Investor meeting

February 2020

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

Key priorities for 2019-23

2019 Full-Year results

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

Product mix
- 29% Aerospace
- 44% Defence & security
- 17% Digital identity & security
- 10% Transport

Customer mix
- 20% Commercial customers
- 44% Military customers
- 21% Private operators of critical infrastructures
- 15% Government agencies

Geographical mix
- 16% Rest of world
- 20% Asia-Pacific
- 12% North America
- 52% Europe

Defence sensors & mission systems
- #1 in Europe

Air Traffic Management
- #1 worldwide

Rail signalling and supervision
- #2 worldwide

Data protection
- #1 worldwide

Civil satellites
- #2 worldwide

Flight avionics
- #3 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, communications, command and control systems
Thales builds on 4 key strengths

**Cutting edge R&D**
- €3.5bn+, ~20% of sales
- ~70% customer-funded
- 29,000+ engineers
- Top 100 global innovator for 5th consecutive year

**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
Introduction to Thales

Key priorities for 2019-23

2019 Full-Year results

Outlook

8 billion
passengers each year benefit from Thales technologies
Ambition 10: unchanged long-term priorities

**Continued focus on operational performance**

1. Reinforce customer-centric organization and culture

2. Relentlessly optimize operational performance

**Strong development levers**

3. Accelerate R&D investments to drive technological excellence

4. Lead in digital transformation of markets

5. Execute on transformative acquisition of Gemalto
Step up growth initiatives

**2019**

Record Q4 order intake

30% market share in commercial telecom satellites orders

Major defence wins in both Europe and emerging markets

Already 20+ DIS revenue synergy projects won

**2020**

Robust pipeline of defence opportunities

Sales transformation project accelerating

- Streamlined international development organization
- Implementation of strategic account management model
- Increased focus on servicing installed base

Further ramp up of DIS revenue synergies

Solid 2019/2020 order intake dynamics paves the way to sales growth acceleration from 2021
1 Position Space to return to growth

Reinforce best-in-class telecom product range

- Global VHTS leadership confirmed in 2019
- Unique expertise in networked constellations
- Investing in “Space Inspire”: new generation flexible satellite product line
- Cost base significantly adjusted over past 18 months

Capitalize on growth opportunities across institutional and military markets

- Solid growth confirmed in European Space Agency budget
- Multiple domestic and export prospects

Worldwide geostationary commercial telecom satellites orders

<table>
<thead>
<tr>
<th>Year</th>
<th># of satellites</th>
<th>ESA budget (€bn)</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-16</td>
<td>20</td>
<td>10.3</td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>13</td>
<td>14.4</td>
<td>~+6%</td>
</tr>
</tbody>
</table>

- Thales market share: ~30%
- CAGR computed excluding estimated post 2021 commitments

(a) Forecasts for ESA budget post CMIN Space19+
(b) CAGR computed excluding estimated post 2021 commitments
Relentlessly optimize operational performance

Group cost structure (2018, before Gemalto)

- **€14.2bn total costs**
  - **18%** Engineering (a)
  - **9%** Support functions (a)
  - **17%** Project delivery (a)
  - **8%** Other

Focus on 4 high impact initiatives

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

(a) Excluding external purchases

Investor meeting - 10
Sustainably deliver on operational performance initiatives

**Significant improvement in gross margin and G&A expenses achieved since 2015**

Adjusted gross margin\(^{(a)}\) and P&L G&A expenses as a percentage of sales

- **Gross margin**
  - 2015: 23.6%
  - 2016: 23.8%
  - 2017: 24.0%
  - 2018: 25.4%
  - 2019: 26.1%

- **G&A expenses**
  - 2015: 3.8%
  - 2016: 3.6%
  - 2017: 3.6%
  - 2018: 3.5%
  - 2019: 3.4%


**DIS cost synergies fully on track**
- €25m achieved in 2019

**Performance culture drives constant flow of actions**
- Worldwide integrated procurement organization fully operational
- Over 30% of spend now concentrated on strategic suppliers
- Development of engineering competency centers in Romania and India
- Deployment of digital engineering best practices across the Group
- Platforming and development of shared support services
- Launch of CA$H! initiative in 2019
Further R&D step-up to drive technological excellence

Gemalto drives 27% increase in R&D investments
- 2018 R&D organic increase ahead of plan

2019-23: continued reinvestment
- Further ~25% growth over 5 years
- Total R&D to reach €4.5bn+ in 2023 when combined with increase in customer-funded R&D

Unchanged focus: dream products, digital
Digital technology leadership enhances long-term growth profile

Quick adoption of digital technologies inside dream products to support top-line growth

Design of new services and business models delivering more recurring revenues

Breakthrough innovations boosting longer-term growth

Digital innovations driving mid to long-term growth
Digital offering: expanding the pipeline of digital innovations

Concrete digital offerings across all Thales businesses

- Big data-enabled observation constellation
- Autonomous trains
- "Smart" radars
- Predictive maintenance for defence
- Drone management
- AI-enabled optronics
- Next generation airspace surveillance
- Spare parts marketplace
- Maritime intelligence as a service
- Connected-car cybersecurity
Gemalto acquisition: accelerating Thales’s digital strategy

