Investor meeting

November 2021
Introduction to Thales

Key priorities for 2019-23

Sustainability: safer, greener and more inclusive

Proposed disposal of transport segment

H1 and 9m 2021 results

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

Product mix

- 53% Defense & security
- 28% Aerospace
- 20% Digital identity & security

Customer mix

- 19% Commercial customers
- 14% Private operators of critical infrastructures
- 14% Government agencies
- 53% Military customers

Geographical mix

- 57% Europe
- 20% Asia-Pacific
- 12% North America
- 12% Rest of world

2020 sales:

- Flight avionics: #3 worldwide
- Civil satellites: #2 worldwide
- Defense sensors & mission systems: #1 worldwide
- Air Traffic Management: #1 in Europe
- Data protection: #1 worldwide
- Smart payment and SIM cards: #1 worldwide

(a) Excluding transport, now treated as discontinued operations (IFRS5)
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: Hardware + software
- Data transmission and storage: Hardware + software
- Data processing and decision making: Software + systems

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

**Cutting edge R&D**
- €3bn+, ~20% of sales
- ~70% customer-funded
- 29,000+ engineers
- Top 100 global innovator for 7th 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

---

Investor meeting - 5
Introduction to Thales

Key priorities for 2019-23

- Sustainability: safer, greener and more inclusive
- Proposed disposal of transport segment
- H1 and 9m 2021 results
- Outlook

www.thalesgroup.com
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
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>

2.9 point EBIT margin expansion achieved over 4 years

Focus on 4 high impact initiatives

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

(a) At constant scope: 2015-2018 adjusted for disposal of GP HSM business, 2019 excluding Gemalto.
Investments focused on core digital technologies

- Cybersecurity
- Big data analytics and artificial intelligence
- Connectivity, IoT
- Digital identity, biometrics

New R&D investment areas

- Edge and far edge computing
- Quantum sensors
- Quantum communications
- Post-quantum cryptography

Self-funded R&D

€m and as % of sales

- 2013: 695 (4.9%)
- 2017 average: 879 (5.5%)
- 2018: 1,115 (6.0%)
- 2019: 1,163 (6.1%)
- 2020: 1,025 (6.0%)
- Pro forma Gemalto

6.0% to 6.5% of sales

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 investments drive key successes across all markets

**Aerospace**
- Telesat: flexible capacity allocation and end-to-end security
- Blacksky: big data enabled observation constellation
- FlytX: cyber-secured and connected avionics suite

**Transport**
- Deutsche Bahn: first major digital signaling contract in Germany
- Norway: country-wide digital traffic management system

**Defense & Security**
- F126 frigates: digital mission system and cyber-defense
- NATO: deployable defense cloud
- UK and French MoD: autonomous mine-hunting

**Digital identity & Security**
- Strategic partnerships with Google cloud
- 50%+ market share on eSIM management platforms
- Strong growth in digital payments and biometric EMV cards

Enhancing growth profile through digital investments
Gemalto acquisition: accelerating Thales’s digital strategy

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

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

Opportunities already materializing in 80% of existing business lines

Access to large pool of digital talents

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

Global leader in fast-growing digital identity and security market

Multiple growth engines, addressing major societal aspirations

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

Leveraging Thales’s extensive technology portfolio

Maximizing value in mature businesses

### Multiple fast-growing markets

<table>
<thead>
<tr>
<th>Market</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
Solid progress on Gemalto synergies

Revenue synergies in line with plan

- Strong growth of combined data protection solution portfolio, combining industry-leading capabilities from Thales and Gemalto
- Sale of DIS solutions through Thales global sales network
- Progressive insertion of DIS key technologies in Thales solutions
  - New “fly-to-gate” airport security offerings
  - Drone identification and geo-localization
  - Private 5G networks
- 49 projects won in H1 2021, in line with 2023 revenue synergy target (€300-500m)

Cost synergies ahead of plan

<table>
<thead>
<tr>
<th>Year</th>
<th>October 2019 plan</th>
<th>March 2021 update</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>~20</td>
<td>~25</td>
</tr>
<tr>
<td>2020</td>
<td>~60</td>
<td>~80</td>
</tr>
<tr>
<td>2021</td>
<td>~100</td>
<td>~110</td>
</tr>
<tr>
<td>2022</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>
Introduction to Thales

Key priorities for 2019-23

Sustainability: safer, greener and more inclusive

Proposed disposal of transport segment

H1 and 9m 2021 results

Outlook
Sustainability ambitions anchored in our purpose

Our purpose

“Building a future we can all trust”

Our ambitions

Maximize the sustainability impact of our portfolio of solutions

Embed ambitious sustainability commitments in all processes

Working to make the world safer, greener and more inclusive
Addressing major societal issues through a unique portfolio of solutions

**Safer: ~60%**
Keep citizens safe in both physical and digital worlds
- Defense
- Digital security
- Infrastructure security

**Greener: ~20%**
Design solutions to observe and understand climate phenomena and to reduce the environmental impact of our customers
- Environmental monitoring and navigation satellites
- Optimization of aircraft operations
- Air Traffic Management
- Training and simulation

**More inclusive: ~20%**
Grant universal access to fundamental rights: legal identity, bridging the digital divide
- Telecom satellites
- Identity documents
- e-Government

Percentage based on 2022 consensus sales, excluding transport
Sustainability: a strong space market growth driver, notably in Europe

Space projects at the heart of European Union political priorities, driving significant budget increases

- Unprecedented European Space Agency and EU budgets already secured
- Additional opportunities arising from new plans
  - 30% of Next Generation EU recovery plans to be dedicated to sustainability initiatives
  - “Secure connectivity initiative” under discussion, targeting space-based high-speed connectivity everywhere

Double-digit market growth forecasts for space-based commercial Internet connectivity market

Sources: ESA Financial Obligations (ESA Stakeholders), EC MFF; estimates for NGEU recovery plans and EC’s secure connectivity initiative; EUMETSAT; national agencies.

