Introduction to Thales

- Covid-19 crisis status update
- H1 2020 results
- Key priorities for 2019-23
- Outlook
Thales today: a set of focused, technology-driven businesses

**Pro forma 2019 sales**

**Product mix**
- Civil aeronautics: ~11%
- 29% Aerospace
- 44% Defence & security
- 17% Digital identity & security
- 10% Transport

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

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

**Defence sensors & mission systems**
- #1 in Europe

**Air Traffic Management**
- #1 worldwide

**Rail signalling and supervision**
- #2 worldwide

**Data protection**
- #1 worldwide

**Civil satellites**
- #2 worldwide

**Flight avionics**
- #3 worldwide
Thales: a pure player focused on intelligent systems 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

Sensors, mission systems, communications, command and control systems, digital identity and security solutions
Thales builds on 4 key strengths

- **Cutting edge R&D**
  - €3.5bn+, ~20% of sales
  - ~70% customer-funded
  - 29,000+ engineers
  - Top 100 global innovator for 6th consecutive year

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

- **Large 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

Derwent Top 100 Global Innovator 2020

nature

Connectivity Mobility, IoT
Big data analytics
Cybersecurity
Artificial intelligence

Thales portfolio: digital “by nature”

Significant organic and inorganic initiatives, targeting 4 key digital technologies

Large integrated network of digital native talents

Presence in 50+ countries and sales in 100+ countries

Proven ability to address complex markets and partnerships

Capitalizing on 40+ year presence
Introduction to Thales

Covid-19 crisis status update

H1 2020 results

Key priorities for 2019-23

Outlook
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

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%
- Defence & security: 44%

(a) 2019 reported sales + Gemalto Q1 2019 sales: €19,052m
Global adaptation plan

1. Implement all necessary measures to preserve the health of employees, their relatives, customers and the overall population
   Adapt operations to maintain productive capacities at the service of customers

2. Launch cost saving actions to limit financial impact

3. Strengthen liquidity in the event that the crisis persists or worsens
1 Exceptional mobilization to address an unprecedented situation

Remarkable mobilization of teams

Implementation of sanitary guidelines ensuring health protection for employees across more than 400 sites

- Work from home where possible
- Work on site: personal protective equipment, organization in separate shifts, adaptation of workstations to facilitate physical distancing measures, systematic disinfection
- Costs related to sanitary guidelines already incurred: ~€50m

Comprehensive monitoring of critical suppliers

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
Cost saving actions: targeting €800m over Full Year 2020

Plan addressing all P&L cost lines: ~€750m

- Hiring freeze in support functions
- Implementation of exceptional temporary furlough
- Impact on management bonuses
- Significant reduction in discretionary spending: marketing, travel, external consultants, etc.
- Deferral of non-critical investments: R&D, IT, real estate, etc.
- Reduction of temporary work

Capex reduction: at least €50m

Strict working capital management

Simplified 2019 adjusted P&L by nature

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>% of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>18,401</td>
<td></td>
</tr>
<tr>
<td>Direct procurement on contracts</td>
<td>-5,200</td>
<td>-28%</td>
</tr>
<tr>
<td>Thales employee costs</td>
<td>-7,400</td>
<td>-40%</td>
</tr>
<tr>
<td>Other costs</td>
<td>-3,150</td>
<td>-17%</td>
</tr>
<tr>
<td>Depreciations &amp; Amortizations</td>
<td>-720</td>
<td>-4%</td>
</tr>
<tr>
<td>Restructuring</td>
<td>-102</td>
<td></td>
</tr>
<tr>
<td>Income from JVs</td>
<td>171</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>2,008</td>
<td>11%</td>
</tr>
</tbody>
</table>
Strengthened liquidity

Robust financial position
- €3.8bn in cash at 30 June 2020
- Low leverage: net debt / EBITDA of 0.6x\(^{(a)}\)
- Strong investment grade rating: BBB+/A2

Additional €2bn funding secured in Q2
- €1.3bn syndicated credit facility signed in April
- €700m bond issued in May
- On top of existing undrawn €1.5bn committed credit facility

Early refinancing of April 2020 €500m bond, at attractive rate

Withdrawal of final dividend proposal, with a cash value of €430m

\(^{(a)}\) At 31/12/2019, excluding lease debt and amortization
Introduction to Thales

Covid-19 crisis status update

H1 2020 results

Key priorities for 2019-23

Outlook
H1 2020 highlights

H1 results severely impacted by Covid-19 crisis, in line with framework presented in April 2020

First benefits of global adaptation plan

Major commercial successes in Space and naval defense

Solid strategic roadmap for both near and long-term

Positioning on intelligent systems and digital solutions well adapted to post Covid-19 world
H1 2020 key figures

**Order intake**

€m  
- H1 2019: 6,995  
- H1 2020: 6,092  
-13%  
-23% (a)

**Sales**

€m  
- H1 2019: 8,190  
- H1 2020: 7,751  
-5.4%  
-13.6% (a)

**EBIT and EBIT margin (b)**

€m and %  
- H1 2019: 820  
- H1 2020: 348  
-57%  
10.0%  
4.5%

**Adjusted net income (b)**

€m  
- H1 2019: 574  
- H1 2020: 232  
-60%

**Free operating cash-flow (b)**

€m  
- H1 2019: (332)  
- H1 2020: (471)

