Investor meeting

September 2019

The people we all rely on
to make the world go round,
they rely on Thales
Introduction to Thales

Key priorities for 2018-21

H1 2019 results

Space business update

Outlook
Thales today: a set of focused, technology-driven businesses

Sales by solution:
- 13% Transport
- 15% Space
- 36% Aerospace
- 21% Avionics
- 25% Communications, command & control
- 25% Sensors and mission systems
- 51% Defence & security

Sales by end market:
- 13% Other civil
- 13% Civil space
- 17% Civil aeronautics
- 8% Ground transport
- 50% Defence

Sales by region:
- 31% Rest of world
- 55% Europe
- 9% North America
- 5% Australia/NZ

All figures based on 2018 reported numbers, before consolidation of Gemalto

Flight avionics #3 worldwide
In-flight entertainment #2 worldwide
Space solutions #2 worldwide (civil satellites)
Rail signalling and supervision #2 worldwide
Advanced defence systems #1 in Europe (defence sensors and mission systems)
Air Traffic Management #1 worldwide
Thales: a pure player focused on intelligent systems

Addressing some of the most demanding end markets…

…leveraging a unique portfolio of key common technologies

Critical decision chain

Sensing and data gathering → Data transmission and storage → Data processing and decision making

Hardware + software → Hardware + software → Software + systems

Sensors, mission systems, communication, command and control systems

Aeronautics  Space  Ground transportation  Defence  Security
Thales builds on 4 key strengths

Cutting edge R&D
- €3bn, ~20% of sales
- ~75% customer-funded
- 25,000+ engineers
- Ranked by Nature as first non-pharma company in Europe for quality of research

Deep domain knowledge
- Top 3 globally or #1 in Europe across businesses
- Leverage across 5 end markets with many technological similarities

Growing digital asset base
- Thales portfolio: digital “by nature”
- Significant organic and inorganic initiatives, targeting 4 key digital technologies
- Large integrated network of digital native talents

Global presence
- Presence in 50+ countries and sales in 100+ countries
- Proven ability to address complex markets and partnerships
- Capitalizing on 40+ year presence
Resilience embedded in business model

**High geographical diversification**
- Sales >€100m in 28 markets

**Platform-agnostic positioning**
- On-board all major aircraft, train and metro platforms
- Serving 55+ armed forces

**Strong program diversification**
- Largest program represents less than 5% of sales

**Balancing defence and civil business models**

**Ability to cross-sell technologies across end markets**

**Geographical sales breakdown**

- **Mature markets:** 69%
  - 35 countries, of which 12 with sales above €100m

- **Rest of the world:** 6%
  - 31 countries, of which 2 with sales above €100m

- **Middle-East:** 10%
  - 12 countries, of which 4 with sales above €100m

- **Asia:** 14%
  - 27 countries, of which 10 with sales above €100m
Thales delivers a best-in-class ROCE

ROCE in line with best-in-class peers

Asset turn higher than peers

Thales light asset base underpinned by

- No capitalization of R&D
- Relatively low goodwill and PPA
- Significant negative working capital driven by export projects

Peer group: BAE Systems, Honeywell, Leonardo, Lockheed-Martin, Raytheon, Safran

2017 ROCE

<table>
<thead>
<tr>
<th>Peer 6</th>
<th>Peer 5</th>
<th>Peer 4</th>
<th>Peer 3</th>
<th>Thales before one-offs(a)</th>
<th>Peer 2</th>
<th>Peer 1</th>
<th>Thales</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>13%</td>
<td>16%</td>
<td>18%</td>
<td>20%</td>
<td>21%</td>
<td>23%</td>
<td>25%</td>
</tr>
</tbody>
</table>

2017 asset turn

<table>
<thead>
<tr>
<th>Peer 5</th>
<th>Peer 6</th>
<th>Peer 2</th>
<th>Peer 1</th>
<th>Peer 4</th>
<th>Peer 3</th>
<th>Thales before one-offs(a)</th>
<th>Thales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4</td>
<td>1.6</td>
<td>1.6</td>
<td>1.9</td>
<td>2.1</td>
<td>2.2</td>
<td>3.0</td>
<td>3.6</td>
</tr>
</tbody>
</table>

(a) Capital employed adjusted up by €950m accumulated one-off positive WCR effects recorded at end 2017
Introduction to Thales

Key priorities for 2018-21

H1 2019 results

Space business update

Outlook
2018-21: five key priorities

1. Reinforce customer-centric organization and culture
2. Relentlessly optimize operational performance
3. Accelerate R&D investments to drive technological excellence
4. Lead in digital transformation of markets
5. Execute on transformative acquisition of Gemalto
Reinforce customer-centric organization and culture

Three 2018-21 priorities…

- Deepen customer intimacy
- Consistently optimize sales pipeline
- Develop exports from large countries

…capitalizing on marketing and sales excellence

- New marketing initiatives focused on digital value propositions and Group positioning as partner in digital transformation
- Central “sales transformation” function up and running since Summer 2018
- Comprehensive program launched to enhance commercial performance and sales effectiveness
Relentlessly optimize operational performance

Group cost structure

- **Project delivery** (a) 17%
  (bids, project management, production, customer service)
- **Support functions** (a) 9%
- **Engineering** (a) 18%
- **External purchases** 8%

€14.2bn total costs

Focus on 4 high impact initiatives

- **Procurement performance**
- **Engineering competitiveness**
- **Support function efficiency**
- **Excellence in delivery**

(a) Excluding external purchases

(Investor meeting - 11)
## 4 key initiatives to sustainably optimize operational performance

### Procurement performance
- New worldwide integrated organization, fully accountable for performance
- Full leverage of Thales global scale through massification and consolidation
- Deployment of powerful new procurement methods
- Enhancement of tools and capabilities

### Engineering competitiveness
- Deployment of state-of-the-art engineering tools and agile methods
- Constant skills and capability reinforcement
- Digital Factory
- Optimal footprint and make-or-buy strategy

