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Dear Paul,

Further to our recent discussions, I am writing to confirm the Pay Offer for the GTS collective bargaining group (all employees LR1-7 in Job Family 7 and Job Family 10). The offer is a three year agreement and details are set out below together with worked examples:

Table 1

Year	Base %	Ebit Related %	Total %	Additional offer
2017	1.5%	0.3%*	1.8%	Increased base offer by 0.3% , 0.3% Ebit related paid in Jan 18 onto base salary*
2018	2%		2%	"Inflation Protection"** Base % increased to reflect Guaranteed Ebit component
2019	2%	0.5%***	2.5%	"Inflation Protection"** Base component increased to 2%

* 0.3% increase to base salary – based on delivery of 2017 EBIT targets (confirmed). To be paid in January 2018 and backdated to 1 January 2017. EBIT related payments are in addition to any gain share payment.

** Inflation Protection - Base % will be reviewed subject to significant movement in RPI index (December 2017 for 2018 and December 2018 for 2019).

*** 0.5% increase to base salary – following delivery of 2019 EBIT targets. To be paid in January 2020 and backdated to 1 January 2019. EBIT related payments are in addition to any gain share payment.

EBIT Target Numbers

2017 – Confirmed

2018 – No Longer Relevant

2019 – Still being confirmed but likely to be £17.4m – this number is still being settled and may not be ready until December (but will be transparent when settled)

Inflation Protection

- The fixed Base % rises indicated in table 1 above for 2018 & 2019 will remain as stated should RPI for the relevant year (measured at the preceding December) not exceed 4.0% (RPI data July 2017 3.6%) (Reference for RPI will be Items Data set reference MM23)
- Should the RPI index on the relevant year (measured at the preceding December) be higher than 4.0% then the Base % increase will be reviewed and adjusted to reflect this as detailed in table 2, however the Total base % rise will not exceed 3% in 2018 and 3.45% in 2019.

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- If RPI rises above 5.2% the EBIT will be reduced so that the total does not exceed 3.7% but if RPI goes above 5.4% the base will remain at 3.45% and any EBIT paid will be 0.25%, again this is detailed in table 2.

Worked examples for 2018 and 2019 and table for 2019 offer

2018

Base Rise 2%, Ebit Related Rise 0%, Total 2.0%

RPI measure 31st December 2017 = 3.9% underneath threshold so no change to above

RPI measure 31st December 2017 = 4.4%, upper limit 4.0%, shortfall 0.4% Adjusted Base increased from 2% to 2.4%, Revised Total 2.4%

RPI measure 31st December 2017 = 5.2%, upper limit 4%, Shortfall, 1.2%, Adjusted Base increased from 2% to 3% (2018 3% Cap applied) Revised Total 3.0%

2019

Base Rise 2%, Ebit Related Rise % 0.5% Total 2.5% (All Ebit payments subject to meeting Ebit targets)

RPI measure 31st December = 3.9% No change to above

RPI measure 31st December = 4.4%, upper limit 4.0%, shortfall 0.4% Adjusted Base increased from 2% to 2.4%, Revised Total with EBIT Payment 2.9% (instead of 2.5%)

RPI measure 31st December = 5.2%, upper limit 4%, Shortfall 1.2% Adjusted Base increased from 2% to 3.2% + 0.5% for Ebit, Revised Maximum Total 3.7%

RPI measure 31st December = 5.3%, upper limit 4%, Shortfall 1.3% Adjusted Base increased from 2% to 3.3% (plus the Ebit Payment achieved reduced so that the Maximum rise is no higher than 3.7%)

RPI measure 31st December = 5.6%, upper limit 4%, Shortfall 1.6% Adjusted Base increased from 2% to 3.45% to reflect CAP (plus 50% of any actual Ebit Payment achieved so max 3.7%)

Table 2 2019 detailed working

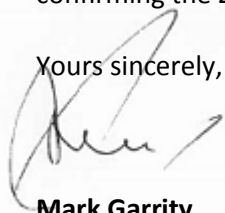
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RPI	Base offer	EBIT if Achieved	Total if EBIT Achieved	Total if EBIT not achieved	Comments
3.5%	2.0%	0.5%	2.5%	2.0%	No Change as no lower limit
3.6%	2.0%	0.5%	2.5%	2.0%	No Change as no lower limit
3.7%	2.0%	0.5%	2.5%	2.0%	No Change as no lower limit
3.8%	2.0%	0.5%	2.5%	2.0%	No Change as no lower limit
3.9%	2.0%	0.5%	2.5%	2.0%	No Change as no lower limit
4.0%	2.0%	0.5%	2.5%	2.0%	No Change as no lower limit
4.1%	2.1%	0.5%	2.6%	2.1%	
4.2%	2.2%	0.5%	2.7%	2.2%	
4.3%	2.3%	0.5%	2.8%	2.3%	
4.4%	2.4%	0.5%	2.9%	2.4%	
4.5%	2.5%	0.5%	3.0%	2.5%	
4.6%	2.6%	0.5%	3.1%	2.6%	
4.7%	2.7%	0.5%	3.2%	2.7%	
4.8%	2.8%	0.5%	3.3%	2.8%	
4.9%	2.9%	0.5%	3.4%	2.9%	
5.0%	3.0%	0.5%	3.5%	3.0%	
5.1%	3.1%	0.5%	3.6%	3.1%	
5.2%	3.2%	0.5%	3.7%	3.2%	
5.3%	3.3%	0.4%	3.7%	3.3%	
5.4%	3.4%	0.3%	3.7%	3.4%	
5.5%	3.45%	0.25%	3.7%	3.45%	
5.6%	3.45%	0.25%	3.7%	3.45%	
5.7%	3.45%	0.25%	3.7%	3.45%	Base Capped at 3.45, Total capped at 3.7% if EBIT is achieved
5.8%	3.45%	0.25%	3.7%	3.45%	Base Capped at 3.45, Total capped at 3.7% if EBIT is achieved
5.9%	3.45%	0.25%	3.7%	3.45%	Base Capped at 3.45, Total capped at 3.7% if EBIT is achieved

I understand that the collective bargaining group members have verbally accepted this offer and you are now required to seek formal acceptance from Mick Cash. I therefore look forward to receiving your feedback in due course.

Given that the effective date of the 2017 increase (1.5%) is 1st January 2017, Thales payroll are working to process this increase in the November 2017 payroll, including arrears, to avoid further delays for employees in the collective bargaining group. Employees will also receive a letter confirming the 2017 increase via Workday.

Yours sincerely,



Mark Garrity
Sales, Strategy & Marketing Director GTS