



Investor meeting

July 2018



The people we all rely on
to make the world go round,
they rely on Thales



Introduction to Thales

2018-21: targeting industry leadership

Five key priorities for 2018-21

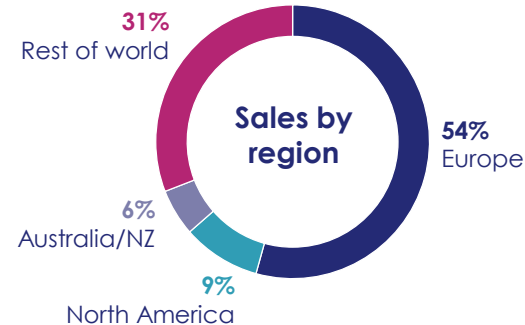
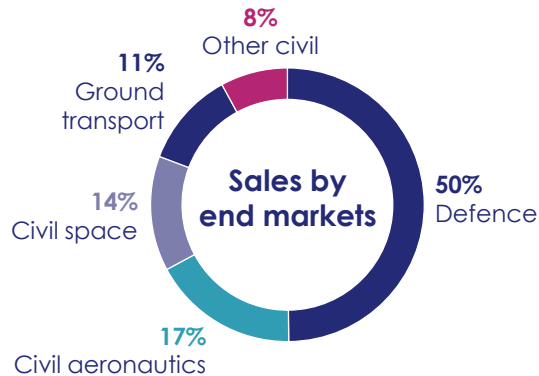
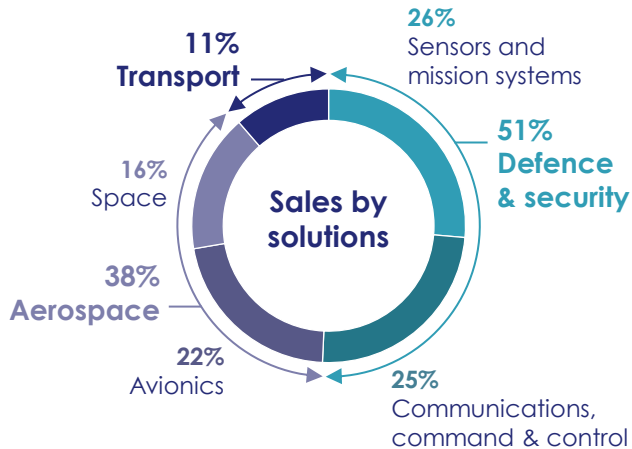
H1 2018 results

Outlook

A photograph of a smiling man with dark hair and a beard, wearing glasses and large headphones. He is seated in an airplane cabin, with the headrest of the seat in front of him visible. The image is partially framed by a large, stylized teal shape on the right side of the slide.

1 million
passengers each day enjoy
Thales in-flight technologies

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



Flight
avionics

#3

worldwide



In-flight
entertainment

#2

worldwide



Space
solutions

#2

worldwide
(civil satellites)



Rail signalling
and supervision

#2

worldwide



Advanced
defence systems

#1

in Europe
for defence sensors
and mission systems



Air Traffic
Management

#1

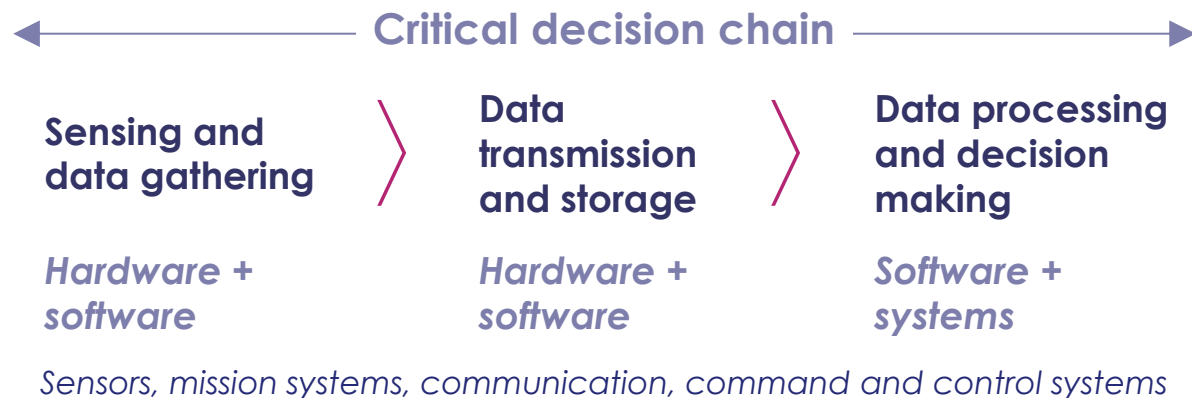
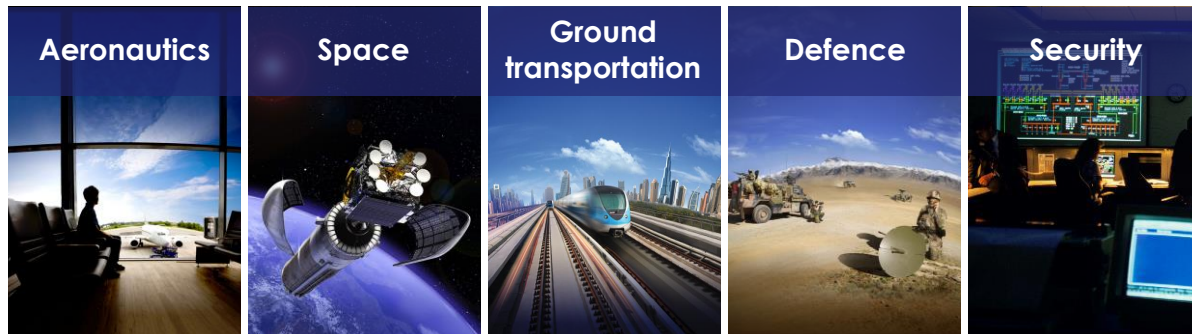
worldwide

Thales: a pure player focused on intelligent systems

Addressing
some of the most
demanding
end markets...



...leveraging a
unique portfolio
of key common
technologies



Thales builds on 4 key strengths

2017
**TOP 100
GLOBAL
INNOVATOR**
Clarivate
Analytics



Cutting edge R&D

- €3bn, ~20% of sales
- ~75% customer-funded
- 25,000 engineers
- Ranked by Nature as first non-pharma company in Europe for quality of research



Deep domain knowledge

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

Connectivity
Mobility, IoT



Big data
analytics

Cyber-
security



Artificial
intelligence

Growing digital asset base

- Thales portfolio: digital "by nature"
- Significant organic and inorganic initiatives, targeting 4 key digital technologies
- Large integrated network of digital native talents



Global presence

- Presence in 50+ countries and sales in 100+ countries
- Proven ability to address complex markets and partnerships
- Capitalizing on 40+ year presence

Resilience embedded in business model

High geographical diversification

- Sales >€100m in 23 markets

Platform-agnostic positioning

- On-board all major aircraft, train and metro platforms
- Serving 55+ armed forces

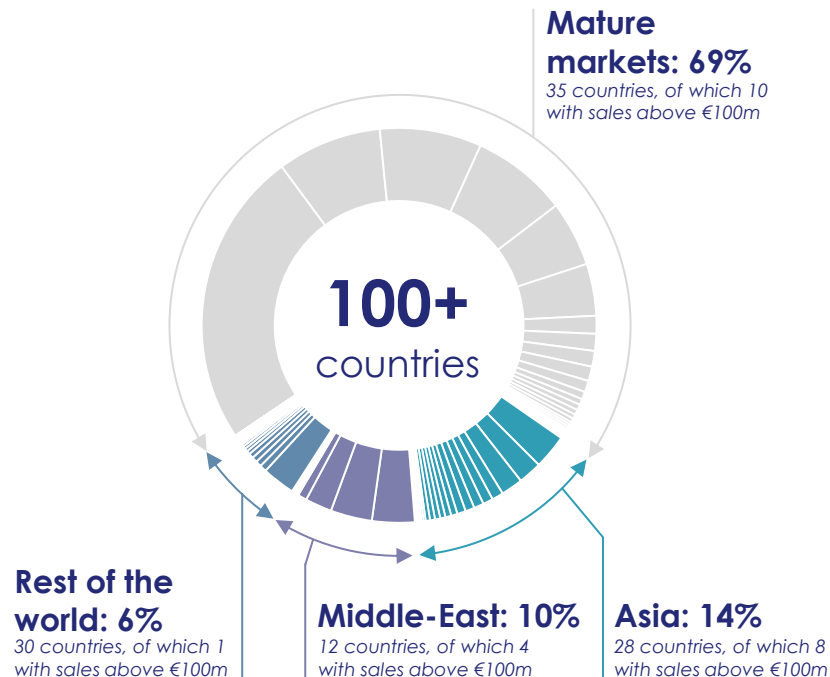
Strong program diversification

- Largest program represents less than 5% of sales

Balancing defence and civil business models

Ability to cross-sell technologies across end markets

Geographical sales breakdown



Thales delivers a best-in-class ROCE

ROCE in line with best-in-class peers

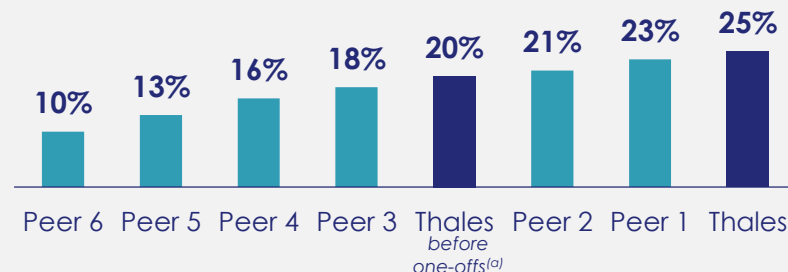
Asset turn higher than peers

Thales light asset base underpinned by

- No capitalization of R&D
- Relatively low goodwill and PPA
- Significant negative working capital driven by export projects

Peer group: BAE Systems, Honeywell, Leonardo, Lockheed-Martin, Raytheon, Safran

2017 ROCE



2017 asset turn



(a) Capital employed adjusted up by €950m accumulated one-off positive WCR effects recorded at end 2017

- Introduction to Thales

- 2018-21: targeting industry leadership**

- Five key priorities for 2018-21

- H1 2018 results

- Outlook



50 countries
across the globe protect their populations
with Thales technologies

Ambition 10: a 10-year journey to industry leadership in all segments



2014
—
2017

**Building a growing,
more global and
more profitable Thales**



2018
—
2021

Leadership in all segments

- Grow profitably in a sustainable way
- Grow faster than the market

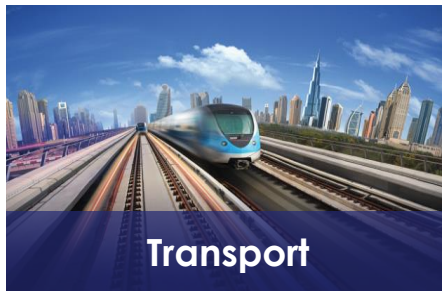
All Thales markets benefit from solid underlying trends...



- Stable to improving trends in government budgets and GDP growth
- Operational efficiency a growing priority, increasingly enabled by intelligent systems
- Growing demand for security and safety



- Long-term growth in global air traffic
- Focus on operational and environmental efficiency
- Unique position of space systems to address new needs



- Urbanization and increasing need for mobility supporting rail development
- Renovation of signalling a key lever to increase efficiency of existing infrastructures



- Confirmed trend-up of defence budgets in mature countries, facing increased geopolitical tensions and the return of symmetric threats
- Need to address growing security concerns related to asymmetric threats and terrorism
- High demand for cybersecurity, in particular corporate data protection

...supporting ~3% sustained market growth...

Civil aviation



+3.5%

2017-36

Space



+1%

2018-21

+4%

2018-30

Rail signalling



+3%

2014-20

Civil cybersecurity



+8%

2018-21

Global defence budgets



+3.5%

Europe
2018-22

+6%

Asia-Pacific and
Middle-East
2018-22

Annual growth forecasts - sources:

- Civil aviation: IATA (air passenger numbers)
- Space: 2018-21: NSR, ESA budget request, 2018-30: Morgan Stanley
- Rail signalling: UNIFE, 3-year average forecasts 2019-21 vs 2013-15
- Civil cybersecurity: Gartner
- Defence budgets: Jane's defence, current terms, country budget planning, excludes China and Russia

...combined with Digital as a long-term disrupter

Digital technologies will revolutionize the future of Thales markets

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



Adoption of digital technologies will take time

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

Acceleration of digital innovation increases opportunities for bold technology leaders

- Introduction to Thales

- 2018-21: targeting industry leadership

- Five key priorities for 2018-21**

- H1 2018 results

- Outlook

A photograph of two young women smiling and posing next to a train. The woman on the left is wearing a black hat and glasses, and the woman on the right is wearing a dark jacket. They are both looking towards the camera. The train is visible in the background, and the scene is brightly lit, suggesting a sunny day.

8 billion
passengers each year benefit
from Thales technologies

2018-21: five key priorities



1

Reinforce customer-centric organization and culture



2

Relentlessly optimize operational performance



3

Accelerate R&D investments to drive technological excellence



4

Lead in digital transformation of markets



5

Execute on transformative acquisition of Gemalto



1

Reinforce customer-centric organization and culture

Three 2018-21 priorities...