Scope: navigation, observation, telecom, space situational awareness
Optimization of aircraft operations: a major CO\textsubscript{2} reduction opportunity for aviation

Major CO\textsubscript{2} emission reduction achievable through operations optimization

- 10 to 15% CO\textsubscript{2} reduction
  - CO\textsubscript{2}-optimized trajectories
  - Weather-related optimization ("windsurfing")
  - Other optimization levers: ground, fuel load

- Non-CO\textsubscript{2}-related benefits: condensation trails

Lever: combined digital transformation of avionics and Air Traffic Control systems

- Development of breakthrough AI-based tools
- Adoption of new flight and ATC procedures
- Applicable to existing in-service aircrafts
- Cumulative with other initiatives

Possible CO\textsubscript{2} emission reduction via aircraft operations optimization (avoided emissions, million tons of CO\textsubscript{2})

<table>
<thead>
<tr>
<th>Year</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions (100+ million tons CO\textsubscript{2})</td>
<td>45</td>
<td>70</td>
<td>10-15% of total aviation emissions</td>
</tr>
</tbody>
</table>

Thales is uniquely positioned to address this massive opportunity
Addressing aircraft operations optimization through continuous innovations in both avionics and Air Traffic Control

**Purpose**

- Improve flight trajectories (climb, cruise, descent) via end-to-end optimization functionalities/applications from both certified avionics and non-certified sources

**Contributions**

- Digitally-connected avionics & cloud-based services delivering up-to-date traffic and weather data
- Climate-based route design
- Certification and first sales expected in 2024
- Deliver civil Air Traffic Control solutions that promote safe, orderly and expeditious air traffic flow while minimizing environmental impacts
- Green airspace optimization solutions
- Collaborative optimization tools
- Secure digital air/ground data exchange
- First capabilities introduced in TopSky ATC One as of 2025

Capitalizing on Thales’ capabilities to deliver on this opportunity
Cybersecurity: trusted digital identities and data privacy for all

Cybersecurity is key to sustainability

- Increasingly impacting identity thefts, data leaks, ransomware attacks undermine trust in digital transformation
- Privacy and sovereignty build trust

Thales: recognized global leader in data protection and identity & access management

- Total cybersecurity sales: €1bn+ in 2020
- 2,800+ cybersecurity engineers

€500m+ high margin incremental growth opportunity by 2025

Cybersecurity product market growth (€bn)

Source: Gartner, IDC

Cybersecurity framework

Identify Protect Detect Respond Recover
Defense is essential to safe, stable and prosperous societies.

We live in a globalised and increasingly unpredictable world, facing emerging threats.

Combining military capability, diplomacy and development assistance is necessary to achieve stability, resolve disputes non-violently and prevent conflicts.

The protection offered by Defense to wider society provides the foundation for sustainability and protection of the planet.

Thales supports nations around the world to achieve these aims and counter the physical and virtual threats they face.
Thales: leading in one of the most regulated global industries

What we stand for

Operating ethically; selling our products and services responsibly

Strict compliance with laws of the countries and regions in which we operate

Core priority to be proactive with developing and sharing best practice; striving for continuous improvement

Strict export controls
Committed and certified to stringent export control regulations
Processes integrated in day-to-day business through training, audit, and focus on continuous improvement

Zero-tolerance on corruption
Clearly defined policy, shared with all employees and audited regularly
ISO 37001 certification

Involvement in nuclear and controversial weapons
White phosphorous phase out by mid 2022
French nuclear missile program: < 0.1% of group sales

Making AI trustworthy
Transparent, Understandable, Ethical and Environmentally-friendly AI - putting humans at the center
The changing nature of Defense requires new operational capabilities

**Changing nature of warfare**
- International forces cooperating pan-domain
- Hybrid warfare

**Creation of social value and prosperity**
- Economic prosperity
- Economic equality
- Fighting climate change
- Humanitarian assistance and disaster relief

**Defense and sustainability**
- Climate change impacting the operational environment
- Sustainable Defense solutions that give operational advantage

Thales’ smart and digital solutions positioned to address these emerging needs
Thales’ solutions deliver both enhanced performance and reduced environmental footprint.

Increasing mission performance whilst reducing size, weight, power and logistics:

- Sonoflash sonobuoy
- Sophie Ultima thermal imager
- Talios multi-function pod

Increased efficiency through improved asset collaboration across all domains:

- Collaborative combat
- Synaps-H radios

Lower fuel burn and resource consumption:

- Autonomous mine warfare
- Synthetic training & flight simulators

Sales to defense customers by product type, 2020:

- Networks and C4ISR(a) solutions: 32%
- Sensors: 45%
- Defense systems: 23%

(a) C4ISR: Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
Taking our sustainability performance to the next level

