a Permanent Global Note or definitive Bearer Notes upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. Each Permanent Global Note may be exchanged for definitive Bearer Notes (save to the extent otherwise indicated in the applicable Final Terms) only in the limited circumstances described in the Permanent Global Note, in each case in accordance with the procedure described in "**Form of the Notes**" below.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €3,000,000,000 (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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. 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 be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 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.

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE OR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## 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.*

<b>Issuer:</b>	Thales
<b>Arranger:</b>	The Royal Bank of Scotland plc
<b>Dealers:</b>	The Royal Bank of Scotland plc, Banco Santander, S.A., Barclays Bank PLC, BNP PARIBAS, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate & Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, Natixis, 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.
<b>Description:</b>	Global Medium Term Note Programme.
<b>Fiscal Agent:</b>	BNP PARIBAS Securities Services, Luxembourg Branch
<b>Registrar:</b>	BNP PARIBAS Securities Services, Luxembourg Branch
<b>Listing and admission to trading:</b>	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, including the Luxembourg Stock Exchange, as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be unlisted.
<b>Clearing Systems:</b>	Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"), and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or The Depository Trust Company ("DTC") and/or any other clearing system as may be specified in the relevant Final Terms.
<b>Initial Programme Amount:</b>	Up to €3,000,000,000 (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.
<b>Issuance in Series:</b>	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 a Tranche may comprise Notes of different denominations.
<b>Final Terms:</b>	Each Tranche will be the subject of a Final Terms which, for the purposes of that Tranche only, supplements 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 supplemented, amended and/or replaced by the relevant Final Terms.
<b>Forms of Notes:</b>	Notes may be issued in bearer form (" <b>Bearer Notes</b> ") and/or registered form (" <b>Registered Notes</b> "), as specified in the relevant Final Terms. Registered Notes will not be exchangeable for Bearer Notes and <i>vice-versa</i> .

*Bearer Notes*

Each Tranche of Notes in bearer form will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Temporary Global Note or Permanent Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the Final Terms will be deposited on the relevant Issue Date with a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearance system and each Temporary Global Note or Permanent Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the applicable Final Terms, will be deposited on the relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

*Registered Notes*

Notes in registered form which are offered and sold outside the United States in reliance on Regulation S will be represented by interests in a global registered note certificate (the "**Unrestricted Global Note Certificate**"), either (i) deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream, Luxembourg or (ii) deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg on or about the date of issue of the relevant Tranche. Up to and including the fortieth day after the later of the commencement of the offering and the Closing Date, beneficial interests in the Unrestricted Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg.

Notes which are offered and sold in the United States in reliance on Rule 144A will be represented by interests in a global registered note certificate (the "**Restricted Global Note Certificate**" and, together with the Unrestricted Global Note Certificate, the "**Global Note Certificates**"), deposited with a custodian for and registered in the name of a nominee of DTC on or about the date of issue of the relevant Tranche. Interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including depositaries for Euroclear and Clearstream, Luxembourg. Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances. See "Form of Notes and Transfer Restrictions relating to U.S. Sales".

**Currencies:**

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.

**Status of the Notes:**

Notes will be issued on an unsubordinated basis.

**Issue Price:**

Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.



<b>Maturities:</b>	<p>Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.</p>
<b>Redemption:</b>	<p>Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.</p> <p>Notes issued on terms that they must be redeemed before their first anniversary may be subject to restrictions on their denomination and distribution, see "Maturities" above.</p>
<b>Optional Redemption:</b>	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
<b>Tax Redemption:</b>	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 11(b) ( <i>Redemption and Purchase – Redemption for tax reasons</i> ).
<b>Interest:</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
<b>Denominations:</b>	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, see "Maturities" above and save that the minimum denomination of each Note 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 will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in Condition 6 ( <i>Negative Pledge</i> ).
<b>Cross Default:</b>	The Notes will have the benefit of a cross default as described in Condition 14 ( <i>Events of Default</i> ).
<b>Taxation:</b>	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 13 ( <i>Taxation</i> ). In the event that a deduction becomes due, the Issuer will (subject as provided in Condition 13 ( <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 23 (*Redenomination, Renominalisation and Reconventioning*) if so specified in the relevant Final Terms.

**Governing Law:**

English law.

**Enforcement of Notes in Global Form:**

In the case of Global Notes, investors' rights against the Issuer will be supported by an amended and restated deed of covenant dated 14 October 2011 (the "**Deed of Covenant**"), a copy of which will be available for inspection at the specified office of the Fiscal Agent.

**Ratings:**

Unless otherwise specified in the applicable Final Terms, Notes to be issued under the Programme with a maturity of 12 months or more will be rated BBB+ by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. ("**Standard & Poor's**") and A2 by Moody's Investors Service Limited ("**Moody's**") and Notes to be issued under the Programme with a maturity of less than 12 months will be rated A2 by Standard & Poor's and P1 by 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.

## **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.*

### **RISK FACTORS RELATING TO THE ISSUER**

Thales is exposed to a number of risks and uncertainties that could have a significant impact on its business, financial position or results. The risks described below are not the only ones that Thales faces. Other risks of which Thales is not currently aware, or which are not believed to be significant at this time, could also have an unfavourable impact on its business, profitability or financial position.

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

#### **1. FINANCIAL RISKS**

##### **1.1. LIQUIDITY**

Thales's liquidity risk corresponds to its level of exposure to changes in the main market indicators which could lead to an increase in the cost of borrowing, or even a temporary restriction on access to external sources of finance.

Thales manages this risk by anticipating its liquidity requirements and by maintaining committed, undrawn credit facilities granted by banks as backup for its commercial paper programme and acting as a financing reserve.

This risk is hedged by Thales's short- and long-term financial resources listed below:

- shareholders' equity, listed by heading in Note 20 to the consolidated financial statements;
- gross debt, listed by maturity in Note 24 to the consolidated financial statements;
- committed, undrawn credit facilities granted by banks as backup for the commercial paper programme and acting as a financing reserve. These are described in more detail in Note 24 to the consolidated financial statements.

This principle of centralising the short-term surpluses and requirements of units (cash pooling) is applied to units in the same currency zone – euro zone (with separate cash pooling for French units), sterling zone, dollar zone and Australian dollar zone, etc. – and, in some cases, in the same country.

Through the consolidation and centralisation of cash requirements and surpluses of its units, Thales is in a position to:

- simplify cash management and reconcile individual positions of units to produce a single consolidated position, and
- gain access to financial markets through the parent company's financing programmes, rated by Standard & Poor's and Moody's (see below).

At 31 December 2010, cash recorded under consolidated assets amounted to €2.751m (compared with €1.960m at end-2009), including:

- €1.952m held by the parent company and available for immediate use;
- €450m in the form of credit bank balances of subsidiaries, most of them outside France. This figure includes, *inter alia*, payments received in the last few days of the financial year and subsequently transferred to the corporate treasury account;
- €349m in cash invested directly by joint ventures (prorated by Thales's interest in each joint venture), since cash pooling is not applicable to joint ventures.

Cash and cash equivalents at year-end are held either in bank deposits or invested in very short-term bank certificates of deposit with first-tier banks or money market undertakings for collective investment in transferable securities ("UCITS"). At the date of publication, Thales's debt was rated as follows by the rating agencies:

	Moody's	Standard & Poor's
Medium and long-term loans	A2	BBB+
Outlook	Outlook stable	Outlook stable
Commercial paper and short-term loans	Prime-1	A2

In June 2010, Thales's rating was downgraded from A1 to A2 by Moody's and from A- to BBB+ by Standard & Poor's.

This did not result in the activation of covenants contained in financing agreements. The clause providing for accelerated repayment of committed credit facilities would only take effect in the event that the French state 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. Conversely an upgrade would result in an improvement in the applicable margin.

## 1.2. INTEREST RATES

Thales is exposed to interest rate volatility and in particular its impact on the terms of its variable-rate borrowings. To limit this risk, Thales operates an active policy of interest rate hedging.

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

Thales has an active policy to control interest rate and counterparty risks and to optimise the terms of its borrowing and banking operations.

The breakdown of Thales's debt by type of interest rate is described in Note 24 to the consolidated financial statements. The table below summarises the Thales and its Subsidiaries' (the "**Group**") exposure to interest rate risk before and after hedging.

Based on Thales's average net debt, after hedging, a 1% rise in interest rates would reduce financial expense by €1.5m.

<i>(in € million)</i>	Due in 1 year		Due in 1 to 5 years		Beyond 5 years		Total	
	fixed	variable	fixed	variable	fixed	variable	fixed	variable
Financial liabilities	(832.6)	(385.4)	(747.4)	(32.6)	(629.6)	(28.5)	(2,209.6)	(466.5)
Financial assets		2,847.2					0.0	2,847.2
Net position before management	(832.6)	2,461.8	(747.4)	(32.6)	(629.6)	(28.5)	(2,209.6)	2,400.7
Off-balance-sheet	571.3	(571.3)	182.8	(182.8)	383.5	(383.5)	1,137.6	(1,137.6)
Net position after management	(261.3)	1,890.4	(564.6)	(215.4)	(246.1)	(412.0)	(1,072.0)	1,263.0

### 1.3. FOREIGN EXCHANGE

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

#### 1.3.1. 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. Almost half of Thales's revenues are generated in the euro zone, which is also where most of its industrial operations are located. In addition, Thales's international development policy, both in Europe and in other parts of the world (United States, Australia, South Korea, etc.) allows the company to manufacture and invoice in local currency, thereby eliminating exchange rate risk on local sales.

**b.** The accounts of Thales subsidiaries located in countries where the official currency is not the euro are translated into euros in the Group's consolidated accounts. 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 revenues.

**c.** For some of Thales's business activities (civil avionics, tubes, civil space), the US dollar is the standard transaction currency. For business activities outside the dollar zone (in-flight entertainment business is based essentially in the United States and is therefore largely immune to this risk), a specific currency risk hedging policy is implemented.

- For equipment transactions (avionics, tubes), 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 4% of the Group's total revenues for 2010.
- For longer-term programmes in markets traditionally denominated in USD (primarily in civil space and simulators), each bid or proposal is examined for profitability, including the effect of currency fluctuations, after accounting for corresponding purchases in USD, and, if necessary, is hedged either through market transactions (forward exchange contracts and options), or by reinsurance with private insurance companies such as Coface.

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

Overall, net exposure represented around 3% of the Group's total revenues for 2010. In future years, the rollout of the Iridium contract will increase the portion of revenues earned in USD.

- As well as this direct dollar risk, which concerned around 7% in total of consolidated revenues at end-2010, Thales 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. Analysis by product lines and geographic areas shows that an estimated 15% to 20% of total revenues may be exposed to this "indirect" dollar risk.

Dollar risk is thus the main currency risk that Thales needs to hedge. The figures corresponding to the hedging of business-related dollar risk are as follows:

- USD3.837m of financial instruments to hedge net firm commitments (USD risk against EUR, CAD and GBP) at 31 December 2010, compared with USD2.140m at 31 December 2009. The Iridium contract is the main reason for this increase;
- USD192m of financial instruments to hedge bids at 31 December 2010, compared with USD299m at 31 December 2009.

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

The change in value of financial instruments (forward transactions) used as cash flow hedges is recognised in shareholders' equity. The contango/backwardation component is not eligible for hedge accounting and is recognised in profit and loss. In 2010, the change in market value of the contango/backwardation was €14m. A 5% fall (rise) in the dollar against EUR, GBP and CAD would increase (decrease) shareholders' equity by around €135m at 31 December 2010, compared with €70m at 31 December 2009.

The change in value of financial instruments matched with portfolios of sales offers which are not eligible for hedge accounting is recognised in profit and loss. A 5% fall (rise) in the dollar against EUR, GBP and CAD would increase (decrease) net income by around €2m at 31 December 2010, unchanged from 31 December 2009.

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.

