Building a future we can all trust

Investor meeting

January 2021

THALES
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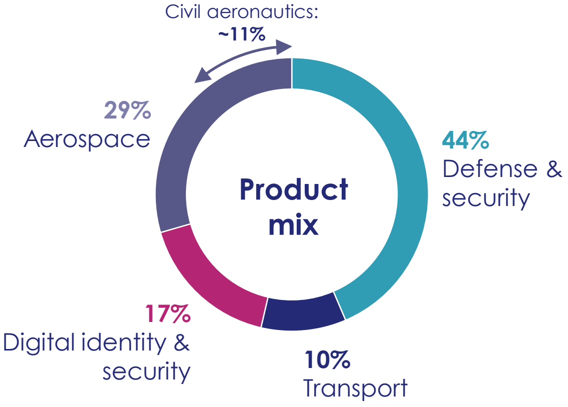
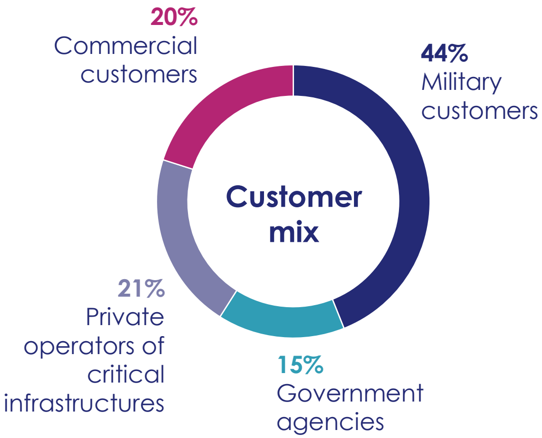
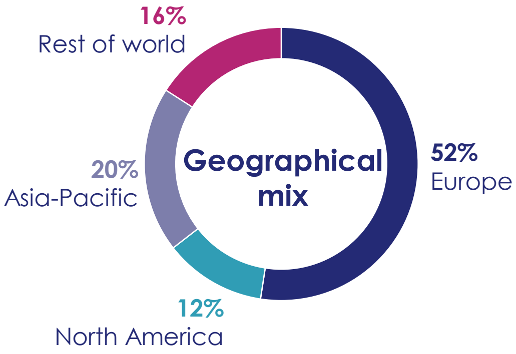
- Introduction to Thales
- H1 and 9m 2020 results
- Key priorities for 2019-23
- Outlook

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

Pro forma 2019 sales







Defense sensors & mission systems
#1
in Europe

Air Traffic Management
#1
worldwide

Rail signaling and supervision
#2
worldwide

Data protection
#1
worldwide

Civil satellites
#2
worldwide

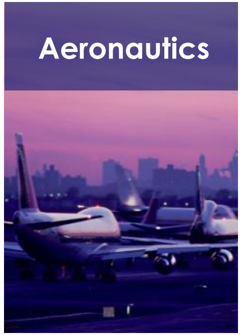
Flight avionics
#3
worldwide

Thales: a pure player focused on intelligent systems and digital solutions

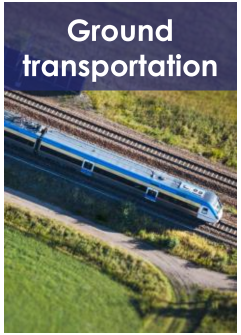
Addressing some of the most demanding end markets…

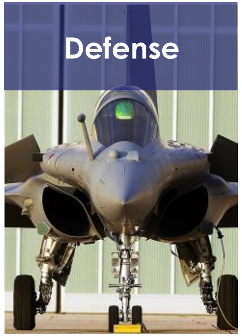
+

…leveraging a unique portfolio of key common technologies


Aeronautics


Space


Ground transportation


Defense


Security

Critical decision chain

Sensing and data gathering 〉 **Data transmission and storage** 〉 **Data processing and decision making**

Sensing and data gathering	Data transmission and storage	Data processing and decision making
Hardware + software	*Hardware + software*	*Software + systems*

Examples of solutions: sensors, mission systems, communications, command and control systems, digital identity and security solutions

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Thales builds on 4 key strengths

Derwent
Top 100
Global
Innovator
2020
Clarivate Analytics

nature

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

Connectivity Mobility, IoT

Big data analytics

Cyber-security

Artificial intelligence

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

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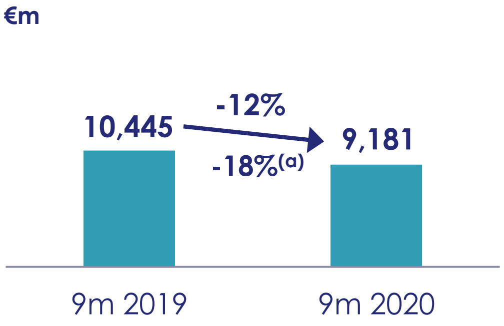
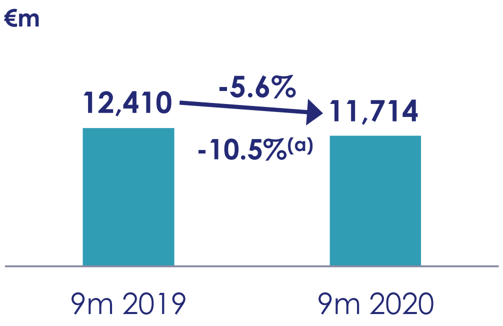
www.thalesgroup.com

H1 and 9m 2020 key figures

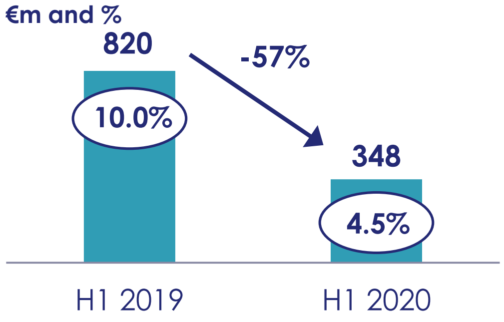
9m order intake



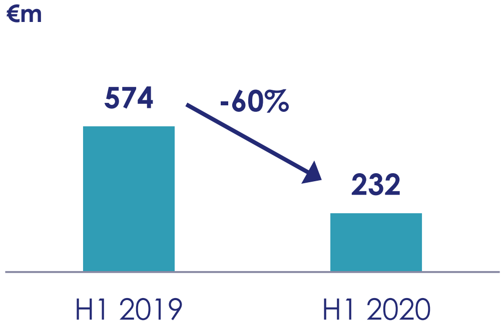
9m sales



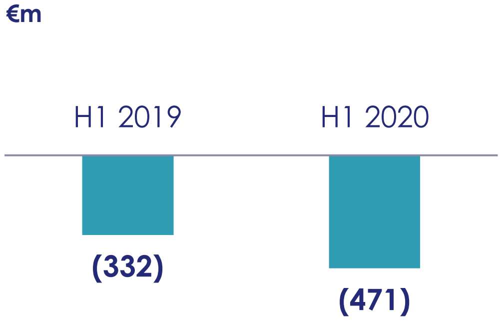
H1 EBIT and EBIT margin[b]



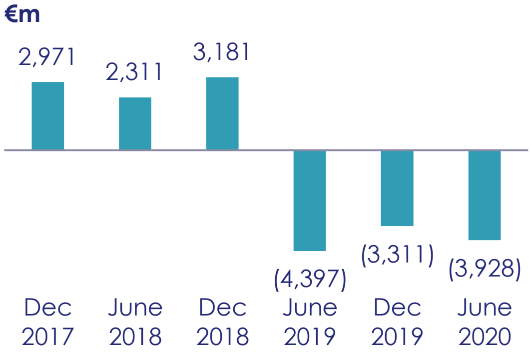
H1 adjusted net income[b]



H1 free operating cash-flow[b]



Net cash (debt) position



(a) Organic: at constant scope and exchange rates

(b) The definition of all non-GAAP measures can be found in appendix

The Covid-19 crisis raises a unique set of challenges

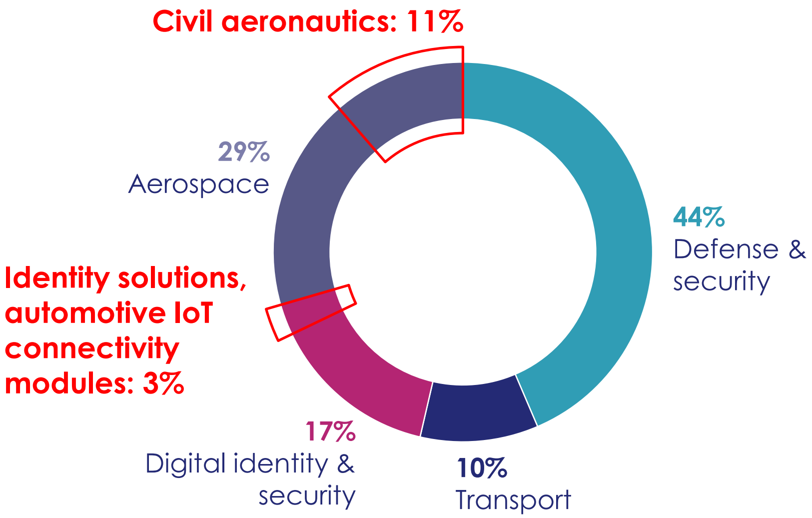
Immediate impact on demand dominated by civil aeronautics