<table>
<thead>
<tr>
<th>Strategy for a low-carbon future</th>
<th>Diversity &amp; inclusion</th>
<th>Ethics &amp; compliance</th>
<th>Health &amp; safety at work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduction of operational CO₂ emissions</strong>&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td><strong>75% of management committees</strong> with at least 3 women</td>
<td><strong>100% Anticorruption</strong></td>
<td><strong>Frequency rate of accidents at work with subsequent lost work time</strong>&lt;sup&gt;(c)&lt;/sup&gt;</td>
</tr>
<tr>
<td>- 35% 2023</td>
<td>- 50% 2030</td>
<td>- 35% - 50% 2023</td>
<td>- 30% 2023</td>
</tr>
<tr>
<td><strong>NET ZERO 2040</strong></td>
<td><strong>20% of women in senior management</strong>&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Boosting product innovation and eco-design across portfolio</strong></td>
<td><strong>2023</strong></td>
<td><strong>2021</strong></td>
<td><strong>2023</strong></td>
</tr>
<tr>
<td><strong>Robust engagement plan with supply chain</strong></td>
<td></td>
<td><strong>ISO 37001 certification</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Action plan to be submitted to SBTi certification</strong></td>
<td></td>
<td><strong>New digital ethics charter</strong></td>
<td></td>
</tr>
</tbody>
</table>

(a) Scope 1+ Scope 2 + Scope 3 business travel, target in absolute terms vs 2018 reference including Gemalto. Previous target: -20% by 2023 and -40% by 2030

(b) Top 13% of global workforce. Percentage of women in total workforce: 26%

(c) Compared to 2018 frequency rate

---

70% of workforce incentivized on sustainability KPIs
Introduction to Thales

Key priorities for 2019-23

Sustainability: safer, greener and more inclusive

Proposed disposal of transport segment

H1 and 9m 2021 results

Outlook

www.thalesgroup.com
Transport: solid progress achieved over past 5 years

Recovery and transformation

- EBIT margin
  - 2015: -2.4%
  - 2020: 5.3%
  - 2021: >7%

Global growth

- ~+3.5% CAGR\(^{(a)}\)
  - 2015: 1.5
  - 2021: ~1.7

Investing in future products

- Autonomous train (AI)
- Smart infrastructures (rail IoT)
- Digitalization of railways (AI and big data analytics)
- Solutions cyber-secured by design

- Main line in Europe
- Major urban city markets
- Chinese urban rail market through JV
- New growth cycle initiated in 2021

- Strong program execution discipline
- Competitiveness focus: procurement, engineering, and contract management
- Product policy: structured approach across all projects

\(^{(a)}\) Organic: at constant scope and exchange rates
Rail control market: integrating vertically

Railway digitalization driving tighter integration between rolling stock and signaling
- Growing on board “intelligence” vs trackside equipment
- Operations control centers to cover all aspects of infrastructure, and not just signaling

Increased customer preference for “turnkey” suppliers in greenfield projects
- From ~40% of urban rail projects to ~70% today

Emergence of large, vertically-integrated players, thus meeting customer trends

Top 5 rail companies outside China (€bn, 2020)
- **ALSTOM**: 14.0
- **SIEMENS**: 8.7
- **HITACHI**: 4.2
- **STADLER**: 2.4
- **CAF**: 1.8

Bar chart showing the rail companies with their respective market values.
Transaction details

Scope: entire transport operating segment
- Transport segment treated as “discontinued operations”

Robust valuation achieved
- Enterprise value: €1,660m

Next steps
- Consultation of employee representatives
- Carve-out of business
- Usual closing conditions: antitrust, foreign direct investment...

Expected closing: end 2022 / early 2023

Valuation benchmark

<table>
<thead>
<tr>
<th>EV/Announcement year EBIT(^{(a)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.8</td>
</tr>
<tr>
<td>13.9</td>
</tr>
<tr>
<td>12.7</td>
</tr>
<tr>
<td>10.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed transaction</td>
</tr>
<tr>
<td>Siemens/Invensys rail (2012)</td>
</tr>
<tr>
<td>Hitachi/Ansaldo STS (2015)</td>
</tr>
<tr>
<td>Thales/Alcatel TSD (2006)</td>
</tr>
</tbody>
</table>

Net debt and leverage\(^{(b)}\)

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>€ bn</td>
</tr>
<tr>
<td>3.3</td>
</tr>
<tr>
<td>~1.9</td>
</tr>
<tr>
<td>~0.1x</td>
</tr>
<tr>
<td>~0.3(^{(c)})</td>
</tr>
</tbody>
</table>

End 2019  ~1.2x  ~0.8x  ~0.3\(^{(c)}\)
End 2021  ~1.9  ~0.3\(^{(c)}\)

\(^{(a)}\) Proposed transaction: reported EBIT over last 12 months
\(^{(b)}\) End 2021 net debt based on 16 July 2021 consensus. Leverage: EBITDA/net debt.
\(^{(c)}\) Excluding the transfer of net pension obligations considered as debt-like items
Thales post proposed transport disposal

Pro forma 2022 sales mix\(^{(a)}\)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2022 Pro Forma Post Proposed Disposal Close to</th>
<th>2019 Pro Forma Gemalto Over 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>~28%</td>
<td>~19%</td>
</tr>
<tr>
<td>Defense &amp; Security</td>
<td>~53%</td>
<td>~53%</td>
</tr>
<tr>
<td>Digital Id. &amp; Security</td>
<td>~19%</td>
<td>~19%</td>
</tr>
</tbody>
</table>

(a) 2022 pro forma post proposed disposal, based on 20 October 2021 consensus.
(b) 2019 pro forma Gemalto over 12 months.