**Deepen
customer intimacy**

**Consistently optimize
sales pipeline**

**Develop exports
from large countries**

...capitalizing on marketing and sales excellence

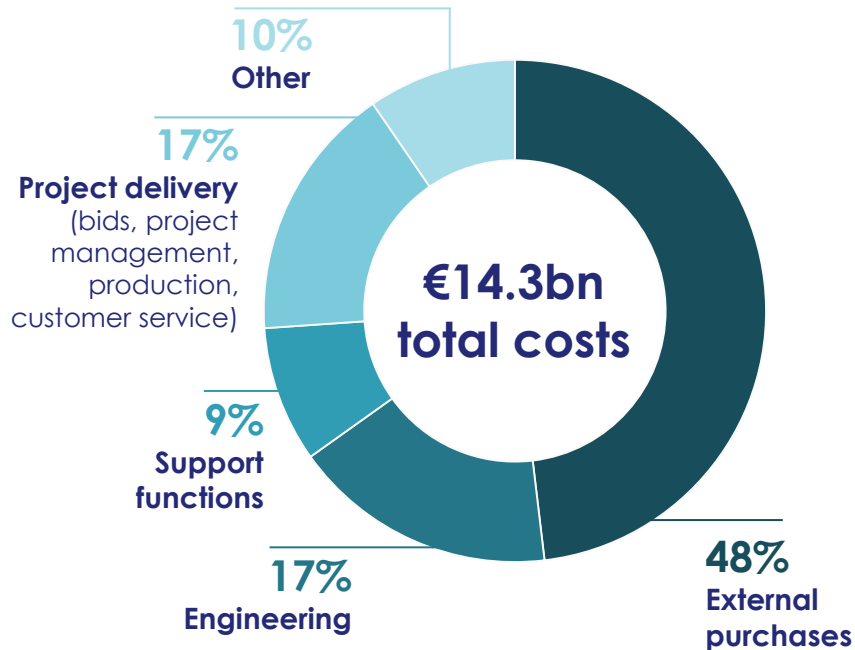
- Value-based marketing approach
- Positioning as partner in digital transformation
- Reinforcement of value-selling competencies
- Optimization of resource deployment and management
- Strengthening of customer engagement and cross-selling capabilities leveraging innovative digital tools



2

Relentlessly optimize operational performance

Group cost structure



Focus on 4 high impact initiatives

Procurement performance

Engineering competitiveness

Support function efficiency

Excellence in delivery



4 key initiatives to sustainably optimize operational performance

Procurement performance

- New worldwide integrated organization, fully accountable for performance
- Full leverage of Thales global scale through massification and consolidation
- Deployment of powerful new procurement methods
- Enhancement of tools and capabilities

Engineering competitiveness

- Deployment of state-of-the-art engineering tools and agile methods
- Constant skills and capability reinforcement
- Digital Factory
- Optimal footprint and make-or-buy strategy

Support function efficiency

- Demand management to focus on most added-value activities
- Standard worldwide operating models across every support function, fostering process standardization and digitalization
- Increase platforming and near/off-shoring of shared services
- People and skills development

Excellence in delivery

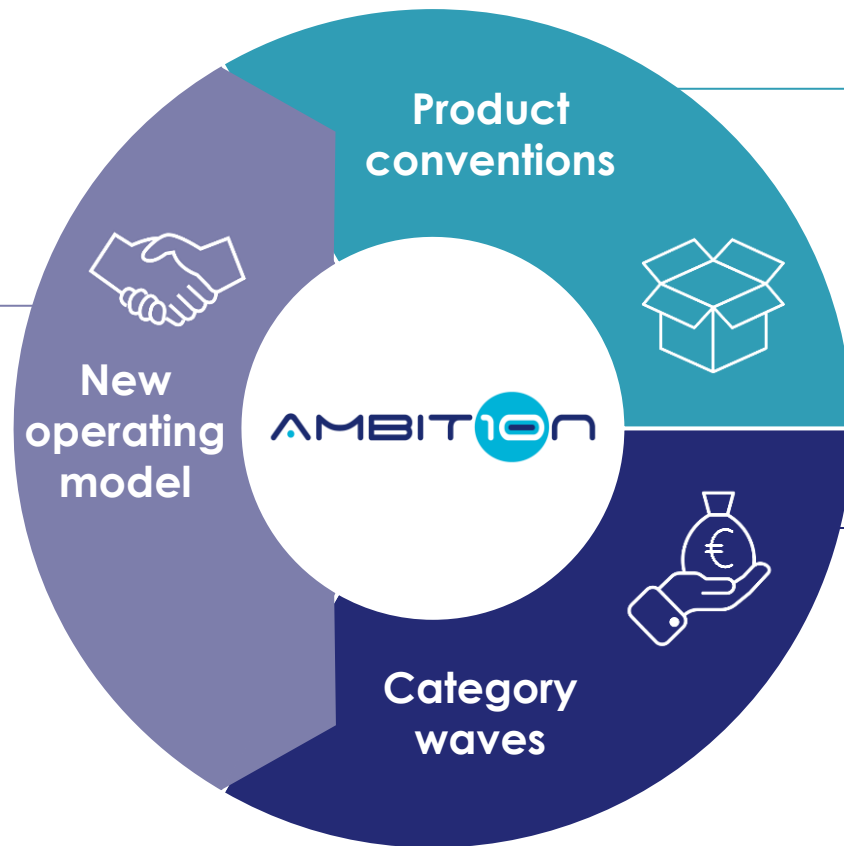
- Continuous improvement in operational excellence, from bids to project execution, while delivering growth
- Maintaining specific focus on project execution in Transport
- Industry 4.0 and lean supply chain processes



2

Procurement: a 3-fold approach to the transformation

An **empowered procurement organization** with **clear accountability** to enable **value capture**



Product conventions

Cross-functional approach **to optimize the cost of a given product**

New operating model

Category waves

Optimize the **Total Cost of Ownership (TCO)** of goods and services of a given category



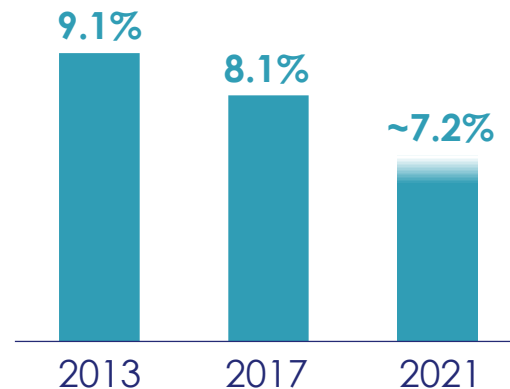
Support function efficiency: global transformation under-way driven by new operating models, processes and tools

Effectiveness, efficiency, quality and focus on value add for Thales customers at the core of support function transformation

Further roll-out of key levers expected to firm up trend to reach ~7.2% of sales target by 2021

- Standardization of processes across Thales
- Development of shared service centers and centers of expertise for all functions
- Investment in state-of-the-art IT tools and digital platforms to boost productivity and knowledge management
- Investment in skills development

Support function cost^(a) as a percentage of sales



(a) Includes both support function costs reported in the P&L "G&A expenses" line and the ones included in "cost of sales"

**3**

Accelerate R&D investments to drive technological excellence

Technological innovation vital in Thales markets

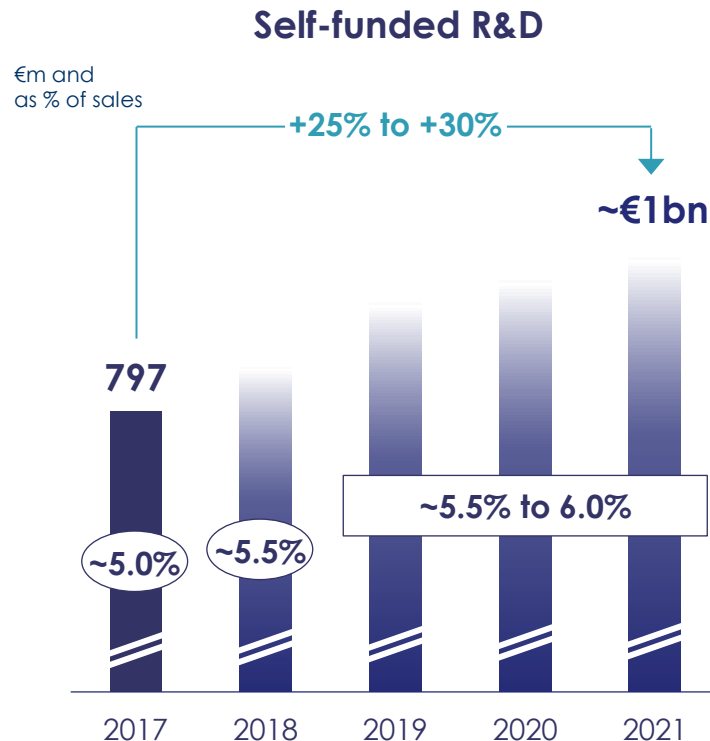
- Differentiation in usage features to bring more performance to clients
- Source of competitiveness for solutions

R&D investments: a key driver of innovation

- Further 25-30% growth over next 4 years
- Total R&D to reach ~€4bn in 2021 when combined with increase in customer-funded R&D

Self-funded R&D focused on

- Dream products: market-driven and high growth/accretive margin
- Digital





4

Lead digital transformation of markets

Partnering with our customers through their digital transformation

- “Digital-inside” dream products
- Breakthrough innovations and autonomy
- New digital services

Harnessing key digital technologies

- Capitalizing on Thales digital assets and recent acquisitions: Thales e-Security, Vormetric, Sysgo, Guavus...
- Thales, a leader in cybersecurity: 2,000 experts, €700m of revenues^(a) in 2017, covering the full cybersecurity lifecycle
- Transformative acquisition of Gemalto

Digital Factory: accelerating the digital transformation across Thales

(a) €500m external revenues + €200m internal revenues

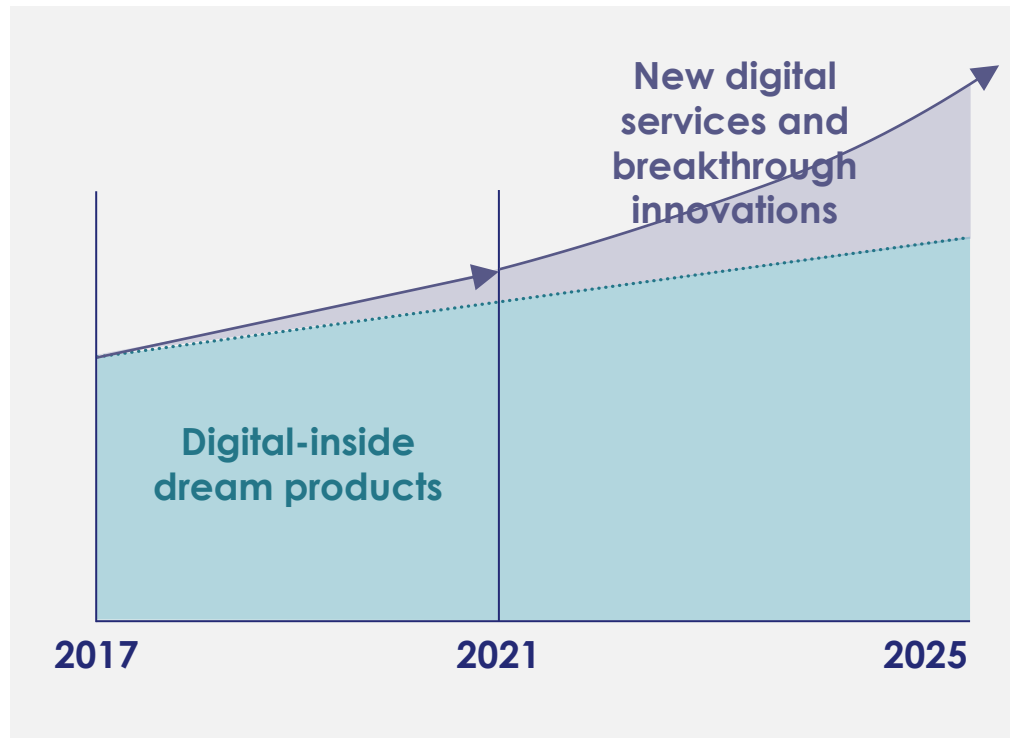
**4**

Digital: facilitating growth acceleration now and beyond 2021

Quick adoption of digital technologies inside core products to support top-line growth

Emerging digital services boosting longer-term growth post 2022

- “As a service” business models delivering steady growth and recurring revenues





4

Examples: digital driving growth acceleration

Digital breakthroughs and new digital services

2018-21

Overall opportunity >€100m

- > Airline digital services
- > High altitude platform stations

2022 and beyond

Overall opportunity >€1bn

- > Single pilot operation
- > Unmanned Traffic Management
- > In-orbit operations and servicing

Overall opportunity >€50m

- > Predictive maintenance
- > Cybersecurity

Overall opportunity >€500m

- > Autonomous trains
- > Smart infrastructures: "rail Internet of Things"

Overall opportunity >€100m

- > Cybersecurity and data protection
- > Defence big data platform

Overall opportunity >€1bn

- > Robots in naval domain
- > Battlefield cloud for collaborative combat
- > "Self-learning" sensors (radars, ...)