**Net cash (debt) position**

€m  
Dec 2017: 2,971  
June 2018: 2,311  
Dec 2018: 3,181  
Dec 2019: (4,397)  
June 2020: (3,928)

(a) Organic: at constant scope and exchange rates
(b) The definition of all non-GAAP measures can be found in appendix

Investor meeting - 14
H1 2020 order intake

Order intake marked by Covid-19 crisis
- Lower demand in civil aero
- Delayed orders in other businesses

3 large(a) orders booked in Q2 2020, for a total of 4 in H1 2020, vs 7 in H1 2019
- Anti-submarine sonars for US navy
- Strategic munition supply for Australian MoD
- 2 broadcasting satellites for SES

Base of small orders(b) holding well outside of civil aero
- Down ~5% excluding civil aero

---

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

---

Order intake by contract unit value

<table>
<thead>
<tr>
<th>Unit Value</th>
<th>H1 2019</th>
<th>H1 2020 at H1 2019 scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>€10m &lt; Unit value &lt; €100m</td>
<td>3,796</td>
<td>3,403</td>
</tr>
<tr>
<td>Unit value &gt; €100m</td>
<td>1,546</td>
<td>1,402</td>
</tr>
<tr>
<td></td>
<td>1,653</td>
<td>5,364</td>
</tr>
<tr>
<td></td>
<td>560</td>
<td>560</td>
</tr>
<tr>
<td></td>
<td>6,092</td>
<td></td>
</tr>
</tbody>
</table>

Reported growth: -13%
Organic growth: -23%
+14%
H1 2020 sales

**Significant scope and currency impact**
- Scope impact (Gemalto Q1): +€697m
- Currency impact: -€20m

**Covid-19 crisis driving 20% organic sales decline in Q2**
- Civil aeronautics demand down 50%+
- Other businesses down 16% due to disruption of operations

**Geographically contrasted organic sales growth**
## Summary adjusted P&L: from sales to EBIT

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
<th>change</th>
<th>total</th>
<th>organic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>% of sales</td>
<td>€m</td>
<td>% of sales</td>
<td>total</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td><strong>7,751</strong></td>
<td><strong>23.8%</strong></td>
<td><strong>8,190</strong></td>
<td><strong>26.9%</strong></td>
<td><strong>-5.4%</strong></td>
</tr>
<tr>
<td>Gross margin</td>
<td>1,847</td>
<td>23.8%</td>
<td>2,203</td>
<td>26.9%</td>
<td>-16.1%</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>(1,470)</td>
<td>(19.0%)</td>
<td>(1,420)</td>
<td>(17.3%)</td>
<td>+3.6%</td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(491)</td>
<td>(6.3%)</td>
<td>(476)</td>
<td>(5.8%)</td>
<td>+3.2%</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(671)</td>
<td>(8.7%)</td>
<td>(638)</td>
<td>(7.8%)</td>
<td>+5.2%</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(308)</td>
<td>(4.0%)</td>
<td>(306)</td>
<td>(3.7%)</td>
<td>+0.8%</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(30)</td>
<td>(0.4%)</td>
<td>(44)</td>
<td>(0.5%)</td>
<td>-32.6%</td>
</tr>
<tr>
<td>Share in net result of equity-accounted affiliates, excluding Naval Group</td>
<td>16</td>
<td>0.2%</td>
<td>51</td>
<td>0.6%</td>
<td>-69.4%</td>
</tr>
<tr>
<td><strong>EBIT excluding Naval Group</strong></td>
<td><strong>363</strong></td>
<td><strong>4.7%</strong></td>
<td><strong>790</strong></td>
<td><strong>9.6%</strong></td>
<td><strong>-54.1%</strong></td>
</tr>
<tr>
<td>Share in net result of Naval Group</td>
<td>(15)</td>
<td></td>
<td>29</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td><strong>348</strong></td>
<td><strong>4.5%</strong></td>
<td><strong>820</strong></td>
<td><strong>10.0%</strong></td>
<td><strong>-57.5%</strong></td>
</tr>
</tbody>
</table>
Significant impact of cost saving actions already visible in H1