Self-funded R&D

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2019(^{(b)})</th>
<th>Medium-term target post proposed disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D %</td>
<td>4.9%</td>
<td>6.1%</td>
<td>&gt;6.5%</td>
</tr>
</tbody>
</table>

EBIT margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2019(^{(b)})</th>
<th>Medium-term target post proposed disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>8.6%</td>
<td>10.6%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Introduction to Thales

Key priorities for 2019-23

Sustainability: safer, greener and more inclusive

Proposed disposal of transport segment

H1 and 9m 2021 results

Outlook

www.thalesgroup.com
**9m 2021 order intake** – excluding Transport\(^{(a)}\)

**Continued strong commercial activity**
- Q3 organic growth: +9%
- 9m organic growth: +28%

**2 large\(^{(b)}\) orders booked in Q3 2021, for a total of 9 in 9m 2021**
- 5 in Defense & Security, 4 in Space
- Across many geographies: France, Greece, Italy, Canada and Indonesia

**Small orders\(^{(c)}\) up 5% despite continuous impact on civil aero and biometrics**
- +9% in Q3

---

**Order intake by contract unit value**

<table>
<thead>
<tr>
<th>Unit Value</th>
<th>9m 2019</th>
<th>9m 2020</th>
<th>9m 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; €100m</td>
<td>10,320</td>
<td>8,375</td>
<td>10,656</td>
</tr>
<tr>
<td>€10m &lt; Unit value &lt; €100m</td>
<td>5,406</td>
<td>2,110</td>
<td>2,024</td>
</tr>
<tr>
<td>&lt; €10m</td>
<td>5,694</td>
<td>2,939</td>
<td>5,694</td>
</tr>
</tbody>
</table>

**Organic growth +28%**

---

\(^{(a)}\) Transport treated as discontinued operations (IFRS5)
\(^{(b)}\) With a unit value over €100m
\(^{(c)}\) With a unit value of less than €10m
9m 2021 sales growth – excluding Transport\textsuperscript{(a)}

**Slightly positive currency impact in Q3**
- Q3: +€26m, +0.7% of sales
- 9m: -€49m, -0.4% of sales

**9m organic sales growth: +6.2%**
- Strong recovery against 9m 2020 Covid-19-related disruptions
- Slightly negative Q3 organic sales growth due to high comps (catch-up effect after Q2 2020 affected by the sanitary crisis)

**Rebound driven by Europe**
- France: +14%
- Rest of Europe (excluding UK): +13%
- Emerging countries: +3%

\[\text{(a) Transport treated as discontinued operations (IFRS5)}\]
Aerospace: 9m 2021 key figures

<table>
<thead>
<tr>
<th></th>
<th>9m 2021</th>
<th>9m 2020</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>3,676</td>
<td>2,268</td>
<td>+62%</td>
<td>+63%</td>
</tr>
<tr>
<td>Sales</td>
<td>3,108</td>
<td>2,898</td>
<td>+7.3%</td>
<td>+8.1%</td>
</tr>
</tbody>
</table>

Order intake strongly up thanks to on-going momentum of Space

- Further significant orders in navigation (new tranche of Galileo ground mission and security facility) and exploration (Axiom space station)
- Aeronautics orders organically up 8% in Q3

Sales growth driven by strong recovery of Space

- Space sales up 27% over 9m
- Progressive recovery of aeronautics sales driven by aftermarket
## Defense & Security: 9m 2021 key figures

<table>
<thead>
<tr>
<th></th>
<th>9m 2021</th>
<th>9m 2020</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td>4,826</td>
<td>3,853</td>
<td>+25%</td>
<td>+24%</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>5,948</td>
<td>5,469</td>
<td>+8.8%</td>
<td>+7.9%</td>
</tr>
</tbody>
</table>

**Continued strong order intake momentum**
- 1 large order above €100m in Q3 (support contract for French MoD)

**Robust on-going sales growth**
- Broad based organic sales growth confirmed
- Q3 2021 slightly negative vs Q3 2020 due to high comps (catch-up effect following a weak Q2 2020 during the trough of the sanitary crisis)
### Digital Identity & Security: 9m 2021 key figures

<table>
<thead>
<tr>
<th>€m</th>
<th>9m 2021</th>
<th>9m 2020</th>
<th>Change total</th>
<th>Change organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>2,105</td>
<td>2,227</td>
<td>-5%</td>
<td>-3%</td>
</tr>
<tr>
<td>Sales</td>
<td>2,105</td>
<td>2,201</td>
<td>-4.3%</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>

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

**Sales remains slightly behind 9m 2020 due to on-going travel restrictions, and despite a strong performance on Cyber**

- Biometrics sales negative over 9 months, but starting to recover in Q3
- Cybersecurity business up 11% organically vs 9m 2020
- Limited impact from semiconductor shortage, weighing on Q3 growth
H1 2020 to H1 2021 EBIT bridge

Scope, currency and pensions:
- Scope: 0
- Currency: 2
- Pensions: -3

Gross margin: +393

R&D: -19
Marketing & sales: +17
G&A: -5
Restructuring: -12
Equity affiliates: +47

Naval Group: +49
Tax one-off: -9
Other: +11

H1 2020 EBIT: 348
H1 2021 EBIT: 768
### H1 2021 Free operating cash-flow

**Improved H1/H2 balance of working capital**

**Cash management: a key focus across the Group**
- Internal “CASH” project continues to deliver positive outcomes, with further progress at reducing overdues
- Tight control of supply chain
- Payments anticipated by some customers