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

Temporary but significant impact of sanitary measures on Group operations

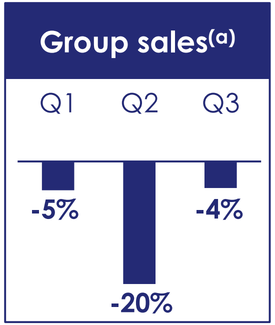
- Inefficiency in production and project execution
- Disruption of supply chains
- Customers' inability to take delivery

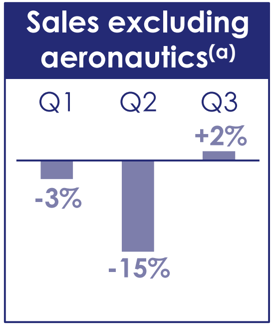
2019 sales by operating segment(a)



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

Q3 2020 highlights





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

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

Further commercial successes in space exploration

(a) Organic

9m 2020 order intake

Q3 order intake organically up 1.3% excluding aeronautics

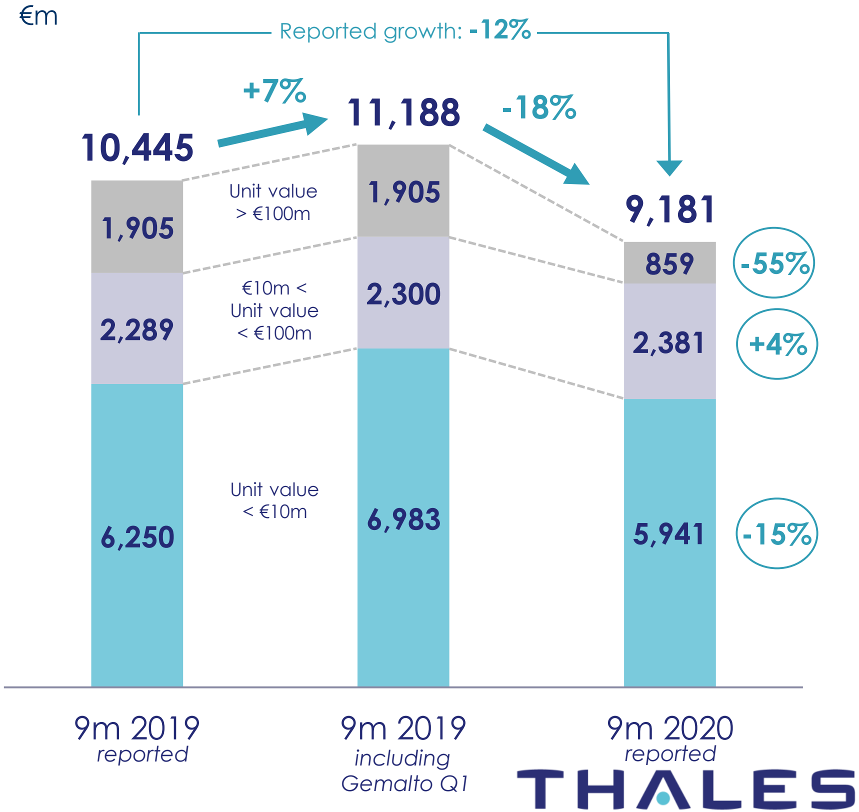
2 large[a] orders booked in Q3 2020, for a total of 6 in 9m 2020, vs 9 in 9m 2019

- 2nd tranche of Scorpion program
- Support and services contract for French army

Significant large order pipeline for Q4

Base of small orders[b] reflects Covid-19 impact on civil aero and biometrics

Order intake by contract unit value



	9m 2019 reported	9m 2019 including Gemalto Q1	9m 2020 reported	
Unit value > €100m	1,905	1,905	859	-55%
€10m < Unit value < €100m	2,289	2,300	2,381	+4%
Unit value < €10m	6,250	6,983	5,941	-15%
Total	10,445	11,188	9,181	

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

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Aerospace: 9m 2020 key figures

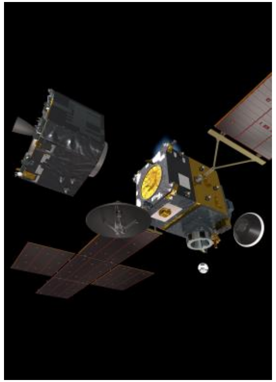
€m	9m 2020	9m 2019	Change	
			total	organic
Order intake	**2,268**	2,625	-14%	-13%
Sales	**2,898**	3,787	-23.5%	-23.3%

Order intake affected by significant decline of civil aero market

- Major Covid-19 impact on civil aero since Q2
- Space order intake up 33% against easy comps, thanks to solid dynamics in institutional space

Recovery of productivity enables major sales improvement in Q3

- Total segment sales: -18% in Q3 vs -38% in Q2
- Civil aero sales: ~-45% in Q3 vs -50%+ in Q2
- Rest of segment sales: ~+3% in Q3 vs -27% in Q2



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Transport: 9m 2020 key figures

€m	9m 2020	9m 2019	Change total	Change organic
Order intake	**805**	868	**-7%**	**-6%**
Sales	**1,102**	1,268	**-13.1%**	**-12.3%**

Order intake impacted by Covid-19 related delays in bid processes

- Robust mainline orders, offset by delays in urban rail contract awards

Sales affected by phasing effects and Covid-19 disruptions

- Strong phasing effects on 4 major urban rail projects(a), as expected
- Continued disruptions: travel restrictions, customer site access
- Delays in urban rail contract awards

(a) London, Dubai, Doha, Hong Kong

Defense & Security: 9m 2020 key figures

€m	9m 2020	9m 2019	Change	
			total	organic
Order intake	**3,853**	5,271	**-27%**	**-27%**
Sales	**5,469**	5,670	**-3.6 %**	**-3.3 %**

Order intake down due to high comps and Covid-19-related delays in finalizing contracts

- No significant opportunity lost, catch-up expected during Q4

Return to growth in Q3: +5.4%

- Strong mobilization of teams enables recovery after Covid-19 related disruptions in Q2

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Digital Identity & Security: 9m 2020 key figures

€m	9m 2020	9m 2019	Change	
			total	organic
Order intake	**2,227**	1,620	**NM**	**-4%**
Sales	**2,201**	1,631	**NM**	**-4.2%**

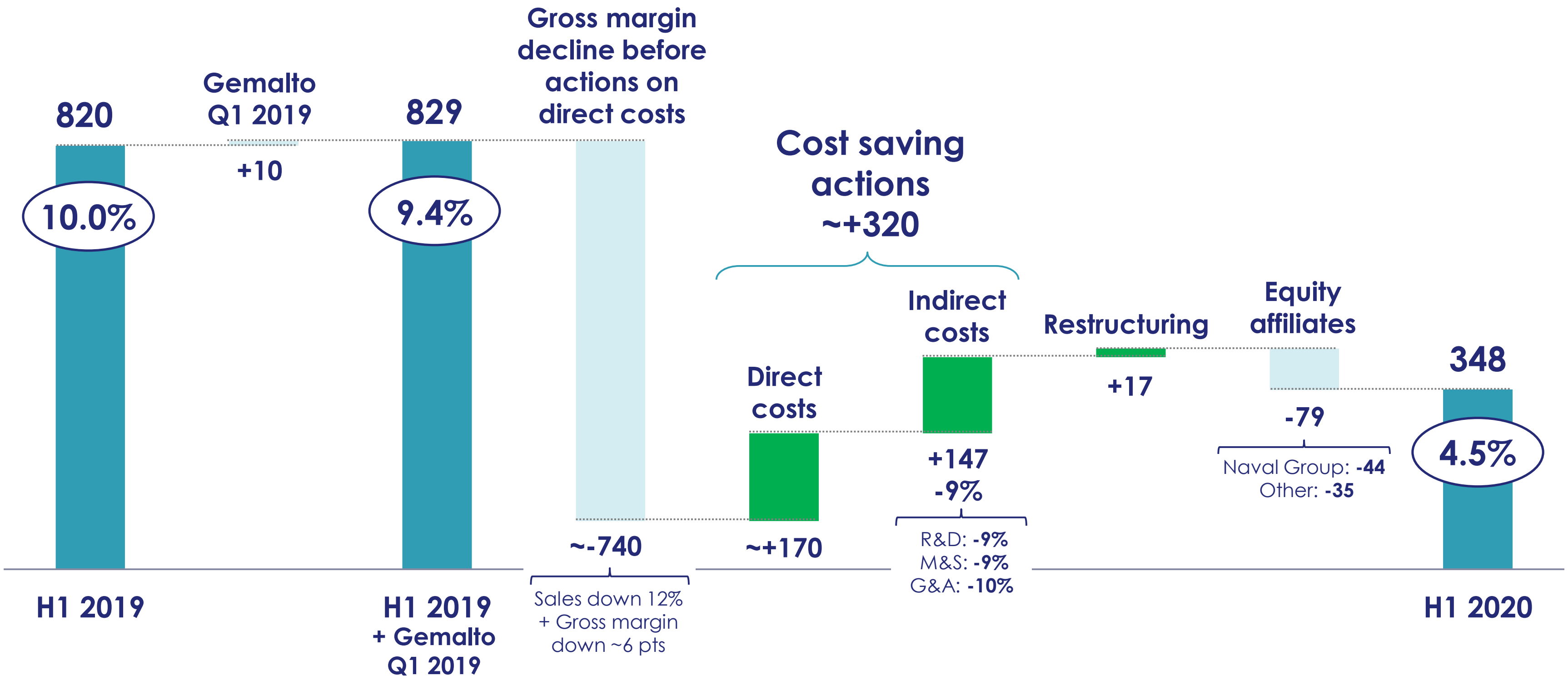
Order intake structurally aligned with sales for most businesses