Digital security: a unique differentiator to stay at the forefront of intelligent systems

3 key technological capabilities
- Digital identity - biometrics
- Secure connectivity - IoT
- Data protection - encryption

Opportunities already materializing in 80% of existing business lines

Access to large pool of digital talents

Reinforcing unique and differentiated market position
Gemalto acquisition: expanding portfolio in highly synergistic growth market

Global leader in fast-growing digital identity and security market

Multiple growth engines, addressing major societal aspirations

Significant cross-selling opportunities, capitalizing on Thales’s global sales force

Leveraging Thales’s extensive technology portfolio

Maximizing value in mature businesses

<table>
<thead>
<tr>
<th>Multiple fast-growing markets</th>
<th>2023 market size</th>
<th>2019-23 forecasted market growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data protection</td>
<td>~€9bn</td>
<td>x2</td>
</tr>
<tr>
<td>IoT connectivity &amp; security(^{(a)})</td>
<td>€6bn+</td>
<td>x2</td>
</tr>
<tr>
<td>Biometrics</td>
<td>~€5bn</td>
<td>x1.5</td>
</tr>
<tr>
<td>eSIM shipments</td>
<td>~800 million units</td>
<td>x6</td>
</tr>
</tbody>
</table>

\(^{(a)}\) IoT cellular modules and IoT security

Sources: ABI Research, Gartner, IDC, Counterpoint, Thales
Cost synergies progressing fully in line with plan

Expected ramp-up of cost synergies

Breakdown of expected run-rate cost synergies

Integration costs: ~€30m in 2019, ~€10m in 2020

- Footprint optimization and other: 20%
- R&D and SG&A optimization in enterprise data protection: 15%
- Overall SG&A savings: 35%
- Procurement savings: 30%

 almonds

<table>
<thead>
<tr>
<th>Year</th>
<th>Integration Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>~€30m</td>
</tr>
<tr>
<td>2020</td>
<td>~€10m</td>
</tr>
</tbody>
</table>

- Footprint optimization and other: ~€30m in 2019, ~€10m in 2020
Revenue synergy opportunities materializing across Group

Enhanced by multiple cross-selling opportunities

**Defence & Security**
- Integration of cybersecurity products and improved go-to-market
- New homeland security offers
- Digitally-enabled asset management, collaborative combat, IoBT (military IoT)
- Drone management and surveillance

**Digital Identity & Security**
- Integration of cybersecurity products and improved go-to-market
- Sales of DIS solutions through Thales global sales network

**Aerospace**
- Connected aircraft cybersecurity
- Drone management

**Transport**
- Smart rail infrastructure
- Autonomous train cybersecurity
- New generation revenue collection

**Key Areas**
- Digital identity - biometrics
- Secure connectivity - IoT
- Data protection - encryption
Revenue synergies deliver growth acceleration now and beyond 2023

Priority actions

**Short-term**
- Immediate portfolio opportunities
  - 460 individual customer opportunities in 25 countries
  - Top 10 per country/region closely tracked
  - 20+ first wins already in 2019

**Mid-term**
- Development of new integrated offerings
  - 50 use cases identified across all Thales segments
  - 5 priority themes for new synergistic offers
  - 2 first pilot projects launched with Digital Factory

**Long-term**
- Shaping markets
  - Experimentations launched for drone management and smart rail infrastructure

Teams fully mobilized to capture synergies, supported by disciplined organization

Significant revenue synergies

Total revenue synergies: ~€300-500m incremental sales in 2023

Note: It is estimated that around 1/3 of run-rate revenue synergies will be recorded in DIS and 2/3 in the other segments.
Introduction to Thales

Key priorities for 2019-23

2019 Full-Year results

Outlook
Full-Year 2019 highlights

- Solid order intake, driven by record Q4
- Sales in line with revised expectations
- EBIT above target
- Strong Free operating cash flow
- Integration of Gemalto in line with plan

Unchanged focus: profitable and sustainable growth
2019 key figures

Order intake and book-to-bill

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>16,034</td>
<td>19,142</td>
</tr>
<tr>
<td>+19%</td>
<td>1.01</td>
<td>1.04</td>
</tr>
<tr>
<td>+4% (a)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sales

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>15,855</td>
<td>18,401</td>
</tr>
<tr>
<td>+16.1%</td>
<td>1.685</td>
<td>2.008</td>
</tr>
<tr>
<td>+0.8% (a)</td>
<td>10.6%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

EBIT and EBIT margin (b)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m and %</td>
<td>1,685</td>
<td>2,008</td>
</tr>
<tr>
<td>+19%</td>
<td>+0%</td>
<td></td>
</tr>
<tr>
<td>+4% (a)</td>
<td>+0.3 pt (a)</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted net income (b)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>1,178</td>
<td>1,405</td>
</tr>
<tr>
<td>+19%</td>
<td>1.178</td>
<td>1.405</td>
</tr>
</tbody>
</table>