### **1.3.2. MANAGEMENT OF RISKS FOR ASSETS HELD IN FOREIGN CURRENCY**

Thales hedges a limited part of its foreign currency-denominated assets, mainly those likely to be disposed of at a future date. 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 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.

In general, hedging is achieved by loans or currency swaps in the same currency as the assets to be hedged. The actual application of this policy, however, also depends on:

- the objective of optimising hedges in the 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 RISKS RELATED TO ASSETS AT 31 DECEMBER 2010**

<i>(in € million)</i>	GBP	USD	AUD
Assets	2,008.8	1,074.6	724.4
Liabilities	1,177.7	471.4	429.2
Net position before management	831.1	603.2	295.2
Off-balance sheet position	(38.2)		
Net position after management	792.9	603.2	295.2

#### **1.4. EQUITIES**

Thales is not exposed to any significant equity risk at end-2010.

#### **1.5. OFF-BALANCE-SHEET COMMITMENTS AND CONTINGENCIES**

##### **1.5.1. PENSION COMMITMENTS**

Defined-benefit pension plans are in place for certain Thales employees, mainly in the United Kingdom and the Netherlands, and are externally funded by the company under the provisions of the applicable national legislation.

At 31 December 2010, Thales's commitments in the United Kingdom and the Netherlands toward current employees (access to these plans has been closed to new employees in the UK), former employees and retired employees amounted to €3.162m for both countries, hedged by €2.785m in investments, representing an unfunded status of €377m. At 31 December 2010, these investments consisted of:

- 42% in equities;
- 41% in fixed-rate bonds;
- 2% in real estate assets;
- 9% in inflation-indexed funds;
- 2% in cash;
- 4% in alternative investments.

Changing market parameters could affect the amount of the shortfall and the annual costs of defined-benefit plans. At 31 December 2010, the main risk variables were as follows, listed in order of importance:

- a reduction or increase in the discount rate applied to liabilities, which could increase or reduce the unfunded status; this variable is partly offset by changes in the value of fixed-rate bonds held as plan assets and interest rate swaps;

- changes in the total return on investments in equities and real estate;
- changes in the forecast inflation rate;
- a substantial change in mortality tables;
- exchange rate fluctuations (mainly sterling against the euro).

Thales has introduced quarterly reporting on its pension plan positions and makes regular deterministic and stochastic projections measuring the sensitivity of unfunded status to possible changes in market parameters and incorporating correlation factors. In countries like the UK and the Netherlands, Thales is committed to defined-benefit pension schemes, but 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 nature of the commitments they cover.

## **1.5.2. PARENT COMPANY GUARANTEES**

Thales, as the parent company, issues guarantees on commitments undertaken by its subsidiaries on commercial contracts. These guarantees are centralised by the Group Corporate Financing & Treasury department.

Guarantees are limited to a total of €3bn based on the authority granted each year to the Chairman and Chief Executive Officer by the Board of Directors. Prior to each renewal of the authority granted to the Chairman, the Chief Financial Officer reports to the Board of Directors on how this authority has been used, based on the monitoring carried out by the Group Corporate Financing & Treasury department.

At 31 December 2010, guarantees issued by the parent company in support of its subsidiaries stood at €9.354m. This figure includes all commitments given in relation to Thales Alenia Space (matched by a counter-guarantee from Finmeccanica in proportion to its 33% interest in Thales Alenia Space).

Thales manages risk connected to these parent company guarantees and optimises the financial conditions of the transactions guaranteed. The main objectives of this risk management policy are as follows:

- to limit risks to those corresponding to normal commitments on commercial contracts, particularly in terms of volume and duration;
- to limit the issue of guarantees to commitments made by wholly-owned subsidiaries, with guarantees on commitments by consortia or joint ventures only in proportion to Thales's interests in those consortia or joint ventures;
- to enable its subsidiaries to benefit, when appropriate, from the credit rating of the parent company by monitoring the financial terms of the transactions guaranteed.

## **1.6. CLIENT 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.

### **1.6.1. RISK OF DEFAULT BY A PRIVATE CLIENT**

Private-sector customers (aircraft manufacturers, airlines, civil infrastructure operators, industry) account for approximately 25% of Thales's revenues. 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 Thales's revenues, profitability and financial position.

To mitigate these risks, Thales regularly analyses the ability of customers to meet their obligations. If necessary, Thales might ask for bank guarantees or corporate guarantees, or use credit insurers.

### **1.6.2. CREDIT RISK OF A PUBLIC CLIENT**



Government and institutional customers account for around 75% of Thales's revenues. Some of the countries that Thales deals with could represent a significant credit risk, potentially resulting in the cancellation of an order in the course of production or the inability to make payment on delivery. To limit its exposure to these risks, Thales arranges insurance with export credit agencies (such as Coface in France) and private insurers.

At 31 December 2010, only two customers represented more than €500m in revenues for Thales: the French government (approximately €2bn) and the British government (approximately €1bn). At that date, both states were rated AAA by Standard & Poor's.

## **2. LEGAL RISKS**

### **2.1. COMPLIANCE WITH LAWS AND REGULATIONS**

The Group operates its business in a strict and evolving complex legal and regulatory environment, both nationally and internationally.

The legal and regulatory framework in which Thales operates covers a broad range of areas, relating in particular to company law, financial market regulation, fiscal legislation, labour law, export control and measures to combat corruption and money laundering.

Thales is able to monitor developments within this legal and regulatory framework through its international network. The company is not always able to foresee them, however, and in this respect its business could be affected.

Despite the steps taken by Thales as a company to comply with all applicable legislation, risks still exist due to their inherent nature, the interpretative powers of regulatory agents 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 lead to civil, administrative or even criminal rulings. Such a ruling could, if applicable, involve a temporary ban on trading, which would in turn have an adverse impact on Thales's profitability and financial position.

To manage this complexity, Thales has set up a Risks & Internal Control Committee, which uses legal and regulatory risk-mapping to evaluate and monitor the implementation and continuous improvement of compliance plans at each unit. Actions to ensure compliance are supported by networks of compliance officers, which include specialists in such areas as export control, as well as a dedicated organisation for issues connected with international trade (see below).

The Risks & Internal Control Committee assists with regular compliance audits conducted by the Internal Audit Department, and follows up on the results of the audits.

Regular reports are submitted to the Audit and Accounts Committee of the Thales Board of Directors, which in turn may issue compliance audit directives applicable to the entire Group.

#### **2.1.1. MANAGEMENT OF ITS BUSINESSES**

Due to its presence in 50 countries and the diversity of its markets and business segments, Thales is subject to numerous national and international laws and regulations governing its commercial activities (UN and OECD Conventions and national implementation laws, Foreign Corrupt Practices Act in the United States, etc.).

Infringement of these laws could have serious legal consequences for the individuals or entities concerned. It could also have a significant impact on the image and reputation of the Group as a whole.

In response to the regulatory requirements in terms of prevention of corruption and business ethics in general, Thales has for a number of years operated a strict international compliance and integrity programme.

Its implementation is based on a coherent set of directives enshrined in the Thales reference system, relying on dedicated organisations and independent means of control.

Business risks are described in all governance processes. From the preliminary phase of a project, these operating processes envisage action plans to mitigate business risks, focusing particularly on the prevention of corruption.

Thales maintains strict control over the use of advisors or consultants based on a detailed procedure, which includes comprehensive due diligence (and risk assessment) as well as appropriate representations and commitments from such advisors or service providers. This procedure, conceived by the Group's Ethics and Corporate Social Responsibility department, was significantly improved in 2010.

In addition, alongside its strategy of increasing its international presence and having a solid "footing" in target countries, Thales has a new accreditation and selection procedure for local industrial partners. This procedure aims to foster long-term partnerships with local operators who meet Thales's integrity requirements, while making it more competitive in these markets.

A dedicated international organisation, separate from the commercial operating departments, is in charge of the necessary due diligence – accompanied by external studies and diagnostics – during the selection phase of commercial service providers and industrial partners mentioned above.

In addition, using detailed risk-mapping and rigorous internal control procedures, Thales's internal audit department regularly carries out compliance and integrity audits on all business risk management systems.

Thales is particularly keen to make its employees aware of business ethics as soon as they join the Group. Ownership and accountability are at the heart of the information and training model designed by the Ethics and Corporate Social Responsibility department. A broad array of tools (Code of Ethics, best practice guidelines, etc.) and training are available to staff throughout their professional life.

Thales also continues to disseminate and foster best practice among its suppliers and subcontractors, requiring them to subscribe to the terms of its Purchasing & Corporate Responsibility Charter. This initiative was commended by the United Nations in the latest UN Global Compact Annual Review. Thales formally renewed its commitment to the Global Compact in 2009.

Finally, Thales is closely involved in the relevant professional bodies at national level (MEDEF, GIFAS, ADS, etc.) and international level (ASD, ICC, etc.), as well as in various working groups of intergovernmental organisations (OECD, UN, etc.). The company actively contributes to various initiatives to tackle corruption, particularly through the global initiative in the aerospace and defence industries, which led to the creation of the Global Principles of Business Ethics.

### **2.1.2. CONTROL OF EXPORTS**

Exports account for a significant proportion of Thales's business. Many of the company's products and systems are designed for military or dual-use applications. Consequently, the export of these products or systems to customers located outside Thales's domestic markets where they are manufactured, particularly in the defence sector, may be subject to limitations, export licences or specific export controls (imposed by the countries in which Thales operates, as well as by other countries where the suppliers of component products or technologies are based, most notably the United States).

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 control, and (iii) geopolitical factors will not make it impossible to obtain export licences for certain customers or make it more difficult for Thales to execute previously signed contracts. Further limitations on access to military markets would thus have a negative impact on Thales's business, profitability and financial position.

Thales has put in place systems and formal procedures to ensure compliance with applicable regulations and controls, and reinforces these measures through awareness-raising programmes with dedicated e-learning modules. In addition, operational units have access to a network of specialists within the Group, in charge of applying compliance rules determined at Group level as well as monitoring the necessary authorisations.

### **2.1.3. COMPETITION**

Thales's business activities are subject to a wide range of national and international regulations mainly aimed at combating anti-competitive practices.

Infringement of these rules could lead to severe sanctions, such as fines, payment of damages, trading restrictions and legal bans. They could also have a serious impact on corporate image and reputation.

To avoid any such infringements, Thales has initiated an awareness-raising programme to ensure employees are properly informed about these rules, in particular through the rollout of a dedicated e-learning programme.

### **2.1.4. INTELLECTUAL PROPERTY**

Thales is exposed to two main types of intellectual property risk: dependence on third-party technology, and third-party actions against the company for any perceived infringement of their intellectual property rights.

To reduce the risk of reliance on third-party technology, Thales has designed and implemented an ambitious policy to control business-critical technology and outsourcing. This policy is updated each year.

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 owns the technology which is critical to the business. Thales's extensive intellectual property portfolio (over 11,000 patents, as well as software and know-how) and its presence throughout the value chain (equipment, systems, systems of systems) reduce its reliance on third-party technology. As a result, Thales's dependence on this technology can be considered very 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.

## **2.2. LITIGATION**

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

To prevent disputes or limit their impact, the Group's policy is to increase recourse to alternative methods of dispute resolution. These recommendations are reviewed on a regular basis to take account of changes in the Group's business segments and are accompanied by training programmes.

In addition, for several years Thales has operated a procedure whereby all civil, commercial and criminal litigation and claims are handled centrally by the Group's Legal department, with the support of the Group companies concerned.

Thales is involved in a major litigation case at arbitration, described below:

The Chinese government went to arbitration over a dispute concerning the performance of an equipment supply contract signed in partnership with another manufacturer in 1991. The arbitration court issued its decision on 3 May 2010, upholding the claim for damages made by the Chinese government for the alleged infringement of contractual clauses governing the use of intermediaries.