9m pro forma sales slightly down (-2%)

- Biometrics (passports) and IoT still affected by worldwide health crisis
- Smart card sales growth above long-term trend
- Q4 expected to be impacted by high comps in smart card sales and continued weakness of biometrics and IoT

EBIT: significant impact of cost saving actions already visible in H1

€m and % of sales



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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

€m	H1 2020	H1 2019
Operating cash flow before WCR changes, interest and tax	**709**	**1,024**
+ Change in WCR and reserves for contingencies	(832)	(1,022)
+ Pension cash out, excluding deficit payment on UK pensions	(87)	(73)
+ Net financial interest	(46)	(22)
+ Income tax paid	(55)	(64)
= Net cash flow from operating activities	**(310)**	**(157)**
+ Net operating investments	(161)	(175)
= Free operating cash flow	**(471)**	**(332)**

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Introduction to Thales

H1 and 9m 2020 results

Key priorities for 2019-23

Outlook

Ambition 10: a solid framework to capitalize on Thales's unique positioning, further strengthened in the post Covid-19 world

AMBITION 10

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

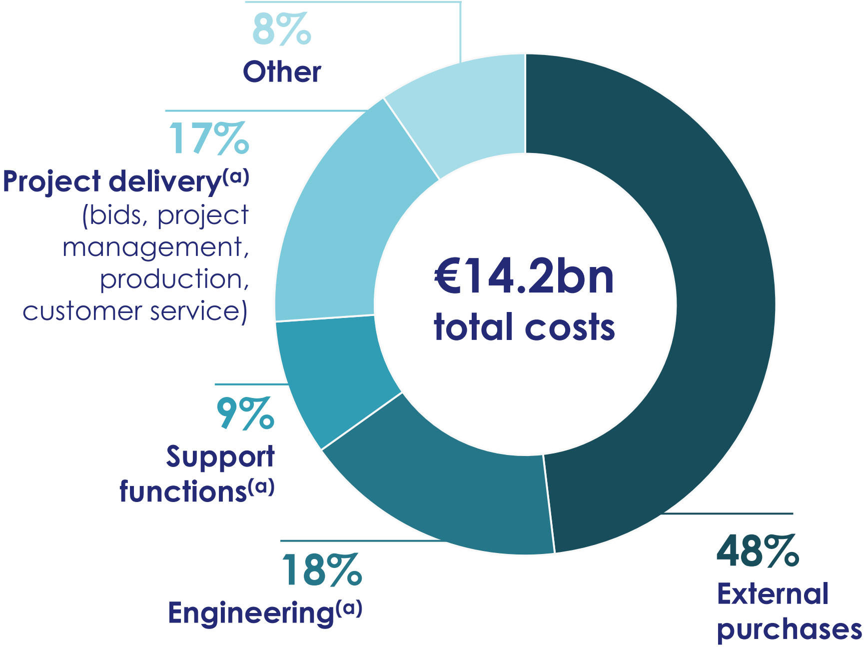
4 Lead in digital transformation of markets

5 Execute on transformative acquisition of Gemalto

2 Relentlessly optimize operational performance

Group cost structure

(2018, before Gemalto)



Focus on 4 high impact initiatives

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

(a) Excluding external purchases

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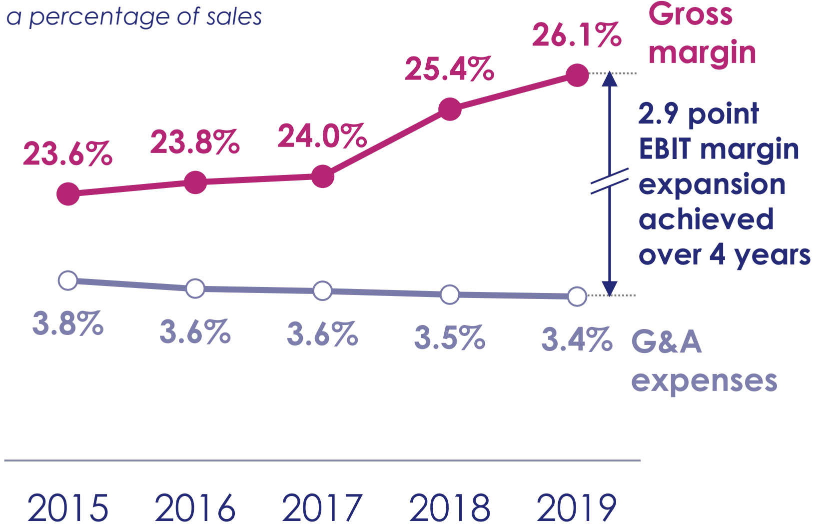
2 Sustainably deliver on operational performance initiatives

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



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

DIS cost synergies fully on track

- €25m achieved in 2019

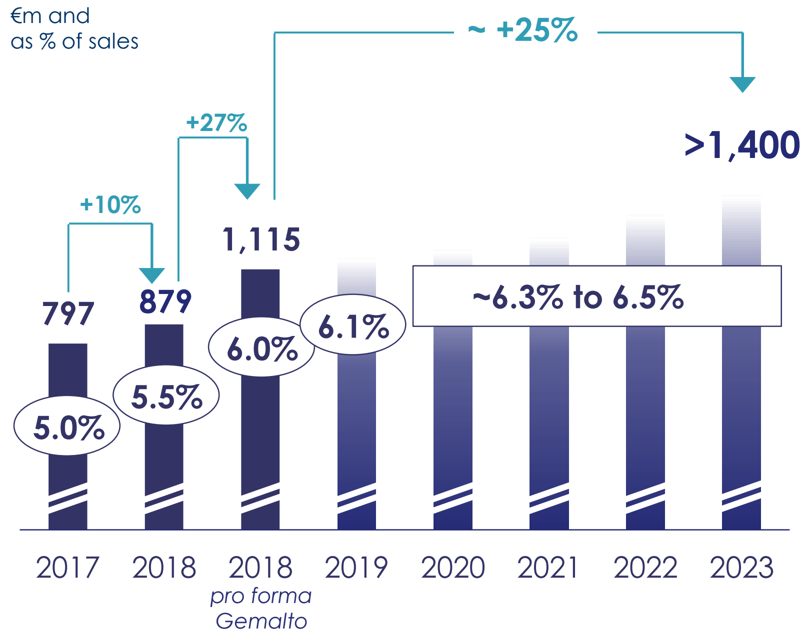
Performance culture drives constant flow of actions

- Worldwide integrated procurement organization fully operational
- Over 30% of spend now concentrated on strategic suppliers
- Development of engineering competency centers in Romania and India
- Deployment of digital engineering best practices across the Group
- Platforming and development of shared support services
- Launch of CA$H! initiative in 2019

3 Further R&D step-up to drive technological excellence

Pre Covid-19 crisis targets

Self-funded R&D



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

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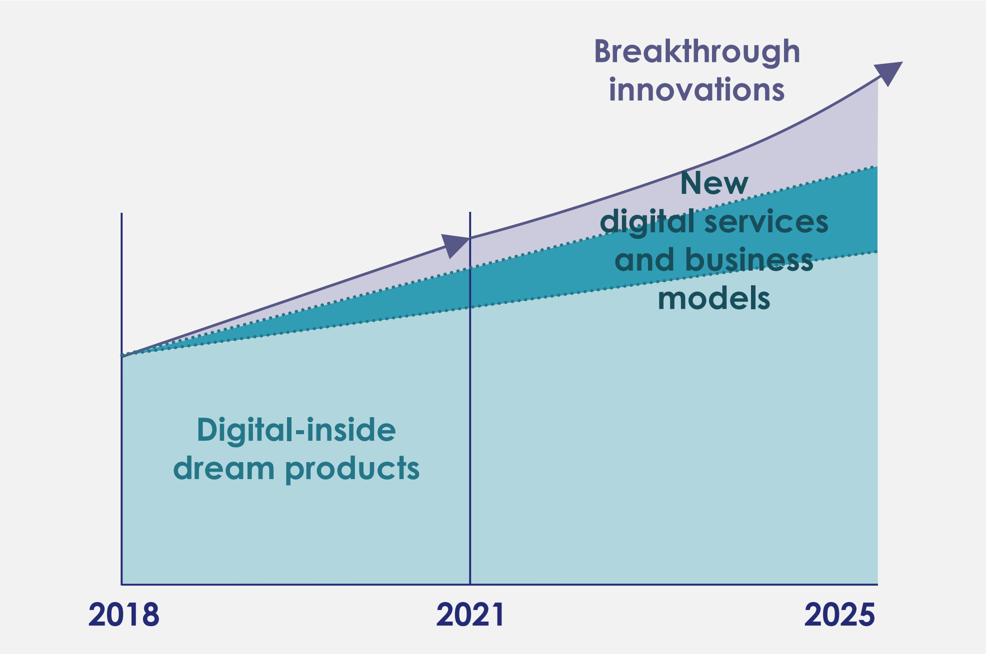
4 Digital technology leadership enhances long-term growth profile

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

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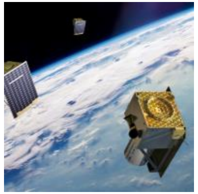
4 Digital offering: expanding the pipeline of digital innovations


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

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5 Gemalto acquisition: accelerating Thales's digital strategy