€m and % of sales

H1 2019

820

10.0%

Gemalto Q1 2019

829

9.4%

H1 2019 + Gemalto Q1 2019

Cost saving actions ~+320

Direct costs

~+170

Sales down 12% + Gross margin down ~6 pts

Indirect costs

+147

-9%

R&D: -9%

M&S: -9%

G&A: -10%

Restructuring

+17

Equity affiliates

-79

Naval Group: -44

Other: -35

H1 2020

348

4.5%
## EBIT by operating segment

<table>
<thead>
<tr>
<th>€m / % of sales</th>
<th>H1 2020</th>
<th>H1 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>total</td>
<td>organic</td>
</tr>
<tr>
<td>Aerospace</td>
<td>(109)</td>
<td>270</td>
<td>nm</td>
</tr>
<tr>
<td></td>
<td>-5.6%</td>
<td>10.3%</td>
<td>nm</td>
</tr>
<tr>
<td>Transport</td>
<td>4</td>
<td>(42)</td>
<td>(5.0%)</td>
</tr>
<tr>
<td>Defense &amp; Security</td>
<td>359</td>
<td>564</td>
<td>-36%</td>
</tr>
<tr>
<td></td>
<td>10.0%</td>
<td>14.5%</td>
<td></td>
</tr>
<tr>
<td>Digital Identity &amp; Security</td>
<td>140</td>
<td>37</td>
<td>nm</td>
</tr>
<tr>
<td>Other</td>
<td>(32)</td>
<td>(39)</td>
<td></td>
</tr>
<tr>
<td>EBIT – excluding Naval Group</td>
<td>363</td>
<td>790</td>
<td>-54%</td>
</tr>
<tr>
<td></td>
<td>4.7%</td>
<td>9.6%</td>
<td></td>
</tr>
<tr>
<td>Naval Group</td>
<td>(15)</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>EBIT – total</td>
<td>348</td>
<td>820</td>
<td>-57%</td>
</tr>
<tr>
<td></td>
<td>4.5%</td>
<td>10.0%</td>
<td></td>
</tr>
</tbody>
</table>

Aerospace impacted by both demand and productivity impacts
All other businesses impacted by temporary productivity impact
Good resilience of Defense & Security and Digital Identity & Security EBIT margin
**Aerospace: H1 2020 key figures**

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2020</th>
<th>H1 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>1,625</td>
<td>1,758</td>
<td>-8%</td>
</tr>
<tr>
<td>Sales</td>
<td>1,946</td>
<td>2,609</td>
<td>-25.4%</td>
</tr>
<tr>
<td>EBIT</td>
<td>(109)</td>
<td>270</td>
<td>nm</td>
</tr>
<tr>
<td>in % of sales</td>
<td>-5.6%</td>
<td>10.3%</td>
<td>nm</td>
</tr>
</tbody>
</table>

Order intake holding well thanks to strong Q1 in avionics, easy comps in space
- Major Covid-19 impact on civil aero in Q2
- Multiple tenders ongoing in commercial telecom satellites, but visibility remains low
- Dynamic institutional space market

Sales affected by both demand and productivity impact during Q2
- Q2 civil aero sales down 50%+, with similar declines in both aftermarket and linefit
- Significant productivity impact in other businesses

Crisis generates major inefficiencies, partly offset by strong cost actions
- Segment gross margin down 12 points, from 25% to 14%
- Indirect costs down 11% in H1
Transport: H1 2020 key figures

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td></td>
<td>total</td>
</tr>
<tr>
<td>Order intake</td>
<td>442</td>
<td>556</td>
<td>-21%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>organic -20%</td>
</tr>
<tr>
<td>Sales</td>
<td>717</td>
<td>835</td>
<td>-14.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>organic -13.7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>4</td>
<td>(42)</td>
<td>nm</td>
</tr>
<tr>
<td>in % of sales</td>
<td>0.6%</td>
<td>-5.0%</td>
<td>nm</td>
</tr>
</tbody>
</table>

Order intake affected by delays in bid processes and contract awards

Sales affected by phasing down of 4 major projects\(^{(a)}\) and Covid-19 related difficulties to carry installation and testing on sites during Q2

EBIT impacted by drop in sales and Covid-19 related inefficiencies

- Transformation plan delivers gross margin improvement, in spite of crisis
- H1 2019 EBIT impacted by 2 negative one-offs for ~€40m
- Further EBIT recovery confirmed for H2

\(^{(a)}\) London, Dubai, Doha, Hong Kong
## Defence & Security: H1 2020 key figures

### Order intake down due to high comps and delays in finalizing contracts
- No significant opportunity lost, catch-up expected during H2

### Solid sales performance in spite of Covid-19 disruptions
- 6 out of 13 business lines recording growth in H1, in spite of high comps
  (organic sales growth in H1 2018: +8.5%, in H1 2019: +6.8%)

### Double digit profitability despite challenging context
- Indirect costs adjusted in line with decline in sales
- Record high H1 2019 margin, including positive one-offs
  (H1 2018 EBIT margin: 11.8%, H1 2019 EBIT margin: 14.5%)

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
<th>Change</th>
<th>Total</th>
<th>organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>2,425</td>
<td>3,809</td>
<td>-36%</td>
<td>-36%</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>3,588</td>
<td>3,882</td>
<td>-7.6%</td>
<td>-7.3%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>359</td>
<td>564</td>
<td>-36%</td>
<td>-36%</td>
<td></td>
</tr>
<tr>
<td>in % of sales</td>
<td>10.0%</td>
<td>14.5%</td>
<td>-4.5 pts</td>
<td>-4.6 pts</td>
<td></td>
</tr>
</tbody>
</table>
## Digital Identity & Security: H1 2020 key figures

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>1,587</td>
<td>829</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>1,472</td>
<td>829</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>140</td>
<td>37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in % of sales</td>
<td>9.5%</td>
<td>4.5%</td>
<td></td>
<td>non meaningful</td>
</tr>
</tbody>
</table>

**Order intake structurally aligned with sales for most businesses**

**H1 sales flat on pro forma basis**

- Smart card sales growth above long-term trend
- Negative demand impact concentrated in biometrics and IoT connectivity modules
- Limited Covid-19 related production and supply chain difficulties

