Introduction to Thales

Key priorities for 2019-23

H1 and 9m 2019 results

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

Product mix
- 31% Aerospace
- 42% Defence & security
- 17% Digital identity & security
- 11% Transport

Customer mix
- 21% Commercial customers
- 42% Military customers
- 22% Private operators of critical infrastructures
- 15% Government agencies

Geographical mix
- 51% Europe
- 20% Asia-Pacific
- 17% Rest of world
- 11% North America

Pro forma 2018 sales

<table>
<thead>
<tr>
<th>Product</th>
<th>Commercial</th>
<th>Military</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>31%</td>
<td>42%</td>
<td>15%</td>
</tr>
<tr>
<td>Defence &amp; security</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital identity &amp; security</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer</th>
<th>Commercial</th>
<th>Military</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>21%</td>
<td>42%</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>22%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Geographical</th>
<th>Commercial</th>
<th>Military</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>51%</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of world</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market positions:
- Defence sensors & mission systems: #1 in Europe, #1 worldwide
- 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
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
- 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
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Outlook
Extending the 5 key strategic priorities to 2023

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
Reinforce customer-centric organization and culture

Three 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
(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 - 9
Solid progress on Ambition 10 competitiveness initiatives

**Procurement: transformed organization delivers**

- Worldwide integrated organization fully operational
- Global strategies in place for more than 85% of external purchases, with significant savings already achieved
- 38 “product conventions” executed, supporting further product cost optimization
- 25% reduction in active supplier base
- Significant synergies expected from Gemalto integration

**Global support function transformation under-way**

<table>
<thead>
<tr>
<th>Year</th>
<th>Support function cost&lt;sup&gt;(a)&lt;/sup&gt; as a percentage of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>8.2%</td>
</tr>
<tr>
<td>2018</td>
<td>7.8%</td>
</tr>
<tr>
<td>2019 pro forma 12 months</td>
<td>~7.8%</td>
</tr>
<tr>
<td>2023</td>
<td>~7%</td>
</tr>
</tbody>
</table>

Support function cost<sup>(a)</sup>

- Includes both support function costs reported in the P&L “G&A expenses” line and the ones included in “cost of sales”

**Performance culture continues to drive margin expansion**
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
4 Digital as a driver of technology leadership

Digital technologies will shape the future of our industry

- Leapfrog in performance: enhanced features and new capabilities
- Potential breakthrough in cost competitiveness
- Opportunities for new business models

Adoption of digital technologies will take time

- Highly regulated markets requiring long certification processes
- Long acquisition cycles combined with long service life (10-20 years)

Strategy in place to sustain leadership

- Thales’s critical decision chains are digital by nature
- €7bn+ deployed in digital acquisitions and R&D since 2014
- 80%+ of engineers are systems or software engineers
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

- 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

Concrete digital offerings across all Thales businesses
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

Multiple fast-growing markets

<table>
<thead>
<tr>
<th></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&lt;sup&gt;(a)&lt;/sup&gt;</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>

<sup>(a)</sup> 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost Synergies (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>~20</td>
</tr>
<tr>
<td>2020</td>
<td>~60</td>
</tr>
<tr>
<td>2021</td>
<td>~100</td>
</tr>
<tr>
<td>2022</td>
<td>120</td>
</tr>
</tbody>
</table>

Integration costs: ~€60m in 2019, ~€30-40m in 2020

Breakdown of expected run-rate cost synergies

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

Total: €120m
### Revenue synergy opportunities materializing across Group

#### 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

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**Enhanced by multiple cross-selling opportunities**
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
  - 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

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

Teams fully mobilized to capture synergies, supported by disciplined organization
Introduction to Thales

Key priorities for 2018-21

H1 and 9m 2019 results

Outlook

The people we all rely on to make the world go round, they rely on Thales
H1 and 9m 2019 key figures