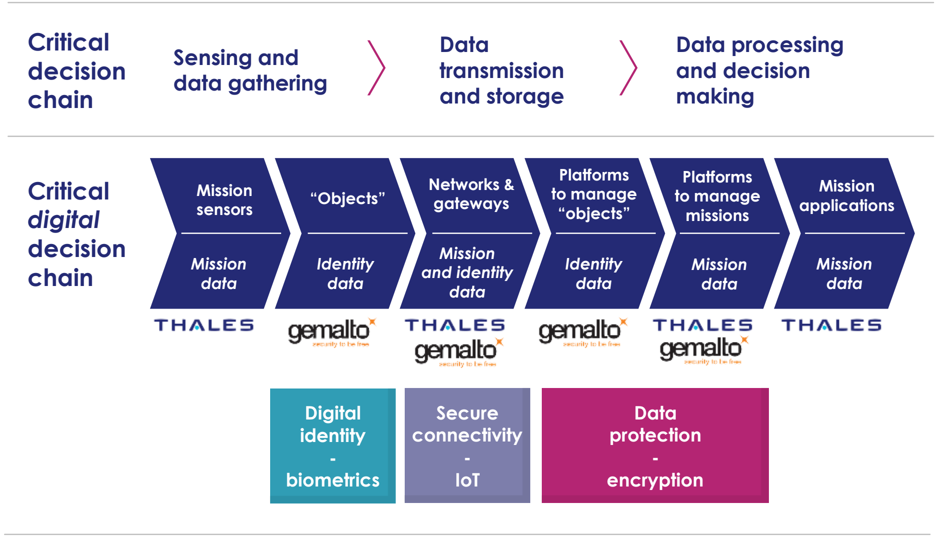
Digital security: a unique differentiator to stay at the forefront of intelligent systems

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



Critical decision chain

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

Critical *digital* decision chain

Mission sensors	"Objects"	Networks & gateways	Platforms to manage "objects"	Platforms to manage missions	Mission applications
Mission data	*Identity data*	*Mission and identity data*	*Identity data*	*Mission data*	*Mission data*
THALES	gemalto	THALES gemalto	gemalto	THALES gemalto	THALES

Digital identity - biometrics

Secure connectivity - IoT

Data protection - encryption

Reinforcing unique and differentiated market position

5 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

	2023 market size	**2019-23** forecasted market growth[a]
Data protection	**~€9bn**	**x2**
IoT connectivity & security[b]	**€6bn+**	**x2**
Biometrics	**~€5bn**	**x1.5**
eSIM shipments	**~800** million units	**x6**

(a) Pre Covid-19 crisis forecasts
(b) IoT cellular modules and IoT security
Sources: ABI Research, Gartner, IDC, Counterpoint, Thales

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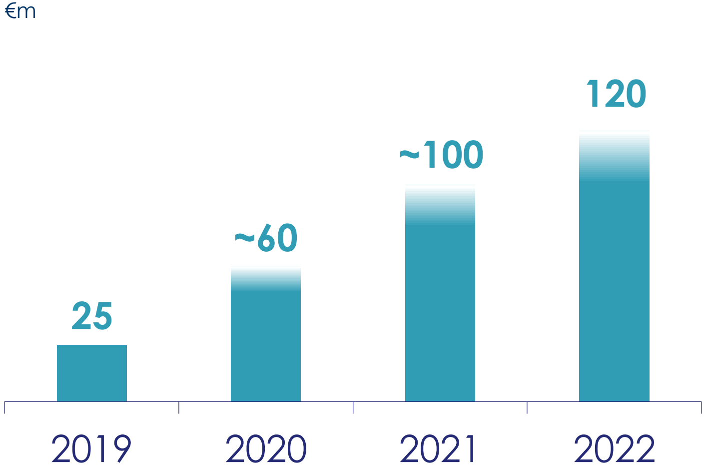
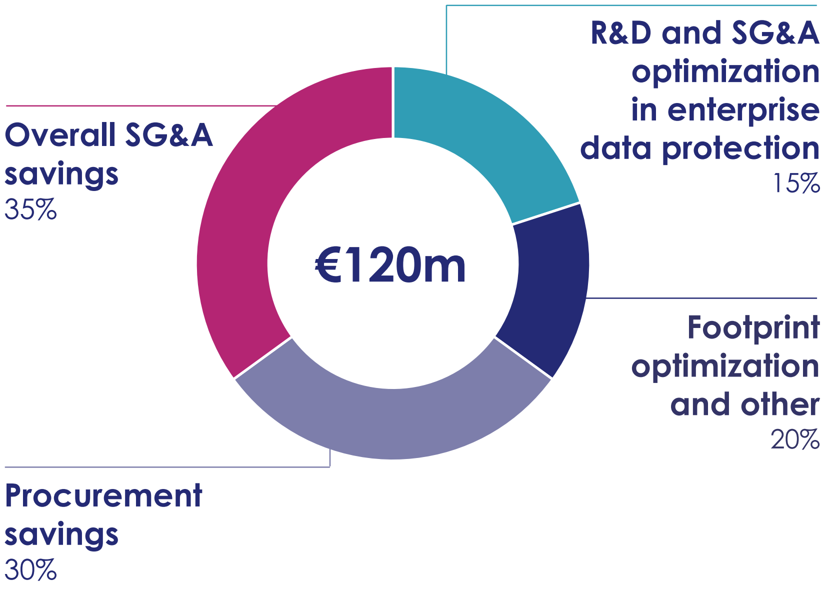
5 Cost synergies progressing fully in line with plan

Expected ramp-up of cost synergies



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

Breakdown of expected run-rate cost synergies



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5

Revenue synergy opportunities materializing across Group

🔵 **Digital identity - biometrics** 🟣 **Secure connectivity - IoT** 🔴 **Data protection - encryption**

Defense & Security

- Integration of cybersecurity products and improved go-to-market 🟣 🔴
- New homeland security offers 🔵 🟣 🔴
- Digitally-enabled asset management, collaborative combat, military IoT 🔵 🟣 🔴
- Drone management and surveillance 🔵 🟣 🔴

Digital Identity & Security

- Integration of cybersecurity products and improved go-to-market 🟣 🔴
- Sales of DIS solutions through Thales global sales network 🔵 🟣 🔴

Aerospace

- Connected aircraft cybersecurity 🟣 🔴
- Drone management 🔵 🟣 🔴

Transport

- Smart rail infrastructure 🟣 🔴
- Autonomous train cybersecurity 🔴
- New generation revenue collection 🔵 🔴

Enhanced by multiple cross-selling opportunities

5 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

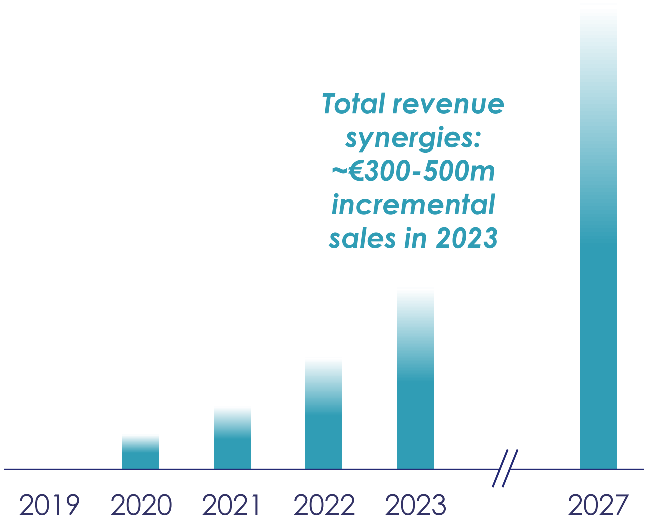
Mid-term **Development of new integrated offerings**

- 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



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

Teams fully mobilized to capture synergies, supported by disciplined organization

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Pre Covid-19 crisis organic sales growth targets

Pre Covid-19 crisis targets

Group organic sales growth target

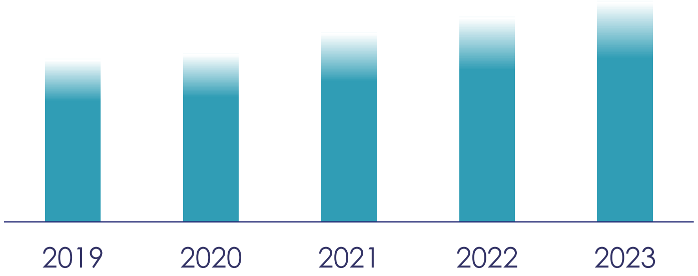
3% to 5% growth
on average over 2019-23

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*



		Market trend	Organic sales growth target 2019-23
Aerospace		~+1.5%[a]	+2-3%
Transport		~+3%	Flat[b] (2018-23: ~+2%)
Defense & Security		~+3.5%	+4-6%
Digital identity & security	Smart cards	Flat	+4-6%[c]
	Digital services and solutions	~+13%	

(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

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

Civil aeronautics

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

Rail transport

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

Space

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

Digital identity & Security

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

The world after Covid-19: digital, connected, green

Defense portfolio aligned with long-term needs

Unchanged need to invest in defense systems

- Geopolitical tensions
- Greater variety of threats

Key customer priorities

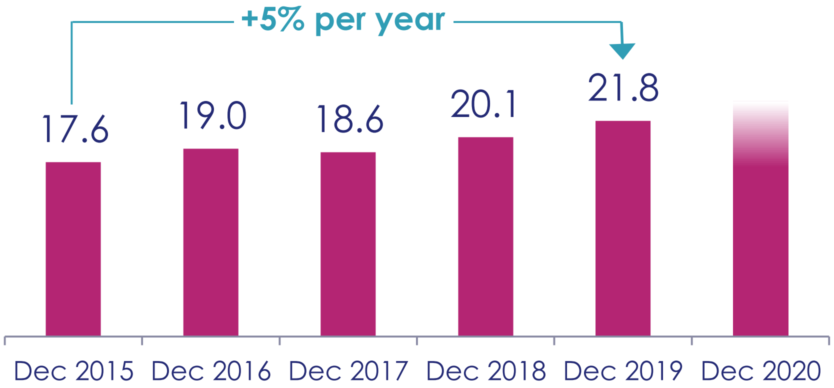
- New generation digital sensors
- Communications: connected collaborative combat
- Cyber-defense
- Technological superiority and autonomy