**Solid EBIT improvement despite crisis-related costs**

- Positive gross margin mix effect
- Strong indirect cost performance, thanks to global adaptation plan and cost synergies
## Summary adjusted P&L: from EBIT to adjusted net income

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT</strong></td>
<td>348</td>
<td>820</td>
</tr>
<tr>
<td>Cost of net financial debt and other financial results</td>
<td>(45)</td>
<td>(20)</td>
</tr>
<tr>
<td>Finance costs on pensions and other employee benefits</td>
<td>(20)</td>
<td>(27)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(66)</td>
<td>(184)</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>-23.2%</td>
<td>-26.6%</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong></td>
<td>218</td>
<td>588</td>
</tr>
<tr>
<td>Minorities</td>
<td>(14)</td>
<td>14</td>
</tr>
<tr>
<td><strong>Adjusted net income, Group share</strong></td>
<td>232</td>
<td>574</td>
</tr>
<tr>
<td><strong>EPS: Adjusted net income, Group share, per share (in €)</strong></td>
<td>1.09</td>
<td>2.70</td>
</tr>
</tbody>
</table>
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>
Movement in net debt over H1 2020

Net Debt at 31 Dec 19

Net Debt at 30 June 20

-3,311

-471

Free operating cash-flow

-471

Deficit payment on UK pensions

-49

Acquisitions & disposals

-4

Dividends

0

Other

-94

-3,928
Introduction to Thales

Covid-19 crisis status update

H1 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
  - 48% External purchases
  - 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 - 29
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>Year</th>
<th>Gross Margin</th>
<th>G&amp;A Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>23.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>2016</td>
<td>23.8%</td>
<td>3.6%</td>
</tr>
<tr>
<td>2017</td>
<td>24.0%</td>
<td>3.6%</td>
</tr>
<tr>
<td>2018</td>
<td>25.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2019</td>
<td>26.1%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>


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

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

Gemalto drives 27% increase in R&D investments

- 2018 R&D organic increase ahead of plan

2019-23: continued reinvestment

- 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
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&lt;sup&gt;(a)&lt;/sup&gt;</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;(b)&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> Pre Covid-19 crisis forecasts
<sup>(b)</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

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

Breakdown of expected run-rate cost synergies

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

Total: €120m

Integration costs: ~€30m in 2019, ~€10m in 2020
Revenue synergy opportunities materializing across Group

Digital identity - biometrics
Secure connectivity - IoT
Data protection - encryption

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

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.
Introduction to Thales
Covid-19 crisis status update
H1 2020 results
Key priorities for 2019-23
Outlook
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>Year</th>
<th>Aerospace</th>
<th>Transport</th>
<th>Defence &amp; Security</th>
<th>Digital identity &amp; Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>~+1.5%(^{(a)})</td>
<td>~+3%(^{(b)})</td>
<td>~+3.5%(^{(b)})</td>
<td>Flat(^{(b)})</td>
</tr>
<tr>
<td>2020</td>
<td>~+3%</td>
<td>~+3.5%</td>
<td>Flat (2018-23: ~+2%)</td>
<td>Flat</td>
</tr>
<tr>
<td>2021</td>
<td>~+3%</td>
<td>~+3.5%</td>
<td>Flat</td>
<td>Flat</td>
</tr>
<tr>
<td>2022</td>
<td>~+3%</td>
<td>~+3.5%</td>
<td>Flat</td>
<td>Flat</td>
</tr>
<tr>
<td>2023</td>
<td>~+3%</td>
<td>~+3.5%</td>
<td>Flat</td>
<td>Flat</td>
</tr>
</tbody>
</table>

- **Market trend**
- **Organic sales growth target 2019-23**

\(^{(a)}\) 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

---

**Impact of space market slowdown**

- High comps in transport

**High growth in first part of period**

- Recovery of space market
- DIS revenue synergies
- New digital services and breakthrough innovations

**Lower growth in second part of period**

- Smart cards
- Digital services and solutions

**Flat growth in second part of period**

- Smart cards
- Digital services and solutions

---

Investor meeting - 40
Civil businesses aligned with major societal trends, amplified by Covid-19 crisis

- **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**: 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

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

- **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)

- +5% per year

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2015</td>
<td>17.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2016</td>
<td>19.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2017</td>
<td>18.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2018</td>
<td>20.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2019</td>
<td>21.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Investor meeting - 42
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

- Increase in profitability: 8.0% (+330 bps)
- Additional R&D: -70 bps
- 2013 EBIT margin: 8.0%

- Increase in profitability: 10.6% (10.0%)
- Gemalto consolidation: -60 bps
- 2018 EBIT margin: 10.6%

- 2018 EBIT margin pro forma: 10.0%
- Increase in profitability: +200 to +240 bps
- Additional R&D: -30 to -50 bps
- 2019: +70 bps

- 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%

Transport
- 2018: 4.4%
- 2023 target: 8% to 8.5%

Defence & security
- 2018: 12.4% (a)
- 2023 target: 12% to 13%

Digital identity & security
- 2018: 7.3%
- 2023 target: 12.5% to 13.5% (b)