9m order intake

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>%</th>
<th></th>
<th>€m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2018</td>
<td>9,468</td>
<td>+10%</td>
<td>H1 2019</td>
<td>10,445</td>
<td>+6%</td>
</tr>
</tbody>
</table>

9m sales

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>%</th>
<th></th>
<th>€m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>9m 2018</td>
<td>10,873</td>
<td>+14.1%</td>
<td>9m 2019</td>
<td>12,410</td>
<td>+0.0%</td>
</tr>
</tbody>
</table>

H1 EBIT and EBIT margin

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>%</th>
<th></th>
<th>€m</th>
<th>%</th>
<th>% change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2018</td>
<td>762</td>
<td>+8%</td>
<td>H1 2019</td>
<td>820</td>
<td>+8%</td>
<td>10.2%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

H1 adjusted net income

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2018</td>
<td>539</td>
<td>+7%</td>
</tr>
<tr>
<td>H1 2019</td>
<td>574</td>
<td></td>
</tr>
</tbody>
</table>

H1 free operating cash-flow

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>%</th>
<th></th>
<th>€m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2014</td>
<td>(535)</td>
<td></td>
<td>H1 2015</td>
<td>(304)</td>
<td></td>
</tr>
<tr>
<td>H1 2016</td>
<td>45</td>
<td></td>
<td>H1 2017</td>
<td>(272)</td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>216</td>
<td></td>
<td>H1 2019</td>
<td>(332)</td>
<td></td>
</tr>
</tbody>
</table>

Net cash (debt) position

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>%</th>
<th></th>
<th>€m</th>
<th>%</th>
<th>% change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2017</td>
<td>2,294</td>
<td></td>
<td>Dec 2017</td>
<td>2,971</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 2018</td>
<td>2,311</td>
<td></td>
<td>Dec 2018</td>
<td>3,181</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 2019</td>
<td>(4,397)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) The definition of all non-GAAP measures can be found in appendix
(b) Organic
Solid order intake, slightly lower than expectations

2 large\(^{(a)}\) orders booked in Q3 2019, for a total of 9 in 9m 2019

- Combat management systems for 2 ships
- Modernization of French military satellite-based navigation

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

\(^{(a)}\) With a unit value over €100m
\(^{(b)}\) With a unit value of less than €10m
Aerospace: 9m 2019 key figures

<table>
<thead>
<tr>
<th>€m</th>
<th>9m 2019</th>
<th>9m 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>total</td>
</tr>
<tr>
<td>Order intake</td>
<td>2,625</td>
<td>3,044</td>
<td>-14%</td>
</tr>
<tr>
<td>Sales</td>
<td>3,787</td>
<td>4,010</td>
<td>-5.6%</td>
</tr>
</tbody>
</table>

Order intake down compared to 9m 2018
- Slow recovery of commercial telecom satellite market
- High comps in IFE

9m sales still affected by negative growth in space
- Organic growth in all other aerospace businesses
- Full Year 2019: space sales now anticipated down around 13%
**Transport: 9m 2019 key figures**

<table>
<thead>
<tr>
<th></th>
<th>9m 2019</th>
<th>9m 2018</th>
<th>change total</th>
<th>change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>868</td>
<td>1,267</td>
<td>-32%</td>
<td>-32%</td>
</tr>
<tr>
<td>Sales</td>
<td>1,268</td>
<td>1,373</td>
<td>-7.6%</td>
<td>-8.9%</td>
</tr>
</tbody>
</table>

**Order intake significantly down due to high comps in 2018**
- 2 significant metro signaling orders booked in Q3 last year

**Sales still impacted by strong phasing effects on major urban rail projects**
- 9m 2018 organic sales growth was exceptional: +21.1%
Defence & Security: 9m 2019 key figures

<table>
<thead>
<tr>
<th>€m</th>
<th>9m 2019</th>
<th>9m 2018</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>5,270</td>
<td>4,998</td>
<td>+5%</td>
<td>+7%</td>
</tr>
<tr>
<td>Sales</td>
<td>5,670</td>
<td>5,319</td>
<td>+6.6 %</td>
<td>+7.7 %</td>
</tr>
</tbody>
</table>