Record backlog, expected to significantly increase by end 2020

MKS180: key Thales mission capabilities

- New generation mission and combat management
- Above water warfare suite
- Cyber-defense and security
- Connectivity

Defense & Security backlog (€bn)



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Multiple medium-term drivers of margin expansion

Groupwide operational performance initiatives

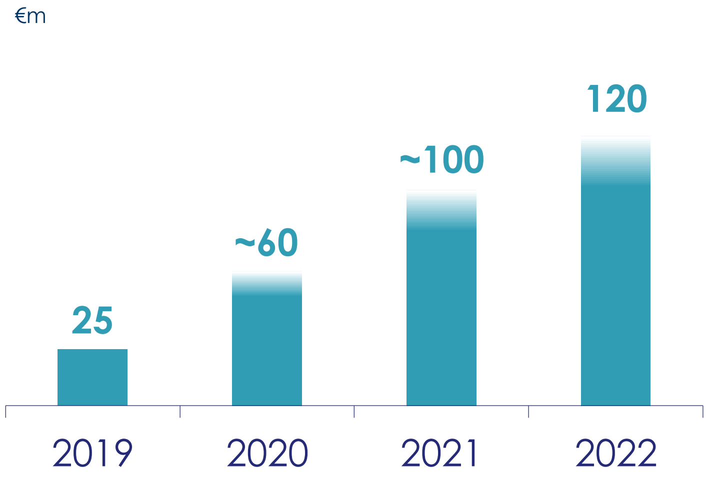
- Procurement performance
- Engineering competitiveness
- Support function efficiency
- Excellence in delivery

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

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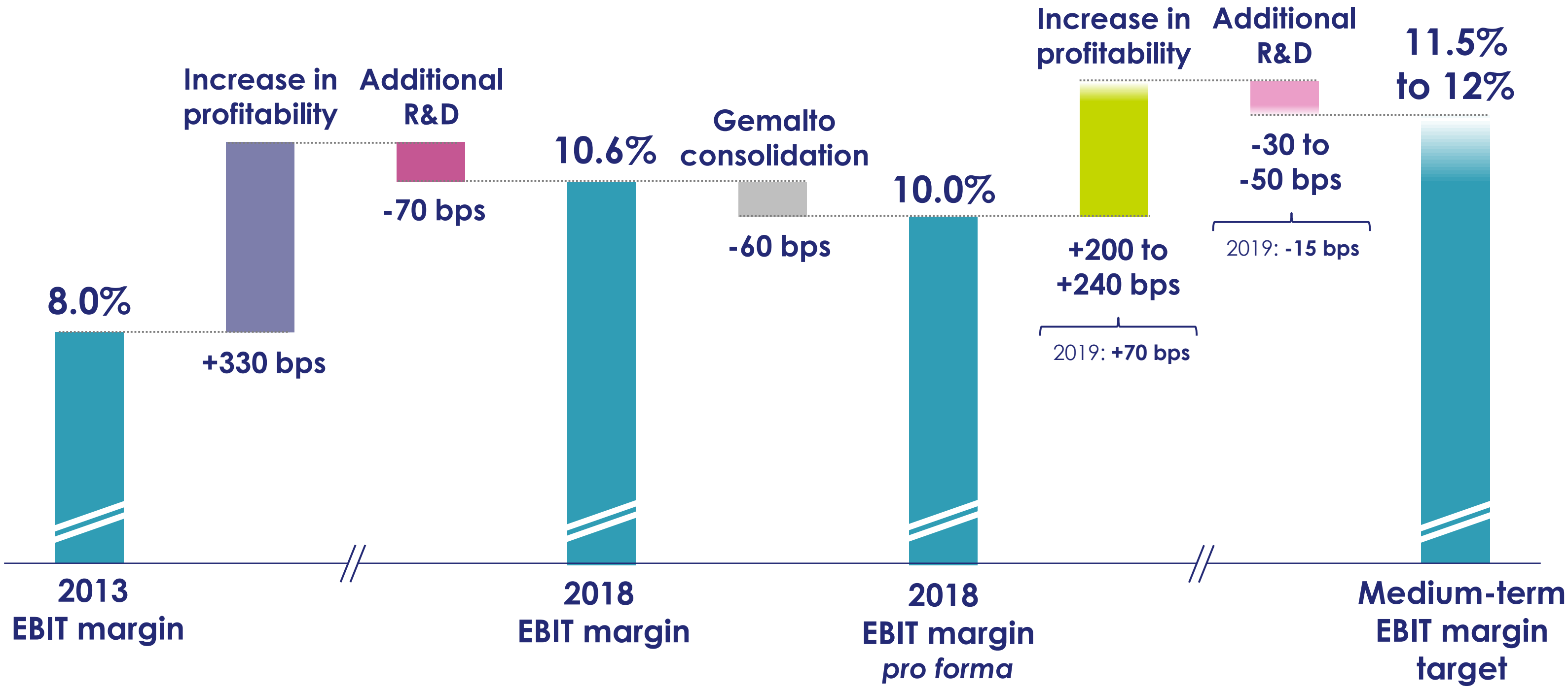
Further significant increase in profitability



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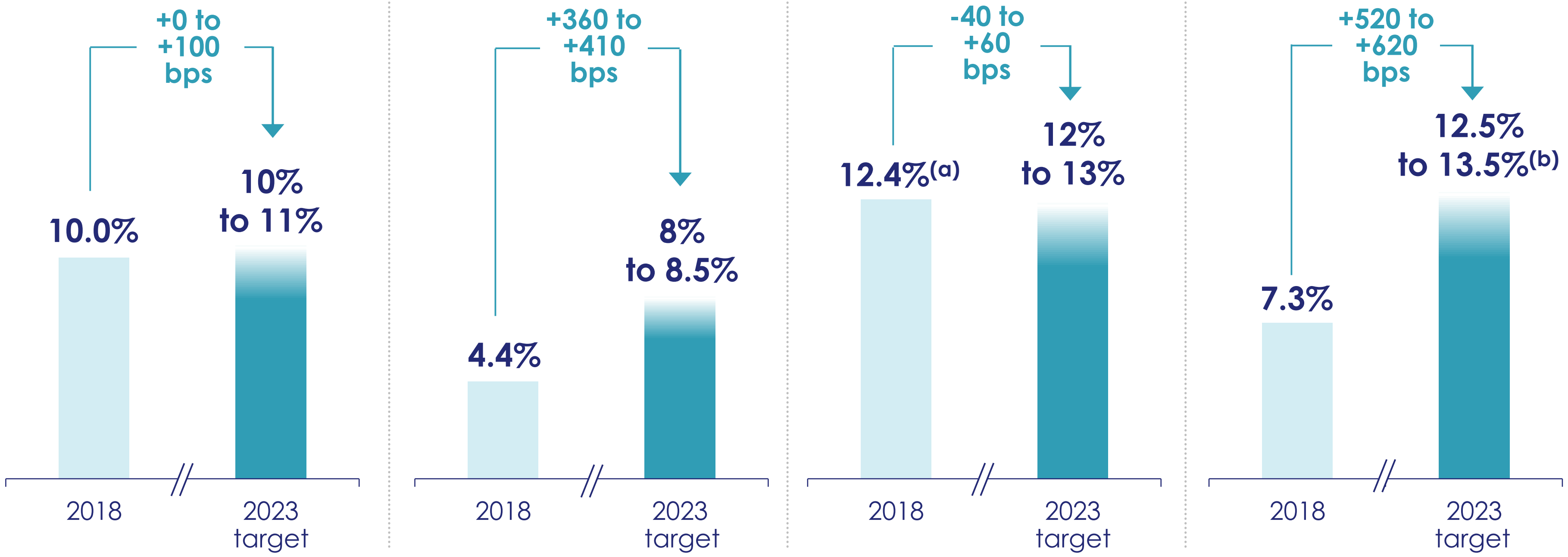
Pre Covid-19 crisis medium-term margin targets by segment

Aerospace | **Transport** | **Defense & security** | **Digital identity & security**