(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
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

<table>
<thead>
<tr>
<th>Underlying(a)</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>€bn</td>
<td>€bn</td>
</tr>
<tr>
<td>2014-18</td>
<td>2019: 105%</td>
</tr>
<tr>
<td>4.6</td>
<td>107%</td>
</tr>
<tr>
<td>4.0</td>
<td>2019: 98%</td>
</tr>
<tr>
<td>~95%</td>
<td>~85%</td>
</tr>
<tr>
<td>IFRS16 impact</td>
<td>IFRS16 impact</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

Investor meeting - 46
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\(^{(a)}\)

\[(a)\] Pre Covid-19 crisis expectation

<table>
<thead>
<tr>
<th>2018 reported</th>
<th>After Gemalto acquisition(^{(b)})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before IFRS 16</td>
</tr>
<tr>
<td></td>
<td>€bn</td>
</tr>
<tr>
<td>Net cash</td>
<td>3.2</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td></td>
</tr>
</tbody>
</table>

\[(b)\] 2019, pro forma 12 months
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></th>
<th>Order intake</th>
<th>Sales</th>
<th>EBIT&lt;sup&gt;(b)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Book-to-bill above 1, driven by solid dynamics in Defence &amp; Security</strong></td>
<td>€16.5 to €17.2 billion&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>€1,300 to €1,400 million&lt;sup&gt;(a, c)&lt;/sup&gt;</td>
<td>€1,300 to €1,400 million&lt;sup&gt;(a, c)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Assuming no major step-up in sanitary measures on key markets. Based on July 2020 scope and foreign exchange rates.

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

<sup>(c)</sup> Assuming full year restructuring cost of ~€130m (€102m in 2019) and EBIT contribution from JVs of ~€70m (€171m in 2019).
Medium-term: structural assets to mitigate effects of crisis

Diversified and robust customer base

Capabilities addressing key societal trust-related needs: security, safety, resilience, digital trust

Leadership in critical technologies, strengthened thanks to Gemalto acquisition

Continued focus on operational performance

Solid balance sheet
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><strong>Connected in-flight entertainment (IFE)</strong></td>
<td></td>
<td></td>
<td></td>
<td>~800</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td><strong>Microwave tubes</strong> for satellite, medical, scientific and military applications</td>
<td></td>
<td></td>
<td></td>
<td>~500</td>
<td>#1 worldwide</td>
</tr>
<tr>
<td><strong>Space solutions</strong> for telecom, observation, navigation and exploration</td>
<td></td>
<td></td>
<td></td>
<td>~2,150</td>
<td>#2 worldwide (civil satellites)</td>
</tr>
<tr>
<td><strong>Rail signalling and supervision</strong> including passenger payment collection systems</td>
<td></td>
<td></td>
<td></td>
<td>~1,900</td>
<td>#2 worldwide</td>
</tr>
<tr>
<td><strong>Defence &amp; security</strong></td>
<td><strong>Sensors and mission systems</strong> 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><strong>Communications, command and control systems</strong> 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></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

**Key Points**

- **Aerospace**
  - 29% of 2019 sales
  - Civil: 11%
  - Space: 11%
  - Military: 7%

- **Transport**
  - 10% of 2019 sales

- **Defence & security**
  - 44% of 2019 sales

- **Digital identity & security**
  - 17% of 2019 sales

**Market Positions**

- #3 worldwide (flight avionics)
- #2 worldwide (civil satellites)
- #2 worldwide (military tactical communications)
- #1 worldwide
Robust customer mix and broad industrial footprint

**Customer mix**

- **Commercial customers:** 20%
  - Aircraft OEMs
  - Commercial satellite operators
  - Industrial customers
  - Airlines

- **Private operators of critical infrastructures:** 21%
  - Railways, metro operators
  - Banks
  - Mobile network operators
  - Cloud suppliers, utilities

- **Military customers:** 44%

- **Government agencies:** 15%
  - Ministries of interior/Home offices
  - Space agencies
  - Air traffic control agencies

---

**Headcount by geography**

- **France:** 39,300
- **UK:** 6,500
- **Germany:** 3,700
- **Italy:** 2,800
- **Netherlands:** 2,000
- **Rest of Europe:** 6,500
- **North America:** 6,900
- **Australia:** 3,700
- **Singapore:** 2,100
- **Rest of Asia:** 3,300
- **Other markets:** 5,900

**Total headcount at 31/12/19:** 82,700

---

[a] Based on Thales 2019 + Gemalto Q1 2019: €19,052m
Highly diversified Defence & security customer base

Defence & security sales by region, 2019

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

**Aerospace**

- Organic sales growth:
  - 2015: +2%
  - 2016: +4%
  - 2017: +4%
  - 2018: +1%
  - 2019: -4%
- EBIT margin:
  - 2015: 9.6%
  - 2016: 9.8%
  - 2017: 10.0%
  - 2018: 10.0%
  - 2019: 9.3%

**Transport**

- Organic sales growth:
  - 2015: +4%
  - 2016: +8%
  - 2017: +11%
  - 2018: -6%
  - 2019: +11%
- EBIT margin:
  - 2015: 0.7%
  - 2016: 4.1%
  - 2017: 4.4%
  - 2018: 2.9%
  - 2019: -2.4%