Strong order intake momentum

Broad-based sales growth

- Significant growth in airspace protection, optronics and missile electronics, equipment for combat aircraft and ships, military tactical communications and networks
- Full Year organic sales growth expected around 6 to 7%, slightly lower than anticipated
### Digital Identity & Security: 9m 2019 key figures

<table>
<thead>
<tr>
<th></th>
<th>9m 2019</th>
<th>9m 2018</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td><strong>Order intake</strong></td>
<td>1,621</td>
<td>134</td>
<td>nm</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>1,631</td>
<td>131</td>
<td>nm</td>
</tr>
</tbody>
</table>

Order intake structurally aligned with sales for most businesses

**Pro forma 9m sales slightly up, in line with Full Year expectations**

- Decline of removable SIM cards
- Confirmed good dynamics of EMV cards, driven by re-issue cycle in the US
- HSM business still affected by reorganization
H1 EBIT margin evolution driven by solid operational improvement

Change before Gemalto consolidation

- Gross margin: 10.2% (+0.5 pt)
- Indirect costs: -0.0 pt
- Restructuring: -0.2 pt
- Naval Group: -0.1 pt
- Gemalto consolidation: 10.4%
- Before Gemalto consolidation: 10.0%

H1 2018

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

H1 2019

Q2 Gemalto margin: 6.4%

H1 2019
Introduction to Thales

Key priorities for 2018-21

H1 and 9m 2019 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>Market trend</th>
<th>Organic sales growth target 2019-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>~+1.5%&lt;sup&gt;(a)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Transport</td>
<td>~+3%</td>
</tr>
<tr>
<td>Defence &amp; Security</td>
<td>~+3.5%</td>
</tr>
<tr>
<td>Digital identity &amp; security</td>
<td>Flat&lt;sup&gt;(b)&lt;/sup&gt; (2018-23: ~+2%)</td>
</tr>
</tbody>
</table>

- ~+13%<sup>(c)</sup>

2019 2020 2021 2022 2023

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

Investor meeting - 29

(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
Further significant increase in profitability

- 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%

Increase in profitability:
- Additional R&D (-70 bps)
- Gemalto consolidation (-60 bps)
- Increase in profitability (+200 to +240 bps)
- Additional R&D (-30 to -50 bps)
Defence & security sustaining best-in-class EBIT margin, all other operating segments delivering EBIT margin improvement

**Aerospace**
- 2018: 10.0%
- 2023 target: 10% to 11%
- Improvement: +0 to +100 bps

**Transport**
- 2018: 4.4%
- 2023 target: 8% to 8.5%
- Improvement: +360 to +410 bps

**Defence & security**
- 2018: 12.4% (a)
- 2023 target: 12% to 13%
- Improvement: -40 to +60 bps

**Digital identity & security**
- 2018: 7.3%
- 2023 target: 12.5% to 13.5% (b)
- Improvement: +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
EBIT growth boosted by CMD 2018 performance levers and Gemalto synergies

EBIT in €m and EBIT margin

EBIT in 2018: €1,866, 10.0% margin

- Organic sales growth
- Further margin increase
- Marketing and sales performance - innovation
- Competitiveness initiatives
- Gemalto synergies
- Cost and revenue synergies
- Reinvestment in R&D: ~€300m

2018 EBIT pro forma: 2018 EBIT pro forma

2023 EBIT target: 11.5% to 12% EBIT margin, +3% to +5% organic growth on average
Multiple drivers deliver significant EPS accretion

- **Sales and margin improvement excluding Gemalto synergies**
  - 2017 adjusted EPS: 4.64
  - 2018 adjusted EPS: 5.55

