Investor meeting

November 2020
Introduction to Thales

H1 and 9m 2020 results

Key priorities for 2019-23

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

Product mix

- 29% Aerospace
- 44% Defense & security
- 17% Digital identity & security
- 10% Transport

Customer mix

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

Geographical mix

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

Pro forma 2019 sales

Product mix

- 44% Defense & security
- 29% Aerospace
- 17% Digital identity & security
- 10% Transport

Customer mix

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

Geographical mix

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

Defense sensors & mission systems

- #1 in Europe
- #1 worldwide

Air Traffic Management

- #1 worldwide

Rail signaling and supervision

- #2 worldwide

Data protection

- #1 worldwide

Civil satellites

- #2 worldwide

Flight avionics

- #3 worldwide

Investor meeting - 3
Thales: a pure player focused on intelligent systems and digital solutions

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

Examples of solutions: sensors, mission systems, communications, command and control systems, digital identity and security solutions
Thales builds on 4 key strengths

<table>
<thead>
<tr>
<th>Cutting edge R&amp;D</th>
<th>Deep domain knowledge</th>
<th>Large digital asset base</th>
<th>Global presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>€3.5bn+, ~20% of sales</td>
<td>Top 3 globally or #1 in Europe across businesses</td>
<td>Thales portfolio: digital “by nature”</td>
<td>Presence in 50+ countries and sales in 100+ countries</td>
</tr>
<tr>
<td>~70% customer-funded</td>
<td>Leverage across 5 end markets with many technological similarities</td>
<td>Significant organic and inorganic initiatives, targeting 4 key digital technologies</td>
<td>Proven ability to address complex markets and partnerships</td>
</tr>
<tr>
<td>29,000+ engineers</td>
<td>Top 100 global innovator for 6th consecutive year</td>
<td>Large integrated network of digital native talents</td>
<td>Capitalizing on 40+ year presence</td>
</tr>
<tr>
<td>Top 100 global innovator for 6th consecutive year</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Introduction to Thales

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Outlook
H1 and 9m 2020 key figures

9m order intake

€m

<table>
<thead>
<tr>
<th>9m 2019</th>
<th>9m 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,445</td>
<td>9,181</td>
</tr>
</tbody>
</table>

-12%  
-18%(a)

9m sales

€m

<table>
<thead>
<tr>
<th>9m 2019</th>
<th>9m 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,410</td>
<td>11,714</td>
</tr>
</tbody>
</table>

-5.6%  
-10.5%(a)

H1 EBIT and EBIT margin(b)

€m and %

<table>
<thead>
<tr>
<th>H1 2019</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>820</td>
<td>348</td>
</tr>
</tbody>
</table>

10.0%  
4.5%  
-57%

H1 adjusted net income(b)

€m

<table>
<thead>
<tr>
<th>H1 2019</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>574</td>
<td>232</td>
</tr>
</tbody>
</table>

-60%

H1 free operating cash-flow(b)

€m

<table>
<thead>
<tr>
<th>H1 2019</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(332)</td>
<td>(471)</td>
</tr>
</tbody>
</table>

Net cash (debt) position

€m

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,971</td>
<td>2,311</td>
<td>3,181</td>
<td>(4,397)</td>
<td>(3,311)</td>
<td>(3,928)</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

Investor meeting - 7
The Covid-19 crisis raises a unique set of challenges

Immediate impact on demand dominated by civil aeronautics
- Civil aeronautics: avionics, electrical systems, IFE (~€2.15bn in sales)
- DIS: identity solutions, automotive IoT connectivity modules (~€500m in sales)
- Broadly unchanged demand in other businesses so far, but with delayed contract signatures

Temporary but significant impact of sanitary measures on Group operations
- Inefficiency in production and project execution
- Disruption of supply chains
- Customers’ inability to take delivery

2019 sales by operating segment\(^{(a)}\)

- Civil aeronautics: 11%
- Aerospace: 29%
- Identity solutions, automotive IoT connectivity modules: 3%
- Digital identity & security: 17%
- Transport: 10%
- Defense & security: 44%

\(^{(a)}\) 2019 reported sales + Gemalto Q1 2019 sales: €19,052m
**Q3 2020 highlights**