Free operating cash-flow (b)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>811</td>
<td>1,372</td>
</tr>
<tr>
<td>+69%</td>
<td>2.08</td>
<td>2.65</td>
</tr>
</tbody>
</table>

Dividend (c)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>2.08</td>
<td>2.65</td>
</tr>
<tr>
<td>+27%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Organic: at constant scope and exchange rates
(b) The definition of all non-GAAP measures can be found in appendix
(c) Proposed to the 6 May 2020 Annual General Meeting
Solid order intake momentum, driven by record Q4

- 12 large\(^{(a)}\) orders booked in Q4 2019
- 21 large\(^{(a)}\) orders booked in 2019

2019 book-to-bill of 1.04

- 1.05 excluding DIS, whose book-to-bill is structurally equal to 1

Second year in a row of record order intake in mature markets

- Emerging market orders recovering in line with expectations

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Order intake by contract unit value

19,142

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit Value</th>
<th>€m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4,593</td>
<td>16,034</td>
</tr>
<tr>
<td>2018</td>
<td>4,231</td>
<td>16,714</td>
</tr>
<tr>
<td>2018</td>
<td>7,097</td>
<td>113(^{(b)})</td>
</tr>
<tr>
<td>2019</td>
<td>4,522</td>
<td>19,142</td>
</tr>
<tr>
<td>2019</td>
<td>4,988</td>
<td>5,090</td>
</tr>
<tr>
<td>2019</td>
<td>7,205</td>
<td>9,530</td>
</tr>
</tbody>
</table>

\(^{(a)}\) With a unit value over €100m
\(^{(b)}\) Order intake of disposed activities (GP HSM)
**2019 organic sales growth**

**Small positive currency impacts in both Q4 and Full Year 2019**

- Q4: +€33m, +0.7% of sales
- 2019: +€118m, +0.7% of sales

**Geographically contrasted organic sales growth**

- Confirmed acceleration in mature markets: +4.7%
- Negative growth in emerging markets (-7.7%) after several years of high growth
# Aerospace: 2019 key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>Total</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>4,829</td>
<td>5,346</td>
<td>-10%</td>
<td>-11%</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>5,595</td>
<td>5,780</td>
<td>-3.2%</td>
<td>-4.2%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>521</td>
<td>580</td>
<td>-10.2%</td>
<td>-10.7%</td>
<td></td>
</tr>
</tbody>
</table>

**Change in % of sales**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>9.3%</td>
<td>10.0%</td>
<td>-0.7 pt</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Decrease in order intake driven by Space and In-Flight Entertainment

- Strong Q4 performance in commercial telecom satellites: 3 out of 4 RFPs won
- Natural cycle in institutional space market

## Sales affected by 13% decline in Space sales, in line with expectations

## Decline in profitability driven by Space sales decline and restructuring costs, while increasing R&D investments
Transport: 2019 key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>1,751</td>
<td>1,858</td>
<td>-6%</td>
<td>-7%</td>
</tr>
<tr>
<td>Sales</td>
<td>1,910</td>
<td>2,001</td>
<td>-4.5%</td>
<td>-5.8%</td>
</tr>
<tr>
<td>EBIT</td>
<td>56</td>
<td>88</td>
<td>-36.5%</td>
<td>-35.2%</td>
</tr>
</tbody>
</table>

Underlying EBIT margin of ~6%, in line with mid-term target
- ~€60m one-offs recorded in H1 2019
- H2 2019 EBIT margin: 9.1%
Defence & Security: 2019 key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>9,906</td>
<td>8,570</td>
<td>+16%</td>
<td>+17%</td>
</tr>
<tr>
<td>Sales</td>
<td>8,265</td>
<td>7,828</td>
<td>+5.6%</td>
<td>+6.4%</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,153</td>
<td>992</td>
<td>+16.2%</td>
<td>+20.5%</td>
</tr>
<tr>
<td>in % of sales</td>
<td>14.0%</td>
<td>12.7%</td>
<td>+1.3 pt</td>
<td>+1.6 pt</td>
</tr>
</tbody>
</table>

Strong order intake momentum

- Record order intake, book-to-bill of 1.2
- Booking of several multi-year contracts, underpinning long-term growth

Broad-based sales growth

Exceptional EBIT margin, driven by combination of positive factors

- Solid sales growth, competitiveness initiatives, good project execution, very limited restructuring costs, and provision release recorded in H1
Digital Identity & Security: 2019 key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>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>2,573</td>
<td>205</td>
<td>2,368</td>
</tr>
<tr>
<td>Sales</td>
<td>2,552</td>
<td>192</td>
<td>2,360</td>
</tr>
<tr>
<td>EBIT</td>
<td>264</td>
<td>15</td>
<td>249</td>
</tr>
</tbody>
</table>

in % of sales

|                      | 10.3%  | 8.0%   |

Order intake structurally aligned with sales for most businesses

Full Year organic sales growth of ~1%, in line with expectations

- Good dynamics of EMV cards, driven by re-issue cycle in the US and new products
- Identity management and data protection affected by reorganization

EBIT just above upper range of June guidance (€240-260m)

