Investor meeting

May 2019

THALES

Introduction to Thales

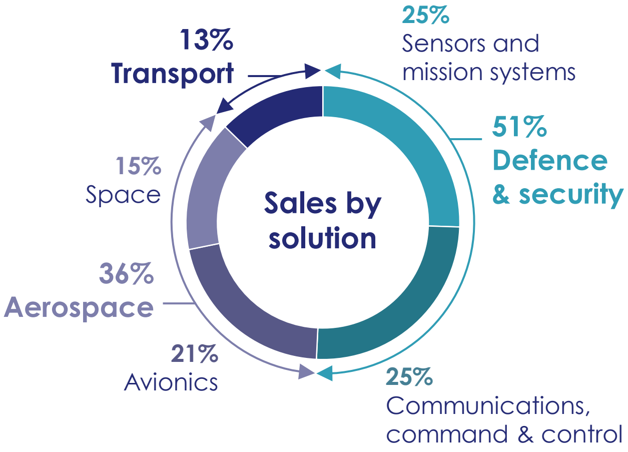
2018-21: targeting industry leadership

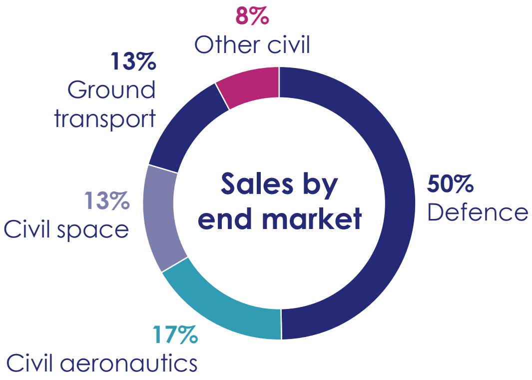
Five key priorities for 2018-21

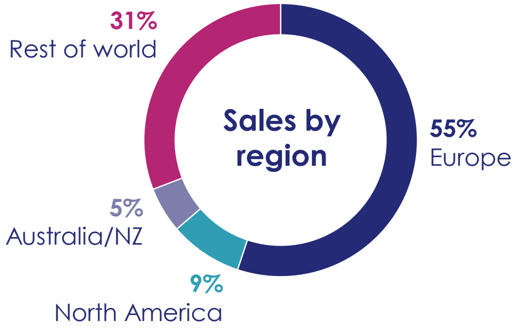
2018 Full-Year results

Outlook

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







Flight avionics	In-flight entertainment	Space solutions	Rail signalling and supervision	Advanced defence systems	Air Traffic Management
#3	#2	#2	#2	#1	#1
worldwide	worldwide	worldwide (civil satellites)	worldwide	in Europe (defence sensors and mission systems)	worldwide

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Thales: a pure player focused on intelligent systems

Addressing some of the most demanding end markets…

+

…leveraging a unique portfolio of key common technologies

Critical decision chain

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

Sensors, mission systems, communication, command and control systems

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Thales builds on 4 key strengths

2018 TOP 100 GLOBAL INNOVATOR Clarivate Analytics

nature

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

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

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Resilience embedded in business model

High geographical diversification

- Sales >€100m in 28 markets

Platform-agnostic positioning

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

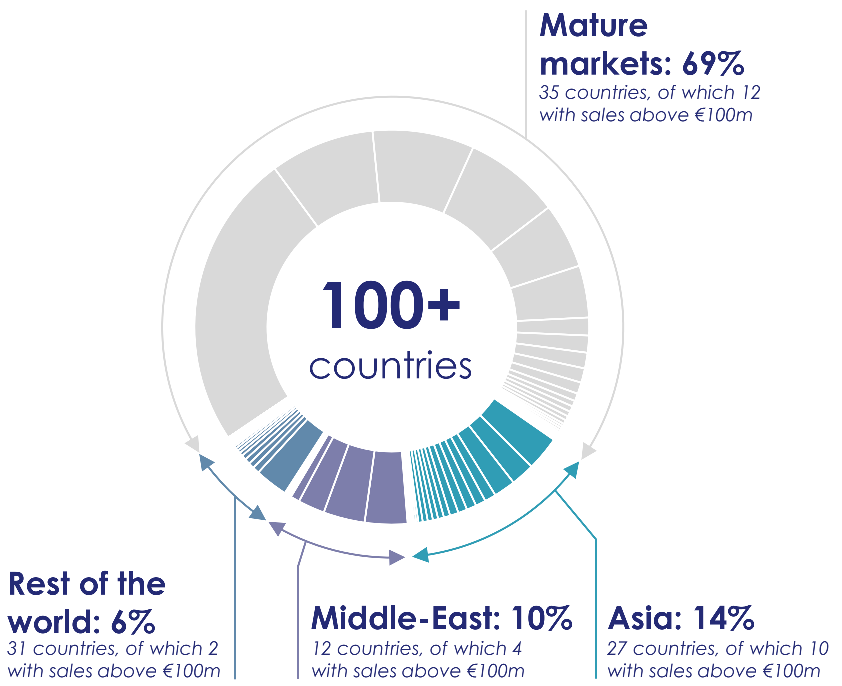
Strong program diversification

- 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



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Thales delivers a best-in-class ROCE

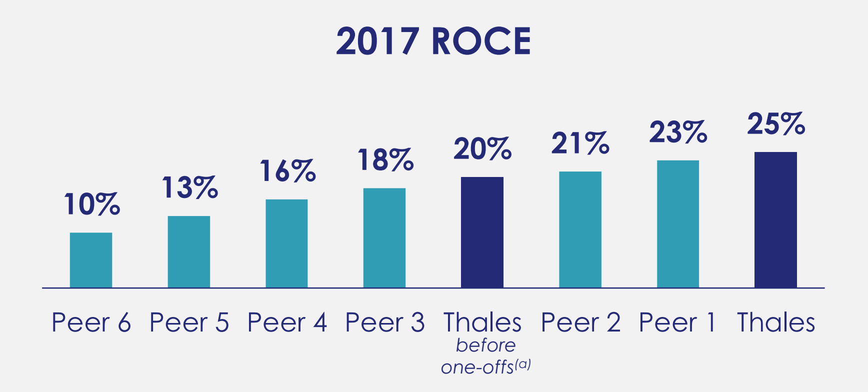
ROCE in line with best-in-class peers

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



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

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

AMBITION

2014 — 2017

Building a growing, more global and more profitable Thales

2018 — 2021

Leadership in all segments

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

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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