- **Group sales\(^{(a)}\):**
  - Q1: -5%
  - Q2: -4%
  - Q3: -20%

- **Sales excluding aeronautics\(^{(a)}\):**
  - Q1: -3%
  - Q2: -15%
  - Q3: +2%

- **Recovery of internal productivity enables return to positive sales growth excluding aeronautics**

- **Significant defense order pipeline, driven by continued budget growth across geographical portfolio**

- **Further commercial successes in space exploration**

\(^{(a)}\) Organic

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**Investor meeting - 9**
**9m 2020 order intake**

**Q3 order intake organically up 1.3% excluding aeronautics**

2 large\(^{(a)}\) orders booked in Q3 2020, for a total of 6 in 9m 2020, vs 9 in 9m 2019

- 2\(^{nd}\) tranche of Scorpion program
- Support and services contract for French army

**Significant large order pipeline for Q4**

**Base of small orders\(^{(b)}\) reflects Covid-19 impact on civil aero and biometrics**

\(^{(a)}\) With a unit value over €100m  
\(^{(b)}\) With a unit value of less than €10m

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**Order intake by contract unit value**

<table>
<thead>
<tr>
<th>Unit value &gt; €100m</th>
<th>€10m &lt; Unit value &lt; €100m</th>
<th>Unit value &lt; €10m</th>
</tr>
</thead>
<tbody>
<tr>
<td>9m 2019 reported</td>
<td>1,905</td>
<td>6,250</td>
</tr>
<tr>
<td>9m 2019 including Gemalto Q1</td>
<td>1,905</td>
<td>6,983</td>
</tr>
<tr>
<td>9m 2020 reported</td>
<td>9,181</td>
<td>5,941</td>
</tr>
</tbody>
</table>

Reported growth: -12%

+7%  
-18%  
-55%  
+4%  
-15%
### Aerospace: 9m 2020 key figures

<table>
<thead>
<tr>
<th>€m</th>
<th>9m 2020</th>
<th>9m 2019</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>2,268</td>
<td>2,625</td>
<td>-14%</td>
<td>-13%</td>
</tr>
<tr>
<td>Sales</td>
<td>2,898</td>
<td>3,787</td>
<td>-23.5%</td>
<td>-23.3%</td>
</tr>
</tbody>
</table>

**Order intake affected by significant decline of civil aero market**
- Major Covid-19 impact on civil aero since Q2
- Space order intake up 33% against easy comps, thanks to solid dynamics in institutional space

**Recovery of productivity enables major sales improvement in Q3**
- Total segment sales: -18% in Q3 vs -38% in Q2
- Civil aero sales: ~-45% in Q3 vs -50%+ in Q2
- Rest of segment sales: ~+3% in Q3 vs -27% in Q2
### Transport: 9m 2020 key figures

<table>
<thead>
<tr>
<th>€m</th>
<th>9m 2020</th>
<th>9m 2019</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>805</td>
<td>868</td>
<td>-7%</td>
<td>-6%</td>
</tr>
<tr>
<td>Sales</td>
<td>1,102</td>
<td>1,268</td>
<td>-13.1%</td>
<td>-12.3%</td>
</tr>
</tbody>
</table>

**Order intake impacted by Covid-19 related delays in bid processes**
- Robust mainline orders, offset by delays in urban rail contract awards

**Sales affected by phasing effects and Covid-19 disruptions**
- Strong phasing effects on 4 major urban rail projects\(^{(a)}\), as expected
- Continued disruptions: travel restrictions, customer site access
- Delays in urban rail contract awards

\(^{(a)}\) London, Dubai, Doha, Hong Kong
## Defense & Security: 9m 2020 key figures

<table>
<thead>
<tr>
<th></th>
<th>9m 2020</th>
<th>9m 2019</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>3,853</td>
<td>5,271</td>
<td>-27%</td>
<td>-27%</td>
</tr>
<tr>
<td>Sales</td>
<td>5,469</td>
<td>5,670</td>
<td>-3.6%</td>
<td>-3.3%</td>
</tr>
</tbody>
</table>