- Lower than expected integration costs (~€30m)
2018 to 2019 EBIT bridge

€m

- Operational performance: +156
- Restructuring expenses: -35
- Marketing & sales: -23
- Reinvestment in R&D: -29

Scope, currency and pensions:

- Scope: +249
- Currency: +7
- Pensions: -5

Naval Group:

- 2018: 63
- 2019: 65

2018 EBIT: 1,685

2019 EBIT: 2,008
Solid cash conversion before one-offs

Reported cash conversion

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income</th>
<th>Free operating cash flow</th>
<th>Cash conversion before one-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-18 average</td>
<td>€886</td>
<td>€948</td>
<td>107%</td>
</tr>
<tr>
<td>2019</td>
<td>€1,405</td>
<td>€1,372</td>
<td>98%</td>
</tr>
</tbody>
</table>

Cash conversion before one-offs \(^{(a)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income</th>
<th>Free operating cash flow</th>
<th>Cash conversion before one-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-18 average</td>
<td>€926</td>
<td>€798</td>
<td>86%</td>
</tr>
<tr>
<td>2019</td>
<td>€1,405</td>
<td>€1,472</td>
<td>105%</td>
</tr>
</tbody>
</table>

IFRS16 impact: €203m

One-offs: ~100

\[^{(a)}\] See details of one-off items on page 54
Adjusted EPS and dividend

Adjusted EPS up 14% per year since 2015

Proposed 2020 dividend: €2.65 per share\(^{(a)}\)

- Pay-out ratio increased to 40%

Dividend up 18% per year since 2015

\[^{(a)}\text{Subject to approval by the 6 May 2020 Annual General Meeting}\]
Introduction to Thales

Key priorities for 2019-23

2019 Full-Year results

Outlook
Sustained organic sales growth

**Group organic sales growth target**

3% to 5% growth on average over 2019-23

- Lower growth in first part of period
  - Impact of space market slowdown
  - High comps in transport
- Progressively accelerating thereafter
  - Recovery of space market
  - DIS revenue synergies
  - New digital services and breakthrough innovations

<table>
<thead>
<tr>
<th>Year</th>
<th>Market trend</th>
<th>Organic sales growth target 2019-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Flat (b)</td>
<td>+2-3%</td>
</tr>
<tr>
<td>2020</td>
<td>~+3%</td>
<td>Flat (b) (2018-23: ~+2%)</td>
</tr>
<tr>
<td>2021</td>
<td>~+3.5%</td>
<td>+4-6%</td>
</tr>
<tr>
<td>2022</td>
<td>~+1.5% (a)</td>
<td>+2-3%</td>
</tr>
<tr>
<td>2023</td>
<td>Flat (c)</td>
<td>+4-6%</td>
</tr>
</tbody>
</table>

(a) Composite market trend adjusted to take into account lower growth in commercial space market
(b) 2018-23 transport growth above 2% taking into account exceptional outperformance in 2018 (+18%)
(c) 2020-23 growth target

**Investor meeting** - 33
Further significant increase in profitability

- Increase in profitability: 8.0% to 10.6%, +330 bps
- Additional R&D: -70 bps
- Gemalto consolidation: +200 to +240 bps
- Increase in profitability target: 11.5% to 12%

2013 EBIT margin: 8.0%
2018 EBIT margin: 10.6%
2018 EBIT margin pro forma: 10.0%
2023 EBIT margin target: 11.5% to 12%
Defence & security sustaining best-in-class EBIT margin, all other operating segments delivering EBIT margin improvement

Aerospace
- 2018: 10.0%
- 2023 target: 11%
- Change: +0 to +100 bps

Transport
- 2018: 4.4%
- 2023 target: 8.5%
- Change: +360 to +410 bps

Defence & security
- 2018: 12.4% (a)
- 2023 target: 13%
- Change: -40 to +50 bps

Digital identity & security
- 2018: 7.3%
- 2023 target: 13.5% (b)
- Change: +520 to +620 bps

(a) Excluding €20m one-off
(b) Only 2/3 of cost synergies and 1/3 of revenue synergies are expected to be recorded within DIS
Multiple drivers deliver significant EPS accretion

Sales and margin improvement excluding Gemalto synergies

Gemalto synergies

• €120m recurring pre-tax cost synergies
• EBIT impact of revenue synergies

More efficient balance sheet

Immediate ~15% adjusted EPS accretion

Lower tax rate

Effective tax rate moving from 27% to 23-24%

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EPS (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>4.64</td>
</tr>
<tr>
<td>2018</td>
<td>5.55</td>
</tr>
<tr>
<td>2023 estimated</td>
<td>7.00</td>
</tr>
</tbody>
</table>

Investor meeting - 36
Maintaining strong focus on cash flow generation

2019-23: major increase in underlying free operating cash flow

Underlying 2019-23 cash conversion comparable to 2014-18

- Mechanical positive IFRS16 effect
- Development of service businesses
- DIS sales growth requiring additional working capital
- Continuous focus on cash flow: launch of CA$H! initiative