Aerospace



Ground transportation



Defence & Security



5

Thales + Gemalto: powering and securing the complete critical digital decision chain

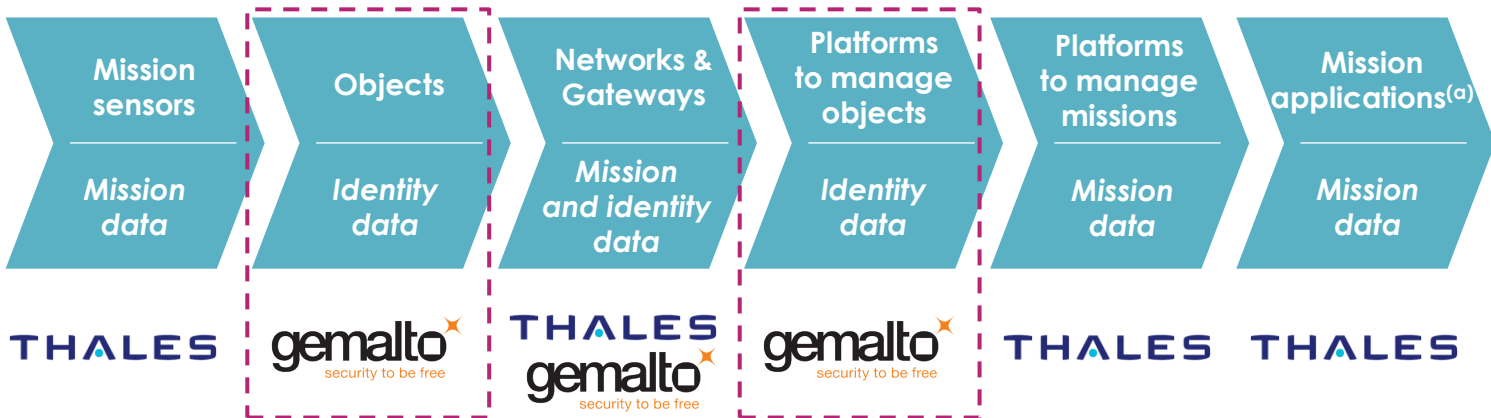
Critical
decision
chain

Sensing and
data gathering

Data
transmission
and storage

Data processing
and decision
making

Critical
digital
decision
chain



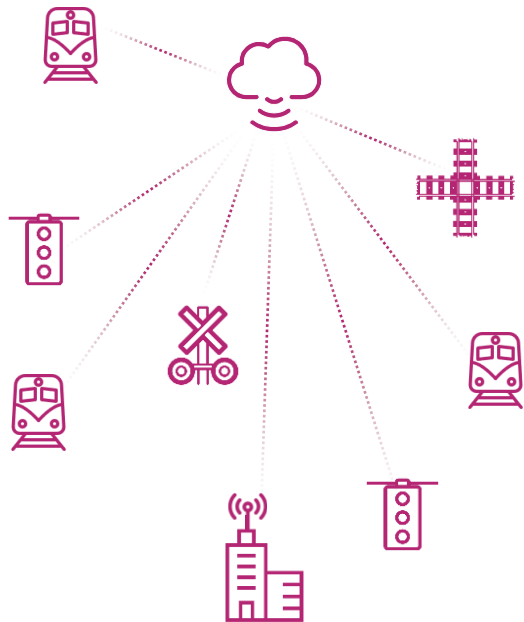
(a) Including big data analytics, artificial intelligence algorithms



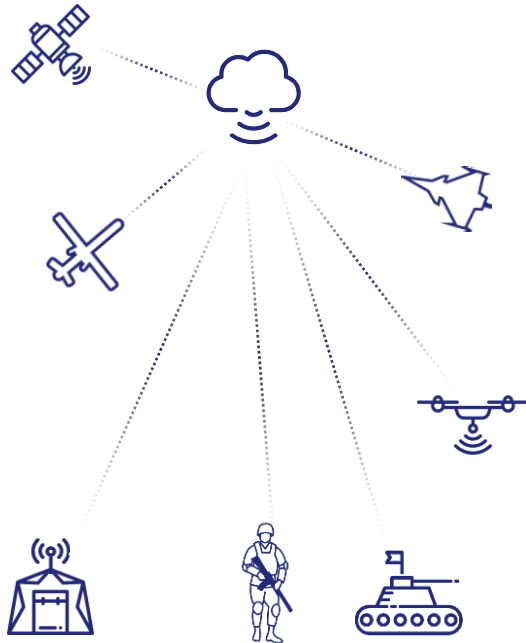
5

Thales and Gemalto: selected use cases

Smart rail infrastructures



Battlefield cloud



Silent authentication

- | | | |
|---|--|--|
| 1 | | |
| 2 | | |
| 3 | | |



5

Progress on Gemalto acquisition fully in line with plan

Execution of transaction

- Offer formally launched in March, now extended to 15 August
 - Additional extension requested recently
- €4.6bn offer price fully financed, with €1.5bn financing completed at very attractive rate (<1%)
- Filing of regulatory authorizations fully in line with plan
- Expected closing: end of 2018

Integration planning

- Common 'DNA' and culture: a strong foundation for successful integration
- Straightforward organizational plan: Gemalto to become Thales "Digital security" Global Business Unit
 - Complemented with key Thales digital assets
- Integration team in place
 - Focused on maximizing synergies from day 1, once all approvals are granted

Summary

Unique portfolio positioning

- Markets benefiting from solid underlying growth
- Increased opportunities for technology leaders

Continued focus on operational performance

- Reinforcement of customer-centric organization and culture
- New competitiveness initiatives gaining momentum in coming years

Strong development levers

- Further acceleration of R&D investments, especially in digital technologies
- Transformative Gemalto acquisition

**Executing on long-term vision:
leadership in all segments**



**Grow profitably in
a sustainable way**

**Grow faster than
the market**

- Introduction to Thales
- 2018-21: targeting industry leadership
- Five key priorities for 2018-21
- **H1 2018 results**
- Outlook

A woman with blonde hair, wearing a bright yellow winter jacket and black gloves, is shown in profile, talking on a black mobile phone. She is standing in a snowy, icy landscape. In the background, another person in a red jacket is visible, standing near a body of water. The scene is brightly lit, suggesting a sunny day.

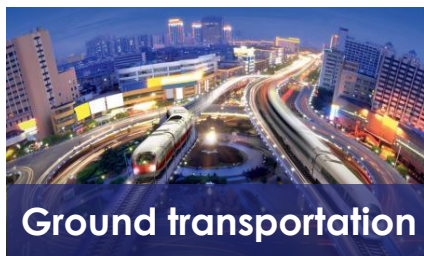
75%

of satellite constellations connecting
people are built by Thales

H1 2018 business environment



- Aeronautics: positive dynamics for cockpit avionics and in-flight entertainment and connectivity
- Space: continued dichotomy between steady institutional & military market and hesitant commercial telecom market



- Strong demand in emerging markets, driven by urbanization
- Continued demand for renovation and upgrades of signalling infrastructures in mature markets



- Geopolitical tensions and security threats
- Confirmed ramp-up of defence budgets in mature markets
- High demand for cybersecurity, in particular corporate data protection

H1 2018 highlights

Order intake in line with expectations

Strong sales growth, driven by solid dynamics in Transport and Defence & Security

Significant increase in profitability, while accelerating R&D investments

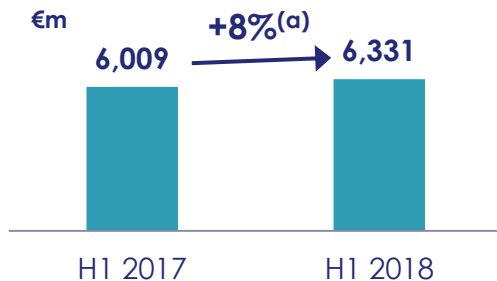
New medium-term ambition, priorities and financial targets announced at 6 June CMD

Teams focused on delivering on medium-term ambition and targets

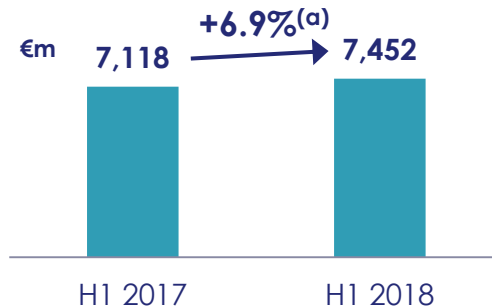


H1 2018 key figures (all prior year figures restated for IFRS 15)

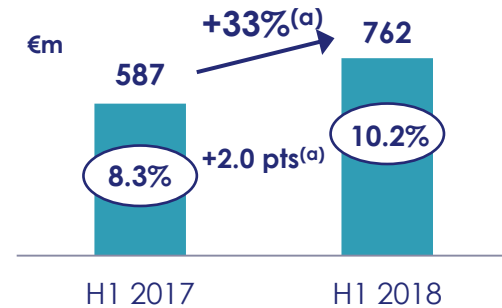
Order intake



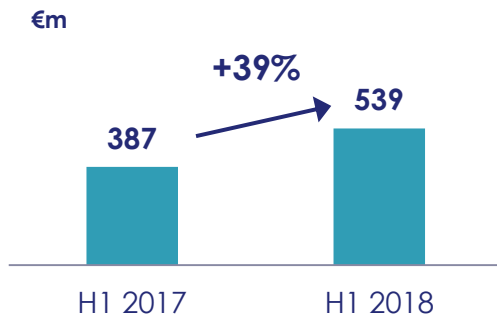
Sales



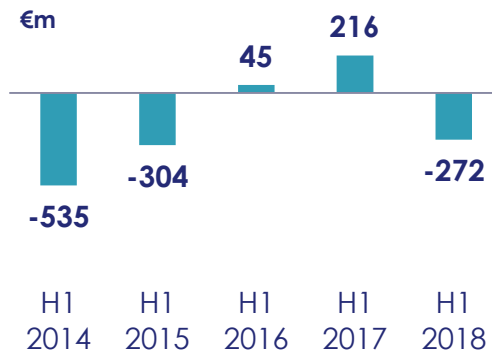
EBIT and EBIT margin^(b)



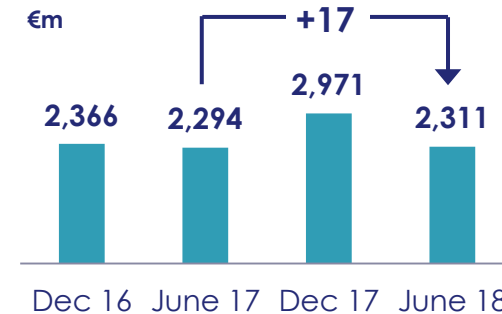
Adjusted net income^(b)



Free operating cash-flow^(b)



Net cash position



(a) Organic: at constant scope and exchange rates

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

H1 2018 order intake

**Solid order intake momentum,
up 5% (+8% organically)**

**3 large^(a) orders booked in Q2 2018,
for a total of 6 in H1 2018**

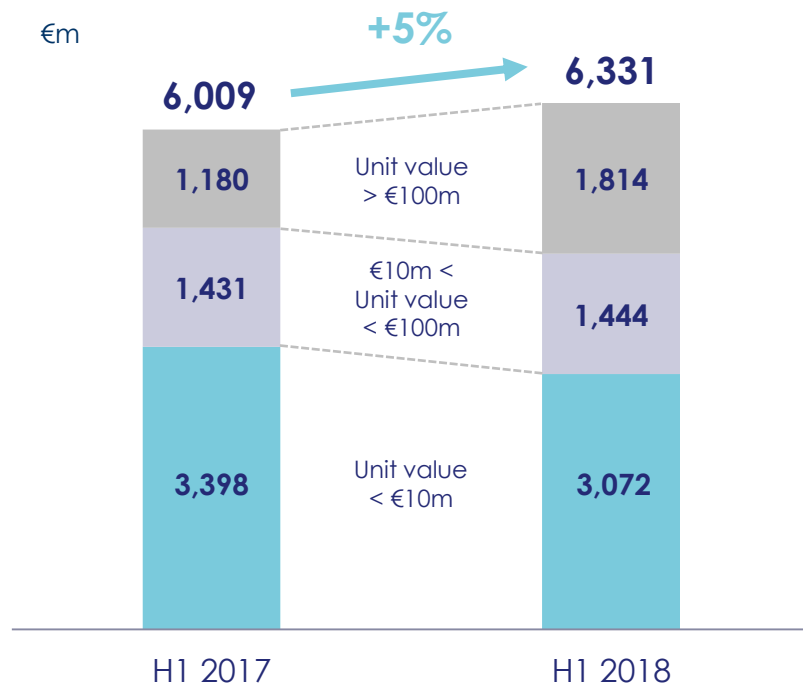
- Konnect VHTS satellite
- Combat Management System for 5 German K130 corvettes
- Upgrade of sonars on Collins class Australian submarines

**Progressive recovery of smaller
orders^(b), affected by negative
quarter-to-quarter phasing effects**

(a) With a unit value over €100m

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

Order intake by contract unit value



H1 2018 organic sales growth

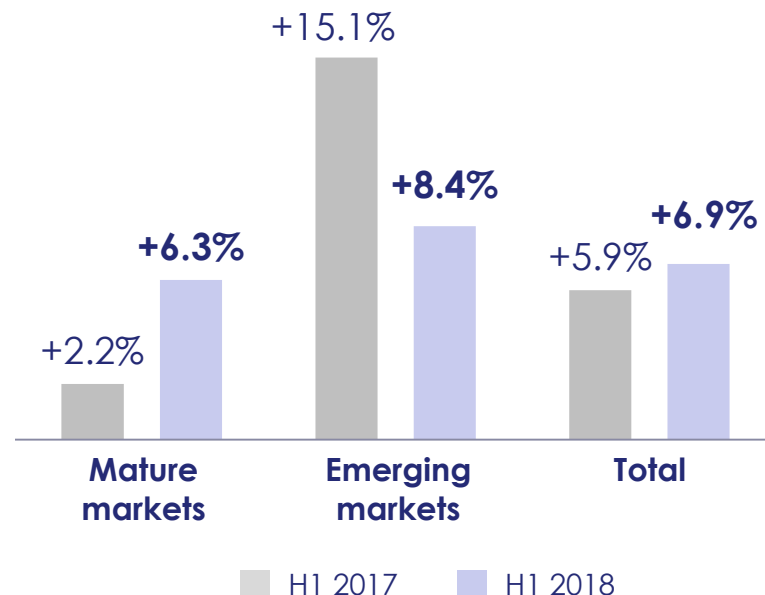
Negative currency impact abating

- Q1: -94m€, -2.9% of sales
- Q2: -53m€, -1.4% of sales

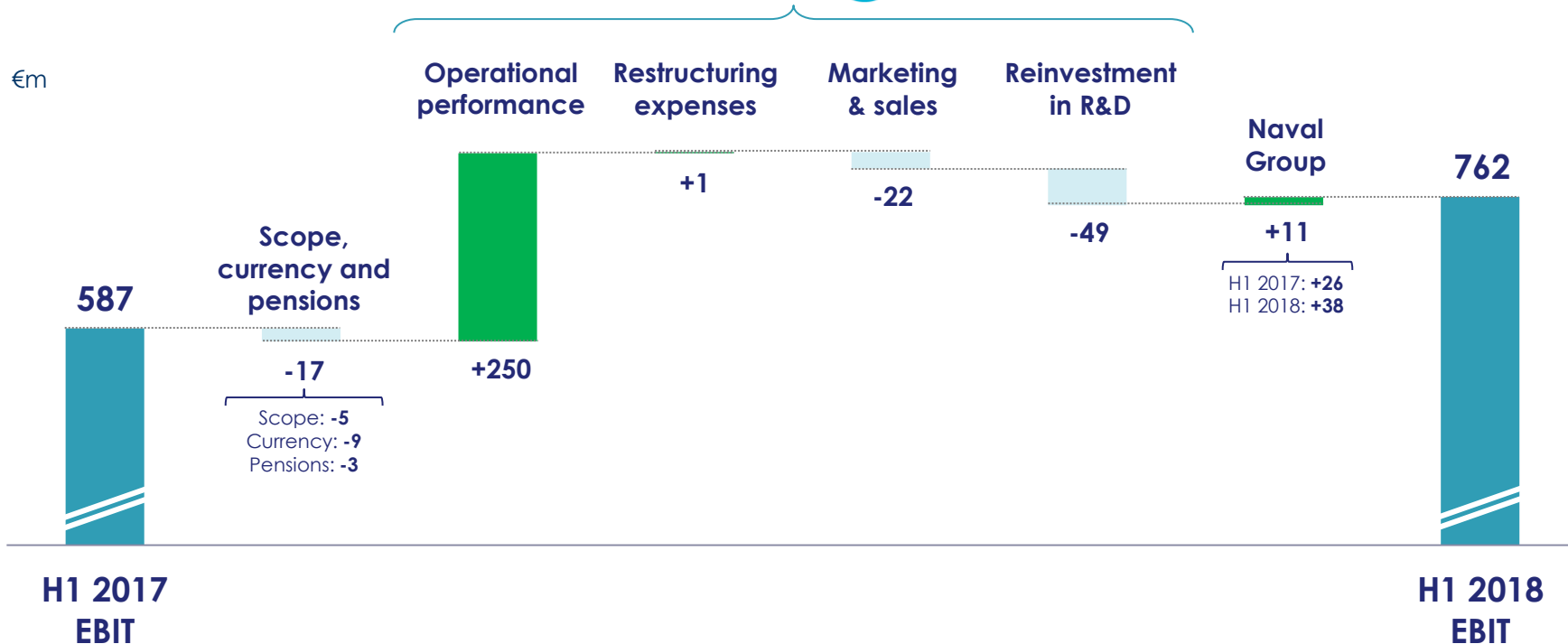
Geographically broad-based organic sales growth