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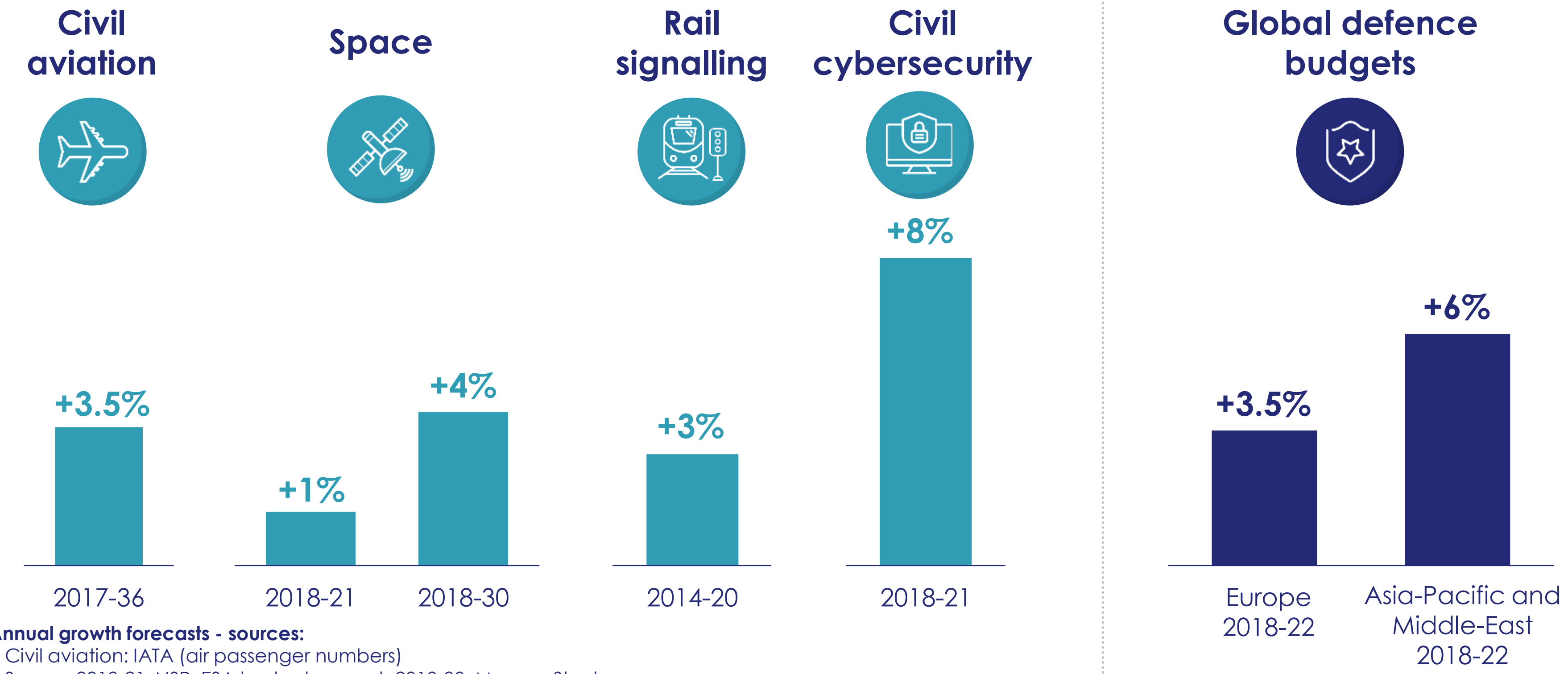
…supporting ~3% sustained market growth…



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

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…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

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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

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1 Reinforce customer-centric organization and culture

Three 2018-21 priorities…

Deepen customer intimacy

Consistently optimize sales pipeline

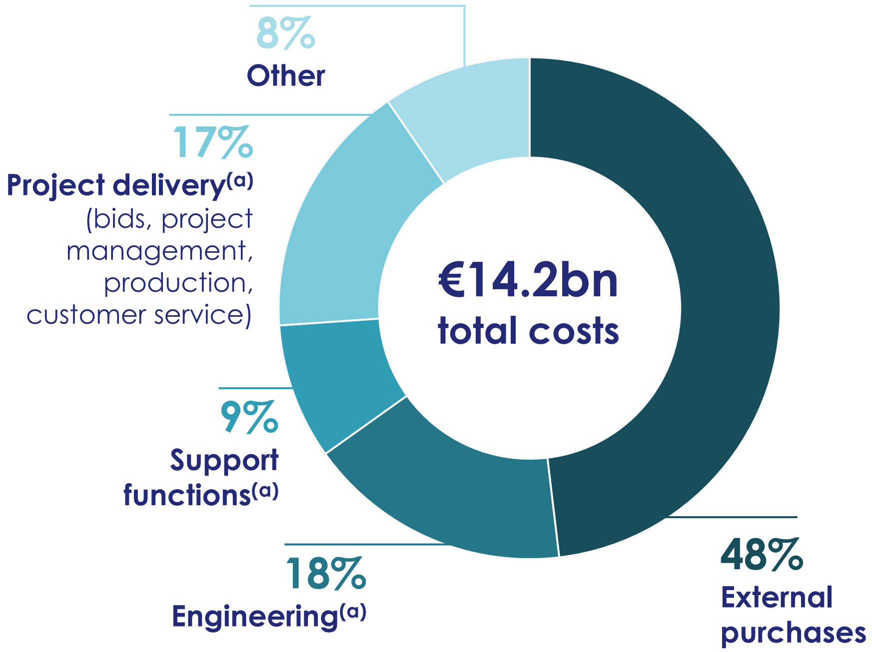
Develop exports from large countries

…capitalizing on marketing and sales excellence

- New marketing initiatives focused on digital value propositions and Group positioning as partner in digital transformation
- Central “sales transformation” function up and running since Summer 2018
- Comprehensive program launched to enhance commercial performance and sales effectiveness