Thales has been notified of the award handed down on 3 May, 2010, in the arbitration against the Republic of China. This award has been made as a result of an alleged breach of the terms pertaining to the use of intermediaries contained in a contract entered into in 1991.

The total amount of the award is set at USD 482 million and €82 million, bearing interest as from August 2001; as well as around €15 million, bearing interest from 3 May 2010, i.e. a total of around €630 million (including interest).

Thales disputes the very grounds of this decision. The company has filed petition for nullity before the Paris Court of Appeal.

Thales's share in this litigation represents 27.463% of the total, and corresponds to its industrial share in the supply contract. Taking into account the provisions previously booked, an additional provision of € 35 million (pre-tax) was booked in the company's accounts in 2010.

There are no other governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened to the Company's knowledge) which could have or which have had significant effects on the Company and/or the Group's financial position or profitability in the last 12 months.

### **3. RISKS RELATED TO THALES'S BUSINESSES**

#### **3.1. UNFAVOURABLE TRENDS IN THE CIVIL AVIATION MARKET**

The commercial aviation market has proved to be inherently cyclical over recent decades. Demand for air travel seems to be closely linked to general economic trends, but is also affected by specific factors, such as the characteristics of aircraft fleets in service, regulatory changes (new environmental standards, deregulation, etc.) and the ability of airlines to access bank or market financing. In addition to its cyclical nature, the civil aviation market is also susceptible to the effects of an intensification (real or perceived) of terrorist activity, as well as the outbreak of conflict or epidemics.

Despite the early signs of a recovery that emerged in the second half of 2010, the economic environment is likely to remain troubled, particularly in North America and Europe. In order to remain profitable in a difficult market, airlines could cancel or postpone orders and aircraft manufacturers might have to downshift production. Similarly, this environment could lead airlines to reduce or delay investment in in-flight entertainment systems and flight simulators. Were they to materialise, these factors could have a negative impact on Thales's profitability and financial position.

To limit the impact of this risk, Thales is pursuing action on two fronts: (i) ongoing improvements to its competitive performance and industrial flexibility in order to better manage trading fluctuations during the cycle, and (ii) a comprehensive strategy seeking a balance within the business portfolio (with exposure to the civil aviation market reduced to around 12% of Group revenues).

#### **3.2. DEPENDENCE ON GOVERNMENT ORDERS**

Thales generates most of its business from governments, particularly in the defence markets in France and the UK, and, to a lesser extent, in the rest of Europe and North America. 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 significant reduction over the next few years in French and/or UK defence budgets, particularly as part of a more restrictive budgetary policy, could adversely affect the Group's future business.

Thales bases its strategy on a balanced portfolio of defence operations (approximately 55% of revenues) and civil operations (approximately 45% of revenues). The overall solidity of the portfolio is underpinned by a diversified base of orders with a unit value of less than €100m. Finally, the broad geographic spread of Thales's business, particularly through its international operations, ensures further diversification of its customer base.

#### **3.3. CONTROL OF PROJECTS AND PROGRAMMES**

Many of Thales's products and systems are highly complex due to their advanced technology content, the rigorous 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 and equivalent, etc.).

The actual cost of design, 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 envisage stringent performance levels and/or tight delivery schedules for the products or systems sold. 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. These lines of action could have a considerable impact on Thales's results and financial position.

In 2010, Thales recognised significant charges linked to the difficulties of implementing several programmes launched prior to 2009 (e.g. A400M, Meltem maritime patrol aircraft, civil avionics, ticketing) and where the Group has decided to revise its assessment of the most probable scenarios on these pre-2009 programmes, taking a more cautious approach than that hitherto envisaged (see management report and Note 16 to the consolidated financial statements).

Bid and project management is therefore subject to a detailed risk management and assessment process, and Thales now ranks the various levels of criticality. Critical bids and projects are carefully monitored by senior management at the various operating entities, or by Group management in the most critical cases.

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 reveal the estimated level of profitability and the associated risks to be assessed. Particular attention is paid to long-term sales contracts that include fixed prices valid for the entire duration of the agreement.

For certain contracts that run for several years and involve products and services with a high degree of complexity, regular reviews are organised in order to monitor the technical and financial status.

Given the difficulties encountered on several programmes, in 2010 Thales stepped up its action plans to drive improvements in bid and project management as well as in the engineering and supply chain. These actions aim in particular to:

- improve the management of commitments made, with widespread use of independent peer reviews, closer involvement of Purchasing, Production, Legal and Quality Control, and the introduction of a "Project Design Authority" responsible for developing the project solution (during the bid or project execution phase);
- implement tried-and-tested project management solutions and integrate the supply chain with project management processes. Measures include more systematic implementation of alert reviews at launch, metrics for the correct implementation of project management, engineering and purchasing procedures, and rapid deployment of project management software;
- introduce advanced training for project managers to obtain International Project Management Association (IPMA) certification.

### **3.4. POLITICAL RISKS**

Thales generates a significant proportion of its revenues in emerging markets and countries that can be, or could become, politically or economically unstable. These markets might therefore present risks with the potential to affect the company's profitability and financial position.

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 country, preventing it from honouring its financial commitments towards Thales;
- expropriation (by confiscation, nationalisation, requisition, etc.) or forced sale of Thales's interest in a local company or, more broadly, discriminatory measures that compromise Thales's operations in that country;

- a security situation that makes it difficult or impossible for Thales to deliver on its contractual obligations, or that restricts or prohibits the use of its local industrial facilities;
- an unexpected breach of a contract or commitment;
- an unfair call on a bond or a guarantee;
- the non-certification of documents eligible for payment or the failure to make payments as and when due under a contract, preventing contract execution as anticipated.

To limit the financial impact of these risks, Thales uses government and/or private-sector insurers when necessary to provide appropriate cover. It may also transfer non-recourse receivables to financial institutions.

### **3.5. MANAGEMENT OF SUPPLIER RISK**

As part of its critical systems integration strategy, Thales is increasingly relying on external purchases. These now represent almost half of its revenues and include manufacturing, services, systems and equipment. Thales is thus exposed to the risk of industrial, technical or financial failure of any of its suppliers, which in turn could affect the company's profitability and performance.

There are two major types of supplier risk:

- legal or regulatory non-compliance (e.g. ethics, export control, intellectual property, etc.); these risks are 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 are dealt with by the Purchasing department using the Group Risk Management system. The Purchasing department has identified two key triggers: supplier default and economic dependence. Although individual events might be considered to have a minor financial impact, they could potentially occur several times a year. The financial impact could become significant if several events are considered together, due to the domino effect and the large number of suppliers in Thales's supplier panel.

#### **Management of the risks of supplier failure**

Supplier failure 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, etc.) or through mismanagement. The supplier's management performance is monitored both in operational terms (lack of 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 talent management, loss of know-how, fall in revenues, 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 to Thales.

Therefore, faced with this risk of a supply shortage, Thales seeks to implement a dual sourcing (or alternative-source) policy for each technology family, regularly updated and accompanied by buffer stocks that cover its requirements until contracts have been fulfilled.

In addition, taking into account the increased risk of fragility of certain suppliers in the current economic climate, Thales has introduced a special measure based on close cooperation between Purchasing and Finance aimed at identifying, from among its critical suppliers, those that would be particularly exposed financially and implement an appropriate action plan to ensure continuity of supply. Apart from individual monitoring, analysis is carried out by the technology field in conjunction with the professional bodies concerned to identify 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 (quality control, industrial maturity, flow optimisation, compliance with environmental regulations, expertise in technical and technological processes, financial solidity, etc.) and therefore allow a complete risk analysis to be carried out. When executing a procurement contract, Thales



closely monitors the implementation by the supplier of measures aimed at tackling the risks identified during the selection process.

### **Management of the risks of economic dependence**

The economic dependence of small and medium-sized enterprises ("SMEs") on Thales is considered a separate risk in its own right. It is particularly significant now that the economic crisis has disrupted the sales portfolios of a number of them, jeopardising the operating cycle with Thales and potentially leading to a supply shortage.

In order to mitigate this risk, the commitment rate (orders placed by Thales as a percentage of the supplier's total annual revenues) is monitored for each panel of suppliers by market segment (vertical approach) and for the main countries (France, UK, Netherlands, etc.). If the commitment rate exceeds 50% for more than two consecutive years, an action plan coordinated with prescriptors and internal users is drawn up and implemented in order to return to a commitment rate of around 25%.

The procurement policy, supplier selection and performance monitoring process, and supervisory and risk mitigation measures are all designed to reduce these risks, both during the bidding phase and during the preliminary project phase.

### **3.6 RISK RELATED TO FAILURE OF EQUIPMENT**

Thales systems and equipment are highly complex and technical and are likely to be integrated within high-value civil or military platforms. A malfunction of any of these systems or equipment could result in claims or litigation. In addition, Thales could be held liable in the event of damage to property or personal injury. Were they to occur, such events would be liable to impact Thales's results and financial position. In order to limit this impact, Thales has introduced quality control procedures and is implementing a policy aimed at maintaining appropriate insurance cover (see section 6 below).

### **3.7 RISK RELATED TO RAW MATERIALS**

Given the nature of its business, Thales uses few raw materials. Its exposure to raw materials risk is therefore negligible.

### **3.8 RISK RELATED TO LESSER IMPLEMENTATION OF THE PROBASIS PERFORMANCE PLAN**

In late 2009, Thales announced the launch of a major performance plan called "Probasis". This comprehensive plan aims to boost the operating profitability of the company, significantly improving project execution and industrial output and substantially reducing fixed costs. The implementation of Probasis should enable Thales to generate €1.3bn in gross savings by 2014.

These savings targets are derived from consolidated estimates based on detailed plans drawn up by the Group's entities and central functions; the actual results may differ significantly from the targets. Specifically, the cost-cutting measures envisaged by Thales are based on economic and commercial assumptions adopted during the preparation of the Group's multi-year budget, and do not take into account any changes affecting Thales's operations or its markets, such as, without limitation, the development of new activities or unfavourable regulatory or legislative changes.

Furthermore, the future earnings and financial position of Thales could be impacted if the Probasis plan were not fully implemented or if the proposed measures failed to generate the expected savings according to the original timetable. The cost of implementing Probasis could also be higher than forecast, depending on the outcome of negotiations with employee representatives.

Thales is thus particularly focused on how Probasis is managed. A central team is in charge of overall management of the plan, supported by a network of correspondents across the Group. A steering committee on which members of the Group Executive Committee sit meets each month to review the progress of key initiatives. Savings forecasts for the year are regularly updated as part of the budgeting process.

### **3.9 HUMAN RESOURCES RISK**

### **3.9.1 HEALTH AND SAFETY AT WORK**

Through its Code of Ethics, applicable to all Thales employees, Thales is committed to providing its employees with a safe and healthy working environment, by implementing the statutory provisions in force, monitoring procedures, preventing health and professional risks and organising staff training. These principles have led to the implementation of concrete resources with a view to preventing discriminatory practices, psychological and sexual harassment and health risks (professional risks, psychosocial risks, etc.), as well as improving working conditions. The main risks likely to affect staff are monitored based on specific metrics.

In France, Thales signed in 2009 an agreement on "Quality of working life" with the majority of representative trade union organisations at Group level. The agreement proposes measures to ensure the health and safety of employees and defines a general safety framework. Under the agreement, the parties have also agreed to monitor and prevent psychosocial risks by implementing protective measures for employees and collective preventive measures. Special training sessions are also organised to raise awareness of these risks among managers.

Proof of the Group's continuing commitment to certification, 78 Thales entities (representing 45% of the workforce) have obtained OHSAS 18001 certification by the end of 2010.

### **3.9.2 THE GROUP'S ATTRACTIVENESS**

Thales's revenues and operating profitability could be adversely affected if it were unable to recruit the necessary qualified personnel at the right time, and retain and motivate key talent to develop and carry on the business, while ensuring that the Group fostered the necessary expertise and continuity in project management.