- Solid growth in emerging markets
- Continued growth in mature markets, especially in Defence & Security segment

Organic sales growth

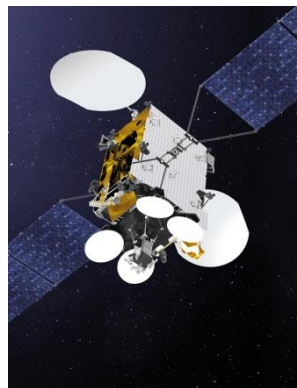


EBIT improvement driven by solid operational performance





Aerospace: H1 2018 key figures



€m	H1 2018	H1 2017	Change	
			total	organic
Order intake	2,042	2,274	-10%	-8%
Sales	2,768	2,797	-1.0%	+1.1%
EBIT	291	260	+12%	+13%
<i>in % of sales</i>	10.5%	9.3%	+1.2 pt	+1.1 pt

Order intake down due to high comps

- High H1 2017 level thanks to large In-Flight Entertainment (IFE) order
- Space orders slightly up

Sales growth affected by slowdown of commercial telecom satellite market and high comps in IFE

Increased profitability driven by competitiveness initiatives, offsetting significant increase in R&D



Transport: H1 2018 key figures



€m	H1 2018	H1 2017	Change	
			total	organic
Order intake	835	662	+26%	+28%
Sales	904	761	+18.8%	+22.2%
EBIT	27	8	+220%	+231%
<i>in % of sales</i>	2.9%	1.1%	+1.8 pt	+1.9 pt

Solid order intake momentum

- 2 large main line signalling orders

Strong sales growth, driven by both urban rail and main line signalling

Further recovery of profitability

- Progressive delivery of loss-making contracts
- Operating leverage from strong sales growth



Defense & Security: H1 2018 key figures



€m	H1 2018	H1 2017	Change	
			total	organic
Order intake	3,434	3,035	+13%	+16%
Sales	3,757	3,533	+6.3%	+8.5%
EBIT	444	325	+37%	+40%
<i>in % of sales</i>	11.8%	9.2%	+2.6 pts	+2.7 pts

Good order intake momentum, notably in naval systems, Air Traffic Management, and cybersecurity

Broad-based sales growth

Significant increase in profitability

- Top line growth and operating leverage on indirect costs
- Positive €20m one-off impact related to 2 commercial disputes
- Ramp-up in R&D expenses

H1 2018 Free operating cash flow

€m	H1 2018	H1 2017
Operating cash flow before WCR changes	915	692
+ Change in WCR and reserves for contingency reserves	(915)	(172)
+ Pension cash out, excluding deficit payment on UK pensions	(70)	(62)
+ Net financial interest	(16)	(6)
+ Income tax paid	(33)	(46)
= Net cash flow from operating activities	(118)	406
+ Net operating investments	(153)	(189)
= Free operating cash flow	(272)	216

- Introduction to Thales
- 2018-21: targeting industry leadership
- Five key priorities for 2018-21
- H1 2018 results
- **Outlook**

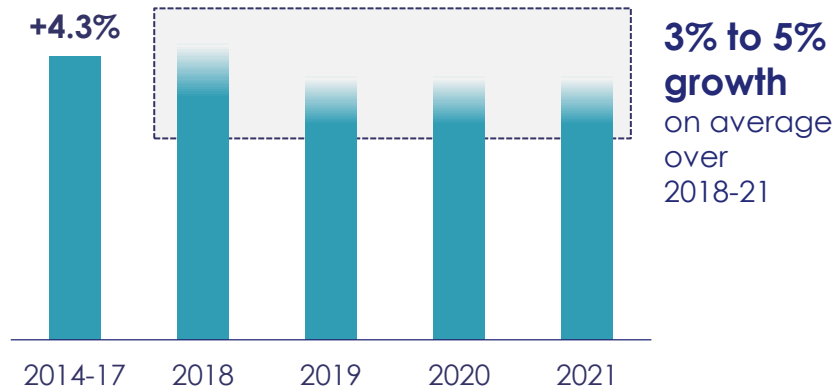


The people we all rely on
to make the world go round,
they rely on Thales

Organic sales growth sustainably above market

NB: targets excluding Gemalto

Group organic sales growth target



Aerospace

Market trend

~+2%

Organic sales growth target

+2-3%



Transport

~+3%

+4-5%



Defence & Security

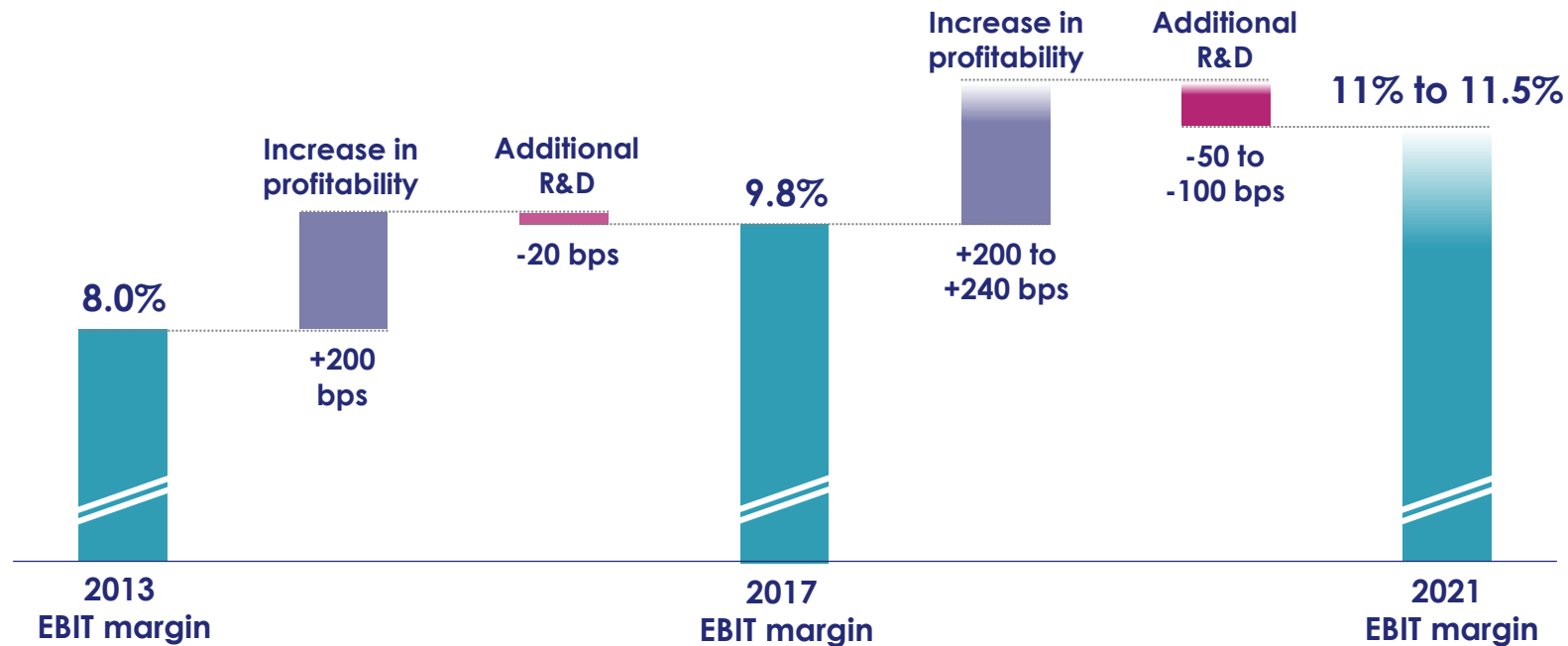
~+3.5%

+4-6%

Sustainable new round of margin increase

NB: targets excluding Gemalto

- Investing for the future, notably digital
- Targeting high returns on R&D investments