**Capex increase in line with progressive normalization**

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2021</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow before WCR changes, interest and tax</td>
<td>1,137</td>
<td>709</td>
</tr>
<tr>
<td>+ Change in WCR and reserves for contingencies</td>
<td>(435)</td>
<td>(832)</td>
</tr>
<tr>
<td>+ Pension cash out, excluding deficit payment on UK pensions</td>
<td>(83)</td>
<td>(87)</td>
</tr>
<tr>
<td>+ Net financial interests</td>
<td>(38)</td>
<td>(46)</td>
</tr>
<tr>
<td>+ Income tax received (paid)</td>
<td>29</td>
<td>(55)</td>
</tr>
<tr>
<td>= Net cash flow from operating activities</td>
<td>610</td>
<td>(310)</td>
</tr>
<tr>
<td>+ Net operating investments</td>
<td>(190)</td>
<td>(161)</td>
</tr>
<tr>
<td>= Free operating cash-flow</td>
<td>420</td>
<td>(471)</td>
</tr>
</tbody>
</table>
Introduction to Thales

Key priorities for 2019-23

ESG priorities: safer, greener and more inclusive

Proposed disposal of transport segment

H1 and 9m 2021 results

Outlook
Defense & Security: a world class defense business

Defense budget growth confirmed across key Thales markets
- Geopolitical tensions and terrorism
- Greater variety of threats

Positioning on intelligent systems and digital solutions driving faster growth and opening new markets
- Sensors and mission systems
- Secured networks
- Command and control solutions

Industry-leading margins
- Differentiated technologies
- Strict focus on cost and execution

Illustrative value of intelligent systems in platforms

<table>
<thead>
<tr>
<th>Platform</th>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rafale</td>
<td>~25%</td>
<td>~25%</td>
</tr>
<tr>
<td>Future Combat Air System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New mine hunter</td>
<td>~35%</td>
<td>~25%</td>
</tr>
<tr>
<td>Mine hunter system with drones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scorpion</td>
<td>~20%</td>
<td>~35%</td>
</tr>
<tr>
<td>Extended Scorpion to all land vehicles</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Peer defense business EBIT margin\(^{(a)}\)

<table>
<thead>
<tr>
<th>Peer defense business EBIT margin</th>
<th>Thales</th>
<th>US</th>
<th>UK</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>9%</td>
<td>6%</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{(a)}\) 10 largest US/UK/EU listed defense companies. Defense segment margin for non pure defense companies. 2020 margin if disclosed as of 3 March 2021, 2019 otherwise.
Space: major commercial wins underpin return to sustained growth

Technology leadership enables major wins across key institutional markets
- Copernicus
- Moon and Mars missions
- New generation Galileo satellites

Capitalizing on best-in-class telecom product range
- Flexible GEO satellites: first customer award for Space Inspire
- Telesat selection demonstrating global constellation leadership

R&D investments sustained

Key institutional wins since July 2020

![Images of various spacecraft and scientific missions]

Space sales trend (a)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (€bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2.1</td>
</tr>
<tr>
<td>2020</td>
<td>1.85</td>
</tr>
<tr>
<td>2021</td>
<td>2.2</td>
</tr>
<tr>
<td>2022</td>
<td>2.3</td>
</tr>
<tr>
<td>2023</td>
<td>2.4</td>
</tr>
<tr>
<td>2024</td>
<td>~2.5</td>
</tr>
</tbody>
</table>

(a) Trajectory does not assume the booking of a major telecom constellation

Investor meeting - 42
Avionics and IFE: prepared for upcoming rebound

Comprehensive recovery action plan implemented since April 2020
- On-going structural cost adaptation
- Further deployment of best practices in lean manufacturing and inventory management
- Creation of single global services business line
- R&D efforts focused on green, digital and connected air transport opportunities

Progressive sales improvement starting from Q2 2021
- Full Year avionics & IFE sales expected organically down mid single digit
- Gradual ramp up of commercial aftermarket as air travel restrictions are lifted
- Lower commercial widebody OE production rates

Avionics and IFE: structural cost adjustment targets (2021 vs 2019)
- Direct costs: ~-37%
- R&D: ~-30%
- Sales & Marketing: ~-27%
- G&A: ~-35%

Global air traffic scenarios

Source: IATA

Pre Covid forecast

Range of uncertainty

Latest IATA update (October 2021)
Relentless focus on operational performance and EBIT margin expansion

Avionics and IFE: structural cost adaptation

Gemalto cost synergies

4 groupwide operational performance initiatives

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

EBIT margin trend

- 2013: 8.0%
- 2018: 10.0%
- 2019: 10.6%
- 2020: 8.0%
- 2021: Pro forma Gemalto
- Medium-term target: 12%
Solid cash conversion confirmed, driving upgraded 2019-2023 target

Strong focus on cash delivers
- CA$H! initiative launched in 2019
- Effect of global crisis adaptation plan: cash focus, 25% capex cut
- Support from institutional and governmental customers
- Lower than planned unwinding of down-payments

2019-2023 cash conversion target upgraded: now targeting 95% on a reported basis\(^{(a)}\)
- Natural year-on-year volatility due to cut-off effects and down-payments on large export contracts
- 2021-23: balance of \(\approx\)€500m to unwind

Reported cash conversion

\[\begin{array}{lrr}
\text{Adjusted net income} & \text{Free operating cash flow} \\
\text{2019} & \EUR 1,405 & \EUR 1,372 \\
\text{2020} & \EUR 937 & \EUR 1,057 \\
\end{array}\]

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

\(\text{xx\%}\)

\(^{(a)}\) Previous target: “around 95% before one-offs on average over the 2019-2023 period”
2021 perspectives and priorities

**Business environment assumptions**

- Improving health and macro-economic context
- High near-term uncertainty
  - Pace of air traffic recovery
  - Corporate investment plans
- Improvement in almost all end markets expected over full year