- **Gemalto synergies**
  - Immediate ~15% adjusted EPS accretion
  - €120m recurring pre-tax cost synergies
  - EBIT impact of revenue synergies

- **More efficient balance sheet**
- **Lower tax rate**
  - Effective tax rate moving from 27% to 23-24%

- **2023 adjusted EPS**
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</th>
<th>Free operating cash flow</th>
<th>IFRS16 impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-18</td>
<td>~86%</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>2019-23</td>
<td>~95%</td>
<td>4.0</td>
<td>~95%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-18</td>
<td>107%</td>
</tr>
<tr>
<td>2019-23</td>
<td>~85%</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 €350m expected to unwind in 2019
(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

![Chart showing financial metrics before and after Gemalto acquisition]
Enhanced business model resilience

Markets benefiting from long-term growth trends
- Addressing major societal aspirations: security, safety, digital trust, environmental efficiency...

Diversified, robust customer base
- 5 markets in 100+ countries
- Stronger geographical diversification
- Increased balance among customer types

Enhanced leadership in critical technologies
- Step change in digital security capabilities
- Partnering with long-term customers through their digital transformation

Resilience: key to value creation in an uncertain world
2019 financial objectives

- **Order intake**
  - Slightly above €18bn (Unchanged)

- **Sales**
  - Thales excluding DIS segment: Organic growth around 1% (Revised from “lower end of 3% to 4% range”)
  - DIS segment: Organic growth between 0% and 2% (Unchanged)

- **EBIT**
  - €1,980-2,000m (Unchanged)

---

(a) On a full-year basis
(b) Non-GAAP measure: see definition in appendix
(c) Based on September 2019 scope and foreign exchange rates, post IFRS 16
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
- Strict cost control and value maximization in mature smart card businesses

Strong development levers
- 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>2018 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>~2,100</td>
<td>#3 worldwide (flight avionics)</td>
</tr>
<tr>
<td></td>
<td><strong>Connected in-flight entertainment</strong>&lt;br&gt;(IFE)</td>
<td></td>
<td></td>
<td>~750</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>~450</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>~2,500</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>~2,000</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>~4,000</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>~3,700</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 smart cards, biometrics, identity management and data protection, and analytics and Internet of Things</td>
<td></td>
<td></td>
<td>~3,100</td>
<td>#1 worldwide</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Pro forma including Gemalto

---

Investor meeting - 40
Historical sales and EBIT performance by segment

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

### Transport
- **Organic sales growth:**
  - 2014: -4%
  - 2015: +4%
  - 2016: +8%
  - 2017: +11%
  - 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: -2%
  - 2015: +7%
  - 2016: +5%
  - 2017: +9%
  - 2018: +6%
- **EBIT margin:**
  - 2014: 9.6%
  - 2015: 10.7%
  - 2016: 10.7%
  - 2017: 10.9%
  - 2018: 12.6%

### Total Group
- **Organic sales growth:**
  - 2014: +4.5%
  - 2015: +6.8%
  - 2016: +7.2%
  - 2017: +5.3%
  - 2018: +5.3%
- **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)
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%
- Institutional customers: 50%
- Military customers: 20%

2018 sales €2.45bn
Space: slower than expected recovery of telecom market driving drop in sales in 2019 and 2020

Worldwide number of geostationary telecom satellite ordered

<table>
<thead>
<tr>
<th>Year</th>
<th># satellites</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>18</td>
</tr>
<tr>
<td>2012</td>
<td>17</td>
</tr>
<tr>
<td>2013</td>
<td>20</td>
</tr>
<tr>
<td>2014</td>
<td>23</td>
</tr>
<tr>
<td>2015</td>
<td>24</td>
</tr>
<tr>
<td>2016</td>
<td>17</td>
</tr>
<tr>
<td>2017</td>
<td>10</td>
</tr>
<tr>
<td>2018</td>
<td>15</td>
</tr>
<tr>
<td>2019</td>
<td>~15</td>
</tr>
</tbody>
</table>