Order intake down due to high comps and Covid-19-related delays in finalizing contracts
- No significant opportunity lost, catch-up expected during Q4

Return to growth in Q3: +5.4%
- Strong mobilization of teams enables recovery after Covid-19 related disruptions in Q2
Digital Identity & Security: 9m 2020 key figures

<table>
<thead>
<tr>
<th></th>
<th>9m 2020</th>
<th>9m 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>total</td>
</tr>
<tr>
<td>Order intake</td>
<td>2,227</td>
<td>1,620</td>
<td>NM</td>
</tr>
<tr>
<td>Sales</td>
<td>2,201</td>
<td>1,631</td>
<td>NM</td>
</tr>
</tbody>
</table>

Order intake structurally aligned with sales for most businesses

9m pro forma sales slightly down (-2%)
- Biometrics (passports) and IoT still affected by worldwide health crisis
- Smart card sales growth above long-term trend
- Q4 expected to be impacted by high comps in smart card sales and continued weakness of biometrics and IoT
EBIT: significant impact of cost saving actions already visible in H1

€m and % of sales

H1 2019 | H1 2019 + Gemalto Q1 2019 | H1 2020
---|---|---
820 | 829 | 348

Gemalto Q1 2019 +10

Gross margin decline before actions on direct costs

Cost saving actions ~+320

Direct costs

Indirect costs

Restructuring +17

Equity affiliates -79

Naval Group: -44

Other: -35

R&D: -9%
M&S: -9%
G&A: -10%

Sales down 12%

+ Gross margin down ~6 pts

10.0% | 9.4% | 4.5%

9.4%
H1 2020 Free operating Cash Flow

Strong seasonality of WCR

Cash management: a key focus during the crisis
➢ Internal “CASH” project delivering positive outcomes, with significant progress at reducing overdues
➢ Strict management of inventory
➢ Tight control of supply chain
➢ Payments anticipated by some customers

Capex cut by 16% at constant scope

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2020</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow before WCR changes, interest and tax</td>
<td>709</td>
<td>1,024</td>
</tr>
<tr>
<td>+ Change in WCR and reserves for contingencies</td>
<td>(832)</td>
<td>(1,022)</td>
</tr>
<tr>
<td>+ Pension cash out, excluding deficit payment on UK pensions</td>
<td>(87)</td>
<td>(73)</td>
</tr>
<tr>
<td>+ Net financial interest</td>
<td>(46)</td>
<td>(22)</td>
</tr>
<tr>
<td>+ Income tax paid</td>
<td>(55)</td>
<td>(64)</td>
</tr>
<tr>
<td>= Net cash flow from operating activities</td>
<td>(310)</td>
<td>(157)</td>
</tr>
<tr>
<td>+ Net operating investments</td>
<td>(161)</td>
<td>(175)</td>
</tr>
<tr>
<td>= Free operating cash flow</td>
<td>(471)</td>
<td>(332)</td>
</tr>
</tbody>
</table>
Introduction to Thales
H1 and 9m 2020 results
Key priorities for 2019-23
Outlook
Ambition 10: a solid framework to capitalize on Thales’s unique positioning, further strengthened in the post Covid-19 world

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
Relentlessly optimize operational performance

Group cost structure
(2018, before Gemalto)

- **€14.2bn total costs**
- **8%** Other
- **17%** Project delivery\(^{(a)}\)
  - (bids, project management, production, customer service)
- **9%** Support functions\(^{(a)}\)
- **18%** Engineering\(^{(a)}\)
- **48%** External purchases

Focus on 4 high impact initiatives

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

\(^{(a)}\) Excluding external purchases
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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>23.6%</td>
<td>23.8%</td>
<td>24.0%</td>
<td>25.4%</td>
<td>26.1%</td>
</tr>
<tr>
<td>G&amp;A expenses</td>
<td>3.8%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.5%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

\(^{(a)}\) At constant scope: 2015-2018 adjusted for disposal of GP HSM business, 2019 excluding Gemalto.