2 Relentlessly optimize operational performance

Group cost structure



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 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

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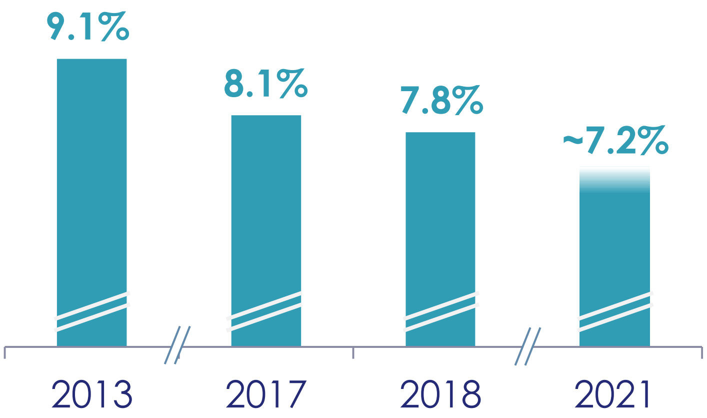
2 Good progress on Ambition 10 competitiveness initiatives

Procurement: transformed organization starts to deliver

- Global procurement organization fully operational
- 90% of external purchases reviewed as part of "category waves" in 2018, with significant savings identified
- 25 "product conventions" organized in 2018, supporting further product cost optimization
- 18% reduction in active supplier base

Continued roll-out of support function transformation

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"

Leveraging powerful margin enhancement levers

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3 Accelerate R&D investments to drive technological excellence

Thales's core competitive advantage: world leading R&D capability

Clarivate Analytics

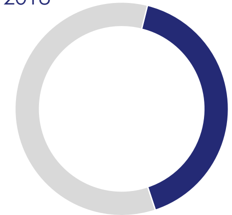
TOP 100 GLOBAL INNOVATORS

6 times winner
2012, 2013, 2015, 2016, 2017, 2018

Prestigious recognitions for researchers

R&D headcount

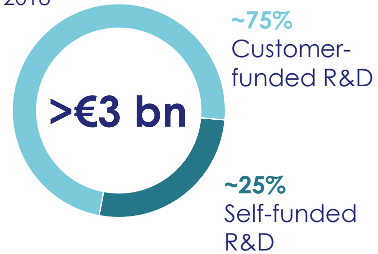
2018



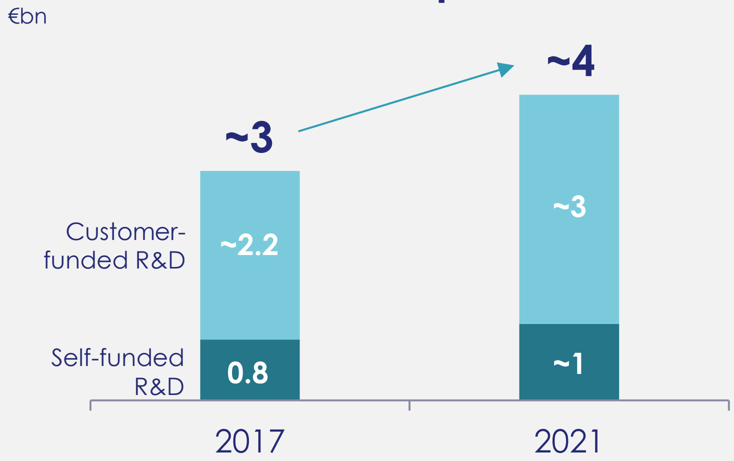
40% of total staff

R&D total spend

2018



R&D total spend



Self-funded R&D up 25 to 30%, focused on

- Transverse digital levers and technologies
- Breakthrough "dream products" across key product lines
- Competitive product policy

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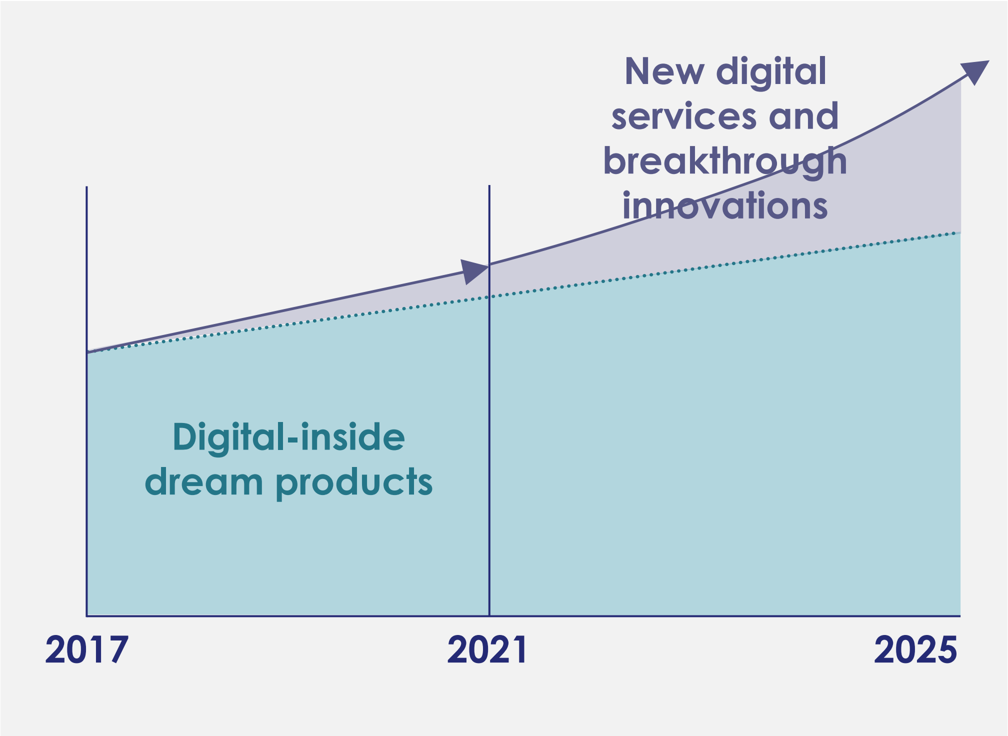
4 Digital: facilitating growth acceleration now and beyond 2021