* Forecast source: NSR
Thales: best-in-class product range, ideally suited to capture solid long-term market growth for space-based telecom solutions

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

**Thales: strengthening best-in-class telecom product range**

- Already global VHTS and constellation leader
- Further investments to develop new flexible satellite product line

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

---

**Commercial telecom satellite services market demand**

![Chart showing forecast market value, $bn]

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

2017: $10.7bn, 2027: $17.4bn

Source: Euroconsult
Defence & security sales by region, 2018

Highly diversified Defence & security customer base

- **49%** outside Europe
- **32%** France
- **14%** Asia
- **13%** Middle East
- **11%** Rest of Europe
- **10%** Australia/NZ
- **7%** United Kingdom
- **7%** North America
- **7%** Rest of world

Rest of world
Long-term growth of intelligent systems content in defence platforms

Illustrative value of intelligent systems in platform

**Mirage 2000**
- **In operation**: 15%
- **In deployment/development**: 30%

**Rafale F4**
- Future Combat Air System

**Future platform**

**Mine hunter**
- In operation: 10-15%
- In deployment/development: 20-25%
- Future platform: 30-35%

**New mine hunter**
- In operation: 20-25%

**Mine hunter systems + drones**
- Future platform: 30-35%

**Command vehicles**
- In operation: 10%

**Scorpion program**
- In deployment/development: 25%

**Extended Scorpion to all land vehicles**
- Future platform: 35%

Investor meeting - 46
Digital Identity & Security (DIS) business overview

€3.1bn
Pro forma 2018 sales

~10.0%
Expected underlying full year 2019 EBIT margin

15,000 employees in 58 countries

3,000+ engineers

Main footprint
France: 16%
USA: 14%
Singapore: 9%
Mexico: 8%

30% Banking & Payment
20% Biometrics
18% Identity management & data protection
19% Mobile connectivity
12% Analytics & Internet of Things

Product mix

21% Government agencies
18% Commercial customers

Customer mix

61% Private operators of critical infrastructures
Banks: 35%
Telecom: 22%
Others: 4%

Geographical mix

19% Rest of the world
21% Asia-Pacific
28% North America
31% Europe

19% Rest of the world
Global leader in digital identity & security market

Top 5 digital identity & security players

2018 sales, €bn

- **Thales**: 3.1
- **Idemia**: 2.2
- **Broadcom**: 1.4
- **G&D**: 1.2
- **HID Global**: 0.9


**World # 1**
- Data protection
- Secure identification documents
- Smart payment cards ("EMV cards")
- Removable SIM cards ("rSIM")
- eSIM subscription management

75% of DIS sales

**In global top 3**
- IoT cellular connectivity modules
- Identification & verification solutions
- Embedded SIM cards ("eSIM")
- Biometrics for crime prevention

18% of DIS sales

Investor meeting - 48
DIS R&D leadership built on security management expertise from device to cloud

Critical decision chain

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

Device | Connectivity | Cloud

Security hardware
- Smart cards
- Tokens
- Hardware Security Modules (HSM)
- Secure elements
- Cellular modules

Device security software
- Secret keys
- Certified operating system
- Cryptographic algorithms

Cloud security software
- Hybrid cloud
- Service API
- Data layer and artificial intelligence

Services and solutions
- Data protection
- Biometric identification and verification
- Digital banking and payment
- IoT connectivity management

Mastering the full stack of horizontal technologies (hardware + software + services)

10% R&D as percentage of sales
3,000+ engineers
5,000+ patents

Investor meeting - 49
DIS medium-term strategy: 3 pillars

Digital services & solutions
- Capitalizing on unique positions in fast-growing high-value markets
  - Global leadership positions in fast-growing markets
  - Investments focused on key high-value growth engines: eSIM, cloud security, public and commercial biometrics, critical industrial IoT applications