All operating segments to contribute to EBIT margin improvement

NB: targets excluding Gemalto

EBIT margin targets

Aerospace



+50 to
+100
bps

10.0%

10.5%
to 11.0%

2017

2021

Transport



+400 to
+450
bps

4.1%

8.0%
to 8.5%

2017

2021

Defence & security



+60 to
+160
bps

10.9%

11.5%
to 12.5%

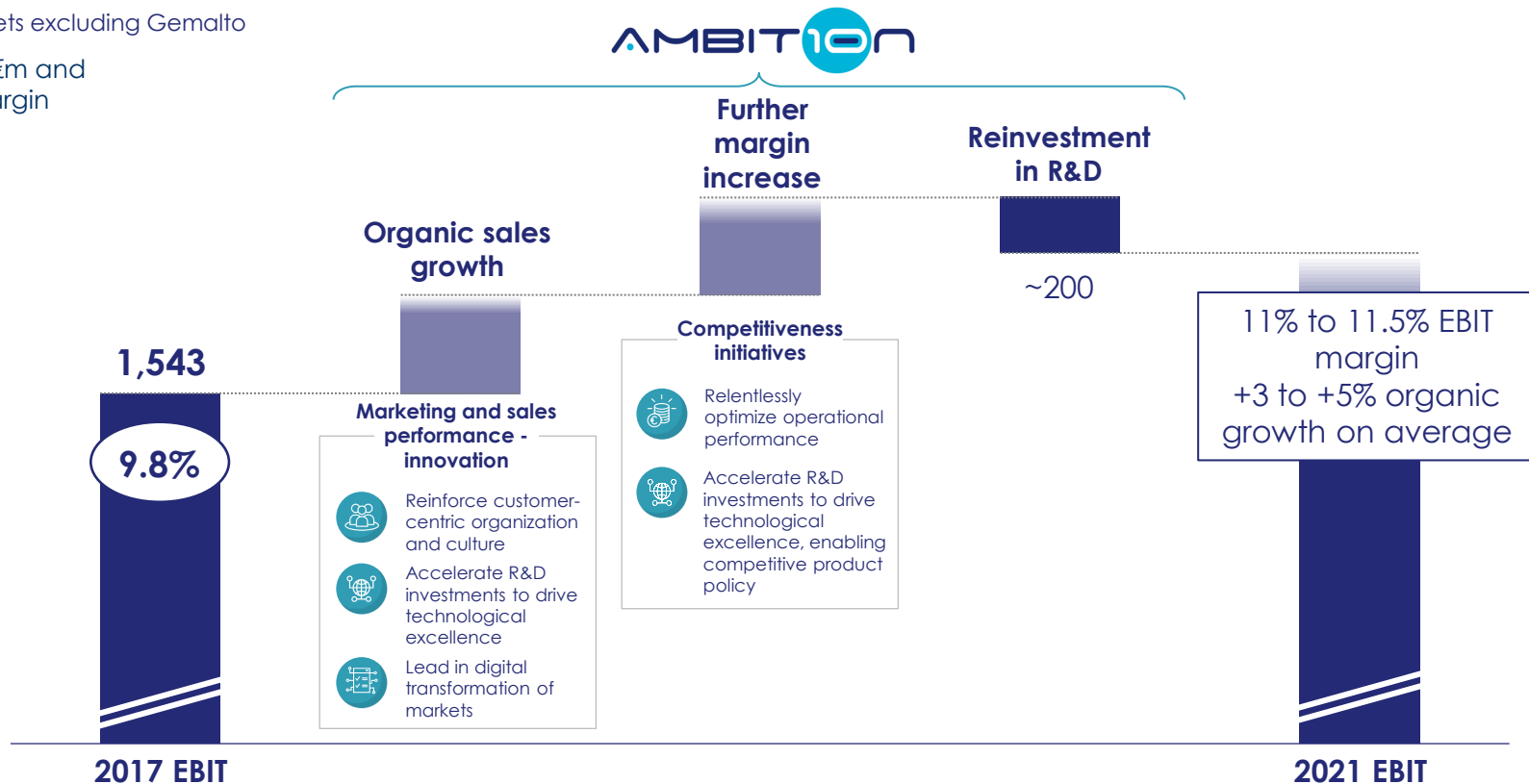
2017

2021

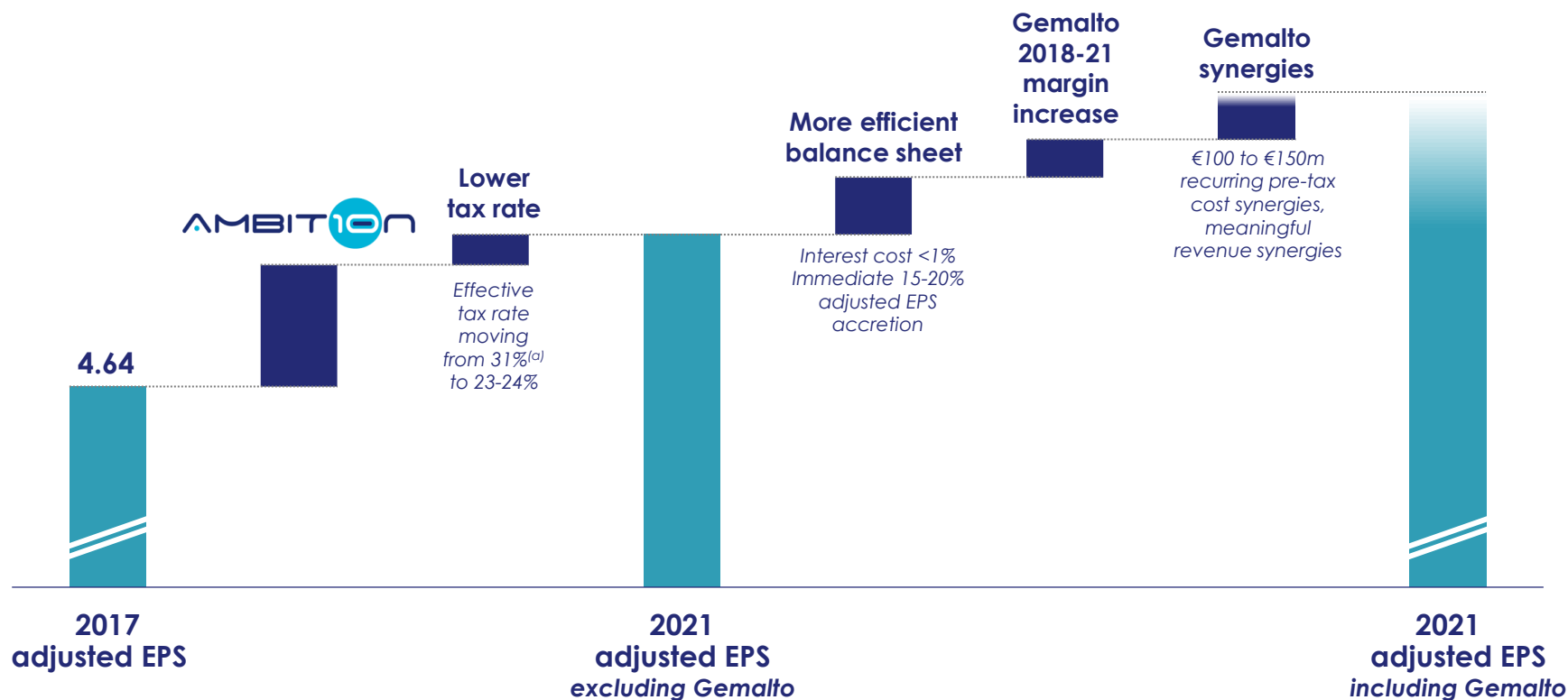
EBIT growth boosted by multiple performance levers

NB: targets excluding Gemalto

EBIT in €m and
EBIT margin



Strategic initiatives deliver significant EPS accretion, with further upside from Gemalto integration



(a) 2017 effective tax rate. 25.9% excluding one-off non-cash tax items

Maintaining strong focus on cash flow generation

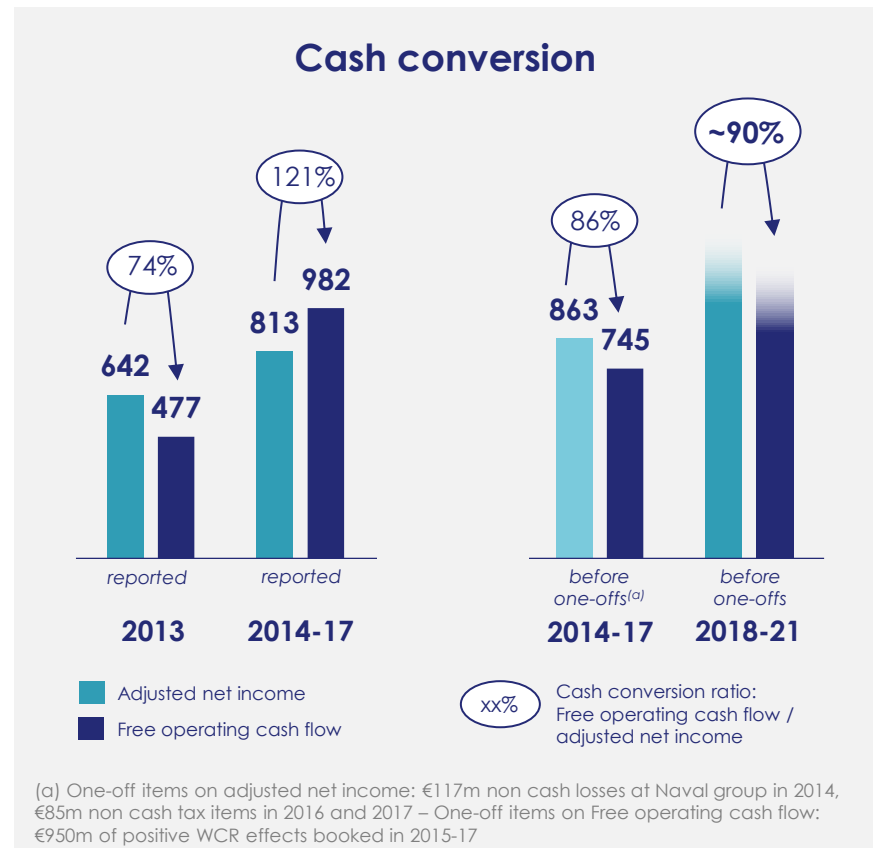
NB: targets excluding Gemalto

2014-17: turning Thales into a cash-flow minded company

- Incentives at all levels
- No compromise on payment terms
- Higher hurdle rate on capex
- Limited tax cash out vs. tax P&L expense

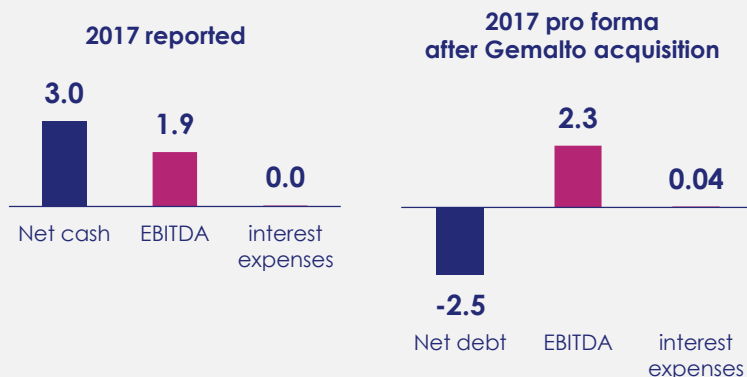
2018-21: further increase in cash conversion before one-offs

- Targeting ~90%
- In spite of less favorable gap between tax P&L expense and cash out following consumption of net operating losses



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

Improved balance sheet efficiency after Gemalto acquisition



Dividend growth in line with adjusted EPS

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

Strong investment grade maintained



2018 financial objectives

NB: targets excluding Gemalto

Order intake

Around €15.5bn

Sales^(a)

Organic growth between 4% and 5%

EBIT^(b)

€1,620-1,660m^(c)

(a) Compared to pro forma IFRS 15 sales of €15,228m

(b) Under IFRS 15 standard - non-GAAP measure: see definition in appendix

(c) Based on February 2018 scope and foreign exchange rates



Appendix



The people we all rely on
to make the world go round,
they rely on Thales

Aerospace business overview

€6.0bn 2017 sales

+6.2% 2014-17 sales CAGR (reported)

+3.6% 2014-17 sales CAGR (organic)

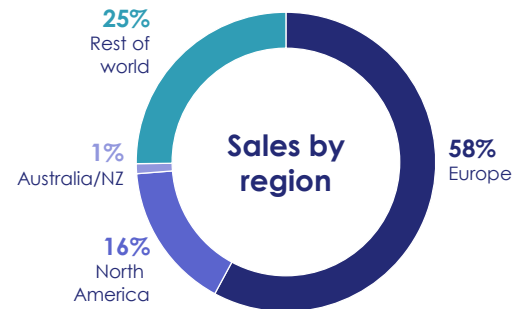
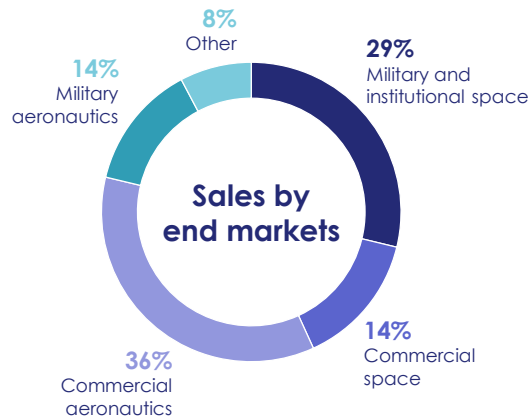
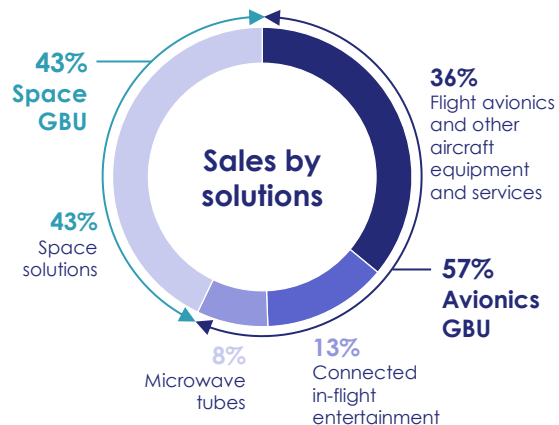
10.0% 2017 EBIT margin

2 Global Business Units

Avionics
Space

19,000
employees
in 32 countries

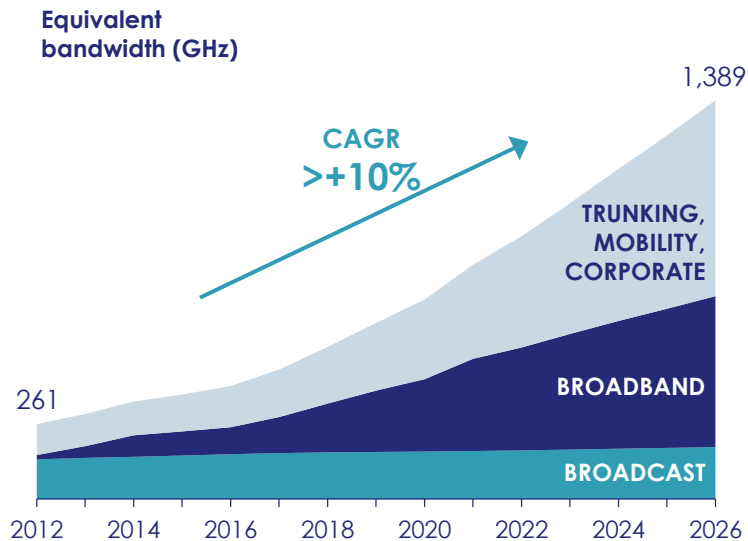
Main industrial footprint
France, Italy,
USA, UK



2017 is considered a low-point for the commercial geostationary telecom satellite market

Space remains uniquely placed to address certain telecom segments

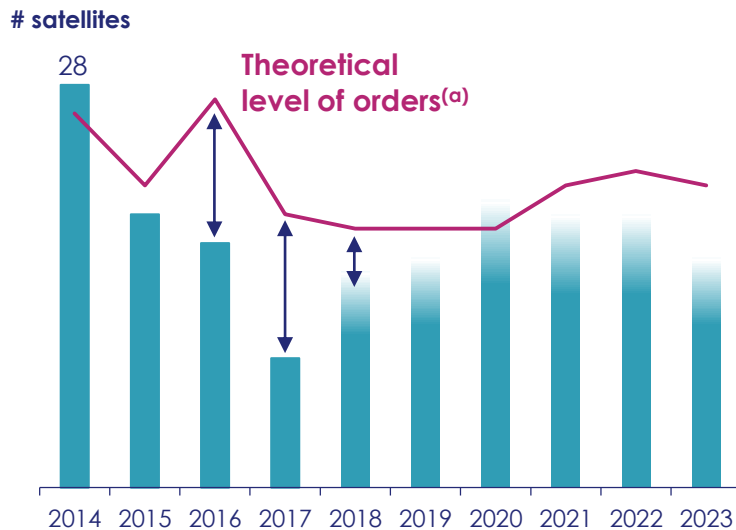
Telecom satellite market demand forecast



Source: Euroconsult

Hesitant market did not anticipate replacement of aging assets

Geostationary telecom satellite order market forecast



Source: NSR – average of 18 orders per year over period

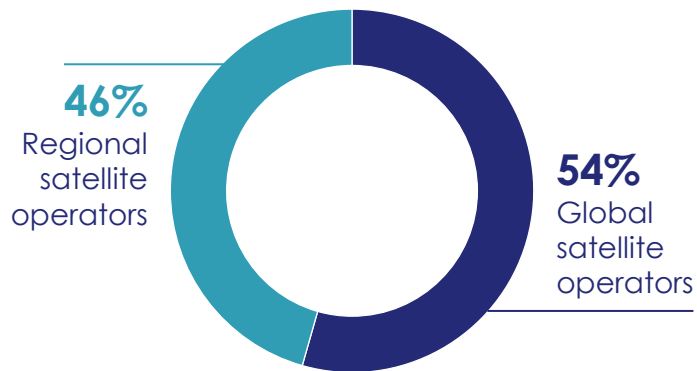
(a) Based on satellites reaching end of life moved 2 years early to simulate lead time