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

2.9 point EBIT margin expansion achieved over 4 years

23.6% 23.8% 24.0% 25.4% 26.1%

23.6% 23.8% 24.0% 25.4% 26.1%
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
- Pre Covid-19 crisis target: further ~25% growth over 5 years
- Total R&D to reach €4.5bn+ in 2023 when combined with increase in customer-funded R&D
- Significant adjustment of 2020 R&D budget to mitigate crisis impact

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

- Big data-enabled observation constellation
- Autonomous trains
- “Smart” radars
- Predictive maintenance for defence
- Drone management
- AI-enabled optronics
- Next generation airspace surveillance
- Spare parts market place
- 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

<table>
<thead>
<tr>
<th>Multiple fast-growing markets</th>
<th>2023 market size</th>
<th>2019-23 forecasted market growth (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data protection</td>
<td>~€9bn</td>
<td>x2</td>
</tr>
<tr>
<td>IoT connectivity &amp; security (b)</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) Pre Covid-19 crisis forecasts
(b) 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>深度融合</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Integration costs: ~€30m in 2019, ~€10m in 2020</td>
<td></td>
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</tr>
</tbody>
</table>

### 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%

- **Breakdown of expected run-rate cost synergies**: €120m
Revenue synergy opportunities materializing across Group

**Defense & Security**
- Integration of cybersecurity products and improved go-to-market
- New homeland security offers
- Digitally-enabled asset management, collaborative combat, 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

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
  - 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

**Significant revenue synergies**

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

Teams fully mobilized to capture synergies, supported by disciplined organization

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.
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Pre Covid-19 crisis organic sales growth targets

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>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
</table>

Market trend | Organic sales growth target 2019-23
---|---
Aerospace | ~+1.5% (a) | +2-3%
Transport | ~+3% | Flat (b)
Defence & Security | ~+3.5% | +4-6%
Digital identity & security | Smart cards Flat | +4-6% (c)

(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
Civil businesses aligned with major societal trends, amplified by Covid-19 crisis

- **Civil aeronautics**
  - Air transport: long-term GDP multiplier, driving multi-year recovery
  - Thales: global leader in avionics and air traffic management, at the heart of future green, digital and connected aviation

- **Rail transport**
  - Rail: a major enabler of green mobility
  - Key component in many government stimulus packages
  - Thales: global leader in signaling, a key lever to increase efficiency of rail infrastructures

- **Space**
  - Unique position of space systems to monitor earth environment and to reduce the digital divide
  - Thales: leader on European/ESA earth monitoring missions
  - Thales: Best-in-class telecom satellite product range

- **Digital identity & Security**
  - Exponential growth in the number of connected devices and digital transactions
  - Crisis accelerates need for seamless highly secure digital and physical identity solutions
  - Thales: global leader in trusted identity and security technologies

**The world after Covid-19: digital, connected, green**
Defense portfolio aligned with long-term needs

Unchanged need to invest in defense systems
- Geopolitical tensions
- Greater variety of threats

Key customer priorities
- New generation digital sensors
- Communications: connected collaborative combat
- Cyber-defense
- Technological superiority and autonomy

Record backlog, expected to significantly increase by end 2020

MKS180: key Thales mission capabilities
- New generation mission and combat management
- Above water warfare suite
- Cyber-defense and security
- Connectivity

Defense & Security backlog (€bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Backlog (€bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2015</td>
<td>17.6</td>
</tr>
<tr>
<td>Dec 2016</td>
<td>19.0</td>
</tr>
<tr>
<td>Dec 2017</td>
<td>18.6</td>
</tr>
<tr>
<td>Dec 2018</td>
<td>20.1</td>
</tr>
<tr>
<td>Dec 2019</td>
<td>21.8</td>
</tr>
</tbody>
</table>

+5% per year
Multiple medium-term drivers of margin expansion

Groupwide operational performance initiatives
- Procurement performance
- Engineering competitiveness
- Support function efficiency
- Excellence in delivery

Gemalto synergies

Transformation of transport

Avionics and IFE: structural cost adaptation launched

Expected ramp-up of Gemalto cost synergies

Integration costs: ~€30m in 2019, ~€10m in 2020
Further significant increase in profitability