Smart cards
- Maximizing value
  - EMV cards: sustaining market leadership through industrial excellence and incremental innovation
  - Comprehensive plan to adapt to significant rSIM revenue erosion

Group synergies
- Maximizing cost and revenue synergies
  - Disciplined implementation of cost synergy plan
  - Leveraging Thales global presence to accelerate growth
  - Joint development of new digital solutions, leveraging DIS technologies and talents

Investor meeting - 50
Identity management & data protection: securing the cloud

Global leader in data protection
- Global #1 in HSM and encryption software
- Industry-leading capabilities from joint Thales e-Security and Gemalto
- Significant synergies: unified Thales-Gemalto product portfolio in place since 1 September 2019

Investing to deliver seamless security across clouds
- Hybrid/multi-cloud is the new norm
- Supplying fast-growing public cloud service providers
- New offers already launched, enabling seamless migration of customers to the cloud

Data protection market growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Eu bn</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>8.9</td>
<td>+15%</td>
</tr>
</tbody>
</table>

New Thales offers
- Cloud-based
- On-demand security services through an online marketplace
- Cloud and infrastructure agnostic
- Compliant with regulations
- Broad choice of risk management and authentication options

Sources: IDC, Gartner
Biometrics: targeting public and commercial sectors

Global leader in biometrics

- #1 in secure identity documents and services, 30 years in biometrics business
- Demonstrated technology leadership: #1 in accuracy and global performance test of matching algorithm\(^{(a)}\)
- Capitalizing on best-of-breed data security expertise to address privacy concerns

Investing in foundational ID and commercial biometrics

- Foundational ID market benefiting from UN mandate and World Bank funding
- Fast growth in commercial biometrics

Thales combination delivering significant revenue synergies

\(^{(a)}\) US NIST tests, 2018
Analytics & IoT: focusing on most critical industrial IoT applications

Security: a major roadblock to sustainable IoT deployment
➤ Driving increased regulatory focus

Global leader in analytics & IoT
➤ Top 3 for cellular IoT modules, #1 for subscription management
➤ Comprehensive expertise in IoT security, from device to cloud

Targeting most demanding segments
➤ Segments with highest connectivity and security requirements
➤ Thales combination: step change in ability to address government, defence, and mission critical segments

Cellular IoT module market growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Size (€bn)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>4.9</td>
<td>+15%</td>
</tr>
</tbody>
</table>

IoT security market growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Size (€bn)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>1.5</td>
<td>x5</td>
</tr>
</tbody>
</table>

Sources: ABI, HIS, Markets & Markets
Mobile connectivity: leading in attractive, fast-growing eSIM market

**Strong growth forecasted for eSIM market**

- Future key end-point security technology, essential to critical IoT applications
- ~800m units shipped in 2023, x6 vs 2018, moving from ~4% today to ~14% of SIM market by 2023

**eSIM: attractive software and services business model**

- Subscription business model, delivering recurring revenue at higher margin
- Thales: global leader in subscription management services
- €100m+ opportunity by 2023, and accelerating thereafter

Sources: ABI 2Q 2019, Thales, Counterpoint

Note: MNO: Mobile Network Operators
EMV payment cards will continue to be the leading payment enabler

Market growth in volume driven by renewals and emerging markets

- Market forecasts for annual volume growth ranging from +2% to +4% until 2023
- EMV penetration to grow from 76% in 2018 to ~88% in 2023
- Minimal risk of substitution from new digital payment solutions

Limited decline in Average Selling Price driven by product mix

- Migration towards contactless cards (2018: 50% of shipments, 2023: ~74%)
- Introduction of incremental innovations
- Biometric card shipments to reach critical mass by 2023 (x35 at 100+ million units)

Source: ABI
(a) “Europay Mastercard Visa” smart payment cards
Removable SIM cards: maximizing value

**Market trends**

Significant market commoditization continues

No major change in product mix until arrival of 5G (impact after 2023)

Slow transition to eSIM
- rSIM-equipped phones needed to ensure global mobile network access