(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

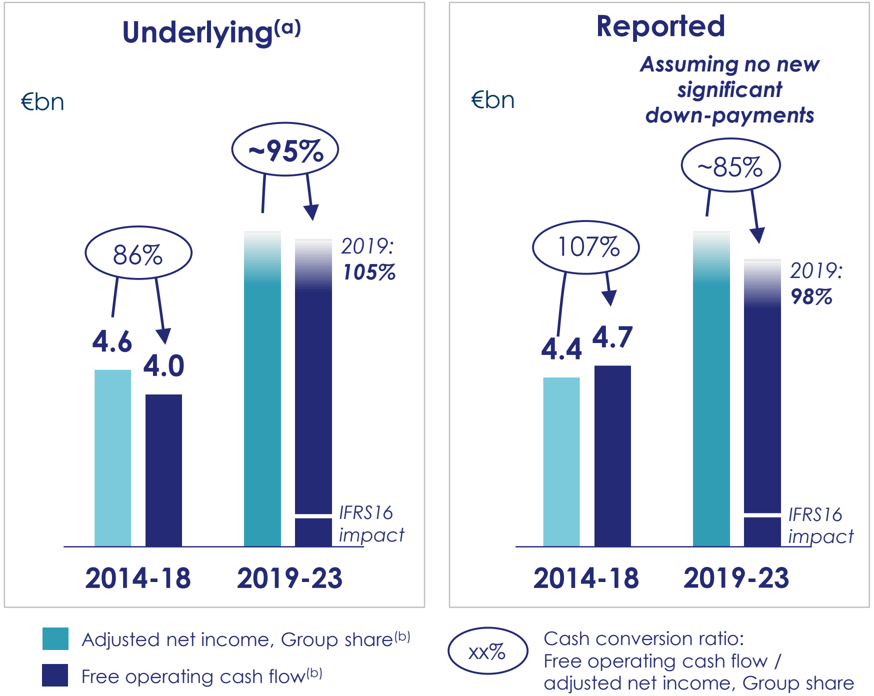
Underlying 2019-23 cash conversion comparable to 2014-18

- 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



(a) One-off items on adjusted net income: €117m non cash losses at Naval group in 2014, €85m non cash tax items in 2016 and 2017 – One-off items on Free operating cash flow: €750m of positive WCR effects booked in 2015-18, of which €100m unwinding in 2019. See page 54

(b) Non-GAAP measure: see definition in appendix

A more efficient capital structure to support significant dividend growth whilst maintaining financial flexibility

Strong investment grade maintained (BBB+, A2)

Dividend growth in line with adjusted EPS

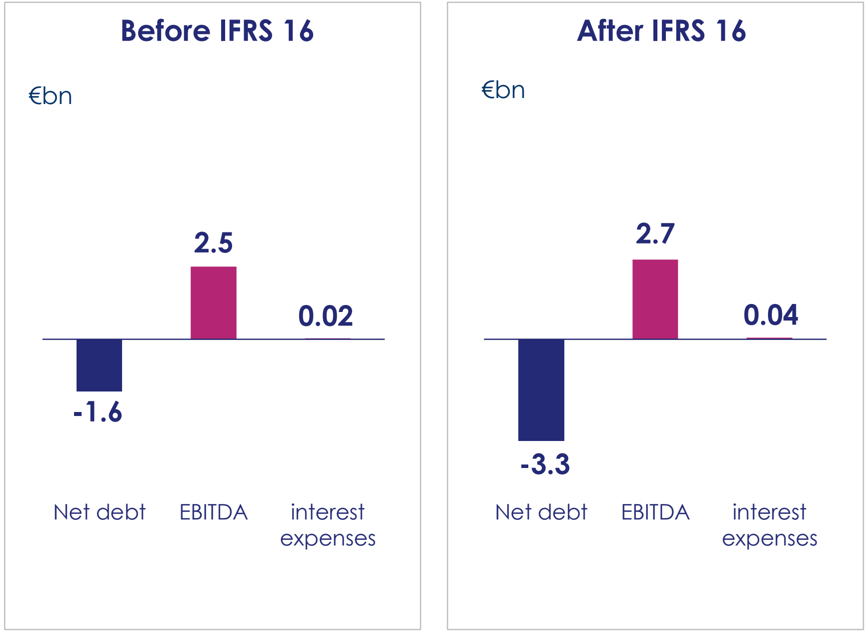
Financial flexibility to allow bolt-on acquisitions while deleveraging the Group

Retaining focus on ROCE

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

(a) Pre Covid-19 crisis expectation

2019 capital structure metrics[b]



(b) Gemalto pro forma 12 months

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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

Order intake	**Book-to-bill above 1, driven by solid dynamics in Defense & Security**
Sales	**€16.5 to €17.2 billion(a)**
EBIT(b)	**€1,300 to €1,400 million(a, c)**

(a) Assuming no major step-up in sanitary measures on key markets. Based on July 2020 scope and foreign exchange rates.
(b) Non-GAAP measure: see definition in appendix.
(c) Assuming full year restructuring cost of ~€130m (€102m in 2019) and EBIT contribution from JVs of ~€70m (€171m in 2019).

Summary

Unique portfolio positioning

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

Continued focus on operational performance

- New competitiveness initiatives gaining momentum in coming years
- Strict cost control and value maximization in mature smart card businesses

Strong development levers

- Further acceleration of R&D investments
- Gemalto accelerating digital strategy

AMBITION 10

Sustainable value creation, with enhanced resilience

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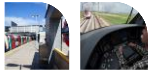
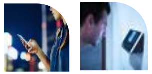
Appendix

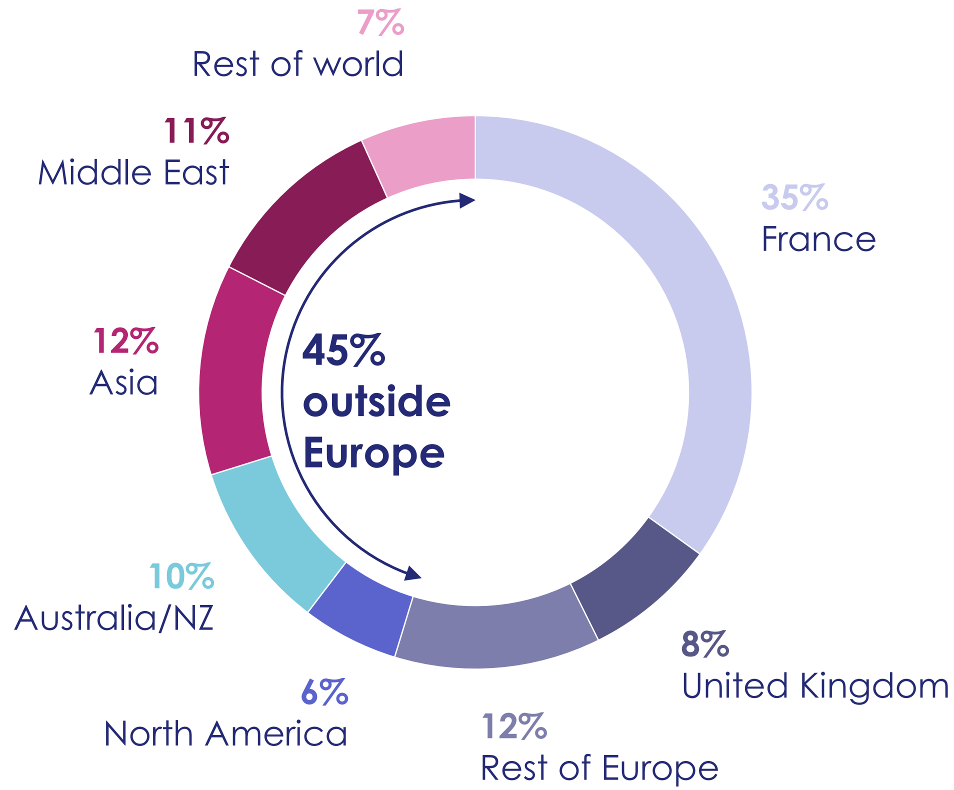
A strong set of focused businesses

Segment	Sub-segment	Civil	Military	2019 sales[a] (€m)	Market position
Aerospace *29% of 2019 sales[a]* *Of which* *▪ Civil aero: 11%* *▪ Space: 11%* *▪ Military aero and microwave tubes: 7%*	**Flight avionics** including cockpit avionics, communications, electrical systems, training and simulation (of which civil: ~€1,350m, military: ~€800m) 	◕	◔	~2,150	#3 worldwide (flight avionics)
	Connected in-flight entertainment (IFE) 	●	○	~800	#2 worldwide
	Microwave tubes for satellite, medical, scientific and military applications 	◕	◔	~500	#1 worldwide
	Space solutions for telecom, observation, navigation and exploration 	◕	◔	~2,150	#2 worldwide (civil satellites)
Transport *10% of 2019 sales[a]*	**Rail signaling and supervision** including passenger payment collection systems 	●	○	~1,900	#2 worldwide
Defense & security *44% of 2019 sales[a]*	**Sensors and mission systems** including radars, sonars, optronics, mission systems for aircraft, ships and submarines, missiles and armored military vehicles 	◔	◕	~4,300	#1 in Europe
	Communications, command and control systems including military communications and networks, military command and control systems (C4I), cybersecurity, Air Traffic Management, and homeland security solutions 	◔	◕	~3,950	#2 worldwide (military tactical communications)
Digital identity & security *17% of 2019 sales[a]*	**Digital identity and security solutions** including identity management & data protection, biometrics, analytics & Internet of Things, mobile connectivity solutions (removable SIM and eSIM), EMV payment cards 	●	○	~3,200	#1 worldwide

(a) Based on Thales 2019 + Gemalto Q1 2019

Highly diversified Defense & security customer base

Defense & security sales by region, 2019



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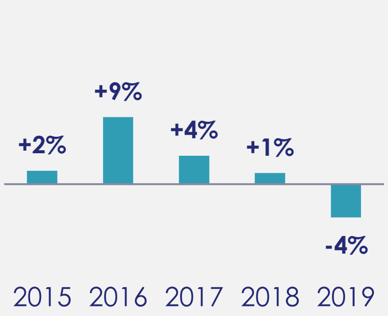
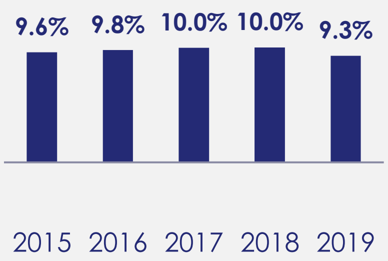
Historical sales and EBIT performance by segment