- **2013 EBIT margin**: 8.0% (+330 bps)
- **2018 EBIT margin**: 10.6% (-70 bps)
- **Gemalto consolidation**: -60 bps
- **2018 EBIT margin pro forma**: 10.0% (+200 to +240 bps)
- **Increase in profitability**
  - 2019: +70 bps
  - 2019: -15 bps

**Additional R&D**
- **2018**: 11.5% to 12%

**Medium-term EBIT margin target**: 11.5% to 12%
Pre Covid-19 crisis medium-term margin targets by segment

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

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

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

**Digital identity & security**
- 2018: 7.3%
- 2023 target: 12.5% to 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

Investor meeting - 35
Maintaining strong focus on cash flow generation

Pre Covid-19 crisis targets

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

Underlying\(^{(a)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Reported</th>
<th>Underlying</th>
<th>Free operating cash flow(^{(b)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-18</td>
<td>4.6</td>
<td>86%</td>
<td>4.0</td>
</tr>
<tr>
<td>2019-23</td>
<td>4.0</td>
<td>~95%</td>
<td>2019: 105%</td>
</tr>
</tbody>
</table>

Reported

Assuming no new significant down-payments

<table>
<thead>
<tr>
<th>Year</th>
<th>Reported</th>
<th>Underlying</th>
<th>Free operating cash flow(^{(b)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-18</td>
<td>4.4</td>
<td>107%</td>
<td>4.7</td>
</tr>
<tr>
<td>2019-23</td>
<td>4.7</td>
<td>~85%</td>
<td>2019: 98%</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 (BBB+, 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<sup>(a)</sup>

<sup>(a)</sup> Pre Covid-19 crisis expectation
H2 2020 perspectives

Business environment

- Operations still impacted by sanitary measures
  - Targeting return to close to 100% internal productivity over H2
  - Expecting limited supply chain issues, but still some travel restrictions and customer site access issues

- Uncertain near-term macro trends, potentially impacting short cycle businesses
  - Pace of air traffic recovery
  - Corporate investments in IT, cybersecurity
  - Further recessionary risks

Global adaptation plan

- Full impact of cost saving actions, targeting ~€750 million in 2020

- Continuation of strong focus on cash
  - Strict management of working capital
  - Capex to be cut at least in line with sales (at least €50 million in 2020)

- Finalization of structural cost adaptation plan in civil aero
2020 financial objectives, taking into account the Covid-19 crisis

<table>
<thead>
<tr>
<th>Order intake</th>
<th>Book-to-bill above 1, driven by solid dynamics in Defense &amp; Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>€16.5 to €17.2 billion(^{(a)})</td>
</tr>
<tr>
<td>EBIT(^{(b)})</td>
<td>€1,300 to €1,400 million(^{(a, c)})</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Assuming no major step-up in sanitary measures on key markets. Based on July 2020 scope and foreign exchange rates.  
\(^{(b)}\) Non-GAAP measure: see definition in appendix.  
\(^{(c)}\) Assuming full year restructuring cost of ~€130m (€102m in 2019) and EBIT contribution from JVs of ~€70m (€171m in 2019).
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>2019 sales (€m)</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aerospace</strong></td>
<td><strong>Flight avionics</strong> including cockpit avionics, communications, electrical systems, training and simulation (of which civil: ~€1,350m, military: ~€800m)**</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</strong> (IFE)</td>
<td></td>
<td></td>
<td>~800</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Microwave tubes</strong> for satellite, medical, scientific and military applications</td>
<td></td>
<td></td>
<td>~500</td>
<td>#1 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Space solutions</strong> for telecom, observation, navigation and exploration</td>
<td></td>
<td></td>
<td>~2,150</td>
<td>#2 worldwide (civil satellites)</td>
</tr>
<tr>
<td></td>
<td><strong>Rail signaling and supervision</strong> including passenger payment collection systems</td>
<td></td>
<td></td>
<td>~1,900</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td></td>
<td><strong>Sensors and mission systems</strong> 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> including military communications and networks, military command and control systems (C4I), cybersecurity, Air Traffic Management, and homeland security solutions</td>
<td></td>
<td></td>
<td>~3,950</td>
<td>#2 worldwide (military tactical communications)</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td><strong>Microwave tubes</strong></td>
<td></td>
<td></td>
<td>~500</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td>10% of 2019 sales (a)</td>
<td><strong>Rail signaling and supervision</strong> including passenger payment collection systems</td>
<td></td>
<td></td>
<td>~1,900</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td><strong>Defense &amp; security</strong></td>
<td><strong>Sensors and mission systems</strong> 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>44% of 2019 sales (a)</td>
<td><strong>Communications, command and control systems</strong> including military communications and networks, military command and control systems (C4I), cybersecurity, Air Traffic Management, and homeland security solutions</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> 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
Highly diversified Defense & security customer base