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



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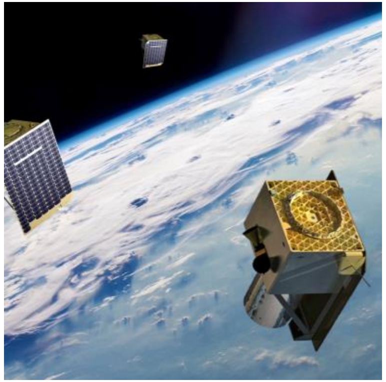
4 Lead digital transformation of markets: recent examples



Big data-enabled observation constellation

Demonstrations of autonomous rail technologies

Autonomous mine warfare

First Digital Factory solutions launched commercially

Capitalizing on critical mass of expertise in digital technologies

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5 Gemalto: a global player in digital security

Global specialist in authentication systems and data protection

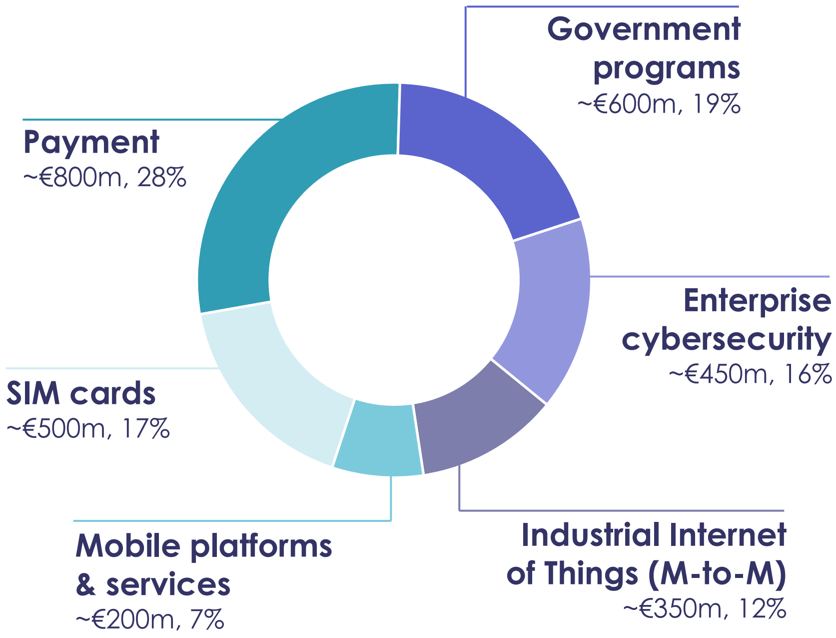
Leading technologies with applications in broad range of industries

Moving from hardware to embedded software, then to software platforms

2018 revenues of €3.0bn

- 48 countries
- 15,000 employees
- 19 production facilities
- 30 R&D centers

2017 revenue breakdown by division



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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

Mission sensors	Objects	Networks & Gateways	Platforms to manage objects	Platforms to manage missions	Mission applications[a]
Mission data	*Identity data*	*Mission and identity data*	*Identity data*	*Mission data*	*Mission data*
THALES	gemalto security to be free	THALES gemalto security to be free	gemalto security to be free	THALES	THALES

(a) Including big data analytics, artificial intelligence algorithms

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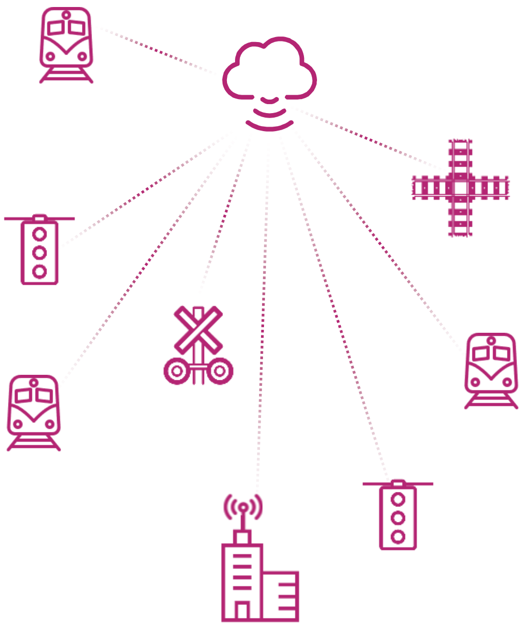
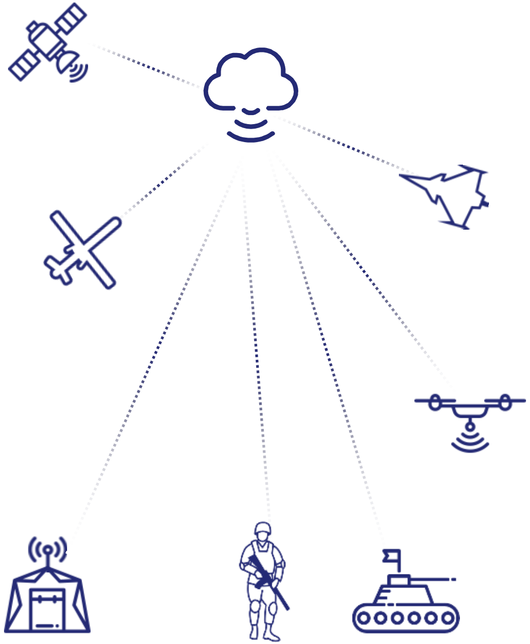
5 Thales and Gemalto: selected use cases