Reported cash conversion will depend on phasing of down-payments on large export contracts

- €400m remaining down-payments to unwind over 2020-23

### Cash conversion

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income, Group share (a) (€bn)</th>
<th>Free operating cash flow (€bn)</th>
<th>Cash conversion ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-18</td>
<td>4.6</td>
<td>4.0</td>
<td>~95%</td>
</tr>
<tr>
<td>2019-23</td>
<td>~95%</td>
<td>~95%</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: €750m of positive WCR effects booked in 2015-18, of which €100m unwinding in 2019. See page 54
(b) Non-GAAP measure: see definition in appendix
A more efficient capital structure to support significant dividend growth whilst maintaining financial flexibility

Strong investment grade maintained (A-, A2)

Dividend growth in line with adjusted EPS

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

Retaining focus on ROCE

- Pre Gemalto: 19%, pro forma 2019: ~13%
- Expected to rise above 16% by 2023

<table>
<thead>
<tr>
<th></th>
<th>2018 reported</th>
<th>After Gemalto acquisition&lt;sup&gt;(a)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€bn</td>
<td>Before IFRS 16</td>
</tr>
<tr>
<td>Net cash</td>
<td>3.2</td>
<td>2.5</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2.1</td>
<td>2.5</td>
</tr>
<tr>
<td>interest expenses</td>
<td>0.0</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-1.6</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> 2019, pro forma 12 months

Net cash, EBITDA, interest expenses
2020 business environment

- Slowing rate of growth in Airbus commercial aircraft deliveries
- Strong multi-year funding of European Space Agency
- Low visibility on phasing of commercial space orders

- Robust long-term growth in mainline signaling market
- Ramping down of 4 large urban rail contracts continuing to weigh on growth (€100m+ headwind in 2020)

- Unchanged, solid defence budget outlook across most geographies
- High order book strengthening medium-term visibility

- High demand for data protection, IoT connectivity and security, biometrics, and eSIM
- Decline in EMV card sales after strong growth in 2019
- Identity management and data protection: organization in place to deliver on growth

Uncertainties affecting global environment: impact of Coronavirus on markets and supply chains, US aeronautics tariffs, resumption of B737 MAX operations…
2020 financial objectives

Order intake

Book-to-bill above 1, supporting sales growth acceleration from 2021

Sales

€19.0 to 19.5 billion\(^{(a)}\)

EBIT margin\(^{(b)}\)

10.8% to 11%\(^{(a)}\), corresponding to a 20 to 40 bps margin expansion\(^{(c)}\)

---

(a) Based on February 2020 scope and foreign exchange rates
(b) Non-GAAP measure: see definition in appendix
(c) Compared to Thales reported 2019 + Gemalto Q1
**Summary**

**Unique portfolio positioning**
- “Intelligent systems” pure player positioning
- Markets benefiting from solid long-term underlying growth
- Portfolio expanded into highly synergistic growth market through Gemalto acquisition

**Continued focus on operational performance**
- New competitiveness initiatives gaining momentum in coming years
- DIS cost synergies fully on track

**Strong development levers**
- Robust pipeline of opportunities
- Further acceleration of R&D investments
- Gemalto accelerating digital strategy

*Sustainable value creation, with enhanced resilience*
Appendix
## A strong set of focused businesses

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub-segment</th>
<th>Civil</th>
<th>Military</th>
<th>2019 sales(^{(a)}) (€m)</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aerospace</strong></td>
<td><strong>Flight avionics</strong>&lt;br&gt;including cockpit avionics, communications, electrical systems, training and simulation</td>
<td></td>
<td></td>
<td>~2,150</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>~800</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Microwave tubes</strong>&lt;br&gt;for satellite, medical, scientific and military applications</td>
<td></td>
<td></td>
<td>~500</td>
<td>#1 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Space solutions</strong>&lt;br&gt;for telecom, observation, navigation and exploration</td>
<td></td>
<td></td>
<td>~2,150</td>
<td>#2 worldwide (civil satellites)</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td><strong>Rail signalling and supervision</strong>&lt;br&gt;including passenger payment collection systems</td>
<td></td>
<td></td>
<td>~1,900</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td><strong>Defence &amp; security</strong></td>
<td><strong>Sensors and mission systems</strong>&lt;br&gt;including radars, sonars, optronics, mission systems for aircraft, ships and submarines, missiles and armored military vehicles</td>
<td></td>
<td></td>
<td>~4,300</td>
<td>#1 in Europe</td>
</tr>
<tr>
<td></td>
<td><strong>Communications, command and control systems</strong>&lt;br&gt;including military communications and networks, military command and control systems (C4I), cybersecurity, Air Traffic Management, and security solutions for countries, cities and critical infrastructures</td>
<td></td>
<td></td>
<td>~3,950</td>
<td>#2 worldwide (military tactical communications)</td>
</tr>
<tr>
<td><strong>Digital identity &amp; security</strong></td>
<td><strong>Digital identity and security solutions</strong>&lt;br&gt;including identity management &amp; data protection, biometrics, analytics &amp; Internet of Things, mobile connectivity solutions (removable SIM and eSIM), EMV payment cards</td>
<td></td>
<td></td>
<td>~3,200</td>
<td>#1 worldwide</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Based on Thales 2019 + Gemalto Q1 2019
Historical sales and EBIT performance by segment