Defense & security sales by region, 2019

- 45% outside Europe
- 35% France
- 12% United Kingdom
- 10% Australia/NZ
- 12% North America
- 11% Middle East
- 12% Asia
- 7% Rest of world
- 6% Rest of Europe
- 8% United Kingdom
### Historical sales and EBIT performance by segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Organic sales growth</th>
<th>EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aerospace</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>9.6%</td>
<td>-2.4%</td>
</tr>
<tr>
<td>2016</td>
<td>9.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2017</td>
<td>10.0%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2018</td>
<td>10.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td>2019</td>
<td>9.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>+2%</td>
<td>+4.5%</td>
</tr>
<tr>
<td>2016</td>
<td>+4%</td>
<td>+6.8%</td>
</tr>
<tr>
<td>2017</td>
<td>+11%</td>
<td>+7.2%</td>
</tr>
<tr>
<td>2018</td>
<td>+18%</td>
<td>+6%</td>
</tr>
<tr>
<td>2019</td>
<td>+9%</td>
<td>+6%</td>
</tr>
<tr>
<td><strong>Defense &amp; Security</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>+4%</td>
<td>+0.8%</td>
</tr>
<tr>
<td>2016</td>
<td>+8%</td>
<td>+0.7%</td>
</tr>
<tr>
<td>2017</td>
<td>+11%</td>
<td>+4.1%</td>
</tr>
<tr>
<td>2018</td>
<td>+18%</td>
<td>+10.7%</td>
</tr>
<tr>
<td>2019</td>
<td>+18%</td>
<td>+10.7%</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>+4%</td>
<td>+8.6%</td>
</tr>
<tr>
<td>2016</td>
<td>+8%</td>
<td>+9.1%</td>
</tr>
<tr>
<td>2017</td>
<td>+11%</td>
<td>+9.8%</td>
</tr>
<tr>
<td>2018</td>
<td>+18%</td>
<td>+10.6%</td>
</tr>
<tr>
<td>2019</td>
<td>+18%</td>
<td>+10.9%</td>
</tr>
</tbody>
</table>
### Organic sales growth per quarter

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aerospace</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>+1%</td>
<td>+2%</td>
<td>+9%</td>
<td>+2%</td>
</tr>
<tr>
<td>Q4</td>
<td>-2%</td>
<td>-0%</td>
<td>-3%</td>
<td>-7%</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>+8%</td>
<td>+29%</td>
<td>+17%</td>
<td>+1%</td>
</tr>
<tr>
<td>Q2</td>
<td>+28%</td>
<td>+19%</td>
<td>+11%</td>
<td>+1%</td>
</tr>
<tr>
<td>Q3</td>
<td>+1%</td>
<td>-17%</td>
<td>-9%</td>
<td>-13%</td>
</tr>
<tr>
<td>Q4</td>
<td>+22%</td>
<td>+10%</td>
<td>+8%</td>
<td>-14%</td>
</tr>
<tr>
<td><strong>Defense &amp; Security</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>+15%</td>
<td>+7%</td>
<td>+7%</td>
<td>+2%</td>
</tr>
<tr>
<td>Q2</td>
<td>+10%</td>
<td>+8%</td>
<td>+10%</td>
<td>+5%</td>
</tr>
<tr>
<td>Q3</td>
<td>+10%</td>
<td>+0%</td>
<td>+4%</td>
<td>-15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>+1%</td>
<td>+1%</td>
<td>+3%</td>
<td>-5%</td>
</tr>
<tr>
<td>Q2</td>
<td>+1%</td>
<td>+1%</td>
<td>+3%</td>
<td>-20%</td>
</tr>
<tr>
<td>Q3</td>
<td>+0%</td>
<td>+0%</td>
<td>+0%</td>
<td>-4%</td>
</tr>
</tbody>
</table>
## 9m 2020 order intake by destination