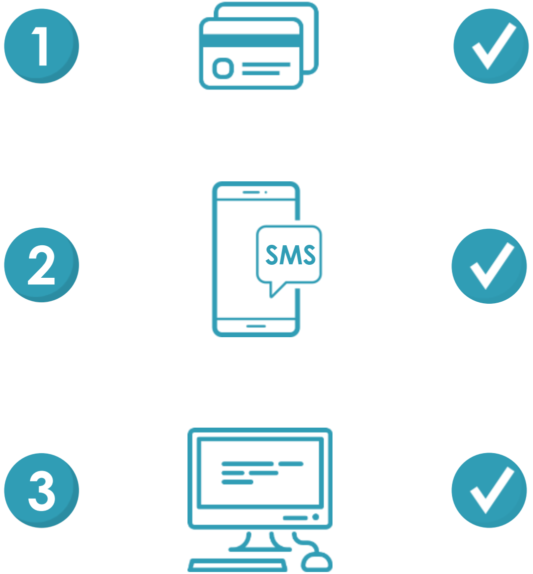
Smart rail infrastructures



Battlefield cloud



Silent authentication



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5 Creation of Digital Identity & Security Global Business Unit

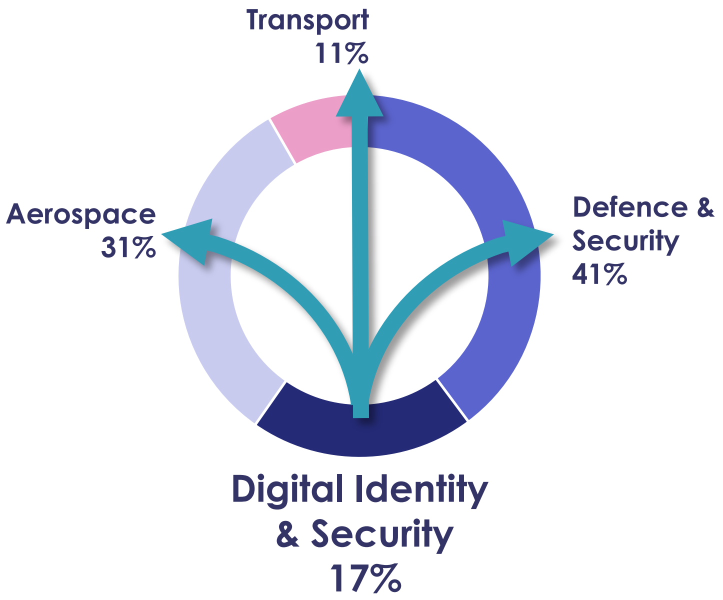
Gemalto well advanced in its transition from its historical businesses to faster-growing markets

Thales to combine key digital assets with Gemalto in order to:

- Strengthen common digital capabilities
- Accelerate growth of combined entity

New Global Business Unit to accelerate digital transformation across all Thales vertical markets

Segment revenue breakdown[a]



(a) 2018 Combined pro forma

5 Gemalto acquisition completed as planned

Execution of transaction

- 97% of shares tendered at 15 April 2019
- Delisting of Gemalto shares on 29 May
- Definitive agreement signed to sell GP HSM business
- Consolidation as of 1^{st} April 2019

Integration planning

- Common ‘DNA’ and culture: a strong foundation for successful integration
- Extensive preparation over past 15 months
  - Integration Project Management Office managing 18 workstreams in parallel
  - Hundreds of people mobilized

Focus on delivery of synergies

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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 acquisition of Gemalto

Executing on long-term vision: leadership in all segments

AMBITION 10

Grow faster than the market

Grow profitably in a sustainable way

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Full-Year 2018 highlights

Order intake above expectations

Strong sales growth, driven by Transport and Defence & Security segments

Significant increase in profitability, while accelerating R&D investments

New medium-term ambition, priorities and financial targets announced in June

Extensive preparation for integration of Gemalto

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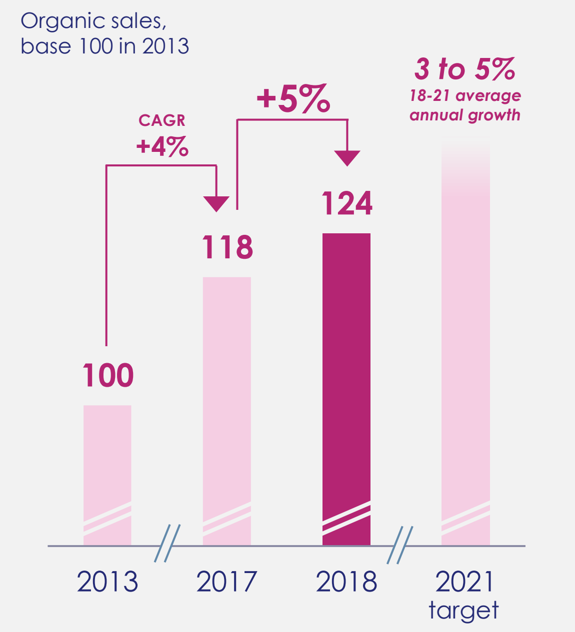
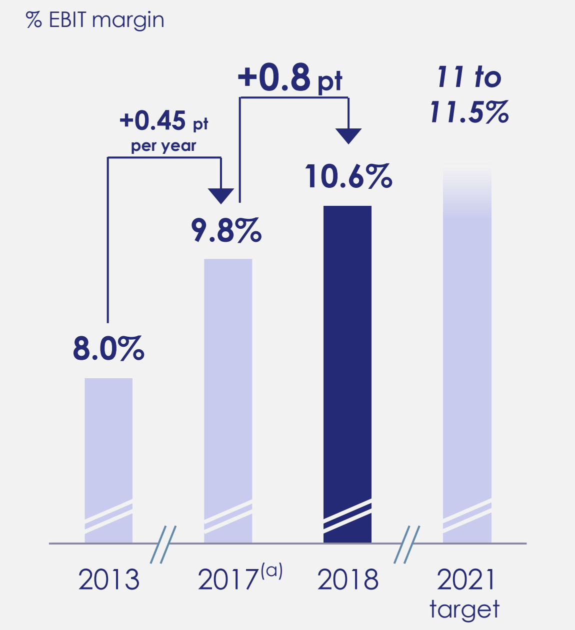
2018: a solid first step towards our 2021 leadership ambition