**Strategic priorities**

- Continued focus on growth initiatives
  - Further ramp up of DIS synergies
  - Digital innovation opportunities
- Implementation of structural cost adaptation plan in civil aero
- Implementation of proposed disposal of transport business
- Sustained high level of R&D investments, while increasing selectiveness
2021 financial objectives
adjusted for proposed transport segment disposal

Order intake  Book-to-bill above 1

Sales

EBIT margin$^{(b)}$

€15.8 to 16.3 billion$^{(a)}$

9.8% to 10.3%$^{(a)}$

Adjusted for the accounting treatment of transport as “discontinued operations”

(a) Based on August 2021 scope and foreign exchange rates. Assuming no new major disruptions of the health and economic context, and no further deterioration of global semi-conductor supply chains.
(b) Non-GAAP measure: see definition in appendix
Summary: enhanced investment thesis, unchanged strategy

Strategic focus on 3 best-in-class high tech BtoB/BtoG businesses

- Simplified exposure to fewer long-term growth markets
- Pure player positioning on intelligent systems and digital solutions, able to sustainably deliver double-digit margins
- Significant sustainability-related growth opportunities

Strengthened balance sheet with substantial cash optionality

Continued implementation of key Ambition 10 strategic levers

- Further acceleration of R&D investments
- Constant focus on operational performance
- Strong financial discipline

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub-segment</th>
<th>Civil</th>
<th>Military</th>
<th>2020 sales(^{(a)}) (€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: ~€900m, military: ~€650m)</td>
<td>□</td>
<td>□</td>
<td>~1,550</td>
<td>#3 worldwide (flight avionics)</td>
</tr>
<tr>
<td></td>
<td><strong>Connected in-flight entertainment (IFE)</strong></td>
<td>□</td>
<td>□</td>
<td>~400</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>~400</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>~1,850</td>
<td>#2 worldwide (civil satellites)</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>~4,200</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>~3,900</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, Internet of Things connectivity modules, mobile connectivity solutions (removable SIM and eSIM) and EMV payment cards</td>
<td>□</td>
<td>□</td>
<td>~3,000</td>
<td>#1 worldwide</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Transport treated as discontinued operations (IFRS5)
Global leader in flight avionics and connected in-flight entertainment

Sales by solutions
80% Flight avionics and other aircraft equipment and services
20% Connected in-flight entertainment

Sales by platform type
27% Widebody platforms
33% Military platforms
26% Narrowbody platforms
13% Regional aircraft, business jets and civil helicopters

Commercial sales by activity type
51% Original equipment
49% Aftermarket support and services

Main avionics platforms
- Air transport
  - A320
  - A330/340
  - A350
  - B787
  - B747
  - ATR
  - Dash 8
  - CRJ
  - SSJ 100

- Business jets
  - Bombardier
  - Cessna
  - Dassault
  - Gulfstream

- Helicopters
  - Airbus helicopters
  - Airbus Tiger
  - NH1 NH90
  - Bell Cobra/Huey
  - Sikorsky

- Military aircraft
  - Airbus 400M
  - Airbus MRTT
  - Dassault Rafale
  - Dassault Mirage 2000
  - Boeing F/A-18
  - LM F-16

Connected in-flight entertainment (IFE)
- Main platforms
  - A330/A340
  - A350
  - B787
  - B777
  - A320
  - A320

€1.95bn (2020)
€1.95bn (2020)
€1.95bn (2020)
€1.3bn (2020)
Highly diversified Defense & Security customer base

Defense & Security sales by region, 2020

- 41% outside Europe
- 38% France
- 13% Rest of Europe
- 10% Australia/NZ
- 9% Middle East
- 11% Asia
- 8% United Kingdom
- 6% North America
- 4% Rest of world
- 10% Rest of world
Thales cybersecurity businesses: €1bn+ in 3 different markets

Global products
- CipherTrust platform
  - Access Management
  - Cloud security
  - Data protection

Sovereign products
- Key Management
- High grade encryptors
- Diode and Gateway
- Sovereign Probe
- ... (other products)

Projects and services
- Cybels platform
  - Threat & risk evaluation
  - Train & experiment
  - Detect & Response

Integration projects for sovereign programs (e.g. Galileo, Onesky...)

Design / Evaluation | Access Control | Protect | Detect / Response

- Integration projects for sovereign programs (e.g. Galileo, Onesky...)

Thales Building a future we can all trust
Involvement in controversial and nuclear weapons

Thales does not manufacture:
• Nuclear weapons
• Controversial weapons as defined in all treaties signed by the majority of European countries

Responsible policy regarding controversial topics

- White phosphorous: complete phase-out by mid-2022
  - Production of final batch of smoke shells to protect French army
  - Less than 0.1% of total group sales
- Proactive position on use of Artificial Intelligence in weapon systems
- Digital ethics charter

Thales: one of the 140+ direct suppliers on the French nuclear missile program

- Electronic systems in line with main areas of expertise
- Not specific to nuclear nature of missile
- Less than 0.1% of total group sales
**Organic sales growth per quarter**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th></th>
<th>2019</th>
<th></th>
<th>2020 (a)</th>
<th></th>
<th>2021 (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>Aerospace</td>
<td>+2%</td>
<td></td>
<td>-3%</td>
<td>+9%</td>
<td>-12%</td>
<td>-7%</td>
<td>-7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense &amp; Security</td>
<td>+8%</td>
<td>+8%</td>
<td>+0%</td>
<td>+1%</td>
<td>+12%</td>
<td>+10%</td>
<td>+4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Identity &amp; Security</td>
<td></td>
<td></td>
<td></td>
<td>+2%</td>
<td>+5%</td>
<td>+2%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+7%</td>
<td>+10%</td>
<td>+0%</td>
<td>+1%</td>
<td>+1%</td>
<td>+3%</td>
<td></td>
</tr>
</tbody>
</table>