### Support function efficiency
- Demand management to focus on most added-value activities
- Standard worldwide operating models across every support function, fostering process standardization and digitalization
- Increase platforming and near/off-shoring of shared services
- People and skills development

### Excellence in delivery
- Continuous improvement in operational excellence, from bids to project execution, while delivering growth
- Maintaining specific focus on project execution in Transport
- Industry 4.0 and lean supply chain processes
Good progress on Ambition 10 competitiveness initiatives

Procurement: transformed organization starts to deliver

- Global procurement organization fully operational
- 90% of external purchases reviewed as part of “category waves” in 2018, with significant savings identified
- 25 “product conventions” organized in 2018, supporting further product cost optimization
- 18% reduction in active supplier base

Continued roll-out of support function transformation

Support function cost\(^{(a)}\) as a percentage of sales

- 2013: 9.1%
- 2017: 8.1%
- 2018: 7.8%
- ~2021: 7.2%

\(^{(a)}\) Includes both support function costs reported in the P&L “G&A expenses” line and the ones included in “cost of sales”

Leveraging powerful margin enhancement levers
3. Accelerate R&D investments to drive technological excellence

Thales’s core competitive advantage: world leading R&D capability

![TOP 100 GLOBAL INNOVATORS](image)

- Prestigious recognitions for researchers

<table>
<thead>
<tr>
<th>R&amp;D headcount</th>
<th>R&amp;D total spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>40% of total staff</td>
<td>&gt;€3 bn</td>
</tr>
<tr>
<td>~75% Customer-funded R&amp;D</td>
<td>~25% Self-funded R&amp;D</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R&amp;D total spend (€bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
</tr>
<tr>
<td>Customer-funded R&amp;D</td>
</tr>
<tr>
<td>~2.2</td>
</tr>
<tr>
<td>Self-funded R&amp;D</td>
</tr>
<tr>
<td>0.8</td>
</tr>
<tr>
<td>2021</td>
</tr>
<tr>
<td>Customer-funded R&amp;D</td>
</tr>
<tr>
<td>~3</td>
</tr>
<tr>
<td>Self-funded R&amp;D</td>
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<td>~1</td>
</tr>
</tbody>
</table>

- Self-funded R&D up 25 to 30%, focused on:
  - Transverse digital levers and technologies
  - Breakthrough “dream products” across key product lines
  - Competitive product policy

Investor meeting - 14
Quick adoption of digital technologies inside core products to support top-line growth

Emerging digital services boosting longer-term growth post 2022

“As a service” business models delivering steady growth and recurring revenues
Lead digital transformation of markets: recent examples

- Big data-enabled observation constellation
- Demonstrations of autonomous rail technologies
- “Smart” radars
- First Digital Factory solutions launched commercially

Capitalizing on critical mass of expertise in digital technologies
Gemalto acquisition: compelling strategic rationale

Accelerating Thales’s digital strategy across all markets

- Adding key technological capabilities
  - Object and people authentication
  - Biometrics
  - Industrial IoT solutions
- Cloud-based solutions and digital platforms
- Large pool of digital talents

Creating a leader in the fast-growing digital security market

- Global leader in digital identification and security of connected objects and identities
- Global leader in enterprise data protection
- Leveraging Thales’s extensive technology portfolio and global sales footprint

Reinforcing unique and differentiated market position
Thales + Gemalto: powering and securing the complete critical digital decision chain

Critical decision chain

Sensing and data gathering ➔ Data transmission and storage ➔ Data processing and decision making

Mission sensors
Mission data

Objects
Identity data

Networks & Gateways
Mission and identity data

Platforms to manage objects
Identity data

Platforms to manage missions
Mission data

Mission applications
Mission data

(a) Including big data analytics, artificial intelligence algorithms

Investor meeting - 18
Thales and Gemalto: selected use cases

**Smart rail infrastructures**

- Railroad
- Crossroad
- Train
- Building
- Vandalism

**Battlefield cloud**

- Cloud
- Satellite
- Airplane
- Drone
- Soldier
- Tank

**Silent authentication**

1. Credit card
2. SMS
3. Computer

Investor meeting - 19
Integration completed, cost synergy capture fully on track

New Digital Identity and Security (DIS) Global Business Unit fully operational

- Selected organization minimizes business disruption

Cost synergy target upgraded to upper range after GP HSM disposal

- €100-150m initial range included ~€30m linked to GP HSM
- Integration costs: ~€60m in 2019, ~€30-40m in 2020
- 2019 cost synergies: ~€20m

Breakdown of expected run-rate cost synergies

- Overall SG&A savings: 35%
- Footprint optimization and other: 20%
- R&D and SG&A optimization in enterprise data protection: 15%
- Procurement savings: 30%
- €120m
DIS: internal momentum delivering 0-2% growth in 2019

Sales dynamics expected in line with plan

➤ Solid growth in identity & biometrics, identity management and data protection, and IoT solutions fully offsets material decline of traditional SIM cards
➤ Innovation offsetting price pressure in banking and payment
➤ Assessment of revenue synergies ongoing

Limited scope and currency effects

➤ Small acquisitions partly offsetting disposal of Netsize at end 2018
➤ Material USD exposure

Order intake structurally aligned with sales

➤ Shorter order cycle than in other Thales businesses

Pro forma\(^{(a)}\) DIS sales breakdown by sub-segment (2018)

- Identity & biometrics: €650m, 20%
- Identity management & data protection\(^{(b)}\): €550m, 18%
- Analytics & Internet of Things: €400m, 12%
- Mobile connectivity: €600m, 19%
- Banking & payment: €900m, 30%
- Of which, traditional SIM cards: €400m, 13%

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\(^{(a)}\) Reported Gemalto sales (€2,969m) + D&S sales transferred to DIS (€186m) – Netsize (€52m)
\(^{(b)}\) Does not include ~€350m cybersecurity sales recorded in other DIS business lines and in Defence & Security segment
DIS: underlying margin improvement in 2019