AMBITION 10 **Leadership in all segments**

Growth

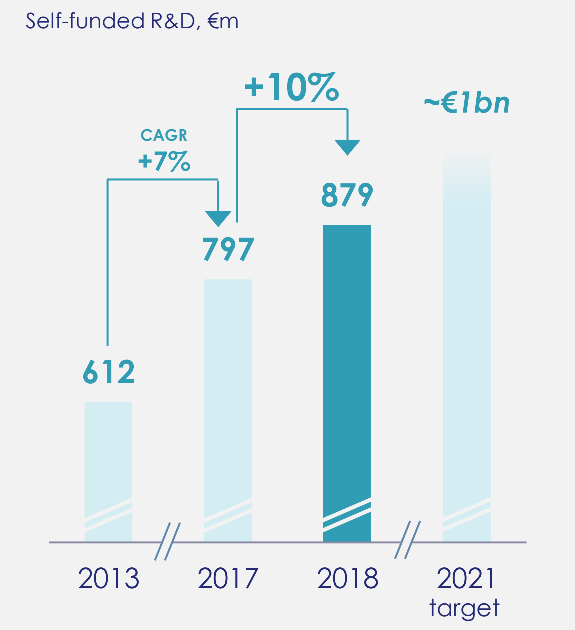


Profitability



(a) Reported margin – 2017 margin restated for IFRS 15: 9.0%

R&D investments



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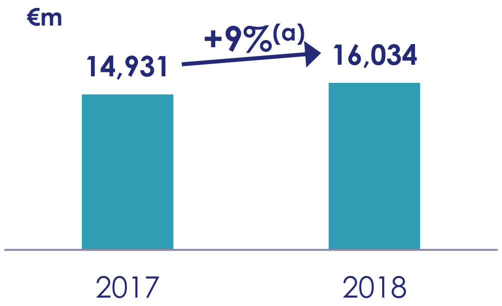
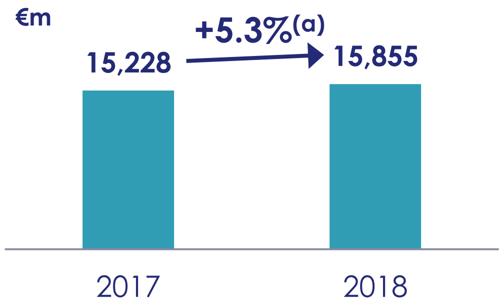
2018 key figures (all prior year figures restated for IFRS 15)

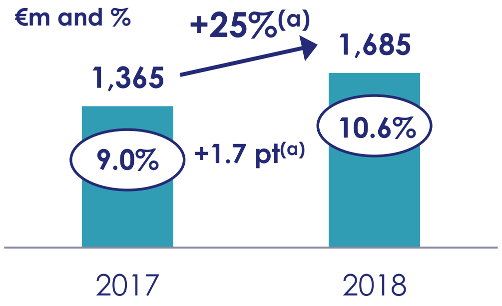
Order intake



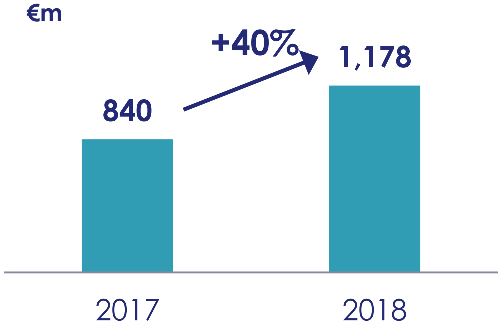
Sales



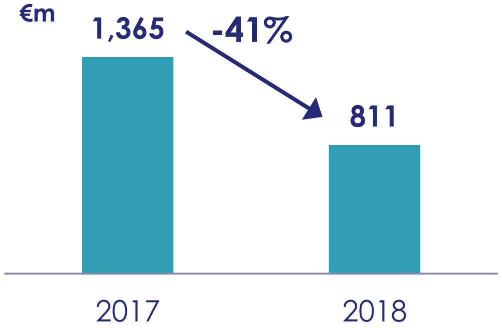
EBIT and EBIT margin[b]



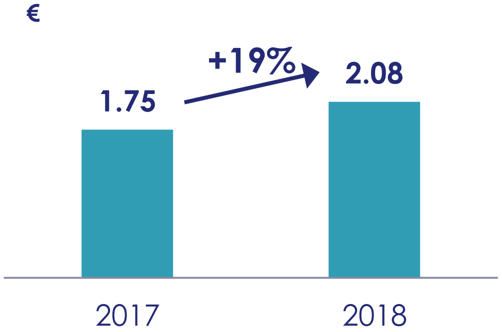
Adjusted net income[b]



Free operating cash-flow[b]



Dividend[c]



(a) Organic: at constant scope and exchange rates
(b) The definition of all non-GAAP measures can be found in appendix
(c) Proposed to the 15 May 2019 Annual General Meeting

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2018 order intake

Solid order intake momentum, up 7% (+9% organically)

9 large[a] orders booked in Q4 2018, for a total of 19 in 2018

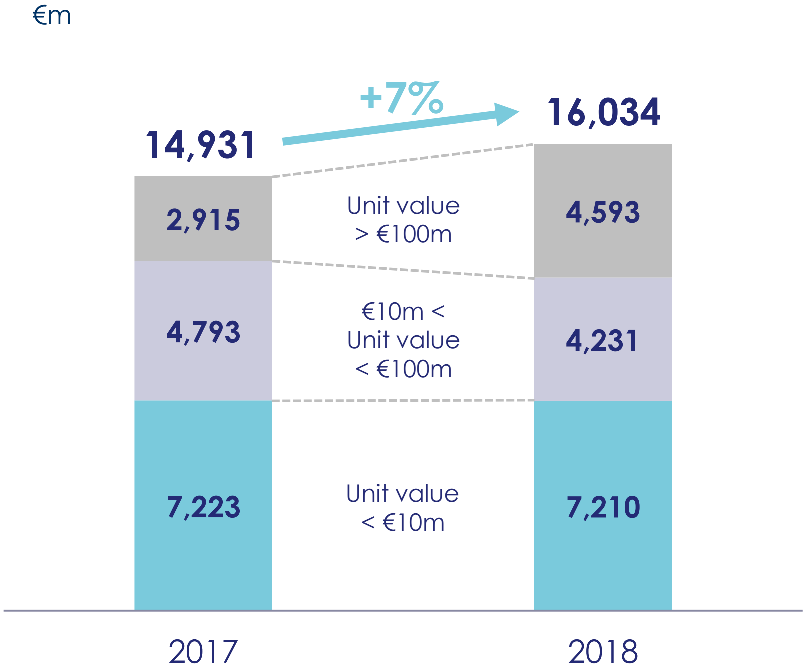
Record high order intake in mature markets