(a) Transport treated as discontinued operations (IFRS5)
### Pre Covid-19 crisis organic sales growth targets

#### Group organic sales growth target

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

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

(a) Composite market trend adjusted to take into account lower growth in commercial space market
(b) 2018-23 transport growth above 2% taking into account exceptional outperformance in 2018 (+18%)
(c) 2020-23 growth target
Pre Covid-19 crisis medium-term margin targets by segment

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

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

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

**Digital identity & security**
- 2018: 7.3%
- 2023 target: +520 to +620 bps
- 2023: 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
### 9m 2021 order intake by destination – excluding Transport\(^{(a)}\)

<table>
<thead>
<tr>
<th></th>
<th>9m 2021</th>
<th>9m 2020</th>
<th>Total</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td>2,638</td>
<td>2,159</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>485</td>
<td>452</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>3,445</td>
<td>1,711</td>
<td>101%</td>
<td>101%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>6,569</td>
<td>4,323</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>North America</td>
<td>1,686</td>
<td>1,499</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Australia / NZ</td>
<td>415</td>
<td>604</td>
<td>-31%</td>
<td>-35%</td>
</tr>
<tr>
<td><strong>Mature markets</strong></td>
<td>8,669</td>
<td>6,426</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,159</td>
<td>940</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>Middle East</td>
<td>313</td>
<td>502</td>
<td>-38%</td>
<td>-36%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>515</td>
<td>507</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td>1,987</td>
<td>1,949</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,656</td>
<td>8,375</td>
<td>27%</td>
<td>28%</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Transport treated as discontinued operations (IFRS5)
## 9m 2021 sales by destination – excluding Transport (a)

<table>
<thead>
<tr>
<th>Region</th>
<th>9m 2021 (€ millions)</th>
<th>9m 2020 (€ millions)</th>
<th>Total Change (%)</th>
<th>Organic Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>3,282</td>
<td>2,877</td>
<td>14.1%</td>
<td>14.1%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>656</td>
<td>714</td>
<td>-8.0%</td>
<td>-10.1%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>2,490</td>
<td>2,212</td>
<td>12.6%</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td><strong>6,429</strong></td>
<td><strong>5,803</strong></td>
<td><strong>10.8%</strong></td>
<td><strong>10.5%</strong></td>
</tr>
<tr>
<td>North America</td>
<td>1,326</td>
<td>1,413</td>
<td>-6.2%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Australia / NZ</td>
<td>747</td>
<td>694</td>
<td>7.6%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Mature markets</td>
<td>8,502</td>
<td>7,911</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,419</td>
<td>1,380</td>
<td>2.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Middle East</td>
<td>673</td>
<td>666</td>
<td>1.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>628</td>
<td>656</td>
<td>-4.4%</td>
<td>-2.3%</td>
</tr>
<tr>
<td><strong>Emerging markets</strong></td>
<td><strong>2,720</strong></td>
<td><strong>2,702</strong></td>
<td><strong>0.7%</strong></td>
<td><strong>2.5%</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,222</strong></td>
<td><strong>10,613</strong></td>
<td><strong>5.7%</strong></td>
<td><strong>6.2%</strong></td>
</tr>
</tbody>
</table>

(a) Transport treated as discontinued operations (IFRS5)

[Image: THALES logo with text: Building a future we can all trust]
## H1 2021 EBIT by operating segment

<table>
<thead>
<tr>
<th>€m / % of sales</th>
<th>H1 2021</th>
<th>H1 2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>total</td>
</tr>
<tr>
<td>Aerospace</td>
<td>69</td>
<td>-109</td>
<td>+163%</td>
</tr>
<tr>
<td></td>
<td>3.2%</td>
<td>-5.6%</td>
<td>+167%</td>
</tr>
<tr>
<td>Transport</td>
<td>39</td>
<td>4</td>
<td>+771%</td>
</tr>
<tr>
<td></td>
<td>5.2%</td>
<td>0.6%</td>
<td>+833%</td>
</tr>
<tr>
<td>Defense &amp; Security</td>
<td>497</td>
<td>359</td>
<td>+38.5%</td>
</tr>
<tr>
<td></td>
<td>12.0%</td>
<td>10.0%</td>
<td>+40.7%</td>
</tr>
<tr>
<td>Digital Identity &amp; Security</td>
<td>152</td>
<td>140</td>
<td>+8.2%</td>
</tr>
<tr>
<td></td>
<td>11.1%</td>
<td>9.5%</td>
<td>+6.6%</td>
</tr>
<tr>
<td><strong>EBIT - operating segments</strong></td>
<td>756</td>
<td>395</td>
<td>+92.5%</td>
</tr>
<tr>
<td></td>
<td>9.0%</td>
<td>5.1%</td>
<td>+90.7%</td>
</tr>
<tr>
<td>Other</td>
<td>-22</td>
<td>-32</td>
<td>+102%</td>
</tr>
<tr>
<td><strong>EBIT - excluding Naval Group</strong></td>
<td>734</td>
<td>363</td>
<td>+101%</td>
</tr>
<tr>
<td></td>
<td>8.7%</td>
<td>4.7%</td>
<td>+102%</td>
</tr>
<tr>
<td>Naval Group</td>
<td>34</td>
<td>-15</td>
<td>+121%</td>
</tr>
<tr>
<td><strong>EBIT - total</strong></td>
<td>768</td>
<td>348</td>
<td>+119%</td>
</tr>
<tr>
<td></td>
<td>9.1%</td>
<td>4.5%</td>
<td></td>
</tr>
</tbody>
</table>
## Summary adjusted P&L: from sales to EBIT