Commercial telecom: leveraging 3 key assets to outcompete peers

1

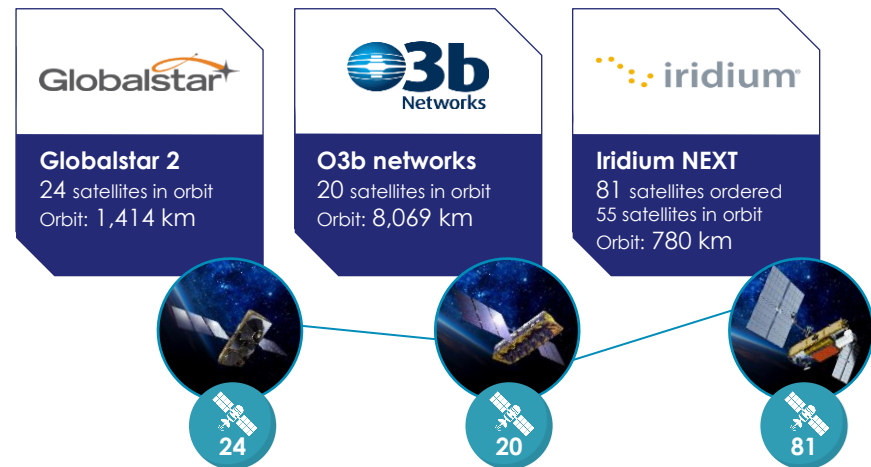
Diversified geostationary telecom satellite client base

2013-17 Thales order intake



2

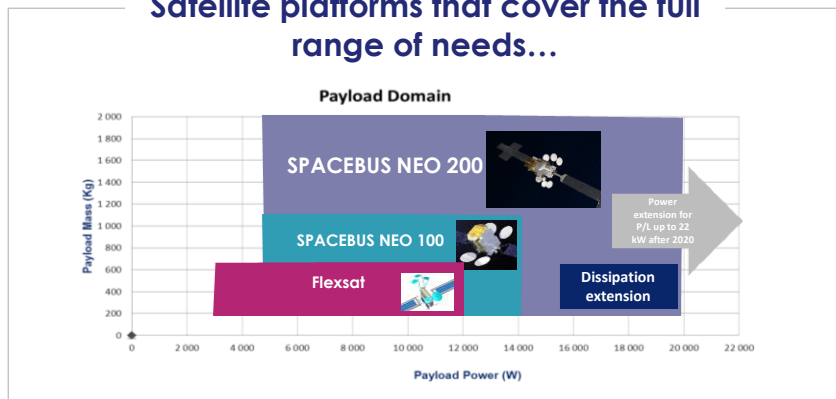
Leadership position in constellations



Commercial telecom: leveraging 3 key assets to outcompete peers

3 State-of-the-art solutions supported by €300m+ self-funded R&D since 2010 - as demonstrated recently by KONNECT VHTS win

Satellite platforms that cover the full range of needs...



... and ground segments (integrated or proposed independently)...



... boosted by fully digitalized 5G and 6G payloads



Note: Tbps: terabit by second, Gbps: gigabit by second – HTS: High Throughput Satellite – VHTS: Very High Throughput Satellite

Transport business overview

€1.7bn 2017 sales

+5.0% 2014-17 sales CAGR (reported)

+4.9% 2014-17 sales CAGR (organic)

3.5% 2017 EBIT margin

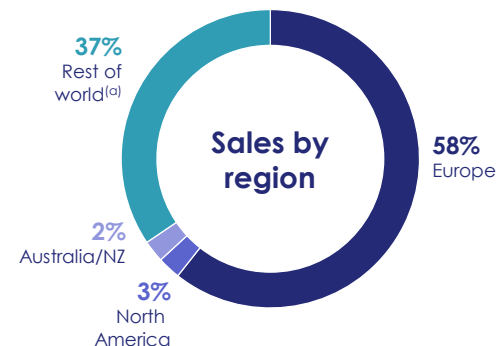
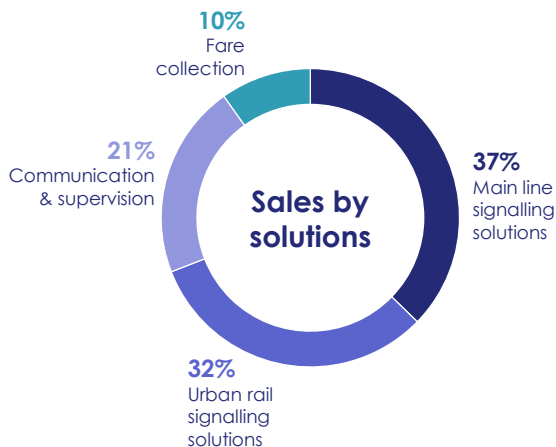
1 Global Business Unit

Ground transportation systems

7,000 employees in 42 countries

Main industrial footprint

Germany, Canada, UK



(a) Excludes sales through non-consolidated China JV

Transport strategy: 3 pillars



Recovery and transformation

Deliver current and near term commitments

- > Governance: full accountability in the business
- > Bids & projects: mastering engineering transformation
- > Competitiveness focus: procurement, deployment, engineering, products & solutions
- > Product policy: structured approach across all projects



Investing in the future

Increase investment in future product policy, leveraging Group digital and cybersecurity portfolio

- > New route and train control
- > Digital Traffic Management System
- > Mobility platform and connected journeys
- > Data-driven operations (artificial intelligence and big data analytics)
- > Autonomous train
- > Smart infrastructures (rail IoT)



Global growth

Focus for growth on long-term markets and large contracts

- > Main line in Europe and Asia
- > Major urban city markets
- > Chinese urban rail market through JV
- > Recurring revenue base
- > Support and services

**Outperforming the market and
delivering an 8% to 8.5% EBIT margin by 2021**

Defence & security business overview

€8.0bn 2017 sales

+5.5% 2014-17 sales CAGR (reported)

+4.7% 2014-17 sales CAGR (organic)

10.9% 2017 EBIT margin

3 Global Business Units

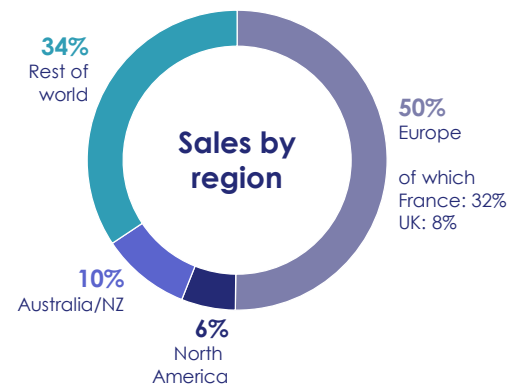
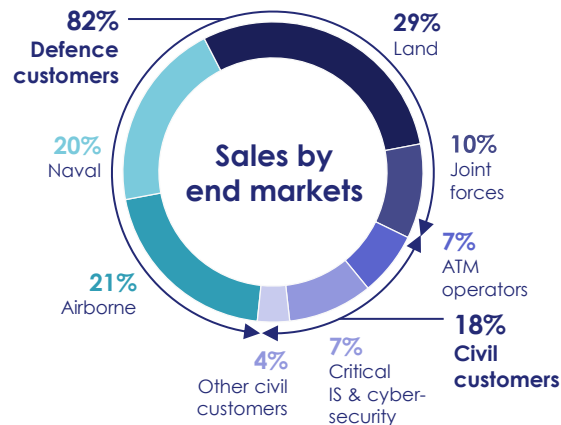
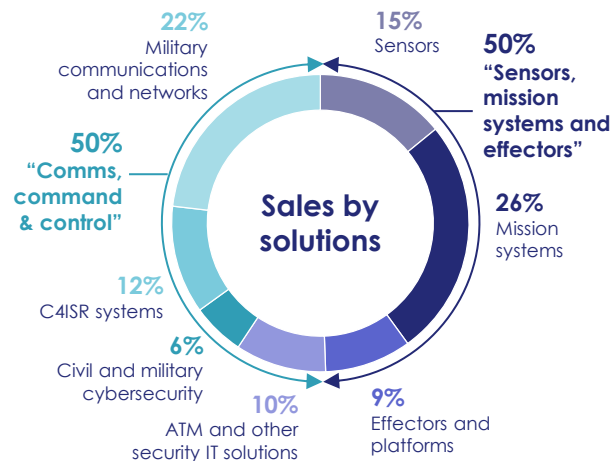
Land & Air Systems
Defence Mission Systems
Secure Communications & Information Systems

34,000

employees
in 33 countries

Main industrial footprint

France, UK,
Netherlands,
Australia



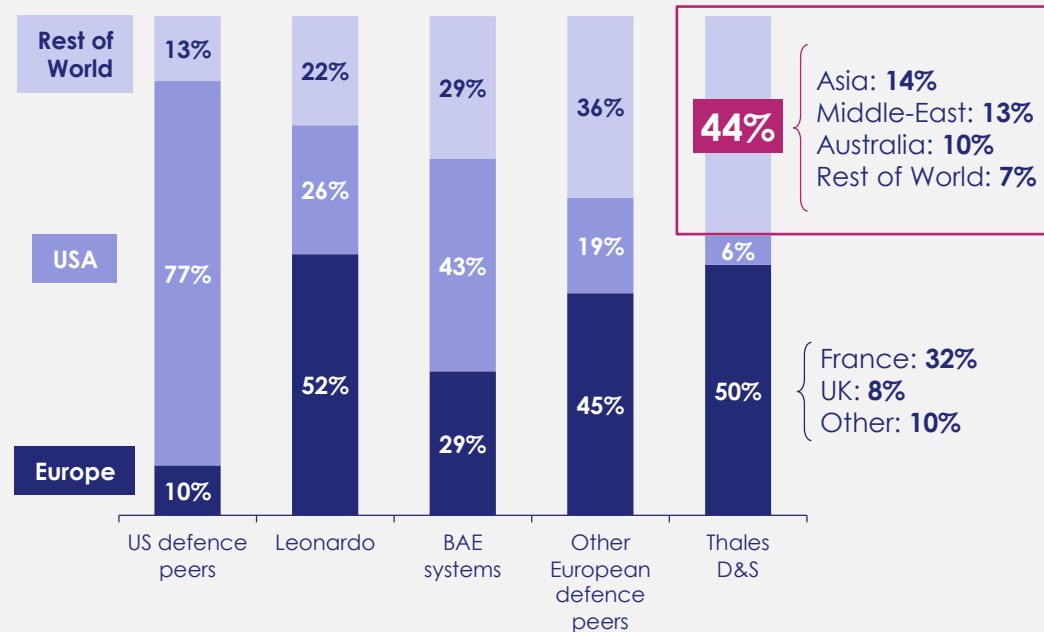
Product offering supported by successful international expansion

Capitalizing on 7 home countries:
France, United Kingdom,
Netherlands, Germany, Canada,
Australia, USA

40-year+ presence in export
markets with strong brand
affiliation and customer proximity

Unique know-how in export
and technology transfer

Demonstrated by a high share of sales outside USA and Europe



2017 sales by destination – source: annual reports

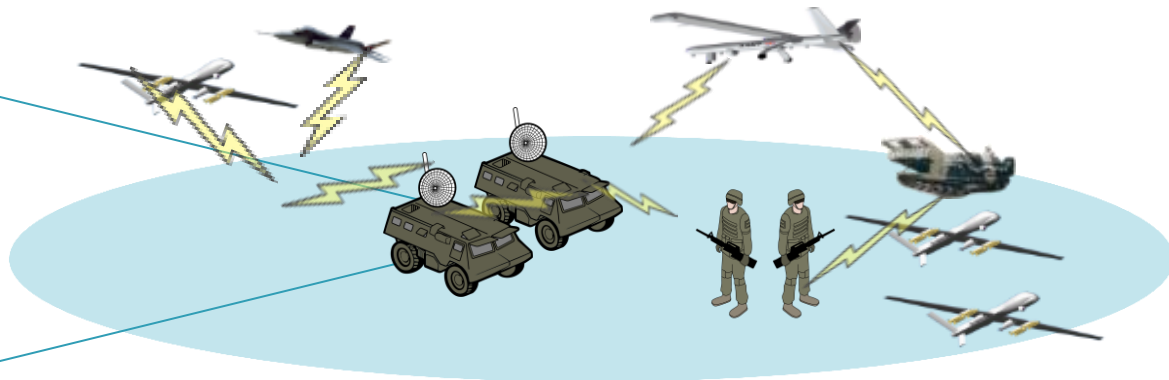
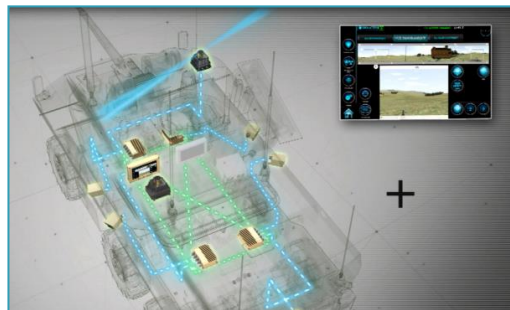
US defence peers: average of Raytheon, Lockheed-Martin, Northrop-Grumman, General Dynamics ex. Gulfstream, L3 and Harris; Europe share estimated
Other European peers: average of Saab, Rheinmetall defence, Cobham

New trends: platform interconnection, sensor data fusion, real-time transmission enabling collaborative combat

Advanced armies are looking at **collaborative combat** solutions built on digital architectures, highly connected networks, artificial intelligence-aided decision-support to **improve combat efficiency**