**Aerospace**
- Organic sales growth:
  - 2015: +2%
  - 2016: +4%
  - 2017: +1%
  - 2018: +9%
  - 2019: -4%

- EBIT margin:
  - 2015: 9.6%
  - 2016: 9.8%
  - 2017: 10.0%
  - 2018: 10.0%
  - 2019: 9.3%

**Transport**
- Organic sales growth:
  - 2015: +4%
  - 2016: +8%
  - 2017: +11%
  - 2018: +18%
  - 2019: +6%

- EBIT margin:
  - 2015: 4.1%
  - 2016: 4.4%
  - 2017: 2.9%
  - 2018: 0.7%
  - 2019: -2.4%

**Defence & Security**
- Organic sales growth:
  - 2015: +7%
  - 2016: +5%
  - 2017: +9%
  - 2018: +6%
  - 2019: +6%

- EBIT margin:
  - 2015: 10.7%
  - 2016: 10.9%
  - 2017: 12.6%
  - 2018: 14.0%
  - 2019: 8.6%

**Total Group**
- Organic sales growth:
  - 2015: +4.5%
  - 2016: +6.8%
  - 2017: +7.2%
  - 2018: +5.3%
  - 2019: +0.8%

- EBIT margin:
  - 2015: 8.6%
  - 2016: 9.1%
  - 2017: 9.8%
  - 2018: 10.6%
  - 2019: 10.9%
Highly diversified Defence & security customer base

Defence & security sales by region, 2019

45% outside Europe

35% France

12% United Kingdom

10% Australia/NZ

6% North America

12% Rest of Europe

11% Middle East

12% Asia

7% Rest of world
### 2019 order intake by destination

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>5,372</td>
<td>5,183</td>
<td>+4%</td>
<td>+1%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,730</td>
<td>746</td>
<td>+132%</td>
<td>+119%</td>
</tr>
<tr>
<td>Other European countries</td>
<td>4,266</td>
<td>3,872</td>
<td>+10%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>11,368</td>
<td>9,802</td>
<td>+16%</td>
<td>+9%</td>
</tr>
<tr>
<td>North America</td>
<td>2,040</td>
<td>1,501</td>
<td>+36%</td>
<td>-9%</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>850</td>
<td>1,494</td>
<td>-43%</td>
<td>-46%</td>
</tr>
<tr>
<td><strong>Mature markets</strong></td>
<td>14,258</td>
<td>12,797</td>
<td>+11%</td>
<td>+1%</td>
</tr>
<tr>
<td>Asia</td>
<td>2,452</td>
<td>1,764</td>
<td>+39%</td>
<td>+12%</td>
</tr>
<tr>
<td>Middle East</td>
<td>1,293</td>
<td>952</td>
<td>+36%</td>
<td>+22%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>1,139</td>
<td>521</td>
<td>+119%</td>
<td>+38%</td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td>4,883</td>
<td>3,237</td>
<td>+51%</td>
<td>+19%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,142</td>
<td>16,034</td>
<td>+19%</td>
<td>+4%</td>
</tr>
</tbody>
</table>
## 2019 sales by destination

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>change</th>
<th>total</th>
<th>organic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td>4,461</td>
<td>3,985</td>
<td>+12.0%</td>
<td>+8.8%</td>
<td></td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>1,297</td>
<td>1,253</td>
<td>+3.5%</td>
<td>+0.8%</td>
<td>-6.1%</td>
</tr>
<tr>
<td><strong>Other European countries</strong></td>
<td>4,040</td>
<td>3,498</td>
<td>+15.5%</td>
<td>+2.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>9,798</td>
<td>8,736</td>
<td>+12.2%</td>
<td>+4.1%</td>
<td></td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>2,102</td>
<td>1,367</td>
<td>+53.7%</td>
<td>+6.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Australia/NZ</strong></td>
<td>958</td>
<td>858</td>
<td>+11.6%</td>
<td>+7.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Mature markets</strong></td>
<td>12,858</td>
<td>10,960</td>
<td>+17.3%</td>
<td>+4.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>2,642</td>
<td>2,297</td>
<td>+15.0%</td>
<td>-5.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>1,601</td>
<td>1,647</td>
<td>-2.8%</td>
<td>-11.1%</td>
<td></td>
</tr>
<tr>
<td><strong>Rest of the world</strong></td>
<td>1,301</td>
<td>950</td>
<td>+36.8%</td>
<td>-7.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td>5,543</td>
<td>4,894</td>
<td>+13.3%</td>
<td>-7.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18,401</td>
<td>15,855</td>
<td>+16.1%</td>
<td>+0.8%</td>
<td></td>
</tr>
</tbody>
</table>
# Organic sales growth per quarter