- Fully offsetting phasing effects affecting emerging markets

Smaller orders[b] stable

- Full recovery in H2 (up 8%) following -10% in H1

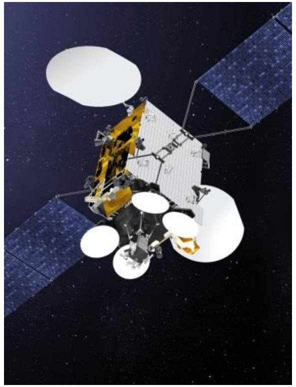
Order intake by contract unit value



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

Aerospace: 2018 key figures

€m	2018	2017	change total	change organic
Order intake	5,346	5,237	+2%	+3%
Sales	5,780	5,747	+0.6%	+1.4%
EBIT	580	567	+2%	+3%
in % of sales	*10.0%*	*9.9%*	*+0.2 pt*	*+0.2 pt*



Limited growth in order intake in spite of recovery in Space

- Space orders strongly up on low 2017 level
- High comps in avionics and In-Flight Entertainment (IFE)

Solid sales growth in aeronautics offset by slowdown of commercial telecom satellite market and high comps in IFE

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

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Transport: 2018 key figures

€m	2018	2017	change total	change organic
Order intake	1,858	1,781	+4%	+6%
Sales	2,001	1,723	+16.1%	+17.9%
EBIT	88	57	+56%	+57%
in % of sales	*4.4%*	*3.3%*	*+1.1 pt*	*+1.1 pt*

Solid order intake, especially in main line signalling

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

Further recovery of profitability, thanks to progressive delivery of loss-making contracts

2019 EBIT to be affected by restructuring cost

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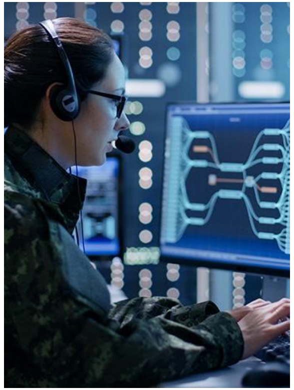
Defence & Security: 2018 key figures



€m	2018	2017	change total	change organic
Order intake	8,775	7,857	+12%	+13%
Sales	8,020	7,690	+4.3%	+5.6%
EBIT	1,007	757	+33%	+35%
in % of sales	*12.6%*	*9.8%*	*+2.7 pts*	*+2.8 pts*

Broad-based order intake momentum

- Order book above €20bn for the first time ever

Diversified sales growth

Significant increase in profitability

- Top line growth, competitiveness initiatives and good project execution
- Positive €20m one-off impact related to 2 commercial disputes
- Non-recurrence of negative IFRS 15 impact

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Q1 2019 key figures

€m	Q1 2019	Q1 2018	change total	change organic
Order intake	2,273	3,032	-25%[a]	-25%
Sales	3,361	3,412	-1.5%	-2.0%

Order intake and sales in line with expectations, affected by high comparison bases

(a) +4% excluding impact of OneSKY jumbo contract booked in Q1 2018 (€855m)

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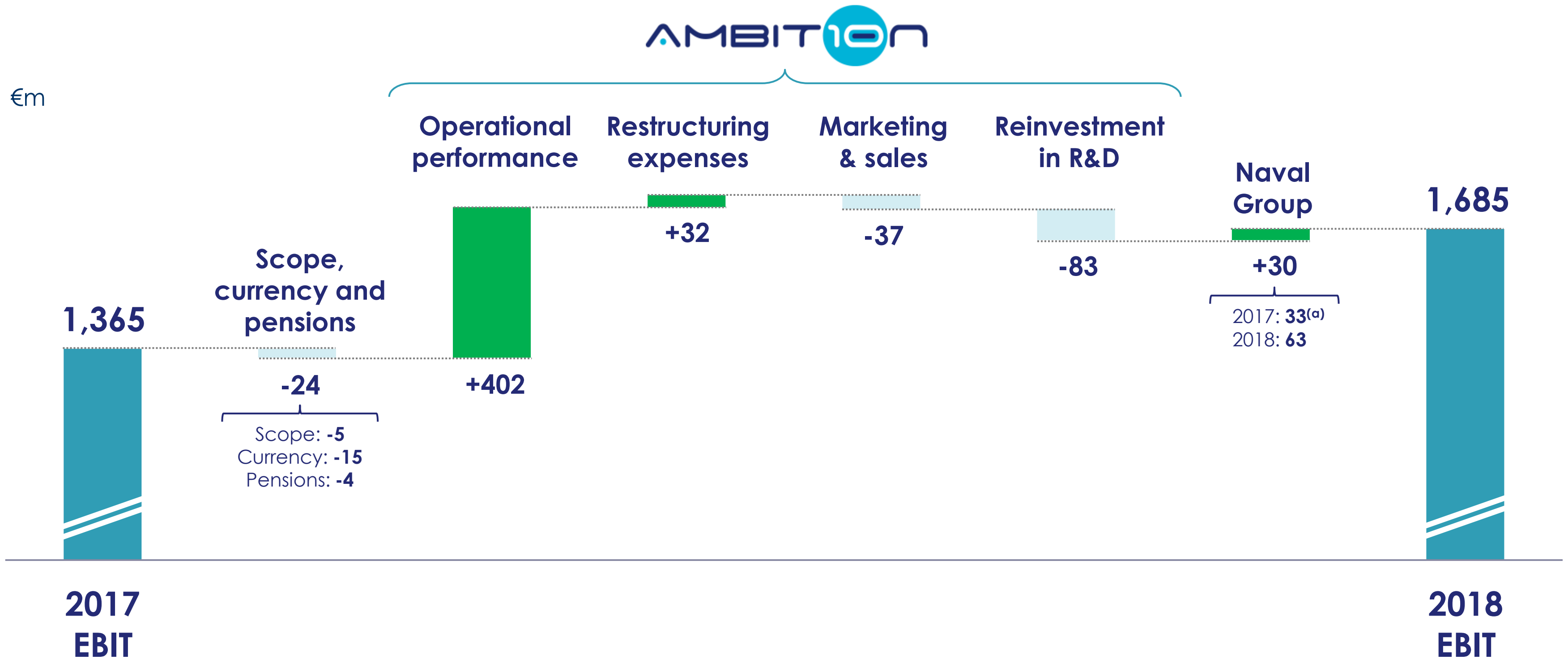
EBIT improvement driven by solid operational performance