Aerospace

Organic sales growth

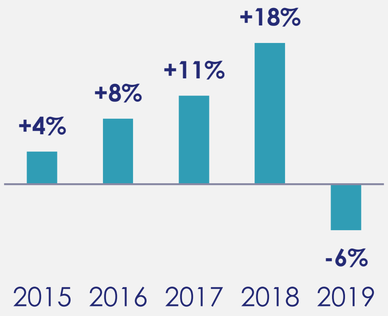


EBIT margin

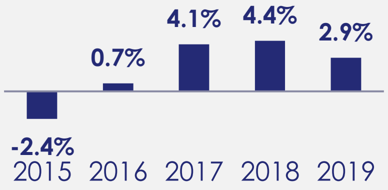


Transport

Organic sales growth

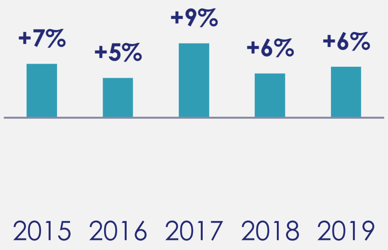


EBIT margin

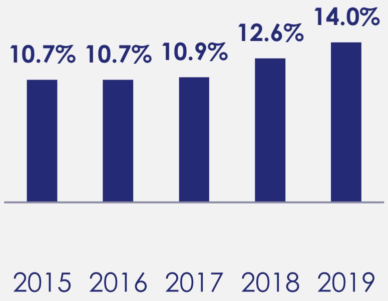


Defense & Security

Organic sales growth

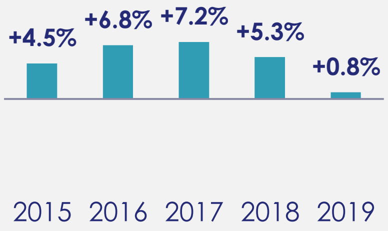


EBIT margin

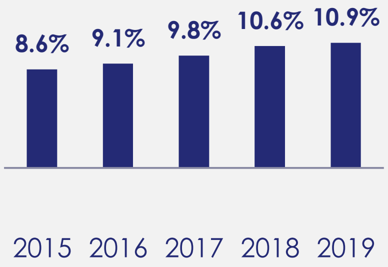


Total Group

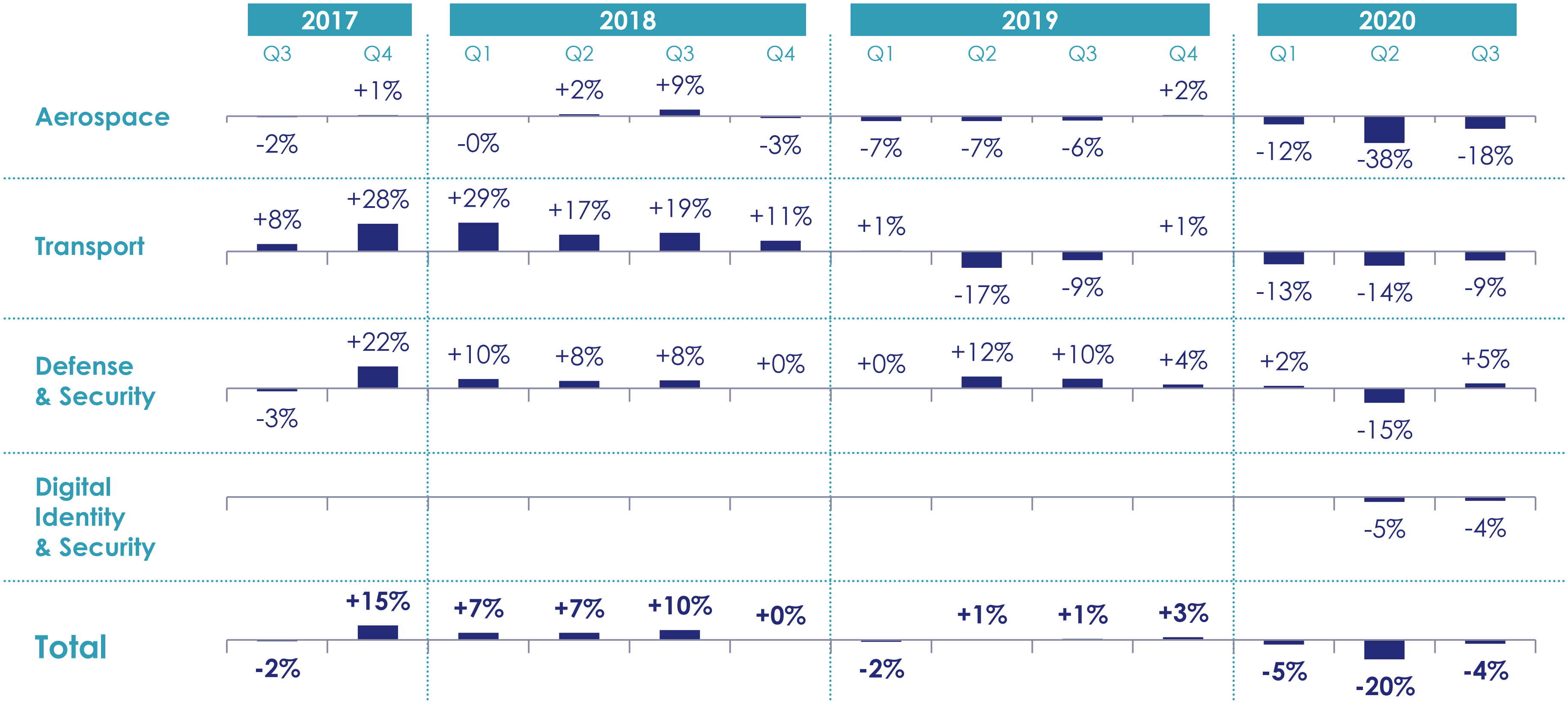
Organic sales growth



EBIT margin

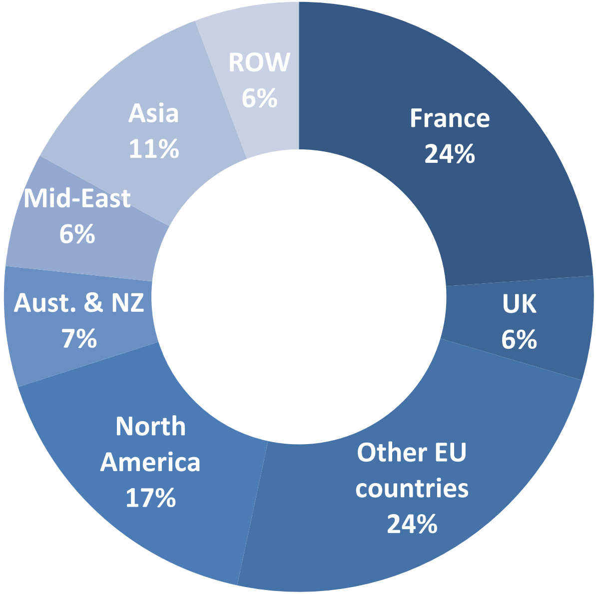


Organic sales growth per quarter



9m 2020 order intake by destination

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



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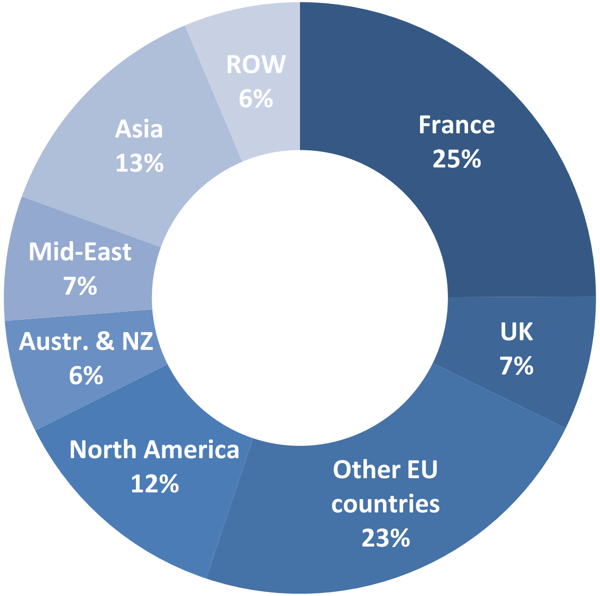
9m 2020 sales by destination

€m	9m 2020	9m 2019	*change* *total*	 *organic*
France	2,920	3,281	*-11.0%*	*-11.7%*
United Kingdom	859	887	*-3.1%*	*-5.9%*
Other European countries	2,679	2,589	*+3.5%*	*-2.4%*
Europe	**6,458**	**6,757**	***-4.4%***	***-7.4%***
North America	**1,461**	**1,419**	***+3.0%***	***-9.2%***
Australia/NZ	**721**	**693**	***+4.0%***	***+5.3%***
Mature markets	**8,640**	**8,869**	***-2.6%***	***-6.7%***
Asia	1,531	1,786	*-14.2%*	*-21.7%*
Middle East	798	988	*-19.2%*	*-22.8%*
Rest of the world	744	767	*-3.0%*	*-12.4%*
Emerging markets	**3,074**	**3,541**	***-13.2%***	***-20.1%***
Total	**11,714**	**12,410**	***-5.6%***	***-10.5%***