**Defence & Security**

- Organic sales growth:
  - 2015: +7%
  - 2016: +5%
  - 2017: +9%
  - 2018: +6%
  - 2019: +6%
- EBIT margin:
  - 2015: 10.7%
  - 2016: 10.7%
  - 2017: 10.9%
  - 2018: 12.6%
  - 2019: 14.0%

**Total Group**

- Organic sales growth:
  - 2015: +4.5%
  - 2016: +6.8%
  - 2017: +7.2%
  - 2018: +5.3%
  - 2019: +0.8%
- EBIT margin:
  - 2015: 8.6%
  - 2016: 9.1%
  - 2017: 9.8%
  - 2018: 10.6%
  - 2019: 10.9%
### Organic sales growth per quarter

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>+16%</td>
<td>+1%</td>
<td>+1%</td>
<td>-2%</td>
<td>-0%</td>
<td>-3%</td>
<td>-7%</td>
<td>-7%</td>
<td>-6%</td>
<td>-12%</td>
</tr>
<tr>
<td>2018</td>
<td>+29%</td>
<td>+17%</td>
<td>+19%</td>
<td>+3%</td>
<td>+1%</td>
<td>+1%</td>
<td>-17%</td>
<td>-9%</td>
<td>-13%</td>
<td>-14%</td>
</tr>
<tr>
<td>2019</td>
<td>+10%</td>
<td>+8%</td>
<td>+8%</td>
<td>+0%</td>
<td>+12%</td>
<td>+10%</td>
<td>+4%</td>
<td>+2%</td>
<td>+1%</td>
<td>+1%</td>
</tr>
<tr>
<td>2020</td>
<td>+11%</td>
<td>+3%</td>
<td>+15%</td>
<td>-2%</td>
<td>-3%</td>
<td>-4%</td>
<td>-17%</td>
<td>-9%</td>
<td>-13%</td>
<td>-14%</td>
</tr>
</tbody>
</table>

#### Aerospace
- 2017: Q1 +16%, Q2 +1%, Q3 +1%, Q4 -2%
- 2018: Q1 +29%, Q2 +17%, Q3 +19%, Q4 +11%
- 2019: Q1 +1%, Q2 +1%
- 2020: Q1 -12%, Q2 -38%

#### Transport
- 2017: Q1 +7%, Q2 +8%, Q3 +28%, Q4 -4%
- 2018: Q1 +29%, Q2 +17%, Q3 +19%, Q4 +11%
- 2019: Q1 +1%, Q2 +1%
- 2020: Q1 -13%, Q2 -14%

#### Defence & Security
- 2017: Q1 +8%, Q2 +5%, Q3 +22%, Q4 -3%
- 2018: Q1 +10%, Q2 +8%, Q3 +8%, Q4 +0%
- 2019: Q1 +12%, Q2 +10%, Q3 +4%
- 2020: Q1 +2%

#### Digital Identity & Security
- 2017: Q1 +11%, Q2 +3%, Q3 +15%, Q4 -2%
- 2018: Q1 +7%, Q2 +7%, Q3 +10%, Q4 +0%
- 2019: Q1 +1%, Q2 +1%
- 2020: Q1 -5%
## 2019 order intake by destination

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

The pie chart shows the distribution of order intake across different regions and regions:

- France: 28%
- United Kingdom: 9%
- Other European countries: 22%
- North America: 11%
- Australia/NZ: 4%
- Asia: 13%
- Middle East: 7%
- Rest of the world: 6%
- Emerging markets: 38%
- Mature markets: 11%
- Mature and Emerging markets: 69%
- Total: 100%
## 2019 sales by destination