<table>
<thead>
<tr>
<th>EU</th>
<th>9m 2020</th>
<th>9m 2019</th>
<th>total</th>
<th>organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>2,190</td>
<td>2,961</td>
<td>-26%</td>
<td>-27%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>524</td>
<td>749</td>
<td>-30%</td>
<td>-34%</td>
</tr>
<tr>
<td>Other European countries</td>
<td>2,185</td>
<td>2,236</td>
<td>-2%</td>
<td>-9%</td>
</tr>
<tr>
<td>Europe</td>
<td>4,899</td>
<td>5,945</td>
<td>-18%</td>
<td>-21%</td>
</tr>
<tr>
<td>North America</td>
<td>1,533</td>
<td>1,346</td>
<td>+14%</td>
<td>+1%</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>607</td>
<td>466</td>
<td>+30%</td>
<td>+31%</td>
</tr>
<tr>
<td>Mature markets</td>
<td>7,039</td>
<td>7,757</td>
<td>-9%</td>
<td>-14%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,040</td>
<td>1,467</td>
<td>-29%</td>
<td>-37%</td>
</tr>
<tr>
<td>Middle East</td>
<td>576</td>
<td>598</td>
<td>-4%</td>
<td>-19%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>526</td>
<td>623</td>
<td>-16%</td>
<td>-26%</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>2,142</td>
<td>2,688</td>
<td>-20%</td>
<td>-31%</td>
</tr>
<tr>
<td>Total</td>
<td>9,181</td>
<td>10,445</td>
<td>-12%</td>
<td>-18%</td>
</tr>
</tbody>
</table>
### 9m 2020 sales by destination

<table>
<thead>
<tr>
<th>€m</th>
<th>9m 2020</th>
<th>9m 2019</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>total</td>
<td>organic</td>
</tr>
<tr>
<td>France</td>
<td>2,920</td>
<td>3,281</td>
<td>-11.0%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>859</td>
<td>887</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Other European countries</td>
<td>2,679</td>
<td>2,589</td>
<td>+3.5%</td>
</tr>
<tr>
<td>Europe</td>
<td>6,458</td>
<td>6,757</td>
<td>-4.4%</td>
</tr>
<tr>
<td>North America</td>
<td>1,461</td>
<td>1,419</td>
<td>+3.0%</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>721</td>
<td>693</td>
<td>+4.0%</td>
</tr>
<tr>
<td>Mature markets</td>
<td>8,640</td>
<td>8,869</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,531</td>
<td>1,786</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Middle East</td>
<td>798</td>
<td>988</td>
<td>-19.2%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>744</td>
<td>767</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>3,074</td>
<td>3,541</td>
<td>-13.2%</td>
</tr>
<tr>
<td>Total</td>
<td>11,714</td>
<td>12,410</td>
<td>-5.6%</td>
</tr>
</tbody>
</table>

- **France**: 25%
- **United Kingdom**: 7%
- **Other EU countries**: 23%
- **North America**: 12%
- **Austr. & NZ**: 6%
- **Mid-East**: 7%
- **Asia**: 13%
- **ROW**: 6%
- **Mature markets**: 25%
- **Emerging markets**: 23%
- **Total**: 100%
### 2019 EBIT by operating segment