<table>
<thead>
<tr>
<th></th>
<th>H1 2021</th>
<th>H1 2020</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></td>
<td></td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>8,423</td>
<td>7,751</td>
<td>+8.7%</td>
<td>+9.8%</td>
<td></td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>2,219</td>
<td>26.3%</td>
<td>1,847</td>
<td>23.8%</td>
<td>+20.1%</td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td>(1,458)</td>
<td>-17.3%</td>
<td>(1,470)</td>
<td>-19.0%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>o/w R&amp;D expenses</td>
<td>(503)</td>
<td>-6.0%</td>
<td>(491)</td>
<td>-6.3%</td>
<td>+2.5%</td>
</tr>
<tr>
<td>o/w Marketing &amp; Sales expenses</td>
<td>(645)</td>
<td>-7.7%</td>
<td>(671)</td>
<td>-8.7%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>o/w General &amp; Administrative expenses</td>
<td>(310)</td>
<td>-3.7%</td>
<td>(308)</td>
<td>-4.0%</td>
<td>+0.5%</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>(40)</td>
<td></td>
<td>(30)</td>
<td></td>
<td>+34.9%</td>
</tr>
<tr>
<td>Share in net result of equity-accounted affiliates, excluding Naval Group</td>
<td>13</td>
<td></td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT, excluding Naval Group</strong></td>
<td>734</td>
<td>8.7%</td>
<td>363</td>
<td>4.7%</td>
<td>+102%</td>
</tr>
<tr>
<td>Share in net result of Naval Group</td>
<td>34</td>
<td></td>
<td>(15)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>768</td>
<td>9.1%</td>
<td>348</td>
<td>4.5%</td>
<td>+121%</td>
</tr>
</tbody>
</table>

**Investor meeting - 61**
## Summary adjusted P&L: from EBIT to adjusted net income

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2021</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT</strong></td>
<td>768</td>
<td>348</td>
</tr>
<tr>
<td>Cost of net financial debt and other financial results</td>
<td>(37)</td>
<td>(45)</td>
</tr>
<tr>
<td>Finance costs on pensions and other employee benefits</td>
<td>(16)</td>
<td>(20)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(99)²</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Adjusted tax rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>14.7%</td>
<td>23.2%</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong></td>
<td>616</td>
<td>218</td>
</tr>
<tr>
<td>Minorities</td>
<td>(25)¹</td>
<td>15</td>
</tr>
<tr>
<td><strong>Adjusted net income, Group share</strong></td>
<td>591</td>
<td>232</td>
</tr>
<tr>
<td><strong>EPS: Adjusted net income, Group share, per share (in €)</strong></td>
<td>2.78</td>
<td>1.09</td>
</tr>
</tbody>
</table>

(a) Includes €51m non cash one-off items related to tax law changes in Italy and the UK. Tax rate excluding one-offs: 22.4%
(b) Minorities excluding €15m impact of tax one-offs: €10m.
Adjusted EPS and dividend

Adjustment and dividend per share

- 2016: Adjusted EPS 4.25, Dividend 1.60, Pay-out ratio 38%
- 2017: Adjusted EPS 4.64, Dividend 1.75, Pay-out ratio 38%
- 2018: Adjusted EPS 5.55, Dividend 2.08, Pay-out ratio 38%
- 2019: Adjusted EPS 6.61, Dividend 2.65 (a), Pay-out ratio 40%
- 2020: Adjusted EPS 4.40, Dividend 1.76, Pay-out ratio 40%

(a) Initial amount and pay-out ratio. Adjusted in April 2020 in context of Covid-19 crisis

Adjusted EPS affected by Covid-19 crisis

Return to pre-Covid-19 distribution policy

- 2020 dividend: €1.76 per share
- Pay-out ratio confirmed at 40%

Interim dividend of €0.60 to be paid in December 2021
Movement in net debt over H1 2021

Net debt (

<table>
<thead>
<tr>
<th>Description</th>
<th>€m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt at 30 June 20</td>
<td>3,928</td>
</tr>
<tr>
<td>Free operating cash-flow</td>
<td>-420</td>
</tr>
<tr>
<td>Deficit payment on UK pensions</td>
<td>+49</td>
</tr>
<tr>
<td>Acquisitions &amp; disposals</td>
<td>+10</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>+290</td>
</tr>
<tr>
<td>New leases (IFRS16)</td>
<td>+54</td>
</tr>
<tr>
<td>Other</td>
<td>-35</td>
</tr>
<tr>
<td>Net debt at 31 Dec 20</td>
<td>2,549</td>
</tr>
<tr>
<td>Net debt at 30 June 21</td>
<td>2,496</td>
</tr>
</tbody>
</table>
Definition of non-GAAP measures and other remarks

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

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

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

- **EBIT**: income from operations; *plus* the share of net income or loss of equity affiliates *less*: amortization of acquired assets (PPA), expenses recorded in the income from operations that are directly related to business combinations. See also notes 13-a and 2 of the consolidated financial statements at 31 December 2020.

- **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 2020. 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 2020 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 2020.

- **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 2020.
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).

This document may not be reproduced, modified, adapted, published, translated, in any way, in whole or in part without the prior written consent of Thales - © Thales 2021 All rights reserved.