<table>
<thead>
<tr>
<th>Destination</th>
<th>€m 2019</th>
<th>€m 2018</th>
<th>change total</th>
<th>change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>4,461</td>
<td>3,985</td>
<td>+12.0%</td>
<td>+8.8%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,297</td>
<td>1,253</td>
<td>+3.5%</td>
<td>-6.1%</td>
</tr>
<tr>
<td>Other European countries</td>
<td>4,040</td>
<td>3,498</td>
<td>+15.5%</td>
<td>+2.3%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>9,798</td>
<td>8,736</td>
<td>+12.2%</td>
<td>+4.1%</td>
</tr>
<tr>
<td>North America</td>
<td>2,102</td>
<td>1,367</td>
<td>+53.7%</td>
<td>+6.9%</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>958</td>
<td>858</td>
<td>+11.6%</td>
<td>+7.2%</td>
</tr>
<tr>
<td><strong>Mature markets</strong></td>
<td>12,858</td>
<td>10,960</td>
<td>+17.3%</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Asia</td>
<td>2,642</td>
<td>2,297</td>
<td>+15.0%</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Middle East</td>
<td>1,601</td>
<td>1,647</td>
<td>-2.8%</td>
<td>-11.1%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>1,301</td>
<td>950</td>
<td>+36.8%</td>
<td>-7.5%</td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td>5,543</td>
<td>4,894</td>
<td>+13.3%</td>
<td>-7.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18,401</td>
<td>15,855</td>
<td>+16.1%</td>
<td>+0.8%</td>
</tr>
</tbody>
</table>
## 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></td>
<td>total</td>
<td>organic</td>
</tr>
<tr>
<td><strong>Aerospace</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>521</td>
<td>580</td>
<td>-10%</td>
</tr>
<tr>
<td></td>
<td>9.3%</td>
<td>10.0%</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>56</td>
<td>88</td>
<td>-37%</td>
</tr>
<tr>
<td></td>
<td>2.9%</td>
<td>4.4%</td>
<td>-35%</td>
</tr>
<tr>
<td><strong>Defence &amp; Security</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,153</td>
<td>992</td>
<td>+16%</td>
</tr>
<tr>
<td></td>
<td>14.0%</td>
<td>12.7%</td>
<td>+21%</td>
</tr>
<tr>
<td><strong>Digital Identity &amp; Security</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>264</td>
<td>15</td>
<td>nm</td>
</tr>
<tr>
<td></td>
<td>10.3%</td>
<td>8.0%</td>
<td>nm</td>
</tr>
<tr>
<td><strong>EBIT - operating segments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,994</td>
<td>1,675</td>
<td>+19%</td>
</tr>
<tr>
<td></td>
<td>10.9%</td>
<td>10.6%</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(50)</td>
<td>(53)</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT - excluding Naval Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,943</td>
<td>1,623</td>
<td>+20%</td>
</tr>
<tr>
<td></td>
<td>10.6%</td>
<td>10.3%</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Naval Group</strong></td>
<td>65</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT - total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,008</td>
<td>1,685</td>
<td>+19%</td>
</tr>
<tr>
<td></td>
<td>10.9%</td>
<td>10.6%</td>
<td>+4%</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>Sales</td>
<td>18,401</td>
<td></td>
<td>19,052</td>
</tr>
<tr>
<td>Gross margin</td>
<td>5,051</td>
<td>27.5%</td>
<td>5,261</td>
</tr>
<tr>
<td>Indirect costs</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>Restructuring costs</td>
<td>(102)</td>
<td>-0.6%</td>
<td>(105)</td>
</tr>
<tr>
<td>Share in net result of equity-accounted affiliates</td>
<td>171</td>
<td></td>
<td>171</td>
</tr>
<tr>
<td>EBIT</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
### Thales H1 2019 + Gemalto Q1 2019 summary adjusted P&L

<table>
<thead>
<tr>
<th></th>
<th>Reported H1 2019</th>
<th>Gemalto Q1 2019</th>
<th>= Reported H1 2019 + Gemalto Q1 2019&lt;sup&gt;(a)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>€m</td>
<td>€m</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>8,190</td>
<td>651</td>
<td>8,841</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>2,203</td>
<td>210</td>
<td>2,413</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>27.3% of sales</td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td>(1,420)</td>
<td>(198)</td>
<td>(1,617)</td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(476)</td>
<td>(66)</td>
<td>(542)</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(638)</td>
<td>(96)</td>
<td>(734)</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(306)</td>
<td>(36)</td>
<td>(342)</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>(44)</td>
<td>0</td>
<td>(47)</td>
</tr>
<tr>
<td>Share in net result of equity-accounted affiliates, excluding Naval Group</td>
<td>51</td>
<td>0</td>
<td>51</td>
</tr>
<tr>
<td><strong>EBIT excluding Naval Group</strong></td>
<td>790</td>
<td>10</td>
<td>800</td>
</tr>
<tr>
<td>Share in net result of Naval Group</td>
<td>29</td>
<td>0</td>
<td>29</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>820</td>
<td>10</td>
<td>829</td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Not audited. H1 2019 reported figures + Gemalto Q1 2019
### 2019 summary adjusted P&L: from sales to EBIT

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>% of sales</th>
<th>2018</th>
<th>% of sales</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>€m</td>
<td>% of sales</td>
<td>€m</td>
<td>% of sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>18,401</td>
<td>+16.1%</td>
<td>15,855</td>
<td>+0.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>5,051</td>
<td>27.5%</td>
<td>4,088</td>
<td>25.8%</td>
<td>+23.6%</td>
<td>+3.5%</td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td>(3,112)</td>
<td>-16.9%</td>
<td>(2,526)</td>
<td>-15.9%</td>
<td>+23.2%</td>
<td>+1.5%</td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(1,097)</td>
<td>-6.0%</td>
<td>(879)</td>
<td>-5.5%</td>
<td>+24.8%</td>
<td>+3.2%</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(1,381)</td>
<td>-7.5%</td>
<td>(1,095)</td>
<td>-6.9%</td>
<td>+26.2%</td>
<td>+2.2%</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(634)</td>
<td>-3.4%</td>
<td>(552)</td>
<td>-3.5%</td>
<td>+14.8%</td>
<td>-2.7%</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>(102)</td>
<td></td>
<td>(48)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share in net result of equity-accounted affiliates, excluding Naval Group</strong></td>
<td>106</td>
<td></td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT, excluding Naval Group</strong></td>
<td>1,943</td>
<td>10.6%</td>
<td>1,623</td>
<td>10.2%</td>
<td>+19.8%</td>
<td>+4.0%</td>
</tr>
<tr>
<td><strong>Share in net result of Naval Group</strong></td>
<td>65</td>
<td></td>
<td>63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2,008</td>
<td>10.9%</td>
<td>1,685</td>
<td>10.6%</td>
<td>+19.2%</td>
<td>+4.0%</td>
</tr>
</tbody>
</table>
### 2019 summary adjusted P&L: from EBIT to adjusted net income