- **2018 one-off effects**: €227, net of +9
  - Restructuring and share-based compensation: €59
  - 7.3% pro forma DIS segment EBIT

- **2018 underlying DIS segment EBIT**: €236, net of +60 to +80
  - 7.6%

- **Internal improvement and first synergies**: 300-320
  - Net of ~10%

- **2019 one-off effects**: Net of ~40
  - Integration costs: ~60
  - Restructuring and share-based compensation: ~+20
    (vs normalized level of ~50)

- **2019 DIS segment EBIT**: 260-280
  - Net of ~8.5%

9 months: 240-260
Q1: -20

Note: All targets based on June 2019 scope and foreign exchange rates, post IFRS 16.
Summary

Unique portfolio positioning
- Markets benefiting from solid underlying growth
- Increased opportunities for technology leaders

Continued focus on operational performance
- Reinforcement of customer-centric organization and culture
- New competitiveness initiatives gaining momentum in coming years

Strong development levers
- Further acceleration of R&D investments, especially in digital technologies
- Transformative acquisition of Gemalto

Executing on long-term vision: leadership in all segments

- Grow faster than the market
- Grow profitably in a sustainable way
Introduction to Thales
Key priorities for 2018-21
H1 2019 results
Space business update
Outlook
H1 2019 highlights

Order intake driven by solid dynamics in Defence & Security

Sales growth impacted by slowdown of Space and phasing effects in Transport

Further EBIT margin progression at constant scope and currency

Gemalto consolidated as of 1st April, contributing in line with expectations
H1 2019 key figures

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
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<th>€m</th>
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<th>€m</th>
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</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td></td>
<td></td>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
<td><strong>EBIT and EBIT margin</strong>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>6,331</td>
<td></td>
<td>H1 2018</td>
<td>7,452</td>
<td></td>
<td>H1 2018</td>
<td>762</td>
<td></td>
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<tr>
<td></td>
<td>+10%</td>
<td></td>
<td></td>
<td>+9.9%</td>
<td></td>
<td></td>
<td>+8%</td>
<td></td>
</tr>
<tr>
<td>H1 2019</td>
<td>6,995</td>
<td></td>
<td></td>
<td>8,190</td>
<td></td>
<td></td>
<td>820</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td><strong>Adjusted net income</strong>(a)</td>
<td></td>
<td></td>
<td><strong>Free operating cash-flow</strong>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>539</td>
<td></td>
<td>H1 2014</td>
<td>(535 )</td>
<td></td>
<td>H1 2014</td>
<td>(304 )</td>
<td></td>
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<tr>
<td></td>
<td>+7%</td>
<td></td>
<td>H1 2015</td>
<td>45</td>
<td></td>
<td>H1 2015</td>
<td>(272 )</td>
<td></td>
</tr>
<tr>
<td>H1 2019</td>
<td>574</td>
<td></td>
<td>H1 2016</td>
<td>216</td>
<td></td>
<td>H1 2016</td>
<td>(332 )</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>H1 2017</td>
<td></td>
<td></td>
<td>H1 2017</td>
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<td></td>
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<td>H1 2018</td>
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<td>H1 2018</td>
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<td></td>
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<td>H1 2019</td>
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<td>H1 2019</td>
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<tr>
<td><strong>Net cash (debt) position</strong></td>
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<td></td>
<td><strong>Net cash (debt) position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,294</td>
<td></td>
<td>H1 2014</td>
<td>(4,397)</td>
<td></td>
<td>H1 2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,971</td>
<td></td>
<td>H1 2016</td>
<td></td>
<td></td>
<td>H1 2017</td>
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<tr>
<td></td>
<td>2,311</td>
<td></td>
<td>H1 2018</td>
<td></td>
<td></td>
<td>H1 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,181</td>
<td></td>
<td>H1 2019</td>
<td></td>
<td></td>
<td>H1 2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) The definition of all non-GAAP measures can be found in appendix.
H1 2019 order intake

Solid order intake
➢ -1% before Gemalto consolidation (impact: +€758m)

4 large\(^{(a)}\) orders booked in Q2 2019, for a total of 7 in H1 2019
➢ Spainsat NG satellite
➢ Ground segment for French military satellite
➢ “CaMo” armored vehicles (Belgium)
➢ Long-term maintenance contract for French air force

Small orders\(^{(b)}\) stable at constant scope

(a) With a unit value over €100m
(b) With a unit value of less than €10m

Order intake by contract unit value

<table>
<thead>
<tr>
<th>Unit value</th>
<th>H1 2018</th>
<th>H1 2019 before Gemalto consolidation</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit value &gt; €100m</td>
<td>1,814</td>
<td>1,653</td>
<td>1,546</td>
</tr>
<tr>
<td>€10m &lt; Unit value &lt; €100m</td>
<td>1,444</td>
<td>1,523</td>
<td>3,796</td>
</tr>
<tr>
<td>Unit value &lt; €10m</td>
<td>3,073</td>
<td>3,061</td>
<td></td>
</tr>
</tbody>
</table>

€m

6,331 ➔ 6,237 ➔ 6,995

-1% +12%
H1 2019 sales growth

Sales growth benefiting from Gemalto consolidation
- Reported growth: +9.9%
- Organic growth: -0.5%
- Small positive currency impact: +0.8%

Organic sales decline driven by slowdown of space and by high comps, notably in emerging markets
EBIT margin evolution driven by solid operational improvement

Change before Gemalto consolidation

Gross margin: 10.2% (H1 2018) +0.5 pt, 10.4% (H1 2019)