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Aerospace</td>
<td>+13%</td>
<td>+15%</td>
<td>+7%</td>
<td>-1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>+14%</td>
<td>+40%</td>
<td>+15%</td>
<td>-13%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence &amp; Security</td>
<td>+13%</td>
<td>+3%</td>
<td>+14%</td>
<td>-3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+7%</td>
<td>+10%</td>
<td>+15%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

**NB:** DIS organic sales growth not meaningful
### Summary adjusted P&L: from sales to EBIT

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th></th>
<th>2018</th>
<th></th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>% of sales</td>
<td>€m</td>
<td>% of sales</td>
<td>total</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>18,401</td>
<td>15,855</td>
<td></td>
<td></td>
<td>+16.1%</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>5,051</td>
<td>27.5%</td>
<td>4,088</td>
<td>25.8%</td>
<td>+23.6%</td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td>(3,112)</td>
<td>-16.9%</td>
<td>(2,526)</td>
<td>-15.9%</td>
<td>+23.2%</td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(1,097)</td>
<td>-6.0%</td>
<td>(879)</td>
<td>-5.5%</td>
<td>+24.8%</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(1,381)</td>
<td>-7.5%</td>
<td>(1,095)</td>
<td>-6.9%</td>
<td>+26.2%</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(634)</td>
<td>-3.4%</td>
<td>(552)</td>
<td>-3.5%</td>
<td>+14.8%</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>(102)</td>
<td></td>
<td>(48)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in net result of equity-accounted affiliates, excluding Naval Group</td>
<td>106</td>
<td></td>
<td>109</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT, excluding Naval Group</strong></td>
<td>1,943</td>
<td>10.6%</td>
<td>1,623</td>
<td>10.2%</td>
<td>+19.8%</td>
</tr>
<tr>
<td>Share in net result of Naval Group</td>
<td>65</td>
<td></td>
<td>63</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2,008</td>
<td>10.9%</td>
<td>1,685</td>
<td>10.6%</td>
<td>+19.2%</td>
</tr>
</tbody>
</table>
## Thales + Gemalto 2018 P&L

<table>
<thead>
<tr>
<th></th>
<th>2018 Thales reported</th>
<th>2018 Thales + Gemalto&lt;sup&gt;(a)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>% of sales</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>15,855</td>
<td></td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
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</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>(2,526)</td>
<td>-15.9%</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
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<td>-6.9%</td>
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<tr>
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<tr>
<td><strong>Restructuring costs</strong></td>
<td>(48)</td>
<td>-0.3%</td>
</tr>
<tr>
<td><strong>Share in net result of equity-accounted affiliates</strong></td>
<td>172</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1,685</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Not audited. Thales + Gemalto based on 2018 reported figures adjusted for the Gemalto acquisition and the disposal of the GP HSM business as if these transactions had taken place on 31 December 2017.
<table>
<thead>
<tr>
<th></th>
<th>2019 Thales reported</th>
<th>2019 Thales + Q1 Gemalto&lt;sup&gt;(a)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>% of sales</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
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</tr>
<tr>
<td><strong>Share in net result of equity-accounted affiliates</strong></td>
<td>171</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2,008</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Not audited. 2019 reported figures + Gemalto Q1 2019
## EBIT by operating segment

<table>
<thead>
<tr>
<th>€m / % of sales</th>
<th>2019</th>
<th>2018</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aerospace</strong></td>
<td>521</td>
<td>580</td>
<td>-10%</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>56</td>
<td>88</td>
<td>-37%</td>
<td>-35%</td>
</tr>
<tr>
<td><strong>Defence &amp; Security</strong></td>
<td>1,153</td>
<td>992</td>
<td>+16%</td>
<td>+21%</td>
</tr>
<tr>
<td><strong>Digital Identity &amp; Security</strong></td>
<td>264</td>
<td>15</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td><strong>EBIT - operating segments</strong></td>
<td>1,994</td>
<td>1,675</td>
<td>+19%</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(50)</td>
<td>(53)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT - excluding Naval Group</strong></td>
<td>1,943</td>
<td>1,623</td>
<td>+20%</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Naval Group</strong></td>
<td>65</td>
<td>63</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT - total</strong></td>
<td>2,008</td>
<td>1,685</td>
<td>+19%</td>
<td>+4%</td>
</tr>
</tbody>
</table>
## Summary adjusted P&L: from EBIT to adjusted net income

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>2,008</td>
<td>1,685</td>
</tr>
<tr>
<td>Cost of net financial debt and other financial results(^{(a)})</td>
<td>(55)</td>
<td>(15)</td>
</tr>
<tr>
<td>Finance costs on pensions and other employee benefits</td>
<td>(56)</td>
<td>(52)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(454)</td>
<td>(387)</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>26.3%</td>
<td>26.7%</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong></td>
<td>1,443</td>
<td>1,232</td>
</tr>
<tr>
<td>Minus, Minorities</td>
<td>(38)</td>
<td>(53)</td>
</tr>
<tr>
<td><strong>Adjusted net income, Group share</strong></td>
<td>1,405</td>
<td>1,178</td>
</tr>
<tr>
<td><strong>EPS: Adjusted net income, Group share, per share (in €)</strong></td>
<td>6.61</td>
<td>5.55</td>
</tr>
</tbody>
</table>