Therefore, Thales has extended its search for new talent by deploying a proactive diversity policy, welcoming employees from a wide range of backgrounds in terms of training, previous experience and culture, and seeking to recruit more mixed teams (mainly through the diversity targets set in agreements signed by each company). Thales's appeal also stems from its employment policy, which encourages functional and geographical mobility.

Thales has introduced skills management based on the identification of know-how across 15 professional categories. A steering committee composed of operating managers and HR managers monitors the requirements for each category. This system helps to match the allocation of resources to requirements and recommends corrective measures where necessary, particularly in terms of recruitment plan, mobility and training. In addition, the Thales University updates its key courses each year in response to changes in skills requirements.

## **4. ENVIRONMENTAL RISKS**

Due to the nature of Thales's activities, environmental risks are related to the potential adverse environmental and health effects of its activities, the impact of the environment on its operations, and non-compliance with new regulations applicable to activities and products.

For many years, Thales has conducted regular analysis and update of environmental risks in accordance with its business activities, scientific and technical developments and the broader environmental challenges.

This analysis is used to map risks linked primarily to regulatory non-compliance, pollution, asbestos, chemicals (ROHS, REACH, WEEE, etc.) and radiation. The aim of this analysis is to:

- ensure that employees and surrounding residents are not exposed to health and environmental risks;
- ensure the compliance of activities and products;
- analyse the impact of new regulations, including on product design;
- specify an appropriate organisation and associated action plans, either at Group level or locally, according to the risk mapping results.



In addition to this, an Environmental Management System has been deployed at all sites in order to ensure the control and limitation of the environmental impacts in accordance with Thales's commitments. By the end of 2010, over 110 sites had obtained ISO 14001 certification.

At 31 December 2010, the amount of reserves for environmental contingencies amounted to € 6.5 million.

## **5. 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 within Thales could prove more difficult and take longer than envisaged, requiring a more significant involvement by senior managers and the teams concerned and, in turn, negatively impacting the company'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 initial business plans, which form the basis of the investment decision. This type of variance could lead to the recognition of impairment losses on goodwill and other intangible assets, thereby negatively impacting Thales's results and financial position.

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. A review is also conducted at each key stage in the acquisition process to confirm Thales's interest and specify 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.

## **6. INSURANCE**

Thales's Insurance and Risk Management department, based at head office, is responsible for the Group's insurance activities and insurable risk management. It is in charge of Group operations and oversees policy implementation by Thales companies.

Thales insures against the accidental risk of damage to property and civil liability by arranging the appropriate insurance with leading international insurers and reinsurers.

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

- damage to property and consequential business interruption;
- transport;
- testing and development;
- aviation liability, including liability for aeronautical products, and hull/test flight insurance;
- civil liability for space products;
- risks of damage to naval vessels by subsidiaries, as naval equipment suppliers;
- general third-party liability;
- environmental liability;
- liability of executive officers and directors.

In 2010, Thales filed a claim for damage caused during testing of a telecommunications satellite prior to its launch.

Thales's policy is to arrange cover on the insurance market based on the rates and limits that it considers reasonable, in view of the conditions offered by the market. Limits are applicable to insurance for major risks and general exclusions for the entire market (e.g. asbestos) also apply to Thales.

The maximum cover for damage to property and consequential business interruption is set at €1.3bn in 2010. This amount corresponds to the maximum foreseeable loss that Thales might incur for direct damage and business interruption at an industrial site.

Levels of liability cover depend on the quantification of a reasonable claim expectancy for Thales, as identified when risk-mapping the core business activities across the Group, and on cover capacity available on the insurance market. Insurance cover for aviation liability is arranged separately and currently stands at USD2bn.

The insurance industry, which was affected by the recent financial crisis, is still trying to reduce its overall risk exposure. We are witnessing an increase in insurance premiums, a rise in deductibles and additional limits on the scope of cover. In addition, there are fewer insurers with the necessary resources and financial capacity to insure major industrial risks. There are no guarantees that Thales will in future be able to maintain current levels of insurance under similar financial conditions.

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 commitment of €13.5m, for damage to property and consequential business interruption, transport, general third-party liability, testing and development and space risks,;
- transfer to insurers of payment for catastrophic losses.

A proactive safety and prevention policy at industrial sites aims to reduce the extent and frequency of accidental risks of fire or explosion, as well as identifying other potential weaknesses. In 2010, more than 80% of insured assets underwent a fire safety audit by an external body and by insurers during their visits to the main industrial sites.

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.

Thales is seeking to emphasise professional indemnity cover for its staff. In addition, specific and/or local cover has been arranged to comply with the regulations in force and to satisfy the specific requirements of certain activities or projects, particularly public-private partnerships.

## **RISK FACTORS RELATING TO THE NOTES**

### **GENERAL RISKS RELATING TO THE NOTES**

#### **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.

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.

**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.

#### **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 11, and the Issuer may issue further notes, as described in Condition 19. 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.

#### **Market Value of the Notes**

The market value of the Notes will be affected by the creditworthiness of the relevant Issuer and a number of additional factors, including the value of the reference assets or an index, including, but not limited to, the volatility of the reference assets or an index, or the dividend on the securities taken up in the index, market interest and yield rates and the time remaining to the maturity date.

The value of the Notes, the reference assets or the index 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, the reference assets, the securities taken up in the index, or the index 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. The historical market prices of the reference assets or an index should not be taken as an indication of the reference assets' or an index's future performance during the term of any Note.

#### **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.

#### **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.

#### **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.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person located within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

In relation to French taxation, the Directive has been implemented in French law under Article 242 *ter* of the French *Code Général des Impôts* and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to the *Code Général des Impôts*. Please also refer to the "**Taxation**" Section, "*EU Savings Directive*".

### **French insolvency law.**

Under French insolvency law as amended by ordinance n°2008-1345 dated 18 December 2008 which came into force on 15 February 2009, holders of debt securities are automatically grouped into a single assembly of holders (the "**Assembly**") during a preservation (procédure de sauvegarde) or a judicial reorganisation procedure (procédure de redressement judiciaire) of the Issuer, in order to defend their common interests. The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes), whether or not under a debt issuance programme (EMTN) and regardless of their governing law. The Assembly deliberates on the draft safeguard (projet de plan de sauvegarde) or 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 shares.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities held by the holders attending such Assembly or represented thereat). No quorum is required on convocation of the Assembly.

For the avoidance of doubt, the provisions relating to the meetings of the Noteholders described in this Base Prospectus will not be applicable in these circumstances.

## **RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES**

### **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.

**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.

## **RISKS RELATED TO INTEREST RATES**

### **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.

### **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.

### **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.

## **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.

### **Investments in Index Linked Interest Notes entail significant risks and may not be appropriate for investors lacking financial expertise.**

An investment in Index Linked Interest Notes entails significant risks that are not associated with similar investments in a conventional fixed or floating rate debt security. The Issuer believes that Index Linked Interest Notes should only be purchased by investors who are, or who are purchasing under the guidance of, financial institutions or other professional investors that are in a position to understand the special risks that an investment in these instruments involves. These risks include, among other things, the possibility that:

- such index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- the resulting interest rate will be less (or may be more) than that payable on a conventional debt security issued by the Issuer through the Issuer at the same time;
- the repayment of principal can occur at times other than that expected by the investor;
- the holder of an Index Linked Interest Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the Index Linked Interest Note;
- the risks of investing in an Index Linked Interest Note encompasses both risks relating to the underlying indexed securities or commodities and risks that are unique to the Note itself;
- any Index Linked Interest Note that is indexed to more than one type of underlying asset, or on formulae that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- it may not be possible for investors to hedge their exposure to these various risks relating to Index Linked Interest Notes; and
- a significant market disruption could mean that the index on which the Index Linked Interest Notes are based ceases to exist.

In addition, the value of Index Linked Interest Notes on the secondary market is subject to greater levels of risk than is the value of other Notes. The secondary market, if any, for Index Linked Interest Notes will be affected by a number of factors, independent of the creditworthiness of the Issuer and the value of the applicable currency, commodity, stock, interest rate or other index, including the volatility of the applicable currency, commodity, stock, interest rate or other index, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, commodity, stock or interest rate index depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer has no control. Additionally, if the formula used to determine the amount of principal, premium and/or interest payable with respect to Index Linked Interest Notes contains a multiplier or leverage factor, the effect of any change in the applicable currency, commodity, stock, interest rate or other index will be increased. The historical experience of the relevant currencies, commodities, stocks or interest rate indices should not be taken as an indication of future performance of such currencies, commodities, stock, interest rate or other indices during the term of any Index Linked Interest Note. Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of certain Index Linked Interest Notes.

The credit ratings assigned to the Issuer's Programme are a reflection of the credit status of the Issuer, and in no way are a reflection of the potential impact of any of the factors discussed above, or any other factors, on the market value of any Index Linked Interest Note. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in Index Linked Interest Notes and the suitability of such Notes in light of their particular circumstances.

Various transactions by the Issuer could impact the performance of any Index Linked Interest Notes, which could lead to conflicts of interest between the Issuer and holders of its Index Linked Interest Notes.



## 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 AMF ([www.amf-france.org](http://www.amf-france.org)) and on the website of the Issuer ([www.thalesgroup.com](http://www.thalesgroup.com)).

This Base Prospectus shall be read and construed in conjunction with the following sections identified in 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 2011 first half financial report including the statutory condensed consolidated half year financial statements of the Issuer as at, and for the period ending on 30 June 2011 in the French language which has been filed with the AMF (the "**2011 Issuer's Half-Year Financial Report**");

(b) the sections identified in the cross-reference table below of the 2010 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 5 April 2011 under no. D11-0237, including the statutory audited consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2010 and the related notes thereto (the "**2010 Reference Document**") except for the fourth paragraph of the "Declaration by person responsible for the "*Document de Référence*" on page 1 of the 2010 Reference Document; and

(c) the sections identified in the cross-reference table below of the 2009 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 26 March 2010 under no. D10-0178, including the statutory audited consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2009 and the related notes thereto (the "**2009 Reference Document**") except for the third paragraph of the "Declaration by person responsible for the "*Document de Référence*" on page 3 of the 2009 Reference Document,

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 Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or oral requests for such documents should be directed to the specified office of any Paying Agent.

All documents incorporated by reference in this Base Prospectus will be available on the website of the *Autorité des marchés financiers* ([www.amf-france.org](http://www.amf-france.org)) and on the website of the Issuer ([www.thalesgroup.com](http://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>	2010 Reference Document	3
4.1.1.	the legal and commercial name of the issuer	2010 Reference Document	157
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.	<b>BUSINESS OVERVIEW</b>		
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	2010 Reference Document	145-155
5.1.2.	The basis for any statements in the registration document made by the issuer regarding its competitive position	2010 Reference Document	145-155
6.	<b>ORGANISATIONAL STRUCTURE</b>		140
6.1.	If the issuer is part of a group, a brief description of the group and of the issuer's position within it	2010 Reference Document	2, 141
7	<b>TREND INFORMATION</b>	2010 Reference Document	13
9.	<b>ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES</b>		
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.	2010 Reference Document  Not Applicable	174-180  Not Applicable
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	2010 Reference Document	170-171
10.	<b>MAJOR SHAREHOLDERS</b>		
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	2010 Reference Document	160, 163
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	N/A	N/A
11.	<b>FINANCIAL INFORMATION</b>		



	CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
11.1.	<p><u>Historical Financial Information</u></p> <p>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>2011 Issuer's Half-Year Financial Report 5</p> <p>2010 Reference Document 28-29</p> <p>2009 Reference Document 32</p> <p>2011 Issuer's Half-Year Financial Report 3</p> <p>2010 Reference Document 26-27</p> <p>2009 Reference Document 30-31</p> <p>2011 Issuer's Half-Year Financial Report 8-22</p> <p>2010 Reference Document 33-89</p> <p>2009 Reference Document 35-87</p>	
11.2	<p><u>Financial statements</u></p> <p>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>2011 Issuer's Half-Year Financial Report 19-26</p> <p>2010 Reference Document 26-89</p> <p>2009 Reference Document 30-87</p>	
11.3.	<u>Auditing of historical annual financial information</u>		
11.3.1.	<p>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>	<p><i>Statutory Consolidated Financial Statements</i></p> <p>2011 Issuer's Half-Year Financial Report 41-46</p> <p>2010 Reference Document 91-92</p> <p>2009 Reference Document 88-89</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.	<i>Adjusted Consolidated Data</i> 2011 Issuer's Half-Year Financial Report  2010 Reference Document  2009 Reference Document	5-15  101-106  62 and 120-125
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	2010 Reference Document	19-20, 74, 121-122

### **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 *Autorité des Marchés Financiers*, 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.