Indirect costs: -0.0 pt, 10.2% - 10.0% = -0.2 pt

Restructuring: -0.2 pt, -0.2 pt

Naval Group: -0.1 pt

Gemalto consolidation: -0.4 pt, 10.4% - 10.0% = -0.4 pt

R&D: +1%
Marketing & Sales: -0%
G&A: -2%

H1 2019: +29
H1 2018: +38

Q2 Gemalto margin: 6.4%
Aerospace: H1 2019 key figures

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td></td>
<td>total</td>
</tr>
<tr>
<td>Order intake</td>
<td>1,758</td>
<td>2,042</td>
<td>-14%</td>
</tr>
<tr>
<td>Sales</td>
<td>2,609</td>
<td>2,768</td>
<td>-5.7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>270</td>
<td>291</td>
<td>-7%</td>
</tr>
<tr>
<td>in % of sales</td>
<td>10.3%</td>
<td>10.5%</td>
<td>-0.1 pt</td>
</tr>
</tbody>
</table>

Order intake down compared to H1 2018
- High comps in IFE and training & simulation
- Slow recovery of commercial telecom satellite market

Sales affected by commercial satellite market slowdown
- Space sales to level off in H2, in line with Full Year expected decline of ~10%

EBIT impact of lower space sales offset by solid dynamics in avionics
- H2 affected by booking of restructuring costs in space
## Transport: H1 2019 key figures

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>556</td>
<td>835</td>
<td>-33%</td>
<td>-34%</td>
</tr>
<tr>
<td>Sales</td>
<td>835</td>
<td>904</td>
<td>-7.6%</td>
<td>-8.9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>(42)</td>
<td>27</td>
<td>nm</td>
<td>nm</td>
</tr>
</tbody>
</table>

### Order intake

Significantly down due to high comps in H1 2018.

### Sales

Affected by phasing effects on major urban rail projects, in line with expectations.

- **H1 2018** organic sales growth was exceptional: +22.2%.

### EBIT

Impacted by one-offs: restructuring costs linked to ambitious engineering transformation plan, 9% drop in sales and impact of execution delays on a metro project.
**Defence & Security: H1 2019 key figures**

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 (€m)</th>
<th>H1 2018 (€m)</th>
<th>Change</th>
<th>Total</th>
<th>organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>3,809</td>
<td>3,350</td>
<td>+14%</td>
<td>+16%</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>3,881</td>
<td>3,669</td>
<td>+5.8%</td>
<td>+6.8%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>564</td>
<td>439</td>
<td>+28%</td>
<td>+35%</td>
<td></td>
</tr>
<tr>
<td>in % of sales</td>
<td>14.5%</td>
<td>12.0%</td>
<td>+2.5 pts</td>
<td>+3.0 pts</td>
<td></td>
</tr>
</tbody>
</table>

**Strong order intake momentum**

Solid, broad-based organic sales growth, in spite of high comps (H1 18 organic sales growth: +8.5%)

Further increase in profitability thanks to gross margin improvement, leverage on growth, and solid project execution.
### Digital Identity & Security: H1 2019 Key Figures

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>€m</td>
<td>total</td>
</tr>
<tr>
<td>Order intake</td>
<td>829</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>830</td>
<td>87</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>37</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>in % of sales</td>
<td>4.5%</td>
<td>nm</td>
<td></td>
</tr>
</tbody>
</table>

Order intake structurally aligned with sales for most businesses

**Flat pro forma sales, in line with expectations**
- Continuous decline of traditional SIM cards
- Good dynamics of EMV cards, driven by re-issue cycle in the US
- Authentication and data protection affected by reorganization

**EBIT in line with Full Year €240-260m guidance**
- Impact of integration costs and HSM business reorganization
- DIS EBIT margin more seasonal than in other segments
## H1 2019 Free operating cash flow

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow before WCR changes, interest and tax&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>1,024</td>
<td>915</td>
</tr>
<tr>
<td>+ Change in WCR and reserves for contingency reserves&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>(1,022)</td>
<td>(915)</td>
</tr>
<tr>
<td>+ Pension cash out, excluding deficit payment on UK pensions</td>
<td>(73)</td>
<td>(70)</td>
</tr>
<tr>
<td>+ Net financial interest</td>
<td>(22)</td>
<td>(16)</td>
</tr>
<tr>
<td>+ Income tax paid</td>
<td>(64)</td>
<td>(33)</td>
</tr>
<tr>
<td>= Net cash flow from operating activities&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>(157)</td>
<td>(118)</td>
</tr>
<tr>
<td>+ Net operating investments</td>
<td>(175)</td>
<td>(153)</td>
</tr>
<tr>
<td>= Free operating cash flow</td>
<td>(332)</td>
<td>(272)</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> IFRS 16 impact on operating cash flow before WCR changes, interest and tax: +€112m, on change in WCR: -€21m, on net cash flow from operating activities: +€91m
A global well-balanced leader in space solutions

Space Alliance with Leonardo, involving 2 joint-ventures

World #2 largest civil satellite manufacturer

Well diversified across solutions and end-markets

Delivering strong financial performance in past 4 years

- 2015-18 sales CAGR: +5%
- High-single digit EBIT margin

Breakdown of sales by end-markets

- Commercial customers: 30%
- Military customers: 20%
- Institutional customers: 50%

2018 sales €2.45bn
Recovery of geostationary telecom market delayed by one year

Worldwide number of geostationary telecom satellite ordered

Forecast source: NSR
Solid long-term growth for space-based telecom solutions

~5% long-term growth, driven by new applications

Shift in usage drives new technological requirements

- Delivery of highest data rate at lowest cost
- Ability to seamlessly connect to moving objects on a global basis (mobility applications)
- Increased flexibility in mission type, coverage and orbital slot

Commercial telecom satellite services market demand

Forecast market value, $bn

- Consumer broadband: CAGR ~+5%
- Mobility (aero & maritime): CAGR >+10%
- Enterprise networks: CAGR ~0%
- Trunking & backhaul
- Military sat com
- Video broadcast

Source: Euroconsult

Investor meeting - 38
Thales: further investments to strengthen best-in-class product range

- Global VHTS leader
- Extremely high capacity and unique agility
- Complementing with new satellite product line, offering in-orbit reconfiguration and flexible coverage

- Global constellation leader
- Unique expertise in networked constellations
- Recently awarded Kineis nanosatellite IoT constellation