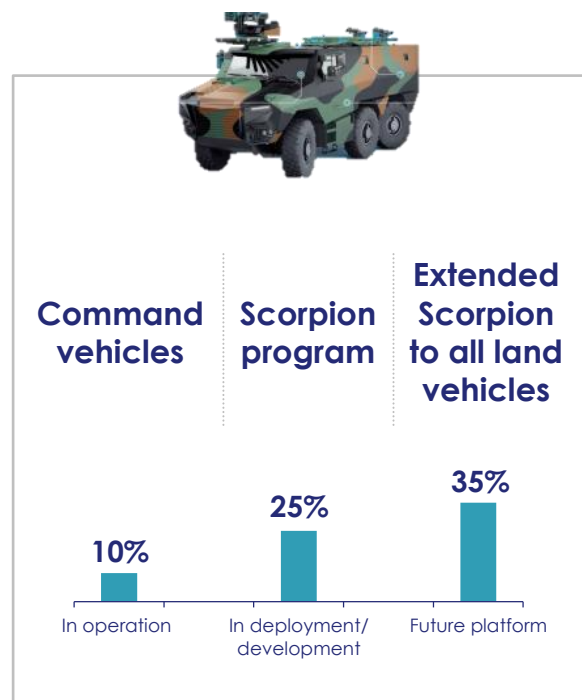
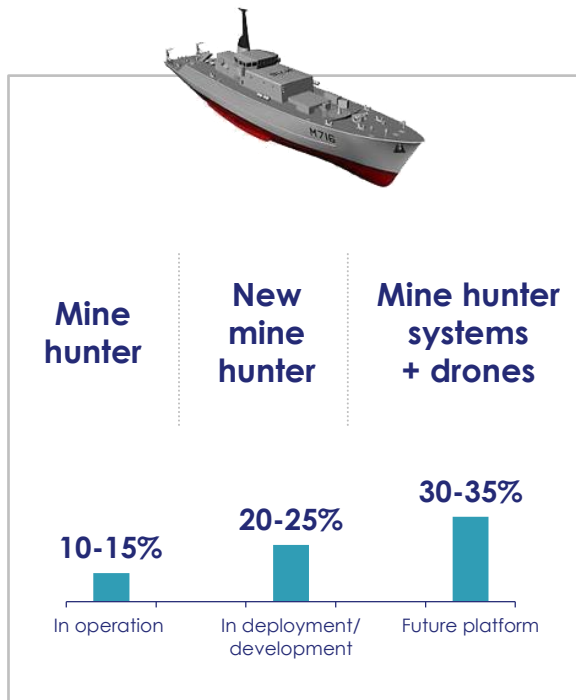
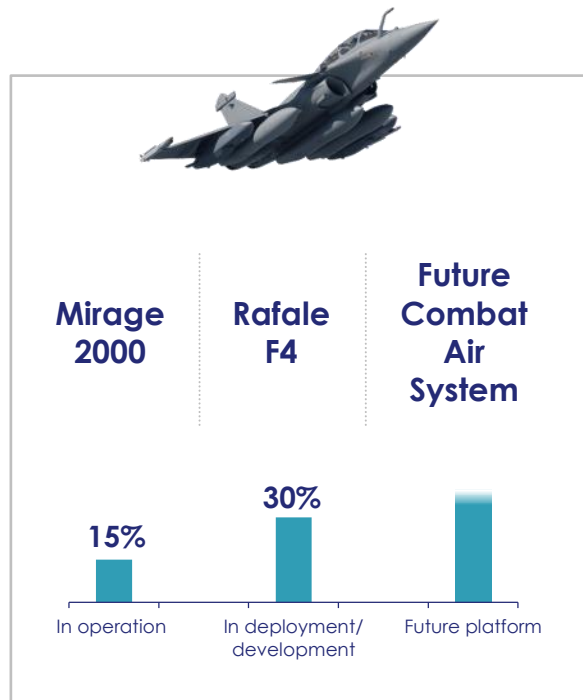
*Real time or
near-real time*

Sensor data fusion



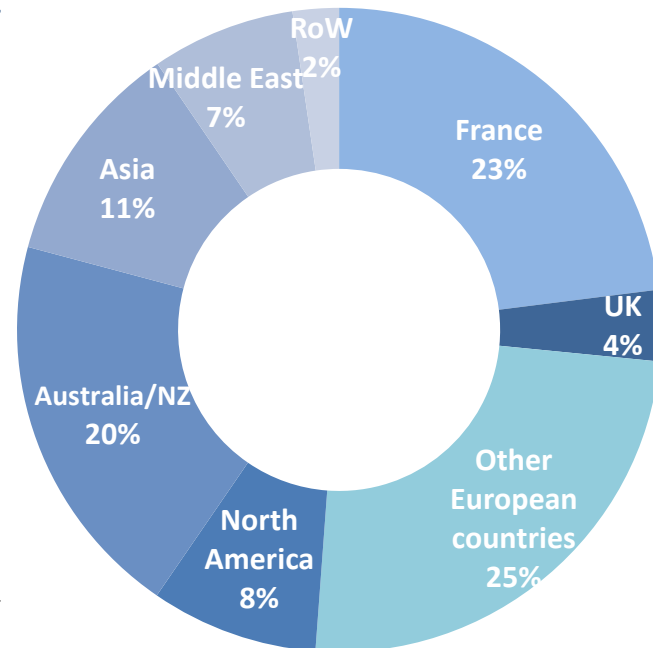
Long-term growth of intelligent systems content in defence platforms

Illustrative value of intelligent systems in platform



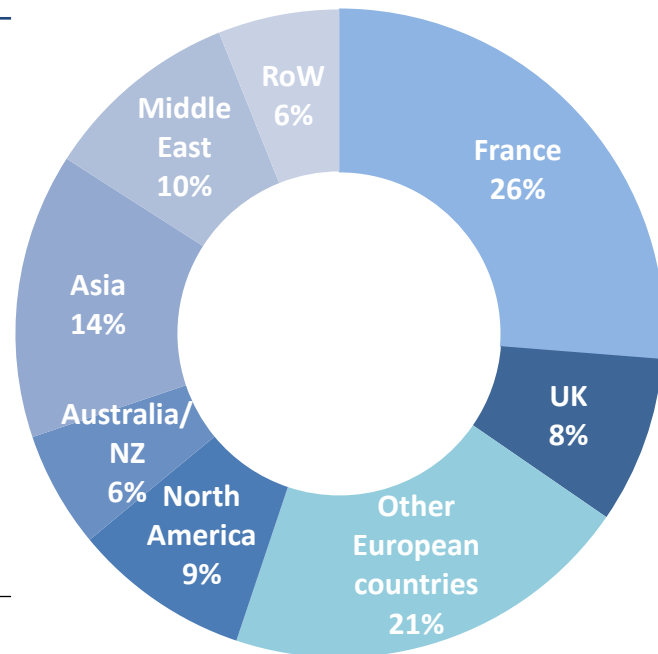
H1 2018 order intake by destination

€m	H1 2018	H1 2017 (IFRS15)	change	
			total	organic
France	1,456	1,803	-19%	-18%
United Kingdom	226	370	-39%	-38%
Other European countries	1,558	1,142	+36%	+38%
Europe	3,240	3,315	-2%	-1%
North America	532	676	-21%	-15%
Australia/NZ	1,239	381	+225%	+254%
Mature markets	5,011	4,371	+15%	+18%
Asia	716	708	+1%	+4%
Middle East	457	570	-20%	-18%
Rest of the world	147	359	-59%	-58%
Emerging markets	1,320	1,638	-19%	-17%
Total	6,331	6,009	+5%	+8%



H1 2018 sales by destination

€m	H1 2018	H1 2017 (IFRS15)	change	
			total	organic
France	1,956	1,819	+7.6%	+8.2%
United Kingdom	621	638	-2.6%	-0.8%
Other European countries	1,532	1,468	+4.3%	+5.1%
Europe	4,110	3,926	+4.7%	+5.6%
North America	660	663	-0.4%	+3.9%
Australia/NZ	433	399	+8.3%	+18.0%
Mature markets	5,203	4,988	+4.3%	+6.3%
Asia	1,062	1,001	+6.1%	+8.8%
Middle East	736	737	-0.2%	+2.5%
Rest of the world	452	392	+15.2%	+18.5%
Emerging markets	2,249	2,130	+5.6%	+8.4%
Total	7,452	7,118	+4.7%	+6.9%



H1 2018 EBIT by operating segment

€m / % of sales	H1 2018		H1 2017 (IFRS15)		Change	
					total	organic
Aerospace	291	10.5%	260	9.3%	+12%	+13%
Transport	27	2.9%	8	1.1%	+220%	+231%
Defence & Security	444	11.8%	325	9.2%	+37%	+40%
EBIT – operating segments	761	10.3%	594	8.4%	+28%	+31%
Other	(37)		(33)			
EBIT – excluding Naval Group	724	9.7%	561	7.9%	+29%	+32%
Naval Group	38		26		+42%	+42%
EBIT – total	762	10.2%	587	8.3%	+30%	+33%

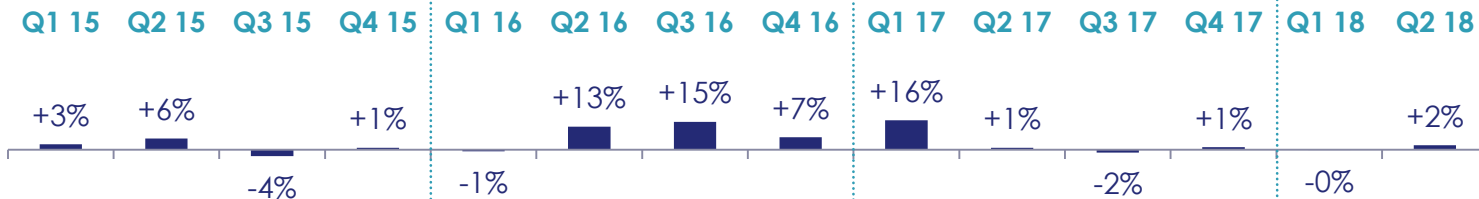
Recovery of Transport on track

Solid performance of Aerospace and Defence & Security segments

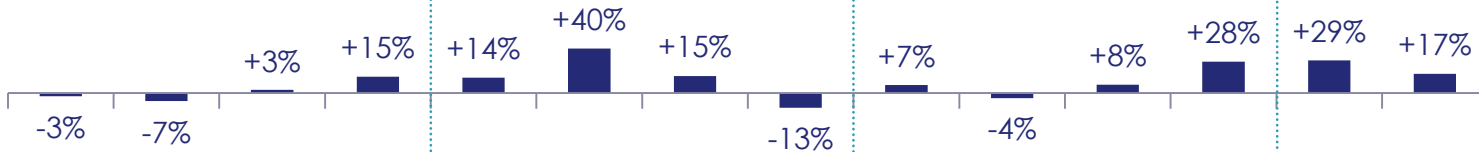
Organic sales growth per quarter



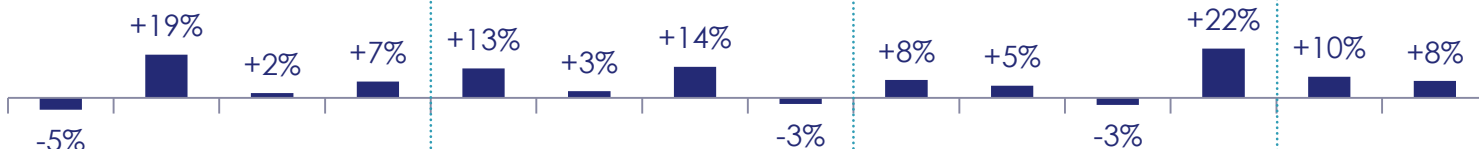
Aerospace



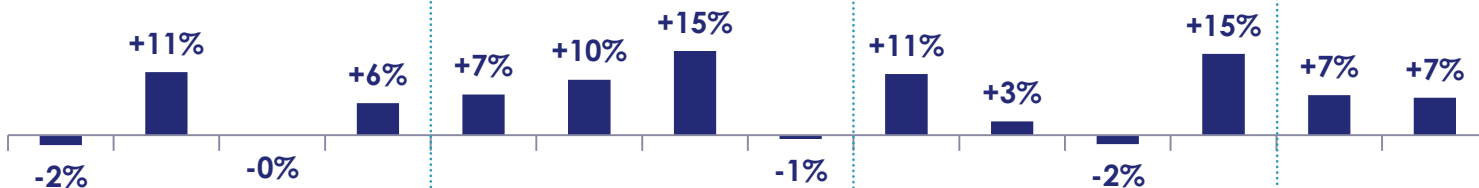
Transport



Defence & Security

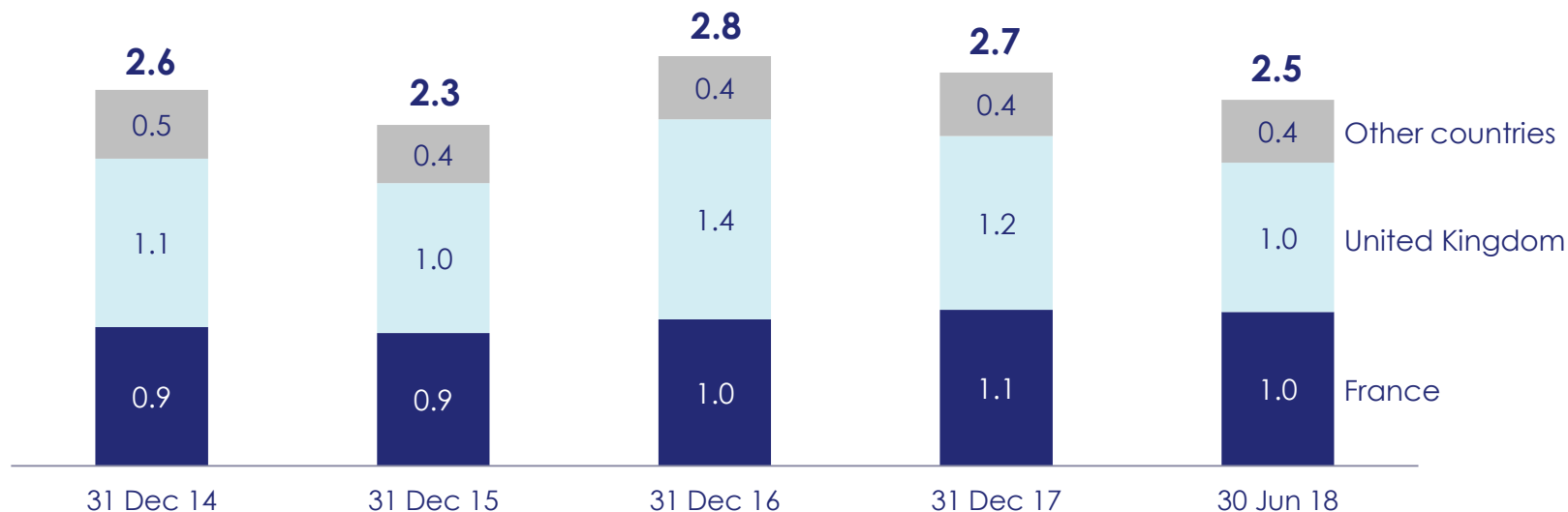


Total



Evolution of net pension provision

€bn



Liability discount rate

France	1.5%	2.0%	1.5%	1.2%	1.5%
UK	3.7%	4.0%	2.8%	2.6%	2.8%

Summary adjusted P&L: from sales to EBIT

	2017 (restated for IFRS 15)		2017 (as reported)		Difference	
	€m	% of sales	€m	% of sales	€m	Margin
Sales	15,228		15,795		(568)	
Gross margin	3,711	24.4%	3,845	24.3%	(133)	+0 .0 pt
Indirect costs	(2,404)	-15.8%	(2,375)	-15.0%	(29)	-0.8 pt
o/w R&D expenses	(797)	-5.2%	(797)	-5.0%	0	-0.2 pt
o/w Marketing & Sales expenses	(1,065)	-7.0%	(1,036)	-6.6%	(29)	-0.4 pt
o/w General & Administrative expenses	(542)	-3.6%	(542)	-3.4%	0	-0.1 pt
Restructuring costs	-81	-0.5%	-81	-0.5%	0	-0.0 pt
Share of net result of equity-accounted affiliates	139	0.9%	154	1.0%	(15)	-0.1 pt
EBIT	1,365	9.0%	1,543	9.8%	(177)	-0.8 pt