## FORMS OF THE NOTES AND TRANSFER RESTRICTIONS RELATING TO U.S. SALES

### Bearer Notes

Each Tranche of Bearer Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note which is intended to be issued in CGN form, as specified in the applicable Final Terms, will be delivered to a common depository for Euroclear and/or Clearstream, Luxembourg and each Temporary Global Note or, as the case may be, Permanent Global Note which is intended to be issued in NGN form, as specified in the applicable Final Terms, will be delivered to a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes, in the limited circumstances specified in the Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however*, that in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") if, (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or, (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs, or, (c) if, by reason of any change in the laws of France, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specify that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note" and also specify that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specify the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs, or (c) if, by reason of any change in the laws of France, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

### **Clearing System Accountholders**

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary, or as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

### **Exchange of Temporary Global Notes**

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within seven days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes such exchange may only be made in full. In such a case, the Issuer shall procure the prompt delivery (free of charge to the bearer) of the Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### Registered Notes

Each Tranche of Registered Notes will be represented by (i) interests in an Unrestricted Global Note Certificate (in the case of Notes sold outside the United States in reliance on Regulation S under the Securities Act) ("**Unrestricted Notes**") or (ii) interests in a Restricted Global Note Certificate (in the case of Notes sold in reliance on Rule 144A under the Securities Act) ("**Restricted Notes**").

Each Unrestricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC and will be deposited on or about the relevant issue date with the custodian for DTC (the "**DTC Custodian**") specified in the applicable Final Terms (for the accounts of Euroclear and Clearstream, Luxembourg).

Each Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC and will be deposited on or about the issue date with the DTC Custodian as custodian for DTC. The Restricted Global Note Certificate (and any Individual Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer as described below under "Transfer Restrictions".

### Transfer Restrictions

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 4 (*Form of Transfer Certificate*) to the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described below under "Exchange of Interests in Global Note Certificates for Individual Note Certificates".

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest through an Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the relevant form set out in Schedule 5 or 6 (as applicable) (*Form of Transfer Certificate*) to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Transfer restrictions will terminate three years after the relevant issue date provided that any Notes purchased by or on behalf of the Issuer or any of its affiliates have been cancelled in accordance with Condition 11(i) (*Redemption and Purchase – Cancellation*).

Any interest in either a Restricted Global Note Certificate or an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the other Global Note Certificate will, upon transfer, cease to be an interest in such Global Note Certificate and become an interest in the other Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Note Certificate.



The Notes are being offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A.

Each purchaser of Notes offered pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (a) the purchaser (i) is a qualified institutional buyer, (ii) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A;
- (b) the purchaser understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below; and
- (c) the purchaser understands that the Restricted Global Note Certificate and any Restricted Individual Note Certificates (as defined below) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER OR ITS AFFILIATES.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate bearing the above legend, or upon specific request for removal of the legend, the Issuer will deliver only Individual Note Certificates that bear such legend ("**Restricted Individual Note Certificates**") or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Such transfer restrictions will terminate three years after the relevant issue date provided that any Notes purchased by or on behalf of the Issuer or any of its respective affiliates have been cancelled in accordance with Condition 11(i) (*Redemption and Purchase – Cancellation*).

#### **Exchange of Interests in Global Note Certificates for Individual Note Certificates**

Registration of title to Notes initially represented by the Global Note Certificates in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless:

- (a) such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Note Certificate or ceases to be a clearing agency (as defined in the Exchange Act), or is at any time no longer eligible to act as such, and the Issuer is (in the case of it ceasing to be depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary; or
- (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs; or
- (c) (in the case of the Unrestricted Global Note Certificate only) Euroclear or Clearstream, Luxembourg is closed for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

In such circumstances, the Issuer shall procure the delivery of Individual Note Certificates in exchange for the Unrestricted Global Note Certificate and/or the Restricted Global Note Certificate. A person having an



interest in a Global Note Certificate must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (a) such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Individual Note Certificates are to be registered and the principal amount of each such person's holding) and (b) (in the case of the Restricted Global Note Certificate only) a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a qualified institutional buyer and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out above under "Transfer Restrictions". Such transfer restrictions will terminate three years after the relevant issue date, provided that any Notes purchased by or on behalf of the Issuer or any of its affiliates have been cancelled in accordance with Condition 11(i) (*Redemption and Purchase – Cancellation*).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued within five business days of the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Note Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time relating to the Notes and shall be effected without charge, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the due date for their delivery in exchange for interests in a Global Note Certificate or (b) any of the Notes represented by a Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered Holder of such Global Note Certificate in accordance with its terms on the due date for payment, then such Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered Holder will have no further rights under such Global Note Certificate (but without prejudice to the rights which the Holder of the Notes represented by such Global Note Certificate or others may have under the Deed of Covenant executed by the Issuer). Under the Deed of Covenant, persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Notes represented by a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Global Note Certificate became void, they had been the registered Holders of Notes represented by Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or (as the case may be) Clearstream, Luxembourg.

The Registrar will not register the transfer of or exchange of interests in a Global Note Certificate for Individual Note Certificates for a period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

#### **DTC Book-Entry Ownership of Global Note Certificates**

The Issuer will make an application to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry settlement systems of each Tranche of Unrestricted Notes. The Unrestricted Notes will have a CINS number, a common code and an ISIN. The Issuer will also make an application to DTC for acceptance in its book-entry settlement system of each Tranche of Restricted Notes. The Restricted Notes will have a CUSIP number.

The DTC Custodian and DTC will record electronically the principal amount of the Notes represented by an Unrestricted Global Note Certificate and a Restricted Global Note Certificate held within the DTC system. Up to and including the fortieth day after the later of the commencement of the offering and the relevant issue date, investors may hold their interests in an Unrestricted Global Note Certificate only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC. Clearstream, Luxembourg and Euroclear will hold interests in the Unrestricted Global Note Certificate on behalf of their account holders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositaries, which in turn will hold such interests in the Unrestricted Global Note Certificate in customers' securities accounts in the depositaries' names on the books of DTC.

Investors may hold their interests in the Restricted Global Note Certificate directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC.

Payments of the principal of, interest on and any other amounts payable under each Global Note Certificate registered in the name of DTC's nominee will be made to or to the order of its nominee as the registered Holder of such Global Note Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of the relevant Global Note Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of interests in such Global Note Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

While a Global Note Certificate is lodged with DTC or its custodian, Notes represented by Individual Note Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

### **Transfers of Interests in Global Note Certificates**

Transfers of interests in Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because DTC only acts on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Subscription and Sale", cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected in DTC in accordance with DTC rules and procedures and on behalf of Clearstream, Luxembourg or (as the case may be) Euroclear by its respective depository. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Note Certificate in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositories for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangements for transfer of Notes, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "Subscription and Sale".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Global Note Certificates for exchange as described above)

only at the direction of one or more participants in whose account with DTC interests in Global Note Certificates are credited, and only in respect of such portion of the aggregate principal amount of the Global Note Certificates as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Note Certificates for Individual Note Certificates (which will, in the case of Restricted Notes, bear the legend set out above under "**Transfer Restrictions**").

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar, any Transfer Agent and any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day:* Notwithstanding the definition of "Payment Business Day" in the Terms and Conditions of the Notes, while all Notes are represented by a Global Note the definition, of "Payment Business Day" means:

- (i) if the currency of payment is euro, any day which is 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 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.

*Exercise of put option:* In order to exercise the option contained in Condition 11(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 11(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions. For so long as any of the Notes are represented by a Global Note, no selection of Notes by lot will be required under Condition 11(c) in the event that the Issuer exercises any option thereunder. In such event the standard procedures of the ICSD (as defined in the Agency Agreement) shall operate to determine which interests in a Global Note are to be subject to such option and such redemption shall be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion.

*Notices:* Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system,

notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

In such circumstances, notices may be given by any Noteholder to the Fiscal Agent (or, in the case of Global Note Certificates, the Registrar) through Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system in such manner as the Fiscal Agent or the Registrar, as the case may be, and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system may approve for this purpose.

*Redenomination:* If the Notes are redenominated pursuant to Condition 23 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Fiscal Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

Notwithstanding the provisions of Condition 12 'Payments under Registered Notes' (a) in respect of registered notes represented by a Global Note, the definition of "Record Date" will be one business day before the due date for any such payment.

#### **Legend concerning United States persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Forms of the Notes and Transfer Restrictions relating to U.S. Sales" above.

### 1. Introduction

- (a) *Programme:* Thales (the "**Issuer**") has established a Global Medium Term Note Programme (the "**Programme**") for the issuance of up to €3,000,000,000 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 supplements 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 the subject of an amended and restated fiscal agency agreement dated 14 October 2011 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, BNP PARIBAS Securities Services, Luxembourg Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), BNP PARIBAS Securities Services, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes) and the transfer and paying agents named therein (together with the Fiscal Agent and the Registrar, the "**Agents**", which expression includes any successor or additional agents appointed from time to time in connection with the Notes).
- (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 by Noteholders during normal business hours at the Specified Office of the Fiscal Agent or, in the case of Registered Notes (as defined in Condition 2) the Registrar, the initial Specified Office of which is set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. Noteholders and Couponholders, if any, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 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;

"**Bearer Note**" means a Note in bearer form;

"**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;

**"Calculation Agent"** means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

**"Coupon"** means an interest coupon pertaining to a Bearer Note;

**"Couponholder"** means the holder of a Coupon;

**"Coupon Sheet"** means, in respect of a Bearer Note, a coupon sheet relating to such Note;

**"Day Count Fraction"** means (subject as provided in Condition 7), 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 so specified, means 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 so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (iv) if **"30/360"** is so specified, means 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

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" 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

"**D<sub>2</sub>**" 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;

- (v) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable 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

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" 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

"**D<sub>2</sub>**" 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;

- (vi) if "**30E/360 (ISDA)**" is specified in the applicable 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

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" 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

"**D<sub>2</sub>**" 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 (Tax)"** 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;

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

**"Extraordinary Resolution"** has the meaning given in the Agency Agreement;

**"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.

**"Holder"** means a Registered Holder or, as the context requires, the holder of a Bearer Note;

**"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;

"**Maximum Redemption Amount**" 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;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Note Certificate**" means a certificate issued to each Registered Holder in respect of its registered holding;

"**Noteholder**" means a holder of a Bearer Note or, as the context requires, a Registered Holder;

"**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;

"**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;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount 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;

**"Redemption Notice Receipt"** means a receipt in the form of Schedule 8 of the Agency Agreement issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such 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;

**"Register"** means the register maintained by the Registrar in respect of Registered Notes in accordance with the Issue and Paying Agency Agreement;

**"Registered Holder"** means the person in whose name a Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof);

**"Registered Note"** means a Note in registered form;

**"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, note or debenture (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 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;

**"Reserved Matter"** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**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 Denomination(s)**" 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 Commercial Code (the "French Commercial Code") or any other person or entity controlling directly or indirectly such person or entity within the meaning of article L233-3 of the French Commercial Code;

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

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

"**Treaty**" means the Treaty establishing the European Communities, as amended by the Treaty on European Union; 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 13 (*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 13 (*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**

The Notes are Bearer Notes and/or Registered Notes, as specified in the relevant Final Terms. Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

#### *Notes in Bearer Form*

Bearer Notes are issued in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Title to Bearer Notes and Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder.