<table>
<thead>
<tr>
<th>€m / % of sales</th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>total</td>
</tr>
<tr>
<td>Aerospace</td>
<td>521</td>
<td>580</td>
<td>-10%</td>
</tr>
<tr>
<td>Transport</td>
<td>56</td>
<td>88</td>
<td>-37%</td>
</tr>
<tr>
<td>Defense &amp; Security</td>
<td>1,153</td>
<td>992</td>
<td>+16%</td>
</tr>
<tr>
<td>Digital Identity &amp; Security</td>
<td>264</td>
<td>15</td>
<td>nm</td>
</tr>
<tr>
<td>EBIT - operating segments</td>
<td>1,994</td>
<td>1,675</td>
<td>+19%</td>
</tr>
<tr>
<td>Other</td>
<td>(50)</td>
<td>(53)</td>
<td></td>
</tr>
<tr>
<td>EBIT - excluding Naval Group</td>
<td>1,943</td>
<td>1,623</td>
<td>+20%</td>
</tr>
<tr>
<td>Naval Group</td>
<td>65</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td>EBIT - total</td>
<td>2,008</td>
<td>1,685</td>
<td>+19%</td>
</tr>
<tr>
<td></td>
<td>2019 Thales reported</td>
<td>2019 Thales + Q1 Gemalto&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------------</td>
<td>---------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>€m</td>
<td>% of sales</td>
<td>€m</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>18,401</td>
<td></td>
<td>19,052</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>5,051</td>
<td>27.5%</td>
<td>5,261</td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(3,112)</td>
<td>-16.9%</td>
<td>(3,310)</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(1,381)</td>
<td>-7.5%</td>
<td>(1,477)</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(634)</td>
<td>-3.4%</td>
<td>(670)</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>(102)</td>
<td>-0.6%</td>
<td>(105)</td>
</tr>
<tr>
<td><strong>Share in net result of equity-accounted affiliates</strong></td>
<td>171</td>
<td></td>
<td>171</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2,008</td>
<td>10.9%</td>
<td>2,018</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Not audited. 2019 reported figures + Gemalto Q1 2019
Investor meeting - 50

Adjusted EPS and dividend

Adjusted EPS and dividend per share

Adjusted EPS up 14% per year since 2015

2020 dividend: €0.60 per share

- Initial amount proposed: €2.65 per share, corresponding to a 40% pay-out ratio
- Covid-19 crisis: amount limited to €0.60 interim dividend already paid in December 2019

2021 interim dividend to be distributed in December 2020

- €0.40 per share

[a] Initial amount. Amount adjusted down to €0.60 in the context of the Covid-19 crisis.

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Investor meeting - 50
## Cash conversion before one-offs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Free operating cash flow, before one-offs (A)</td>
<td>501</td>
<td>660</td>
<td>854</td>
<td>965</td>
<td>1,011</td>
<td>798</td>
<td>1,472</td>
</tr>
<tr>
<td>+ Exceptional down-payments received</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+450</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>+300</td>
</tr>
<tr>
<td>- Gemalto acquisition one-offs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+150</td>
<td>-50</td>
</tr>
<tr>
<td>- Reversal of down-payments and cut-off effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+400</td>
<td>-350</td>
</tr>
<tr>
<td>= Free operating cash flow, reported</td>
<td>501</td>
<td>1,110</td>
<td>954</td>
<td>1,365</td>
<td>811</td>
<td>948</td>
<td>1,372</td>
</tr>
<tr>
<td>Year-end balance of one-off items to reverse in subsequent years</td>
<td></td>
<td>+450</td>
<td>+550</td>
<td>+950</td>
<td>+750</td>
<td>+700</td>
<td></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 (B)</td>
<td>562</td>
<td>926</td>
<td>915</td>
<td>1,049</td>
<td>1,178</td>
<td>903</td>
<td>1,405</td>
</tr>
<tr>
<td>Cash conversion before one-offs (A)/(B)</td>
<td>89%</td>
<td>71%</td>
<td>93%</td>
<td>92%</td>
<td>86%</td>
<td>88%</td>
<td>105%</td>
</tr>
</tbody>
</table>

(a) 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%
Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow

2014-19 average: 105%

<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>562</td>
<td>89%</td>
</tr>
<tr>
<td>2015</td>
<td>809</td>
<td>137%</td>
</tr>
<tr>
<td>2016</td>
<td>897,954</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>

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

EBIT conversion into Free operating cash flow

2014-19 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 / 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 contains certain forward-looking statements. Although Thales believes that its expectations are based on reasonable assumptions, actual results may differ significantly from these forward-looking statements due to various risks and uncertainties, as described in the Company’s Universal Registration Document, which has been filed with the French financial markets authority (Autorité des marchés financiers – AMF).

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