Summary adjusted P&L: from EBIT to adjusted net income

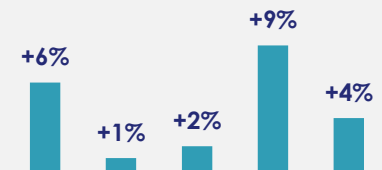
€m	2017	2016
EBIT	1,543	1,354
Cost of net financial debt and other financial results	(24)	(4)
Finance costs on pensions and other employee benefits	(63)	(66)
Income tax	(403)	(314)
<i>Effective tax rate</i>	31.0%	27.2%
<i>Effective tax rate excluding one-off tax items</i>	25.9%	25.7%
Adjusted net income	1,052	971
Minorities	(71)	(74)
Adjusted net income, Group share	982	897
EPS: Adjusted net income, Group share, per share (in €)	4.64	4.25

**2017 effective tax rate impacted by several one-off tax items,
for a total of €66m, with no cash impact**

Historical sales and EBIT performance by segment

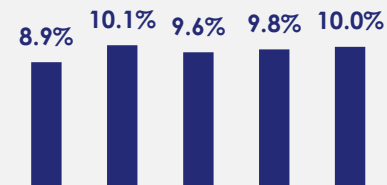
Aerospace

Organic sales growth



2013 2014 2015 2016 2017

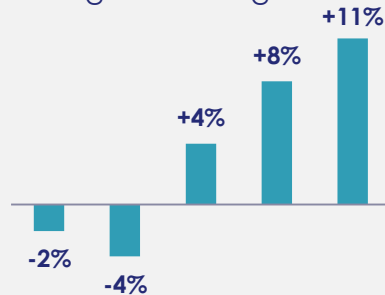
EBIT margin



2013 2014 2015 2016 2017

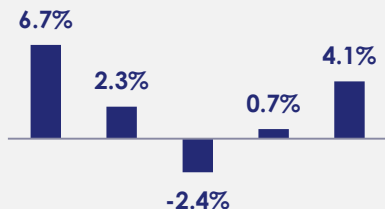
Transport

Organic sales growth



2013 2014 2015 2016 2017

EBIT margin



2013 2014 2015 2016 2017

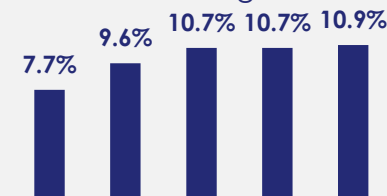
Defence & security

Organic sales growth



2013 2014 2015 2016 2017

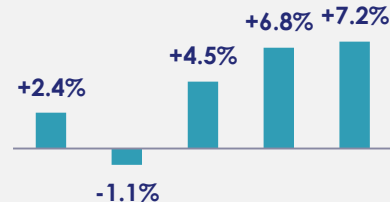
EBIT margin



2013 2014 2015 2016 2017

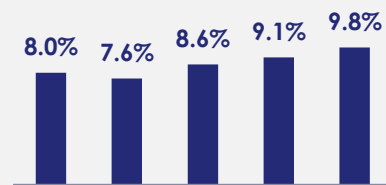
Total Group

Organic sales growth



2013 2014 2015 2016 2017

EBIT margin

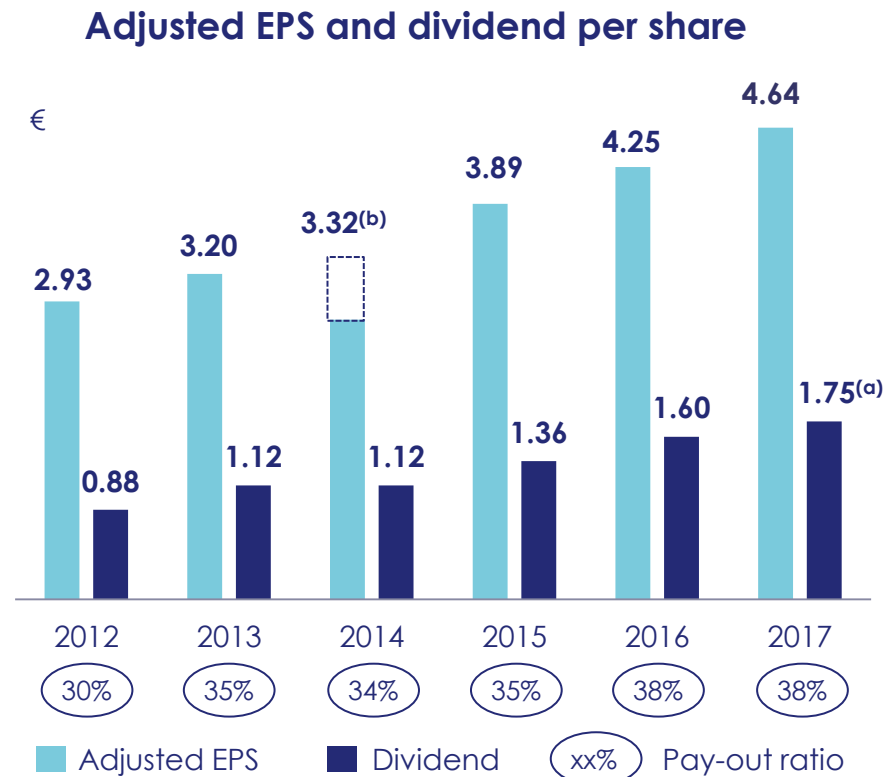


2013 2014 2015 2016 2017

Note: Group EBIT includes equity associate Naval Group (losses in 2014)

THALES

Adjusted EPS and dividend



(a) Approved by the 23 May 2018 Annual General Meeting

(b) Corrected for negative DCNS contribution (€0.57)

Adjusted EPS up 10% per year since 2012

2017 dividend : €1.75 per share^(a)

➤ Pay-out ratio : 37.7%

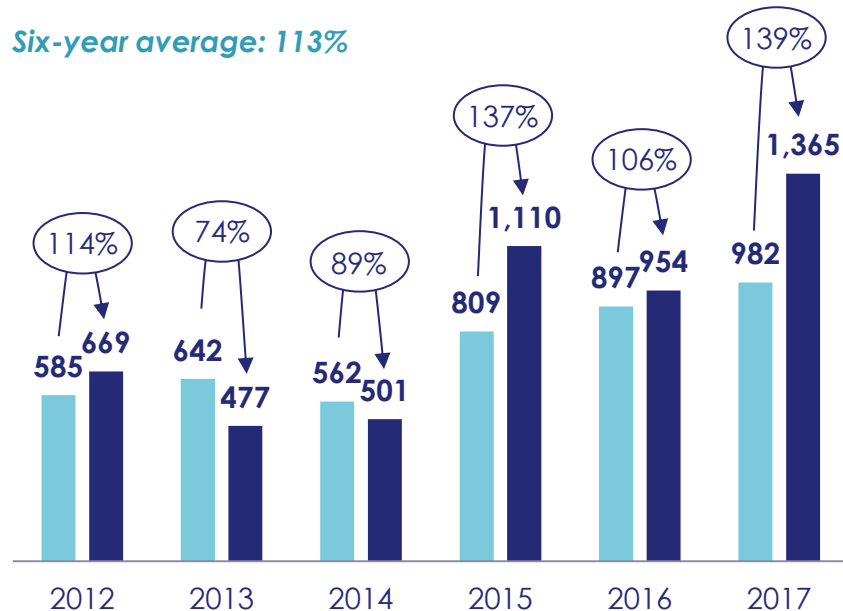
Dividend up 15% per year since 2012

➤ Doubling in 5 years

Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow

Six-year average: 113%

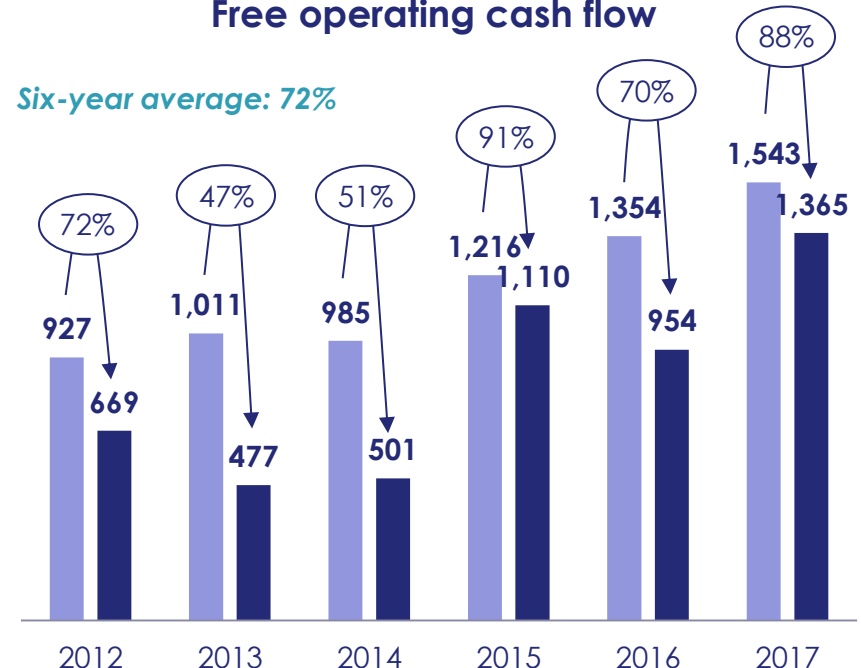


Adjusted net income Free operating cash flow

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

EBIT conversion into Free operating cash flow

Six-year average: 72%



EBIT Free operating cash flow

xx% Cash conversion ratio: Free operating cash flow / EBIT

Reference table

Growth drivers

	page
➤ Sales breakdown by segment and sub-segment	3, 49, 53, 55
➤ Positioning and key strengths	4-6, 56
➤ Market dynamics	10-12, 50, 57-58
➤ Key Ambition 10 growth initiatives	15, 20-23
➤ Historical sales growth by segment	66
➤ Sales by region of destination	3, 49, 53, 55, 56, 60
➤ H1 2018 sales growth by geography	33
➤ Organic sales growth per quarter	62
➤ H1 2018 order intake	32, 59

Margins, competitiveness

➤ Key Ambition 10 competitiveness initiatives	16-19
➤ H1 2017 to H1 2018 EBIT bridge	34
➤ Summary P&L	64, 65
➤ H1 2018 EBIT by segment	39
➤ Historical EBIT margin by segment	66

Cash conversion and capital allocation

	page
➤ H1 2018 Free operating cash-flow	38
➤ Historical trend in cash conversion	68
➤ Historical EPS and dividend	67
➤ ROCE benchmark	7
➤ Cash conversion target, balance sheet	45-46

Financial objectives

➤ 2021 financial objectives	40-46
➤ 2018 financial objectives	47

Gemalto

➤ Strategic rationale	24-25
➤ Update on execution	26

Other topics

➤ Net pension provision	63
-------------------------	----

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 intangible assets (PPA). From 1 January 2016, it also excludes expenses recorded in the income from operations and in the financial result that are directly related to business combinations (2017 impact: +€18m, 2016 impact: €+19m). See also notes 13-a and 2 of the consolidated financial statements at 31 December 2017.
- **Adjusted net income:** net income, *less* the following elements, net of the corresponding tax effects: (i) amortization of acquired intangible assets, (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 (2017 impact: +€12m, 2016 impact: €+12m), (iii) disposal of assets, change in scope of consolidation and other, (iv) change in fair value of derivative foreign exchange instruments (recorded in "other financial results" in the consolidated accounts), (v) actuarial gains or losses on long-term benefits (accounted within the "finance costs on pensions and employee benefits" in the consolidated accounts). See note 13-a of the consolidated financial statements at 31 December 2017. 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 2018 Half year press release for detailed calculation of these other indicators over H1 2018.
- **Free operating cash flow:** net cash flow from operating activities, *less:* capital expenditures, *less:* deficit payments on pensions in the United Kingdom. See notes 13-a and 6.4 of the consolidated financial statements at 31 December 2017.



Tour Carpe Diem - 31 Place des Corolles
92098 Paris La Défense - France
www.thalesgroup.com

This presentation may contain forward-looking statements. Such forward-looking statements are trends or objectives, as the case may be, and shall not be construed as constituting forecasts regarding the Company's results or any other performance indicator. These statements are by nature subject to risks and uncertainties as described in the Company's registration document ("Document de référence") filed with Autorité des Marchés Financiers. These statements do not therefore reflect future performance of the Company, which may be materially different.

This presentation does not constitute an offer, or any solicitation of any offer, to buy or subscribe for any securities in Gemalto. Any offer is only made by means of the Offer Document, which is available since 27 March 2018.

This presentation is for information purposes only and does not constitute a prospectus or an offer to sell or the solicitation of an offer to buy any security in the United States of America or in any other jurisdiction. Securities may not be offered or sold in the United States of America absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Securities that are the subject of any transaction mentioned in this presentation have not been and will not be registered under the Securities Act and there is no intention to make a public offering of such securities in the United States.

www.thalesgroup.com



The people we all rely on
to make the world go round,
they rely on Thales