Best-in-class product range, ideally suited to capture future market growth
Space: key takeaways

Solid long-term growth dynamics forecasted in all end-markets

Thales: best-in-class telecom product range, to be complemented by new generation flexible satellite product line

Slower than expected recovery of telecom market driving drop in sales in 2019 and 2020

Sales decline and R&D investment to weigh on profitability over 2019-2021 period

Space sales trend

Notes: 2014-2016 figures before application of IFRS 15 standard
Trajectory does not assume the booking of any telecom constellation
Introduction to Thales

Key priorities for 2018-21

H1 2019 results

Space business update

Outlook
Medium-term financial targets

Organic sales growth target

- +4.3% in 2014-17
- +5.3% in 2018
- +3% to +5% growth on average over 2018-21

EBIT\((a)\) margin target

- 7.6% in 2014
- 8.6% in 2015
- 9.1% in 2016
- 9.8% in 2017
- 10.6% in 2018
- 11% to 11.5% by 2021

NB: targets excluding Gemalto, to be updated on 3 October 2019

(a) Non-GAAP measure: see definition in appendix
Strategic initiatives deliver significant EPS accretion, with further upside from Gemalto integration.

- **Lower tax rate**: Effective tax rate moving from 31% (a) to 23-24%
- **More efficient balance sheet**: Immediate 15-20% adjusted EPS accretion
- **Gemalto 2018-21 margin increase**: €120m recurring pre-tax cost synergies, meaningful revenue synergies
- **Gemalto synergies**:
  - €120m recurring pre-tax cost synergies
  - Meaningful revenue synergies

### Adjusted EPS

- **2017 Adjusted EPS**: €4.64
- **2021 Adjusted EPS**:
  - **Including Gemalto**: €7.50
  - **Excluding Gemalto**: €4.64

### Notes
- **Organic growth**: +3 to +5% on average, 11% to 11.5% EBIT margin
- **Effective tax rate**: Moving from 31% (a) to 23-24%
- **Immediate 15-20% adjusted EPS accretion**: Including Gemalto
- **Gemalto synergies**: €120m recurring pre-tax cost synergies, meaningful revenue synergies

(a) 2017 effective tax rate. 25.9% excluding one-off non-cash tax items
Maintaining strong focus on cash flow generation

2014-17: turning Thales into a cash-flow minded company
- Incentives at all levels
- No compromise on payment terms
- Higher hurdle rate on capex
- Limited tax cash out vs. tax P&L expense

2018-21: further increase in cash conversion before one-offs
- Targeting ~90%
- In spite of less favorable gap between tax P&L expense and cash out following consumption of net operating losses

Cash conversion

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income (€m)</th>
<th>Free operating cash flow (€m)</th>
<th>Cash conversion ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>642</td>
<td>477</td>
<td>74%</td>
</tr>
<tr>
<td>2014-17</td>
<td>813</td>
<td>982</td>
<td>121%</td>
</tr>
<tr>
<td>2014-17</td>
<td>863</td>
<td>745</td>
<td>~90%</td>
</tr>
<tr>
<td>2018-21</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) One-off items on adjusted net income: €117m non cash losses at Naval group in 2014, €85m non cash tax items in 2016 and 2017 – One-off items on Free operating cash flow: €950m of positive WCR effects booked in 2015-17

NB: targets excluding Gemalto, to be updated on 3 October 2019
A more efficient capital structure to support significant dividend growth whilst maintaining financial flexibility

Improved balance sheet efficiency after Gemalto acquisition

<table>
<thead>
<tr>
<th></th>
<th>2017 reported</th>
<th>2017 pro forma after Gemalto acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash (€bn)</td>
<td>3.0</td>
<td>2.3</td>
</tr>
<tr>
<td>EBITDA (€bn)</td>
<td>1.9</td>
<td>0.0</td>
</tr>
<tr>
<td>interest expenses</td>
<td>0.0</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Net debt (€bn)

-2.5

Dividend growth in line with adjusted EPS

Financial flexibility to allow bolt-on acquisitions while deleveraging the company

Strong investment grade maintained

<table>
<thead>
<tr>
<th>Rating</th>
<th>S&amp;P</th>
<th>Moody's</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>A-/BBB+</td>
<td>A2 / A3</td>
</tr>
<tr>
<td>Aaa</td>
<td>B</td>
<td>C</td>
</tr>
</tbody>
</table>

Euro billion (€bn)
## 2019 financial objectives

<table>
<thead>
<tr>
<th>Order intake</th>
<th>Sales</th>
<th>EBIT&lt;sup&gt;(b)&lt;/sup&gt;</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thales excluding DIS segment</strong></td>
<td><strong>Organic growth between 3% and 4%</strong></td>
<td></td>
<td><strong>Now expected at bottom of range</strong>*</td>
</tr>
<tr>
<td><strong>DIS segment</strong></td>
<td><strong>Organic growth between 0% and 2%&lt;sup&gt;(a)&lt;/sup&gt;</strong></td>
<td></td>
<td><strong>Unchanged</strong>*</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>€1,980-2,000m&lt;sup&gt;(c)&lt;/sup&gt;</strong></td>
<td><strong>Unchanged</strong>*</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> On a full-year basis

<sup>(b)</sup> Non-GAAP measure: see definition in appendix

<sup>(c)</sup> Based on June 2019 scope and foreign exchange rates, post IFRS 16
## A strong set of focused businesses