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

\(^{(a)}\) 2019 includes -€27m IFRS 16 impact on the cost of net financial debt
Adjusted EPS and dividend

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
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free operating cash flow, before one-offs</strong></td>
<td>(A)</td>
<td>501</td>
<td>660</td>
<td>854</td>
<td>965</td>
<td>1,011</td>
<td>798</td>
</tr>
<tr>
<td>+ Exceptional down-payments received</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Exceptional cut-off effects at 31 December</td>
<td>+400</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Gemalto acquisition one-offs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Reversal of down-payments and cut-off effects</td>
<td>-200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>= Free operating cash flow, reported</strong></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></td>
<td></td>
<td></td>
<td></td>
<td></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>-117</td>
<td>-18</td>
<td>-67</td>
<td>-</td>
<td>-29</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>= Adjusted net income, Group share, before one-offs</strong></td>
<td>(B)</td>
<td>562</td>
<td>926</td>
<td>915</td>
<td>1,049</td>
<td>1,178</td>
<td>903</td>
</tr>
<tr>
<td>Cash conversion before one-offs</td>
<td>(A)/(B)</td>
<td>89%</td>
<td>71%</td>
<td>93%</td>
<td>92%</td>
<td>86%</td>
<td>88%</td>
</tr>
</tbody>
</table>

\(^{(a)}\) 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

2014-18 average: 107%

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted net income</th>
<th>Free operating cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>562</td>
<td>89%</td>
</tr>
<tr>
<td>2015</td>
<td>809</td>
<td>137%</td>
</tr>
<tr>
<td>2016</td>
<td>897954</td>
<td>106%</td>
</tr>
<tr>
<td>2017</td>
<td>982</td>
<td>139%</td>
</tr>
<tr>
<td>2018</td>
<td>1,178</td>
<td>69%</td>
</tr>
<tr>
<td>2019</td>
<td>1,372</td>
<td>98%</td>
</tr>
</tbody>
</table>

EBIT conversion into Free operating cash flow

2014-18 average: 70%

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT</th>
<th>Free operating cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>985</td>
<td>51%</td>
</tr>
<tr>
<td>2015</td>
<td>1,110</td>
<td>91%</td>
</tr>
<tr>
<td>2016</td>
<td>1,354</td>
<td>70%</td>
</tr>
<tr>
<td>2017</td>
<td>1,365</td>
<td>88%</td>
</tr>
<tr>
<td>2018</td>
<td>1,685</td>
<td>48%</td>
</tr>
<tr>
<td>2019</td>
<td>1,372</td>
<td>68%</td>
</tr>
</tbody>
</table>

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

Cash conversion ratio: Free operating cash flow / EBIT
Definition of non-GAAP measures and other remarks

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

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

Non-GAAP measures
This presentation contains non-Generally Accepted Accounting Principles (GAAP) financial measures. Thales regards such non-GAAP financial measures as relevant operating and financial performance indicators for the Group, as they allow non-operating and non-recurring items to be excluded. Thales definitions for such measures may differ from similarly titled measures used by other companies or analysts.

- **EBIT**: income from operations; plus the share of net income or loss of equity affiliates less: amortization of acquired assets (PPA), expenses recorded in the income from operations that are directly related to business combinations. See also notes 13-a and 2 of the consolidated financial statements at 31 December 2019.
- **Adjusted net income**: net income, less the following elements, net of the corresponding tax effects: (i) amortization of acquired assets (PPA), (ii) expenses recorded in the income from operations or in “financial results” which are directly related to business combinations, which by their nature are unusual, (iii) disposal of assets, change in scope of consolidation and other, (iv) impairment of non-current assets, (v) changes in the fair value of derivative foreign exchange instruments (recognized under “other financial income and expenses” in the consolidated financial statements), (vi) actuarial gains or losses on long-term benefits (recognized under “finance costs on pensions and employee benefits” in the consolidated financial statements). See note 13-a of the consolidated financial statements at 31 December 2019. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS .... See page 14 and 15 of the 2019 results press release for detailed calculation of these other indicators.
- **Free operating cash flow**: net cash flow from operating activities, less: capital expenditures, less: deficit payments on pensions in the United Kingdom. See notes 13-a and 6.3 of the consolidated financial statements at 31 December 2019.
- **Net cash (debt)**: difference between the sum of “cash and cash equivalents” and “current financial assets” items and short and long-term borrowings, after deduction of interest rate derivatives. See note 6.2 of the consolidated financial statements at 31 December 2019.
This presentation may contain forward-looking statements. Such forward-looking statements are trends or objectives, as the case may be, and shall not be construed as constituting forecasts regarding the Company’s results or any other performance indicator. These statements are by nature subject to risks and uncertainties as described in the Company’s registration document (“Document de référence”) filed with Autorité des Marchés Financiers. These statements do not therefore reflect future performance of the Company, which may be materially different.