#### *Notes in Registered Form*

Registered Notes are issued in the Specified Denominations and may be held in holdings equal to the Specified Minimum Amount (specified in the relevant Final Terms) and integral multiples equal to the Specified Increments (specified in the relevant Final Terms) in excess thereof (an "**Authorised Holding**"). The Holder of each Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

#### **4. Register and Transfers of Registered Notes**

- (a) *Register:* The Registrar will maintain the Register in accordance with the provisions of the Agency Agreement. A Note Certificate will be issued to each Registered Holder in respect of its holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Transfers:* Subject to paragraphs (e) and (f) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (c) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (a) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each Registered Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Registered Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such Registered Holder. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (d) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (e) *Closed periods:* Registered Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (f) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Registered Holder who requests in writing a copy of such regulations.

#### **5. Status**

The Notes constitute direct, general 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 Note remains 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 equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of 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 12 (*Payments*). 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.
- (i) *Irregular Interest Periods:* If the Notes are not Regular Interest Period Notes and interest is required to be calculated for any period other than an Interest Period, interest shall be calculated on such basis as is described in the relevant Final Terms.

## **8. Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 8 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest 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 12 (*Payments*). 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 (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) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) *Partly Paid Notes:* If the Notes are specified in the applicable Final Terms as Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up principal amount of such Notes and otherwise as specified in the applicable Final Terms.

(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.

(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) *Calculation of other amounts:* If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(j) *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.

- (k) *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.

## **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. Dual Currency Note Provisions**

- (a) *Application*: This Condition 10 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Rate of Interest*: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

## **11. Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (Payments).
- (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 or the Index-Linked Interest 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 or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),
- on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), 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 13 (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 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 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 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 11(b) will be redeemed at their Early Redemption Amount (Tax), 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 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:*
- (i) *Partial redemption of Bearer Notes:*
- If Bearer Notes are to be redeemed in part only on any date in accordance with Condition 11(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each stock exchange on which the Notes are then listed, and the notice to Noteholders referred to in Condition 11(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified;
- (ii) *Partial Redemption of Registered Notes:*
- If Registered Notes are to be redeemed in part only on any date in accordance with Condition 11(c) (*Redemption at the option of the Issuer*), each Registered Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Registered Notes to be redeemed on the relevant Option Redemption Date (Call) bears to the aggregate principal amount of outstanding Registered Notes on such date.
- (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. In order to exercise the option contained in this Condition 11(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Agent such Note together, in the case of Bearer Notes, with all unmatured Coupons relating thereto and a duly completed Redemption Notice in the form obtainable from any Agent. The Agent with which a Note is so deposited shall deliver

a duly completed Redemption Notice Receipt to the depositing Holder. No Note, once deposited with a duly completed Redemption Notice in accordance with this Condition 11(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Redemption Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Redemption Notice Receipt. For so long as any outstanding Note is held by an Agent in accordance with this Condition 11(e), the depositor of such Note and not such Agent shall be deemed to be the holder of Note for all purposes.

- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) *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 11(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price subject to applicable laws and regulations. Notes so purchased by the Issuer or any Subsidiaries may be held and resold in accordance with applicable laws and regulations for the purpose of enhancing the liquidity of the Notes.
- (i) *Cancellation:* All Notes so redeemed by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold. All Notes purchased by the Issuer or any Subsidiaries shall be cancelled provided all unmatured Coupons are attached thereto.

## 12. Payments

### *Payments under Bearer Notes*

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of an Agent in New York City if (i) the Issuer has appointed Agents outside the United States with the reasonable expectation that such Agents will be able to make payment of the full amount of the interest on the Bearer Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes 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 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Final Terms specify that this Condition 12(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(e) (*Redemption at the option of Noteholders*), Condition 11(c) (*Redemption at the option of the Issuer*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

#### *Payments under Registered Notes*

- (a) *Principal:* Payments of principal shall be made upon application by a Registered Holder to the specified office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment (the "**Record Date**"), by transfer to an account denominated in such currency (or, if that currency is euro, any



other account to which euro may be credited or transferred) maintained by the payee with a bank in the Principal Financial Centre of such currency.

- (b) *Interest:* Payments of interest shall be made upon application by a Registered Holder to the specified office of the Fiscal Agent not later than the Record Date, by transfer to an account denominated in such currency (or, if that currency is euro, any other account to which euro may be credited or transferred) maintained by the payee with a bank in the Principal Financial Centre of such currency and, in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificate at the specified office of any Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes 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 13 (*Taxation*). No commissions or expenses shall be charged to the Registered Holders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated. A Registered Holder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, "**business day**" means:
  - (i) if the currency of payment is euro, any day which is 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 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;

and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

### 13. Taxation

*Tax Exemption:* 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.

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) more than 30 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 days;
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (v) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

#### 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 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 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 makes any proposal for a general moratorium in relation to its debt or applies for the appointment of a conciliator (*conciliateur*) or enters into an amicable settlement (*accord amiable*) with its creditors or a judgement is issued for protection proceeding (*sauvegarde*) or 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 any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Specified Office of the Fiscal Agent on behalf of the Issuer, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality unless such default shall have been remedied prior to the receipt of such notice by 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 by an Extraordinary General Meeting of Noteholders.

#### 15. Prescription

Claims against the Issuer for payment of principal and interest in respect of the Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date.



There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void under Condition 12 (*Payments*).

#### **16. Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent or, in the case of Registered Notes, the Registrar (and, if the Notes are then listed on any stock exchange which requires the appointment of an Agent in any particular place, the Paying Agent having its Specified Office in the place required by such stock exchange), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **17. Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided, however, that*:

- (a) the Issuer shall at all times maintain a Fiscal Agent and a Registrar; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are listed on any stock exchange which requires the appointment of an Agent in any particular place, the Issuer shall maintain an Agent having its Specified Office in the place required by the rules of such stock exchange; and
- (d) pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, the Issuer will ensure that it maintains a Paying Agent with a specified office in an EU member state that will not be obliged to withhold or deduct tax pursuant to such Directive or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 20.

#### **18. Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and the Couponholders.

Notice of such modifications will be given to Noteholders in accordance with Condition 20.

## 19. Further Issues

- (a) The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.
- (b) The Issuer may also from time to time, without the consent of the Noteholders, on giving not less than 30 days' prior notice to the Noteholders, consolidate Notes denominated or redenominated in euros with one or more issues of other notes ("**Other Notes**") issued by it and denominated in the currency of any of the member States of the European Union provided that such Other Notes are denominated in, or have been redenominated into euro and otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

In the event of any such consolidation, the Issuer may, without the consent of the Noteholders, provide for additional, and/or substitute denominations of such Notes.

Notice of any such consolidation and/or provision of additional or substitute denominations will be given to the Noteholders in accordance with Condition 20.

## 20. Notices

### *To Holders of Bearer Notes*

Notices to the Holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed and admitted to trading on any Regulated Market and the rules of such Regulated Market so require, in a leading daily newspaper with general circulation in the city where the Regulated Market on which such Notes are listed and admitted to trading is located, which in the case of Euronext Paris is expected to be *La Tribune* or *Les Echos*. If any such publication is not practicable, notice will be validly given if published in another leading daily newspaper with general circulation in Europe. 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.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

### *To Registered Holders*

Notices to the Registered Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, (i) so long as the Notes are listed on Euronext Paris, admitted to trading on the Regulated Market of Euronext and the rules of that Exchange so require, notices to Registered Holders will be published on the date of such mailing in a daily newspaper of general circulation in Paris (which is expected to be *La Tribune* or *Les Echos*). If any such publication is not practicable, notice shall be validly given if published in another leading daily newspaper with general circulation in Europe.

### *Notices to the Issuer*

Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

## 21. Provision of Information

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Registered Holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "**Securities Act**") or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

## 22. 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.

## 23. Redenomination, Renominalisation and Reconventioning

- (a) *Application:* This Condition 23 (*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 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 23) 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 23, 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.

## 24. Substitution

### (a) *Conditions Precedent to Substitution*

The Issuer may, without the consent of the Noteholders, be replaced and substituted by any affiliated or associated corporation of the Issuer as principal debtor (the "**Substituted Debtor**") in respect of the Notes provided that:

- (i) a deed poll in or substantially in the form schedule to the Agency Agreement and such other documents (if any) shall be executed by the Substituted Debtor as may be necessary to give full effect to the substitution (together the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes and the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and pursuant to which the Issuer shall irrevocably and unconditionally guarantee in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor substantially in the form of the guarantee contained in the deed poll;
- (ii) without prejudice to the generality of paragraph (i) above, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than France, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 13 (*Taxation*) with the substitution for the references to France of references to the territory or territories in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes;
- (iii) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (a) that the Substituted Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of a guarantee in respect of the obligations of the Substituted Debtor and for the performance by each of the Substituted Debtor and the Issuer of its obligations under the Documents and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all legal, valid and binding in accordance with their respective terms;
- (iv) each stock exchange on which the Notes are listed shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes will continue to be listed on such stock exchange;
- (v) the Substituted Debtor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of lawyers acting for the Substituted Debtor to the effect that the documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than seven days prior to the date of the substitution of

the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the Specified Office of the UK Fiscal Agent;

- (vi) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of lawyers established in France acting for the Issuer to the effect that the Documents (including the guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent;
- (vii) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of English lawyers to the effect that the Documents (including (provided that such guarantee is governed by English law) the guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by the Noteholders at the specified office of the Fiscal Agent; and
- (viii) the Substituted Debtor shall have appointed the process agent appointed by the Issuer in Condition 25 (*Governing Law and Jurisdiction*) or another person with an office in England as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

(b) *Assumption by Substitute Debtor*

Upon execution of the Documents as referred to in paragraph (i) above, the Substituted Debtor shall be deemed to be named in the Notes as principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

(c) *Deposit of Documents*

The Documents shall be deposited with and held by the Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Noteholder to production of the Documents for the enforcement of any of the Notes or the Documents.

(d) *Notice of Substitution*

Not less than 15 days after execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 20 (*Notices*).

In case of substitution, a supplement to this Base Prospectus will be submitted for the approval of the *Commission de Surveillance du Secteur Financier* in Luxembourg.

**25. Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and all matters arising from or connected with the Notes, including any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.
- (b) *Jurisdiction:* The Issuer agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively "Proceedings" and "Disputes") (including any non-contractual obligation arising out of or in connection with the Notes) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- (c) *Appropriate forum:* The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- (d) *Process agent:* The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Thales Corporate Services Limited at 2 Dashwood Lang Road, Addlestone, near Weybridge, Surrey KT15 2NX or, if different, its registered office for the time being or

at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and Proceedings elsewhere.

- (e) *Non-exclusivity*: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any court of competent jurisdiction in London, Paris or New York nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

**26. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of a person which exists or is available apart from that Act.

## **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.*



## EVENTS SINCE YEAR-END

### a) Main events of in the first half of 2011

#### 2011 background

Contracts and activities mentioned in the notes of the 2010 Registration Document showed the following developments:

- Following the discussions initiated in early 2010 on the Meltem maritime patrol aircraft program, Thales and the Turkish Ministry of Defence signed an agreement on 3 March 2011. As expected at the end of 2010, this agreement rescopes all engineering and schedule aspects of the contract. It also provides for financial compensation to be paid by Thales (penalties and additional work to be undertaken free of charge). Consequently, the financial assumptions taken into account in the 2010 financial statements were maintained at 30 June 2011.
- Thales and Airbus signed on 11 July 2011 an agreement relating to the technical, operational, and commercial aspects of the A400M flight management system project, so as to redefine its functional specifications, schedule, and related contractual and financial terms, and which strengthens the basis for long-term cooperation with Airbus. This agreement, the terms and conditions of which are confidential, is positive for Thales.