**Thales strategy**

Associated software and services essential to development of secure IoT connectivity

Focus on higher value markets

Comprehensive industrial plan to adapt to significant revenue erosion (~-10% p.a.)
- Unmatched economies of scale
  - 1bn rSIM cards produced yearly, x1.7 larger than #2
  - Most efficient sourcing
- Rigorous cost efficiency and productivity programs
  - Process and manufacturing automation
  - Sales and marketing efficiency
- Continuous adaptation of industrial footprint and of production outsourcing
<table>
<thead>
<tr>
<th>Year</th>
<th>DIS Segment EBIT</th>
<th>Proforma DIS Segment EBIT</th>
<th>2018 One-off Effects</th>
<th>2018 Underlying DIS Segment EBIT</th>
<th>Internal Improvement and First Synergies</th>
<th>2019 Underlying DIS Segment EBIT</th>
<th>2019 One-off Effects</th>
<th>2019 DIS Segment EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>227</td>
<td>236</td>
<td>+9</td>
<td>227</td>
<td>300-320</td>
<td>260-280</td>
<td>~-40</td>
<td>9 months: 240-260</td>
</tr>
<tr>
<td></td>
<td>7.3%</td>
<td>7.6%</td>
<td>60 to 80</td>
<td></td>
<td>~10%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: All targets based on June 2019 scope and foreign exchange rates, post IFRS 16.
### 9m 2019 order intake by destination

<table>
<thead>
<tr>
<th>Destination</th>
<th>9m 2019</th>
<th>9m 2018</th>
<th>change</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>total</td>
<td>organic</td>
</tr>
<tr>
<td>France</td>
<td>2,961</td>
<td>2,614</td>
<td>+13%</td>
<td>+10%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>749</td>
<td>568</td>
<td>+32%</td>
<td>+20%</td>
</tr>
<tr>
<td>Other European</td>
<td>2,236</td>
<td>2,112</td>
<td>+6%</td>
<td>-8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>5,945</td>
<td>5,294</td>
<td>+12%</td>
<td>+4%</td>
</tr>
<tr>
<td>North America</td>
<td>1,346</td>
<td>1,004</td>
<td>+34%</td>
<td>-5%</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>466</td>
<td>1,346</td>
<td>-65%</td>
<td>-67%</td>
</tr>
<tr>
<td>Mature markets</td>
<td>7,757</td>
<td>7,644</td>
<td>+1%</td>
<td>-10%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,467</td>
<td>971</td>
<td>+51%</td>
<td>+22%</td>
</tr>
<tr>
<td>Middle East</td>
<td>598</td>
<td>571</td>
<td>+5%</td>
<td>-12%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>623</td>
<td>281</td>
<td>+121%</td>
<td>+20%</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>2,688</td>
<td>1,823</td>
<td>+47%</td>
<td>+11%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10,445</td>
<td>9,468</td>
<td>+10%</td>
<td>-6%</td>
</tr>
</tbody>
</table>
## 9m 2019 sales by destination