\(^{(a)}\) 2019 includes -€27m IFRS 16 impact on the cost of net financial debt
Cash conversion: from EBIT to free operating cash flow

2019, €m

- Financial interest: -37
- Income tax: -154
- Equity affiliates: -60
- Change in WCR: -341
- Depreciation & Amortization: 491
- Net operating investment: -496
- Restricted, Gemalto, lease depreciations, pensions…: -39
- Other items: 98%

Solid free operating cash flow driven by better than expected change in WCR

Free operating cash flow: 1,405
Adjusted net income: 1,372
Group share: 98%

EBIT: 2,008
## Cash conversion before one-offs

<table>
<thead>
<tr>
<th>€m</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2014-18 average</th>
<th>2019&lt;sup&gt;(a)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free operating cash flow, before one-offs</td>
<td>(A)</td>
<td>501</td>
<td>660</td>
<td>854</td>
<td>965</td>
<td>1,011</td>
<td>798</td>
</tr>
<tr>
<td>+ Exceptional down-payments received</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+100</td>
</tr>
<tr>
<td>- Exceptional cut-off effects at 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+400</td>
<td>+150</td>
</tr>
<tr>
<td>- Gemalto acquisition one-offs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+150</td>
</tr>
<tr>
<td>- Reversal of down-payments and cut-off effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-200</td>
<td>-350</td>
</tr>
<tr>
<td>= Free operating cash flow, reported</td>
<td></td>
<td>501</td>
<td>1,110</td>
<td>954</td>
<td>1,365</td>
<td>811</td>
<td>948</td>
</tr>
<tr>
<td>Year-end balance of one-off items to reverse in subsequent years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+450</td>
<td>+550</td>
</tr>
<tr>
<td>Adjusted net income, Group share, reported</td>
<td>562</td>
<td>809</td>
<td>897</td>
<td>982</td>
<td>1,178</td>
<td>886</td>
<td>1,405</td>
</tr>
<tr>
<td>- One-offs</td>
<td></td>
<td>-117</td>
<td>-18</td>
<td>-67</td>
<td>-</td>
<td>-29</td>
<td>-</td>
</tr>
<tr>
<td>= Adjusted net income, Group share, before one-offs</td>
<td>(B)</td>
<td>562</td>
<td>926</td>
<td>915</td>
<td>1,049</td>
<td>1,178</td>
<td>903</td>
</tr>
<tr>
<td>Cash conversion before one-offs</td>
<td>(A)/(B)</td>
<td>89%</td>
<td>71%</td>
<td>93%</td>
<td>92%</td>
<td>86%</td>
<td>88%</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> IFRS16 impact on 2019 free operating cash flow: €+203m. IFRS16 impact on 2019 adjusted net income, Group share: €-11m.

2019 cash conversion before one-offs and IFRS16 impact: 90%
Movement in net cash (debt) over 2019

Net cash at 31 Dec 18

- IFRS 16 impact: €1,507
- Free operating cash-flow: €1,673
- Deficit payment on UK pensions: €-98
- Acquisitions & disposals: €2,336

Net cash at 31 Dec 18 post IFRS 16

- Dividends: €-5,345
- New leases (IFRS16): €-463
- Gemalto, net of GP HSM disposal: €-4,398
- Net debt from acquisitions: €-729
- Other: €-218

Net debt at 31 Dec 19

- €-3,311
- €-151
- €-299
- €-463
- €-5,345
Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow

2014-18 average: 107%

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income</th>
<th>Free operating cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>562501</td>
<td>89%</td>
</tr>
<tr>
<td>2015</td>
<td>809</td>
<td>137%</td>
</tr>
<tr>
<td>2016</td>
<td>897954</td>
<td>106%</td>
</tr>
<tr>
<td>2017</td>
<td>982</td>
<td>139%</td>
</tr>
<tr>
<td>2018</td>
<td>1,178</td>
<td>69%</td>
</tr>
<tr>
<td>2019</td>
<td>1,372</td>
<td>98%</td>
</tr>
</tbody>
</table>

EBIT conversion into Free operating cash flow

2014-18 average: 70%

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT</th>
<th>Free operating cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>985</td>
<td>51%</td>
</tr>
<tr>
<td>2015</td>
<td>1,110</td>
<td>91%</td>
</tr>
<tr>
<td>2016</td>
<td>1,354</td>
<td>70%</td>
</tr>
<tr>
<td>2017</td>
<td>1,543</td>
<td>88%</td>
</tr>
<tr>
<td>2018</td>
<td>1,685</td>
<td>48%</td>
</tr>
<tr>
<td>2019</td>
<td>2,008</td>
<td>68%</td>
</tr>
</tbody>
</table>

Cash conversion ratio: Free operating cash flow / adjusted net income

Cash conversion ratio: Free operating cash flow / EBIT
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 2019.
- **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 2019. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS .... See page 14 and 15 of the 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 6.3 of the consolidated financial statements at 31 December 2019.
- **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 2019.
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.