#### Litigation

Due to the nature of its business activities, Thales is exposed to the risk of technical and commercial litigation. Litigations mentioned in last year's annual report have evolved as follows:

Thales has been notified of the decision of the Paris Court of Appeal on 9 June 2011, rejecting the petition filed by the company to set aside the award handed down on 3 May 2010 in the arbitration against the Republic of China (Taiwan), in relation to the procurement of six Lafayette-class frigates. This award was made as a result of an alleged breach of the terms pertaining to the use of intermediaries.

The total amount of the award is set to USD 482 million and € 82 million, bearing interest as from August 2001; as well as around €15 million of other related costs, bearing interest as from 3 May 2010, i.e. a total of around € 630 million (including interest).

The decision of the Court of Appeal led Thales to disburse on 11 July 2011 an amount of € 166 million, i.e. 27.46% of the total, corresponding to its industrial stake in the supply contract. This payment is neutral on the company's financial results, as this litigation had already been fully provisioned in previous years.

Thales has also been informed by DCNI that the Republic of China Navy (Taiwan) initiated arbitration proceedings against DCNI during the second half of 2010 with respect to a contract related to the contract mentioned above. This arbitration is related to an alleged breach of the terms pertaining to the use of intermediaries contained in the contract. In its 2010 financial statements, Thales has booked a provision of € 15 million, which corresponds to the company's industrial share in the related contract.

No other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the company is aware) have taken place.

#### Discussion with Safran:

On 10 May 2011 Thales confirmed that discussions were currently taking place with Safran. These discussions are following on earlier exchanges between the two groups aimed at seeking to optimise their business portfolios so as to strengthen their competitiveness on international markets. If a potential agreement is reached, it would be presented to the Board of Directors and employee representative bodies, and appropriate information would be communicated.

#### Up-grade of the Indian Air Forces Mirage 2000\_fleet

Thales and Dassault Aviation signed on the 29<sup>th</sup> July 2011 a contract for the upgrade of the 51 Indian Air force' Mirages 2000.

### b) Changes in scope of consolidation in First Half 2011

- In January 2011, Telespazio acquired for € 53.3 million (€ 17.6 million at 33%) British Group Vega Space

and space activities of Elsas Datamat.

- No other significant change occurred during the first half of 2011.

**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**

Final Terms dated [●]

Thales

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the Euro 3,000,000,000 **Global 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 14 October 2011 [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EC (the "**Amending Prospectus Directive**"), to the extent implemented in the Relevant Member State, 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](http://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 [original date] [and the supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EC (the "**Amending Prospectus Directive**"), to the extent implemented in the Relevant Member State, the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 14 October 2011 [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 [original date] [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 and the Base Prospectuses dated [original date] and [current date] [and the supplement to the Base Prospectuses dated [●] and [●]]. [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](http://www.amf-france.org)) and copies may be obtained from the Issuer.]

- |    |        |   |   |
|----|--------|---|---|
| 1. | (i)    | Issuer:   | Thales  |
| 2. | [(i)]  | Series Number:  | [ ]   |
|    | [(ii)] | Tranche Number:   | [ ]   |
|    |        | [If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.] |   |
| 3. |        | Specified Currency or Currencies:   | [ ]   |
| 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> ] ( <i>if applicable</i> )] |
| 6. |        | Specified Denominations:  | [ ]   |
|    |        |   | [ ]   |
| 7. | [(i)]  | Issue Date:   | [ ]   |
|    | [(ii)] | Interest Commencement Date:   | [ <i>Specify</i> /Issue Date/Not Applicable]  |
| 8. |        | Maturity Date:  | [ <i>Specify date or (for Floating Rate Notes) Interest</i> ]   |

9. Interest Basis: *Payment Date falling in or nearest to the relevant month and year*  
 % Fixed Rate  
 [Specify reference rate] • % Floating Rate  
 Zero Coupon  
 Index Linked Interest  
 Other (specify)  
 (further particulars specified below)
10. Redemption/Payment Basis:  Redemption at par  
 Index Linked Redemption  
 Dual Currency  
 Partly Paid  
 Instalment  
 Other (specify)
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:  Investor Put  
 Issuer Call  
 [(further particulars specified below)]
13. (i) Status of the Notes: Senior  
 [(ii) [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 [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (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 [ ] in Nominal Amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (v) Day Count Fraction:  30/360 / Actual/Actual (ICMA) / other]  
*(Day count fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless the Issuer requires otherwise)*
- (vi) Fixed Interest 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))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:  Not Applicable/give details]
16. **Floating Rate Note Provisions**  Applicable/Not Applicable  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [ ]
- (ii) 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 *(give details)*

(v)	Additional Business Centre(s):	[ ]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other ( <i>give details</i> )]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[ ]
(viii)	Screen Rate Determination:	[ ]
	– Reference Rate:	[ ]
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]
(ix)	ISDA Determination:	[ ]
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(x)	Margin(s):	[+/-][ ] per cent per annum
(xi)	Minimum Rate of Interest:	[ ] per cent per annum
(xii)	Maximum Rate of Interest:	[ ] per cent per annum
(xiii)	Day Count Fraction:	[ ]
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	[Amortisation/Accrual] Yield:	[ ] per cent per annum
(ii)	Reference Price:	[ ]
(iii)	Any other formula/basis of determining amount payable:	[ ]
18.	<b>Index-Linked Interest Note/other variable-linked interest Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Index/Formula/other variable:	<i>[give or annex details]</i>
(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[ ]
(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[ ]
(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
(v)	Interest or calculation period(s):	[ ]
(vi)	Interest Payment Date(s):	[ ]
(viii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other ( <i>give details</i> )]
(ix)	Additional Business Centre(s):	[ ]
(x)	Minimum Rate/Amount of Interest:	[ ] per cent per annum
(xi)	Maximum Rate/Amount of Interest:	[ ] per cent per annum
(xii)	Day Count Fraction:	[ ]
19.	<b>Dual Currency Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Rate of Exchange/method of calculating Rate of Exchange:	<i>[give details]</i>
(ii)	Party, if any, responsible for calculating	[ ]

the principal and/or interest due (if not the Fiscal Agent):  
(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]

(iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

20. **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 Note of [ ] specified denomination

(iii) If redeemable in part:  
(a) Minimum Redemption [ ]

Amount:  
(b) Maximum Redemption [ ]

Amount:  
(iv) Notice period: [ ]

21. **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: [ ]

22. **Final Redemption Amount of each Note** [ [ ] per Note of [ ] specified denomination /other/see Appendix]

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

(i) Index/Formula/variable: [give or annex details]

(ii) Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent): [Calculation Agent]

(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [Address]

(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]

(iv) Determination Date(s): [ ]

(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]

(vi) Payment Date: [ ]

(vii) Minimum Final Redemption Amount: [ ]

(viii) Maximum Final Redemption Amount: [ ]

(vi) Payment Date: [ ]

(vii) Minimum Final Redemption Amount: [ ]

(viii) Maximum Final Redemption Amount: [ ]

23. **Early Redemption Amount (taxation reasons) [or Early Termination Amount]**

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons [or Termination Amount(s) payable] 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): [ ]

payable on redemption for taxation reasons [or Termination Amount(s) payable] 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):

the same (if required or if different from that set out in the Conditions):

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. **Form of Notes:** **Bearer Notes:**  
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes]



- in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 [Registered Notes]  
 [Yes/No]
25. New Global Note form: [Yes/No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Business Days: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(iv) and 18(ix) relates]  
 [Yes/No. If yes, give details]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and [consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/give details]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 3] apply]
31. [Consolidation provisions: [Not Applicable/The provisions [in Condition 18] apply]
32. Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

#### **DISTRIBUTION**

33. (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)]
34. If non-syndicated, name of Dealer: [Not Applicable/give name and address]
35. US Selling Restrictions: Reg. S Category 2. [TEFRA C/TEFRA D/TEFRA not applicable]
36. Additional selling restrictions: [Not Applicable/give details]

#### **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 3,000,000,000 Global 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 /other (specify)/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 /other (specify) 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]: [ ]]

Insert one (or more) of the following options, as applicable:

[[Insert credit rating agency/ies] [is/are] established in the European Union and [has/have each] applied for registration under Regulation (EC) No 1060/2009, as amended, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[Insert credit rating agency/ies] [is/are] established in the European Union and registered under Regulation (EC) No 1060/2009, as amended.]

[[Insert credit rating agency/ies] [is/are] not established in the European Union and [has/have] not applied for registration under Regulation (EC) No 1060/2009, as amended.]

*(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.)*

### 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."

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<sup>1</sup> It is important to liaise with the Issuer and/or the relevant credit rating agencies to determine (i) the specific legal entity which will issue the credit ratings, and (ii) the status of any application which has been made to the relevant competent authority by that entity. It is recommended that these enquiries are made at an early stage to allow sufficient time for the information to be obtained.

*(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**

[(i) Reasons for the offer: [ ]  
*(See ["Use of Proceeds"] wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*

[(ii) Estimated net proceeds: [•]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii) Estimated total expenses: [•]  
*(If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.) ]\**

**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. [Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/other variable and other information concerning the underlying**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.] \**

**7. [Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]\**

*(When completing this paragraph, 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 Regulation.)*

**[8. DERIVATIVE SECURITIES] (Derivative securities only - other information concerning the Notes to be admitted to trading)**

Name of the issuer of the underlying security: [ ]  
ISIN Code: [ ]  
Underlying interest rate: [ ]  
Relevant weightings of each underlying in the basket: [ ]  
Adjustment rules with relation to events concerning the [ ]

underlying:

Source of information relating to the [Index]/[Indices]:

Place where information relating to the [Index]/[Indices] can be obtained:

Details of where information about the past and further performance of the underlying and its volatility can be obtained:

Name and address of entities which have a firm commitment to act as intermediaries in secondary trading:

Details of any market disruption/settlement disruption events affecting the underlying:

Exercise price/find reference price of underlying:

Details of how the value of investment is affected by the value of the underlying instrument(s):

Details of settlement procedure of derivative securities:

Details of how any return on derivative securities takes place, payment or delivery date, and manner of calculation:

Details of any post-issuance information to be provided (only in case of Derivatives Instruments). Details of any post-issuance information relating to the underlying to be provided and where such information can be obtained:

**9. [TERMS AND CONDITIONS OF THE OFFER]**

Conditions, offer statistics, expected timetable and action required to apply for the offer:

Conditions to which the offer is subject:

The time period, including any possible amendments, during which the offer will be open and description of the application process:

Details of the minimum and/or maximum amount of application:<sup>1</sup>

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

Details of method and time limits for paying up and delivering securities:

Manner and date in which results of the offer are to be made public:

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:

Categories of potential investors to which the securities are offered:<sup>2</sup>

*[For example:  
"Legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities.*

*Any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts."*

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:

**10. [Placing and Underwriting]<sup>3</sup>**

Name and address of the co-ordinator(s) of the global offer and of single parts of the offer:<sup>4</sup>

Name and address of any paying agents and depository

agents in each country (in addition to the Principal Paying Agent):

Names and addresses of entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements:<sup>4</sup> [ ]

When the underwriting agreement has been or will be reached: [ ]

- 
- 1 Whether in number of securities or aggregate amount to invest.
  - 2 If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.
  - 3 To the extent known to the Issuer, of the placers in the various countries where the offer takes place.
  - 4 Where not all of the issue is underwritten, a statement of the portion not covered.