<table>
<thead>
<tr>
<th>Region</th>
<th>9m 2019</th>
<th>9m 2018</th>
<th>change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>€m</td>
<td>total</td>
<td>organic</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>3,281</td>
<td>2,843</td>
<td>+15.4%</td>
<td>+12.4%</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>887</td>
<td>916</td>
<td>-3.1%</td>
<td>-10.3%</td>
</tr>
<tr>
<td><strong>Other European countries</strong></td>
<td>2,589</td>
<td>2,266</td>
<td>+14.3%</td>
<td>+0.9%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>6,757</td>
<td>6,024</td>
<td>+12.2%</td>
<td>+4.7%</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>1,419</td>
<td>998</td>
<td>+42.1%</td>
<td>+0.8%</td>
</tr>
<tr>
<td><strong>Australia/NZ</strong></td>
<td>693</td>
<td>636</td>
<td>+8.9%</td>
<td>+5.5%</td>
</tr>
<tr>
<td><strong>Mature markets</strong></td>
<td>8,869</td>
<td>7,659</td>
<td>+15.8%</td>
<td>+4.2%</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>1,786</td>
<td>1,486</td>
<td>+20.1%</td>
<td>+0.4%</td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>988</td>
<td>1,093</td>
<td>-9.6%</td>
<td>-16.8%</td>
</tr>
<tr>
<td><strong>Rest of the world</strong></td>
<td>767</td>
<td>636</td>
<td>+20.7%</td>
<td>-22.6%</td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td>3,541</td>
<td>3,215</td>
<td>+10.2%</td>
<td>-10.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,410</td>
<td>10,873</td>
<td>+14.1%</td>
<td>+0.0%</td>
</tr>
</tbody>
</table>
Organic sales growth per quarter

|         | Q1 16 | Q2 16 | Q3 16 | Q4 16 | Q1 17 | Q2 17 | Q3 17 | Q4 17 | Q1 18 | Q2 18 | Q3 18 | Q4 18 | Q1 19 | Q2 19 | Q3 19 |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Aerospace | +13%  | +15%  | +7%   | +16%  | +1%   | +1%   | +2%   | +9%   | -3%   | -7%   | -7%   | -6%   |       |       |
| Transport | +14%  | +40%  | +15%  | +7%   | +8%   | +28%  | +29%  | +17%  | +19%  | +11%  | +1%   |       | -17%  | -9%   |
| Defence & Security | +13%  | +3%   | +14%  | +8%   | +5%   | +22%  | +10%  | +8%   | +8%   | +0%   | +12%  | +10%  |       |       |
| Total    | +7%   | +10%  | +15%  | +11%  | +3%   | +15%  | +7%   | +7%   | +10%  | +0%   | +1%   | +1%   | -2%   |       |

Investor meeting - 60
### Pro forma 2018 P&L: Gemalto brings higher gross margin and R&D

<table>
<thead>
<tr>
<th></th>
<th>2018 reported</th>
<th>2018 pro forma&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>Gross margin</td>
<td>4,088</td>
<td>25.8%</td>
</tr>
<tr>
<td>Indirect costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(2,526)</td>
<td>-15.9%</td>
</tr>
<tr>
<td></td>
<td>(879)</td>
<td>-5.5%</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(1,095)</td>
<td>-6.9%</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(552)</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(48)</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Share in net result of equity-accounted affiliates</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. Pro forma 2018 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.
Adjusted EPS and dividend

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)
Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow

- **Six-year average: 102%**
- Cash conversion ratio: Free operating cash flow / adjusted net income

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income (€m)</th>
<th>Free operating cash flow (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>642</td>
<td>477</td>
</tr>
<tr>
<td>2014</td>
<td>562</td>
<td>501</td>
</tr>
<tr>
<td>2015</td>
<td>809</td>
<td>1,110</td>
</tr>
<tr>
<td>2016</td>
<td>897</td>
<td>954</td>
</tr>
<tr>
<td>2017</td>
<td>982</td>
<td>1,365</td>
</tr>
<tr>
<td>2018</td>
<td>1,178</td>
<td>811</td>
</tr>
</tbody>
</table>

EBIT conversion into Free operating cash flow

- **Six-year average: 67%**
- Cash conversion ratio: Free operating cash flow / EBIT

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT (€m)</th>
<th>Free operating cash flow (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,011</td>
<td>477</td>
</tr>
<tr>
<td>2014</td>
<td>985</td>
<td>501</td>
</tr>
<tr>
<td>2015</td>
<td>1,216</td>
<td>1,110</td>
</tr>
<tr>
<td>2016</td>
<td>1,354</td>
<td>954</td>
</tr>
<tr>
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<td>1,543</td>
<td>1,365</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>811</td>
</tr>
</tbody>
</table>
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.