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub-segment</th>
<th>Civil</th>
<th>Military</th>
<th>2018 sales (€m)</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aerospace</strong></td>
<td><strong>Flight avionics</strong> including cockpit avionics, communications, electrical systems, training and simulation</td>
<td></td>
<td></td>
<td>~2,100</td>
<td>#3 worldwide (flight avionics)</td>
</tr>
<tr>
<td></td>
<td><strong>Connected in-flight entertainment (IFE)</strong></td>
<td></td>
<td></td>
<td>~750</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Microwave tubes</strong> for satellite, medical, scientific and military applications</td>
<td></td>
<td></td>
<td>~450</td>
<td>#1 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Space solutions</strong> for telecom, observation, navigation and exploration</td>
<td></td>
<td></td>
<td>~2,500</td>
<td>#2 worldwide (civil satellites)</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td><strong>Rail signalling and supervision</strong> including passenger payment collection systems</td>
<td></td>
<td></td>
<td>~2,000</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Sensors and mission systems</strong> including radars, sonars, optronics, mission systems for combat aircraft, ships and submarines, missiles and armored military vehicles</td>
<td></td>
<td></td>
<td>~4,000</td>
<td>#1 in Europe</td>
</tr>
<tr>
<td><strong>Defence &amp; security</strong></td>
<td><strong>Communications, command and control systems</strong> including military communications and networks, military command and control systems (C4I), civil and military cybersecurity, Air Traffic Management, and security solutions for countries, cities and critical infrastructures</td>
<td></td>
<td></td>
<td>~4,000</td>
<td>#2 worldwide (military tactical communications) #1 worldwide (air traffic management)</td>
</tr>
</tbody>
</table>

36% of 2018 sales

13% of 2018 sales

51% of 2018 sales
Highly diversified Defence & security customer base

Defence & security sales by region, 2018

- 49% outside Europe
- 32% France
- 14% Asia
- 13% Middle East
- 10% Australia/NZ
- 7% North America
- 7% United Kingdom
- 7% Rest of Europe
- 7% Rest of world
## Organic sales growth per quarter

<table>
<thead>
<tr>
<th></th>
<th>Q1 16</th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
<th>Q1 19</th>
<th>Q2 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>-1%</td>
<td>+13%</td>
<td>+15%</td>
<td>+7%</td>
<td>+16%</td>
<td>+1%</td>
<td>+1%</td>
<td>+2%</td>
<td>+9%</td>
<td>-3%</td>
<td>-7%</td>
<td>-7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>+14%</td>
<td>+40%</td>
<td>+15%</td>
<td></td>
<td>+7%</td>
<td>+8%</td>
<td>+28%</td>
<td>+29%</td>
<td>+17%</td>
<td>+19%</td>
<td>+11%</td>
<td>+1%</td>
<td></td>
<td>-17%</td>
</tr>
<tr>
<td>Defence &amp; Security</td>
<td>+13%</td>
<td>+3%</td>
<td>+14%</td>
<td></td>
<td>+8%</td>
<td>+5%</td>
<td>+22%</td>
<td>+10%</td>
<td>+8%</td>
<td>+8%</td>
<td>+0%</td>
<td>+0%</td>
<td>+12%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+7%</td>
<td>+10%</td>
<td>+15%</td>
<td></td>
<td>+11%</td>
<td>+3%</td>
<td>+15%</td>
<td>+7%</td>
<td>+7%</td>
<td>+10%</td>
<td>+0%</td>
<td>-2%</td>
<td>+1%</td>
<td></td>
</tr>
</tbody>
</table>

**Investor meeting - 50**
## H1 2019 order intake by destination

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>change</th>
<th>total</th>
<th>organic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td>2,075</td>
<td>1,456</td>
<td>+42%</td>
<td>+39%</td>
<td></td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>551</td>
<td>226</td>
<td>+144%</td>
<td>+132%</td>
<td></td>
</tr>
<tr>
<td><strong>Other European</strong></td>
<td>1,560</td>
<td>1,558</td>
<td>+0%</td>
<td>-9%</td>
<td></td>
</tr>
<tr>
<td><strong>countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>4,186</td>
<td>3,240</td>
<td>+29%</td>
<td>+23%</td>
<td></td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>821</td>
<td>532</td>
<td>+54%</td>
<td>+15%</td>
<td></td>
</tr>
<tr>
<td><strong>Australia/NZ</strong></td>
<td>274</td>
<td>1,239</td>
<td>-78%</td>
<td>-79%</td>
<td></td>
</tr>
<tr>
<td><strong>Mature markets</strong></td>
<td>5,280</td>
<td>5,011</td>
<td>+5%</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>1,046</td>
<td>716</td>
<td>+46%</td>
<td>+26%</td>
<td></td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>359</td>
<td>457</td>
<td>-22%</td>
<td>-31%</td>
<td></td>
</tr>
<tr>
<td><strong>Rest of the world</strong></td>
<td>310</td>
<td>147</td>
<td>+111%</td>
<td>+8%</td>
<td></td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td>1,715</td>
<td>1,320</td>
<td>+30%</td>
<td>+4%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,995</td>
<td>6,331</td>
<td>+10%</td>
<td>-1%</td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- Change values are in percentage.
## H1 2019 sales by destination

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>total change</th>
<th>organic change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td>2,090</td>
<td>1,956</td>
<td>+6.8%</td>
<td>+4.7%</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>587</td>
<td>621</td>
<td>-5.6%</td>
<td>-11.5%</td>
</tr>
<tr>
<td><strong>Other European countries</strong></td>
<td>1,722</td>
<td>1,532</td>
<td>+12.4%</td>
<td>+2.4%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>4,399</td>
<td>4,110</td>
<td>+7.0%</td>
<td>+1.4%</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>856</td>
<td>660</td>
<td>+29.6%</td>
<td>-0.8%</td>
</tr>
<tr>
<td><strong>Australia/NZ</strong></td>
<td>461</td>
<td>433</td>
<td>+6.6%</td>
<td>+4.8%</td>
</tr>
<tr>
<td><strong>Mature markets</strong></td>
<td>5,716</td>
<td>5,203</td>
<td>+9.9%</td>
<td>+1.4%</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>1,191</td>
<td>1,062</td>
<td>+12.2%</td>
<td>-1.4%</td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>749</td>
<td>736</td>
<td>+1.8%</td>
<td>-4.1%</td>
</tr>
<tr>
<td><strong>Rest of the world</strong></td>
<td>533</td>
<td>452</td>
<td>+18.0%</td>
<td>+13.2%</td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td>2,474</td>
<td>2,249</td>
<td>+10.0%</td>
<td>-4.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,190</td>
<td>7,452</td>
<td>+9.9%</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>
H1 2019 EBIT by operating segment