## 11. OPERATIONAL INFORMATION

ISIN Code:   
Common Code:   
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:  [Not Applicable/Yes/No]

[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of all Eurosystem eligibility criteria.] *[Include this text if "Yes" selected in which case the Notes must be issued in NGN form.]*

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking *société anonyme* and the relevant identification number(s):  [Not Applicable/give name(s) and number(s) ]

Delivery:  Delivery [against/free of] payment  
Names and addresses of Initial Paying Agents:   
Names and addresses of additional Paying Agent(s) (if any):

## 12. GENERAL

The aggregate principal amount of Notes issued has been translated into Euro at the rate of  [●], producing a sum of  [Not Applicable/Euro [●]]  
(for Notes not denominated in Euro):  
Common Code:

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\* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.



## TAXATION

The following is a general description of certain French 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 such country 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.

### **Notes issued as from 1 March 2010 other than Notes which are consolidated (assimilables for the purpose of French law) with Notes issued before 1 March 2010**

Following the introduction of the French *loi de finances rectificative pour 2009 no. 3* (n° 2009-1674 dated 30 December 2009) (the "**Law**"), payments of interest and other revenues made by the Issuer with respect to Notes issued from 1 March 2010 (other than Notes (described below) which are consolidated (*assimilables* for the purpose of French law) and form a single series with Notes issued prior to 1 March 2010 having the benefit of Article 131 *quater* of the *Code général des impôts*) will not be subject to the withholding tax set out under Article 125 A III of the *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 *Code général des impôts* (a "**Non-Cooperative State**"). If such payments under the Notes are made in a Non-Cooperative State, a 50% 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 *Code général des impôts*.

Furthermore, interest and other revenues on such Notes will not be deductible from the Issuer's taxable income, as from the fiscal years starting on or after 1 January 2011, if they are paid or accrued to persons established in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 of the *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 of the *Code général des impôts*, at a rate of 25% or 50%.

Notwithstanding the foregoing, the Law provides that neither the 50% withholding tax nor the non-deductibility will apply in respect of a particular issue of Notes if the Issuer can prove that the principal purpose and effect of such issue of Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the ruling (rescrit) n°2010/11 of the *Direction générale des impôts* dated 22 February 2010, an issue of Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Notes, if such Notes are:

- (i) offered by means of a public offer within the meaning of Article L.411.1 of the *Code monétaire et financier* or pursuant to an equivalent offer made in a State or territory other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
- (ii) 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
- (iii) 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 depository or operator is not located in a Non-Cooperative State.

### **Notes which are consolidated (assimilables for the purpose of French law) with Notes issued before 1 March 2010**

Payments of interest and other revenues with respect to Notes which are consolidated (*assimilables* for the purpose of French law) and form a single series with Notes issued 1 March 2010 having the benefit of

Articles 131 *quater* of the *Direction générale des impôts*, will continue to be exempt from the withholding tax set out under Article 125 A III of the *Direction générale des impôts*.

In addition, interest and other revenues paid by the Issuer on Notes issued as from 1 March 2010 and which are to be consolidated (*assimilables* for the purpose of French law) and form a single series with Notes issued before 1 March 2010, will not be subject to the withholding tax set out in Article 119 bis of the *Direction générale des impôts* solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

## **EU Savings Directive**

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (the "**EU Savings Directive**"). The EU Savings Directive is, in principle, applied by Member States as from 1 July 2005 and has been implemented in Luxembourg by the Laws of 21 June 2005. Under the directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income within the meaning of the EU Savings Directive paid by a paying agent (within the meaning of the EU Savings Directive, to an individual resident or certain types of entities called "residual entities", within the meaning of the EU Savings Directive 'the "**Residual Entities**"), established in that other Member State (or certain dependent or associated territories).

For a transitional period, however, Austria and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system will apply for a transitional period during which the rate of the withholding will be 20% from 1 July 2008 to 30 June 2011 and 35% as from 1 July 2011. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. See "European Union Directive on the Taxation of Savings Income in the Form of Interest Payments" (Council Directive 2003/48/EC).

With effect from 1 July, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Netherlands, Antilles and Aruba) have agreed to adopt similar measures either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) established within such countries or territories to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Member States have entered into reciprocal provision of information or transitional withholding arrangements with those dependent or associated territories in relation to payments made by a paying agent for, an individual resident or a Residual Entity established in one of those territories.

The European Commission has announced on 13 November 2008 proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, *inter alia*, (i) extend the scope of the EU Savings Directive to payments made through certain intermediate structures (whether or not established in an EU Member State) for the ultimate benefit of EU resident individuals, and (ii) provide for a wider definition of interest subject to the EU Savings Directive.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of The Royal Bank of Scotland plc, Banco Santander, S.A., Barclays Bank PLC, BNP PARIBAS, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate & Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, Natixis 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 an amended and restated dealer agreement dated 14 October 2011 (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 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 or will agree that, except as permitted by the Dealer Agreement, it has not offered and sold, and will not offer or sell, Notes of any Tranche (a) as part of their distribution at any time and (b) otherwise until 40 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 that it will have sent to each Dealer to which it sells Notes of such Tranche during the distribution compliance period (other than pursuant to Rule 144A) 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 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.

Notwithstanding the foregoing, Dealers nominated by the Issuer may arrange for the offer and sale of Registered Notes in the United States pursuant to Rule 144A under the Securities Act. Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

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 that it will offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (as defined below) (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and

each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means 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, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

#### **Selling Restrictions addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed 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 of the Issuer and the Dealers has agreed to comply with the following restrictions:

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

Each Dealer and the Issuer has represented and agreed that 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.

These selling restrictions may be amended or supplemented in the relevant Final Terms.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including 1 January 2012 it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

- (a) such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or
- (b) standard exemption logo and wording are disclosed as required by article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**FMSA**"); or
- (c) such offer is otherwise made in circumstances in which article 5:20(5) of the FMSA is not applicable,

**provided that** no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an "**offer of Notes to the public**" in relation to any Notes in the Netherlands; and (ii) "**Prospectus Directive**", have the meaning given to them above in the paragraph headed with "Public Offer Selling Restriction Under the Prospectus Directive".

Zero Coupon Notes (as defined below) in definitive form of the Issuer 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 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 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 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 the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) 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. 11-462 on 14 October 2011 from the AMF. Euronext Paris is a Regulated Market for the purposes of the Directive 2004/39/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, to the extent that Notes issued under the Programme may constitute *obligations* under French law, issues of such Notes have been authorised by a resolution of the Board of Directors of the Issuer dated 22 March 2011 for a period of 1 year up to a maximum amount of €1,500,000,000.

### Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any additional or alternative clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### 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, 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 2010.

### 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 30 June 2011.

### Auditors

The auditors of the Issuer are as follows:

Ernst & Young Audit  
Faubourg de l'Arche  
11, Allée de l'Arche  
92400 Courbevoie

Mazars  
61, Rue Henri Regnault, Tour Exaltis  
92400 Courbevoie

Ernst & Young and Mazars have audited the Issuer's accounts for the years ended 31 December, 2010 and 2009 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 Regional 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 in Luxembourg free of charge, namely:

- (a) *statuts* of the Issuer;
- (b) the Agency Agreement (which contains the forms of the Notes in global and definitive form);
- (c) the Deed of Covenant;
- (d) the Dealer Agreement;
- (e) the Operating and Administrative Procedures Memorandum;
- (f) in the case of an issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document);
- (g) this Base Prospectus, including any future supplements thereto (copies of which will be obtainable free of charge as well and not just available for inspection); and
- (h) 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, 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 *Autorité des marchés financiers* ([www.amf-france.org](http://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](http://www.thalesgroup.com)).

### **Financial statements available**

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 obtained during normal business hours at the specified office of the Fiscal Agent and of the Paying Agent in Luxembourg, namely, the most recent publicly available audited unconsolidated and consolidated financial statements of the Issuer beginning with such financial statements for the years ended 31 December, 2010 and 31 December, 2009 and the 2011 first half financial report including the statutory condensed consolidated half year financial statements of the Issuer as at, and for the period ending on 30 June 2011.

### **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.

### **Contracts (Rights of Third Parties) Act 1999 (the "Act")**

The Act was enacted on 11 November 1999 and provides that persons who are not parties to a contract governed by the laws of England and Wales or Northern Ireland may be given enforceable rights under such contract. Unless specifically provided in the relevant Final Terms, this Programme expressly excludes the application of the Act to any issue of Notes under the Programme.

## PERSONS RESPONSIBLE FOR THE BASE PROSPECTUS

### 1.1. Person responsible for the Base Prospectus

Thales, 45, rue de Villiers, 92200 Neuilly sur Seine, 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.

The historical financial information incorporated by reference in this Base Prospectus has been audited by the statutory auditors of the Issuer and the relevant reports are included in pages 91-92 of the 2010 Reference Document, in pages 131-132 of the 2009 Reference Document and pages 41-46 of the 2011 Issuer's Half-Year Financial Report, and contain observations.

Thales  
45, rue de Villiers  
92200 Neuilly sur Seine  
France

duly represented by Luc Vigneron on 14 October 2011



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° 11-462 on 14 October 2011. This document may be used for the purposes of a financial transaction only if it is supplemented by final terms. It 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 understandable, and whether the information it contains is consistent". It does not imply that the AMF has verified the accounting and financial data set out herein. This visa has been granted subject to the publication of final terms in accordance with article 212-32 of the AMF's General Regulations, setting out the terms and conditions of the securities to be issued.

**REGISTERED OFFICE OF THE ISSUER**

**THALES**

45, rue de Villiers  
92200 Neuilly sur Seine  
France

**ARRANGER**

**THE ROYAL BANK OF SCOTLAND PLC**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**DEALERS**

**BANCO SANTANDER S.A.**

Paseo De Pereda 9-12  
39004 Santander  
Spain

**BARCLAYS BANK PLC**

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

**BNP PARIBAS**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**COMMERZBANK AKTIENGESELLSCHAFT**

Kaiserstrasse 16  
(Kaiserplatz)  
60311  
Frankfurt am Main  
Germany

**CREDIT AGRICOLE CORPORATE &  
INVESTMENT BANK**

9, quai du Président Paul Doumer  
92920 Paris  
La Défense Cedex  
France

**DEUTSCHE BANK AG, LONDON BRANCH**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**HSBC BANK PLC**

8 Canada Square  
London E14 5HQ  
United Kingdom

**NATIXIS**

30, avenue Pierre-Mendès France  
75013 Paris  
France

**SOCIÉTÉ GÉNÉRALE**

29, boulevard Haussmann  
75009 Paris  
France

**THE ROYAL BANK OF SCOTLAND PLC**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**FISCAL AGENT, LUXEMBOURG PAYING AGENT AND REGISTRAR**

**BNP PARIBAS SECURITIES SERVICES, LUXEMBOURG BRANCH**

33, rue de Gasperich, Howald-Hesperange  
L-2085 Luxembourg  
Luxembourg

**PAYING AGENT**

**BNP PARIBAS SECURITIES SERVICES**

Immeuble Tolbiac  
25 Quai Panhard et Levassor  
75013 Paris  
France

**INTERNATIONAL CENTRAL SECURITIES DEPOSITORY**

**EUROCLEAR BANK S.A./N.V.**

1 Boulevard du Roi, Albert II  
B-1210 Brussels  
Belgium

**CLEARSTREAM BANKING S.A. | DEUTSCHE  
BÖRSE GROUP**

42 Avenue JF Kennedy  
L-1855 Luxembourg  
Luxembourg

**LEGAL ADVISERS**

*To the Dealers as to French and English law:*

**CLIFFORD CHANCE EUROPE LLP**

9 Place Vendôme  
CS 50018  
75038 Paris Cedex 01  
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**AUDITORS TO THE ISSUER**

**ERNST & YOUNG AUDIT**

Faubourg de l'Arche  
11, Allée de l'Arche  
92400 Courbevoie  
France

**MAZARS**

39, rue de Wattignies  
75012 Paris  
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