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2019 EBIT by operating segment

€m / % of sales	2019		2018		Change total	Change organic
Aerospace	**521**	**9.3%**	580	10.0%	-10%	-11%
Transport	**56**	**2.9%**	88	4.4%	-37%	-35%
Defense & Security	**1,153**	**14.0%**	992	12.7%	+16%	+21%
Digital Identity & Security	**264**	**10.3%**	15	8.0%	nm	nm
EBIT - operating segments	**1,994**	**10.9%**	1,675	10.6%	+19%	+4%
Other	(50)		(53)			
EBIT - excluding Naval Group	**1,943**	**10.6%**	1,623	10.3%	+20%	+4%
Naval Group	65		63			
EBIT - total	**2,008**	**10.9%**	1,685	10.6%	+19%	+4%

Thales 2019 + Gemalto Q1 2019 summary adjusted P&L

	2019 ***Thales reported***		**2019** ***Thales + Q1 Gemalto[(a)]***	
	€m	*% of sales*	€m	*% of sales*
Sales	**18,401**		**19,052**	
Gross margin	5,051	27.5%	5,261	27.6%
Indirect costs	(3,112)	-16.9%	(3,310)	-17.4%
o/w R&D expenses	(1,097)	-6.0%	(1,163)	-6.1%
o/w Marketing & Sales expenses	(1,381)	-7.5%	(1,477)	-7.8%
o/w General & Administrative expenses	(634)	-3.4%	(670)	-3.5%
Restructuring costs	(102)	-0.6%	(105)	-0.6%
Share in net result of equity-accounted affiliates	171		171	
EBIT	**2,008**	10.9%	**2,018**	10.6%

(a) Not audited. 2019 reported figures + Gemalto Q1 2019

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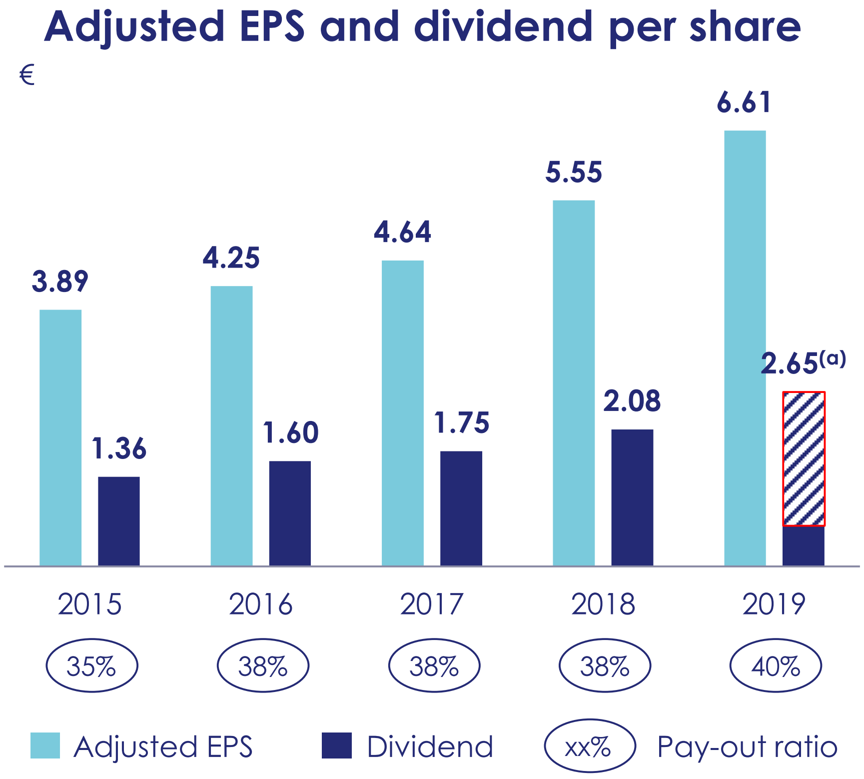
Adjusted EPS and dividend



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

Adjusted EPS up 14% per year since 2015

2020 dividend: €0.60 per share

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

2021 interim dividend distributed in December 2020

- €0.40 per share

Cash conversion before one-offs

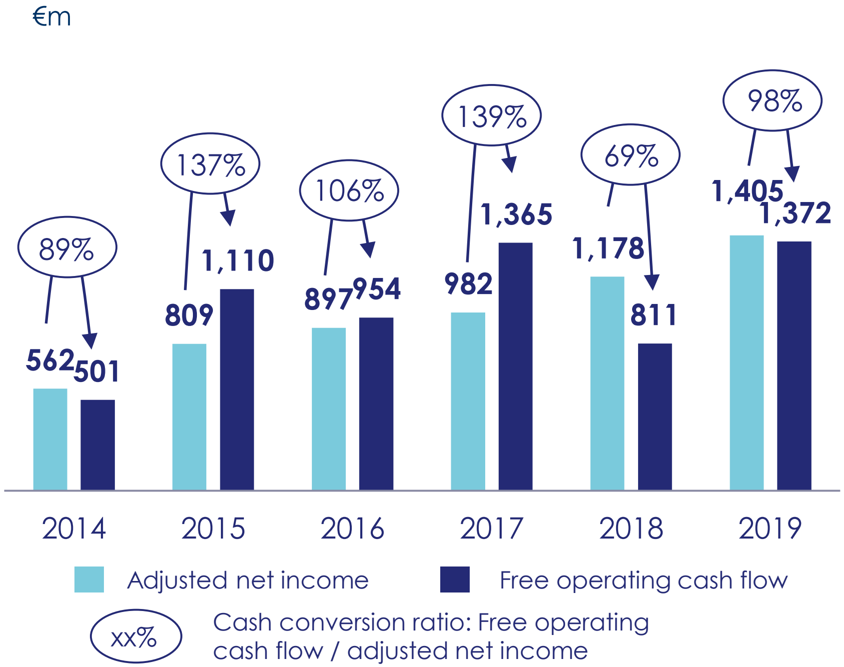
€m		2014	2015	2016	2017	2018	2014-18 average	2019(a)	
Free operating cash flow, *before one-offs*	(A)	**501**	**660**	**854**	**965**	**1,011**	**798**	**1,472**	
+ Exceptional down-payments received			+450	+100					
- Exceptional cut-off effects at 31 December					+400		**+150**	+300	
- Gemalto acquisition one-offs								-50	**-100**
- Reversal of down-payments and cut-off effects						-200		-350	
= Free operating cash flow, reported		**501**	**1,110**	**954**	**1,365**	**811**	**948**	**1,372**	
Year-end balance of one-off items to reverse in subsequent years			*+450*	*+550*	*+950*	*+750*		*+700*	
Adjusted net income, Group share, reported		562	809	897	982	1,178	886	1,405	
- One-offs		-	-117	-18	-67	-	-29	-	
= Adjusted net income, Group share, *before one-offs*	(B)	**562**	**926**	**915**	**1,049**	**1,178**	**903**	**1,405**	
Cash conversion *before one-offs*	**(A)/(B)**	**89%**	**71%**	**93%**	**92%**	**86%**	**88%**	**105%**	

(a) IFRS16 impact on 2019 free operating cash flow: €+203m. IFRS16 impact on 2019 adjusted net income, Group share: €-11m.
2019 cash conversion before one-offs and IFRS16 impact: 90%

Historical trend in cash conversion

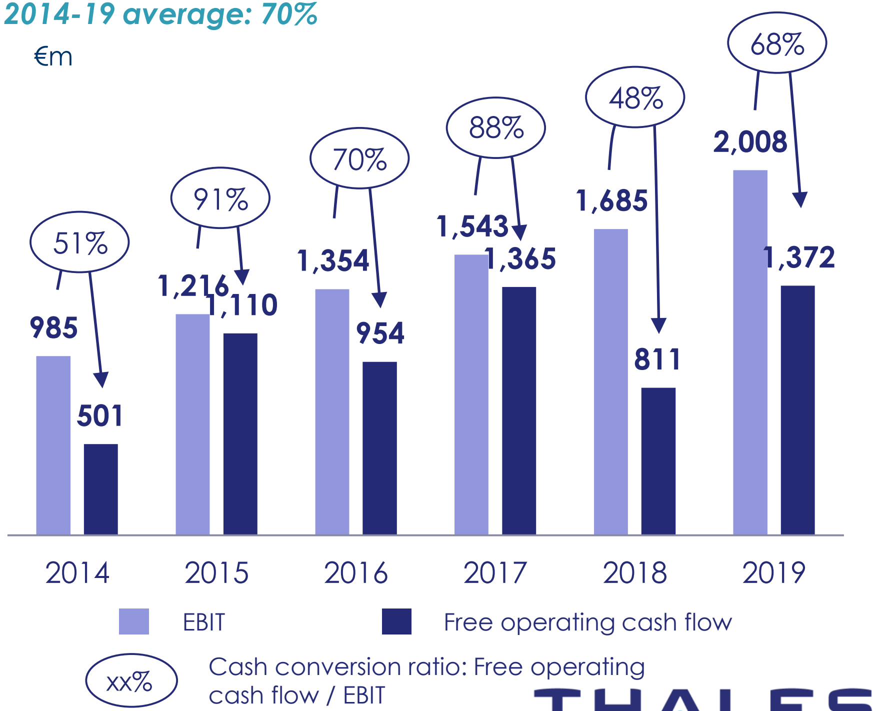
Adjusted net income conversion into Free operating cash flow

2014-19 average: 105%



EBIT conversion into Free operating cash flow

2014-19 average: 70%



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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.

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