<table>
<thead>
<tr>
<th></th>
<th>€m / % of sales</th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>270</td>
<td>10.3%</td>
<td>291</td>
<td>10.5%</td>
<td>-7%</td>
</tr>
<tr>
<td>Transport</td>
<td>(42)</td>
<td>(5.0%)</td>
<td>27</td>
<td>2.9%</td>
<td>nm</td>
</tr>
<tr>
<td>Defence &amp; Security</td>
<td>564</td>
<td>14.5%</td>
<td>439</td>
<td>12.0%</td>
<td>+28%</td>
</tr>
<tr>
<td>Digital Identity &amp; Security</td>
<td>37</td>
<td>4.5%</td>
<td>6</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>Other</td>
<td>(39)</td>
<td>nm</td>
<td>(37)</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>EBIT – excluding Naval Group</td>
<td>790</td>
<td>9.6%</td>
<td>724</td>
<td>9.7%</td>
<td>+9%</td>
</tr>
<tr>
<td>Naval Group</td>
<td>29</td>
<td></td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT – total</td>
<td>820</td>
<td>10.0%</td>
<td>762</td>
<td>10.2%</td>
<td>+8%</td>
</tr>
</tbody>
</table>

Negative margin in Transport, driven by one-off effects

Significant margin improvement in Defence & Security
## H1 2019 summary adjusted P&L: from sales to EBIT

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th></th>
<th>H1 2018</th>
<th></th>
<th>Change</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>% of sales</td>
<td>€m</td>
<td>% of sales</td>
<td>total</td>
<td>organic</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>8,190</td>
<td>26.9%</td>
<td>7,452</td>
<td>25.8%</td>
<td>+9.9%</td>
<td>-0.5%</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>2,203</td>
<td>26.9%</td>
<td>1,922</td>
<td>25.8%</td>
<td>+15%</td>
<td>+3%</td>
<td></td>
</tr>
<tr>
<td>Indirect costs</td>
<td>(1,420)</td>
<td>(17.3%)</td>
<td>(1,223)</td>
<td>(16.4%)</td>
<td>+15%</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(476)</td>
<td>(5.8%)</td>
<td>(406)</td>
<td>(5.4%)</td>
<td>+17%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(638)</td>
<td>(7.8%)</td>
<td>(541)</td>
<td>(7.3%)</td>
<td>+18%</td>
<td>+1%</td>
<td></td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(306)</td>
<td>(3.7%)</td>
<td>(276)</td>
<td>(3.7%)</td>
<td>+11%</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(44)</td>
<td>(0.5%)</td>
<td>(22)</td>
<td>(0.3%)</td>
<td>+100%</td>
<td>+71%</td>
<td></td>
</tr>
<tr>
<td>Share in net result of equity-accounted affiliates, excluding Naval Group</td>
<td>51</td>
<td>0.6%</td>
<td>47</td>
<td>0.6%</td>
<td>+8%</td>
<td>+4%</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT excluding Naval Group</strong></td>
<td><strong>790</strong></td>
<td><strong>9.6%</strong></td>
<td><strong>724</strong></td>
<td><strong>9.7%</strong></td>
<td><strong>+9%</strong></td>
<td><strong>+5%</strong></td>
<td></td>
</tr>
<tr>
<td>Share in net result of Naval Group</td>
<td>29</td>
<td>-23%</td>
<td>38</td>
<td>-23%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td><strong>820</strong></td>
<td><strong>10.0%</strong></td>
<td><strong>762</strong></td>
<td><strong>10.2%</strong></td>
<td><strong>+8%</strong></td>
<td><strong>+4%</strong></td>
<td></td>
</tr>
</tbody>
</table>
## H1 2019 summary adjusted P&L: from EBIT to adjusted net income

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT</strong></td>
<td>820</td>
<td>762</td>
</tr>
<tr>
<td>Cost of net financial debt and other financial results(^{(a)})</td>
<td>(20)</td>
<td>(3)</td>
</tr>
<tr>
<td>Finance costs on pensions and other employee benefits</td>
<td>(27)</td>
<td>(27)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(184)</td>
<td>(173)</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>26.6%</td>
<td>26.6%</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong></td>
<td>588</td>
<td>560</td>
</tr>
<tr>
<td>Minorities</td>
<td>(14)</td>
<td>(22)</td>
</tr>
<tr>
<td><strong>Adjusted net income, Group share</strong></td>
<td>574</td>
<td>539</td>
</tr>
</tbody>
</table>

**EPS: Adjusted net income, Group share, per share (in €)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td>2.70</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td>2.54</td>
</tr>
</tbody>
</table>

\(^{(a)}\) IFRS 16 impact on cost of net financial debt: -€13m (financial interest linked to lease debt)
Adjusted EPS and dividend

Adjusted EPS and dividend per share

Adjusted EPS up 12% per year since 2013

2018 dividend: €2.08 per share
  ➢ Pay-out ratio: 38%

Dividend up 13% per year since 2013
  ➢ Quasi doubling in 5 years

(a) Corrected for negative Naval Group contribution (€0.57)
Movement in net cash (debt) over H1 2019

€m

3,181

IFRS 16 impact
-1,507

1,673

Free operating cash-flow
-332

Deficit payment on UK pensions
-48

Acquisitions & disposals

Net debt at 30 June 19

Net cash at 31 Dec 18

Free operating cash-flow

Net cash at 31 Dec 18 post IFRS 16

-5,175

Dividends

Gemalto, net of GP HSM disposal: -4,887
Gemalto IFRS 16 impact: -117
Other: -171

-336

-181

-4,397

Other
Historical sales and EBIT performance by segment

**Aerospace**
- **Organic sales growth**
  - 2014: +1%
  - 2015: +9%
  - 2016: +1%
  - 2017: +2%
  - 2018: +4%
- **EBIT margin**
  - 2014: 10.1%
  - 2015: 9.6%
  - 2016: 9.8%
  - 2017: 10.0%
  - 2018: 10.0%

**Transport**
- **Organic sales growth**
  - 2014: -4%
  - 2015: +8%
  - 2016: +1%
  - 2017: +4%
  - 2018: +18%
- **EBIT margin**
  - 2014: 2.3%
  - 2015: 0.7%
  - 2016: 4.1%
  - 2017: 4.4%
  - 2018: -2.4%

**Defence & Security**
- **Organic sales growth**
  - 2014: +7%
  - 2015: +5%
  - 2016: +9%
  - 2017: +6%
  - 2018: +4.5%
- **EBIT margin**
  - 2014: 9.6%
  - 2015: 10.7%
  - 2016: 10.7%
  - 2017: 10.9%
  - 2018: 12.6%

**Total Group**
- **Organic sales growth**
  - 2014: -2%
  - 2015: +7%
  - 2016: +5%
  - 2017: +9%
  - 2018: +6.8%
- **EBIT margin**
  - 2014: 7.6%
  - 2015: 8.6%
  - 2016: 9.1%
  - 2017: 9.8%
  - 2018: 10.6%

Note: Group EBIT includes equity associate Naval Group (losses in 2014)
**Historical trend in cash conversion**

### Adjusted net income conversion into Free operating cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income</th>
<th>Free operating cash flow</th>
<th>Cash conversion ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>642 €m</td>
<td>477 €m</td>
<td>74%</td>
</tr>
<tr>
<td>2014</td>
<td>562 €m</td>
<td>501 €m</td>
<td>89%</td>
</tr>
<tr>
<td>2015</td>
<td>809 €m</td>
<td>1,110 €m</td>
<td>137%</td>
</tr>
<tr>
<td>2016</td>
<td>897 €m</td>
<td>954 €m</td>
<td>106%</td>
</tr>
<tr>
<td>2017</td>
<td>982 €m</td>
<td>1,365 €m</td>
<td>139%</td>
</tr>
<tr>
<td>2018</td>
<td>811 €m</td>
<td>1,178 €m</td>
<td>69%</td>
</tr>
</tbody>
</table>

**Six-year average: 102%**

### EBIT conversion into Free operating cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT</th>
<th>Free operating cash flow</th>
<th>Cash conversion ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,011 €m</td>
<td>477 €m</td>
<td>47%</td>
</tr>
<tr>
<td>2014</td>
<td>985 €m</td>
<td>501 €m</td>
<td>51%</td>
</tr>
<tr>
<td>2015</td>
<td>1,216 €m</td>
<td>1,110 €m</td>
<td>91%</td>
</tr>
<tr>
<td>2016</td>
<td>1,354 €m</td>
<td>954 €m</td>
<td>70%</td>
</tr>
<tr>
<td>2017</td>
<td>1,543 €m</td>
<td>1,365 €m</td>
<td>88%</td>
</tr>
<tr>
<td>2018</td>
<td>1,685 €m</td>
<td>811 €m</td>
<td>48%</td>
</tr>
</tbody>
</table>

**Six-year average: 67%**
Definition of non-GAAP measures and other remarks

Rounding of amounts in euros
In the context of this presentation, the amounts expressed in millions of euros are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and variances are calculated based on underlying amounts, which feature in the consolidated financial statements.

Definitions
▶ Organic: at constant scope and exchange rates;
▶ Book-to-bill ratio: ratio of orders received to sales;
▶ Mature markets: All countries in Europe excluding Russia and Turkey, North America, Australia and New Zealand;
▶ Emerging markets: All other countries, i.e. Middle East, Asia, Latin America and Africa.

Non-GAAP measures
This presentation contains non-Generally Accepted Accounting Principles (GAAP) financial measures. Thales regards such non-GAAP financial measures as relevant operating and financial performance indicators for the Group, as they allow non-operating and non-recurring items to be excluded. Thales definitions for such measures may differ from similarly titled measures used by other companies or analysts.
▶ EBIT: income from operations; plus the share of net income or loss of equity affiliates less: amortization of acquired assets (PPA), expenses recorded in the income from operations that are directly related to business combinations. See also notes 13-a and 2 of the consolidated financial statements at 31 December 2018.
▶ Adjusted net income: net income, less the following elements, net of the corresponding tax effects: (i) amortization of acquired assets (PPA), (ii) expenses recorded in the income from operations or in “financial results” which are directly related to business combinations, which by their nature are unusual, (iii) disposal of assets, change in scope of consolidation and other, (iv) impairment of non-current assets, (v) changes in the fair value of derivative foreign exchange instruments (recognized under “other financial income and expenses” in the consolidated financial statements), (vi) actuarial gains or losses on long-term benefits (recognized under “finance costs on pensions and employee benefits” in the consolidated financial statements). See note 13-a of the consolidated financial statements at 31 December 2018. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS .... See page 11 and 12 of the H1 2019 results press release for detailed calculation of these other indicators.
▶ Free operating cash flow: net cash flow from operating activities, less: capital expenditures, less: deficit payments on pensions in the United Kingdom. See notes 13-a and 6.4 of the consolidated financial statements at 31 December 2018.
▶ Net cash (debt): difference between the sum of “cash and cash equivalents” and “current financial assets” items and short and long-term borrowings, after deduction of interest rate derivatives. See note 6.2 of the consolidated financial statements at 31 December 2018.
This presentation may contain forward-looking statements. Such forward-looking statements are trends or objectives, as the case may be, and shall not be construed as constituting forecasts regarding the Company’s results or any other performance indicator. These statements are by nature subject to risks and uncertainties as described in the Company’s registration document (“Document de référence”) filed with Autorité des Marchés Financiers. These statements do not therefore reflect future performance of the Company, which may be materially different.