(a) On the 2017 P&L restated for IFRS 15. Reported 2017 contribution: €48m

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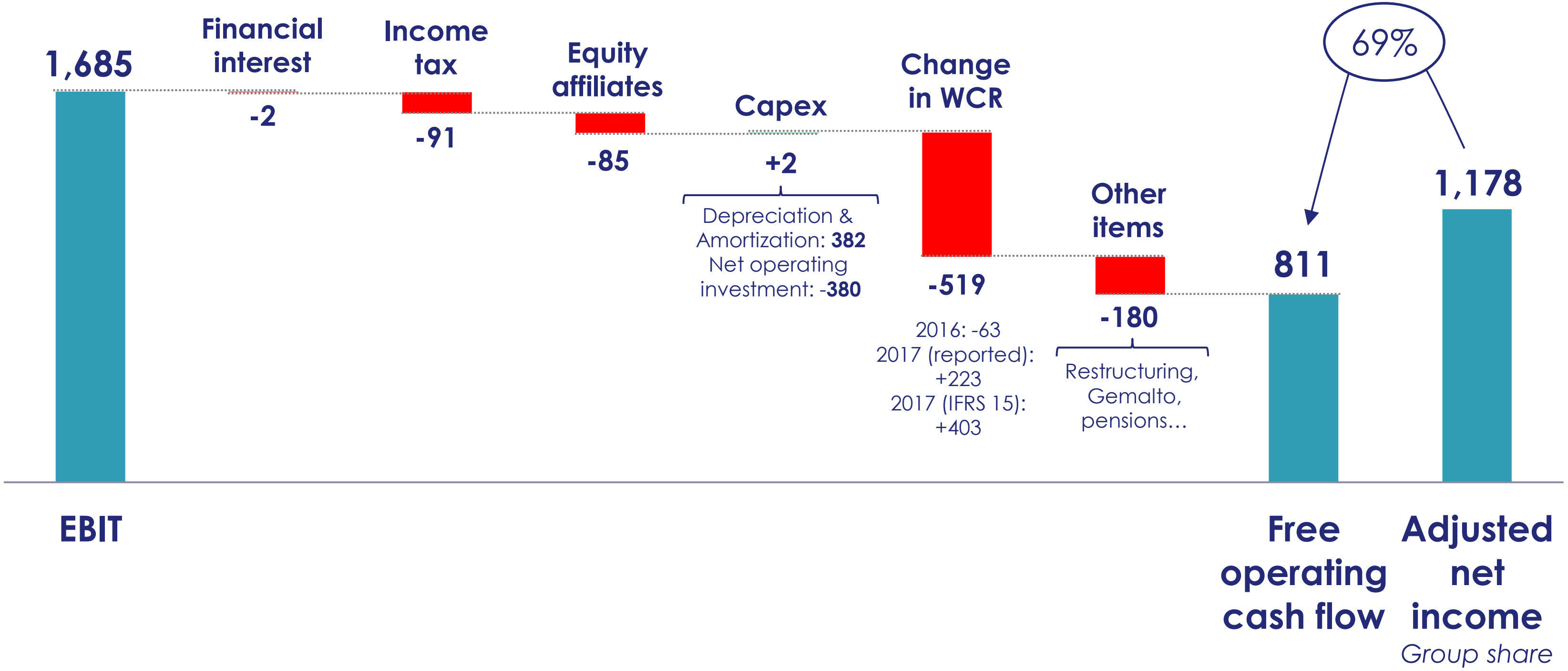
Cash conversion: from EBIT to free operating cash flow

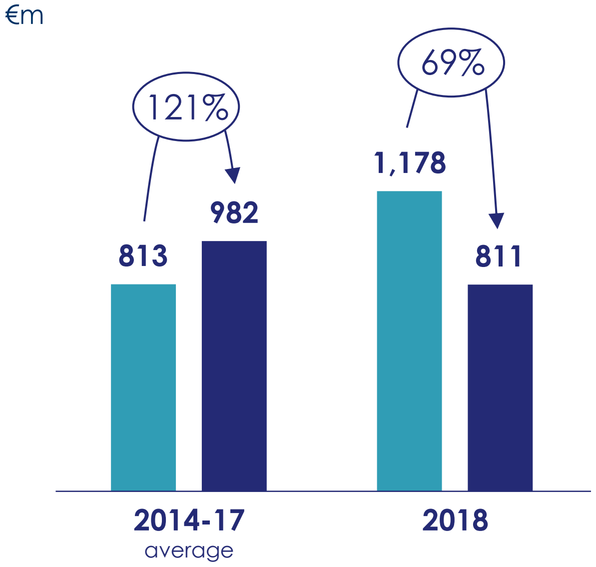
Solid free operating cash flow in spite of strongly negative change in WCR

2018, €m

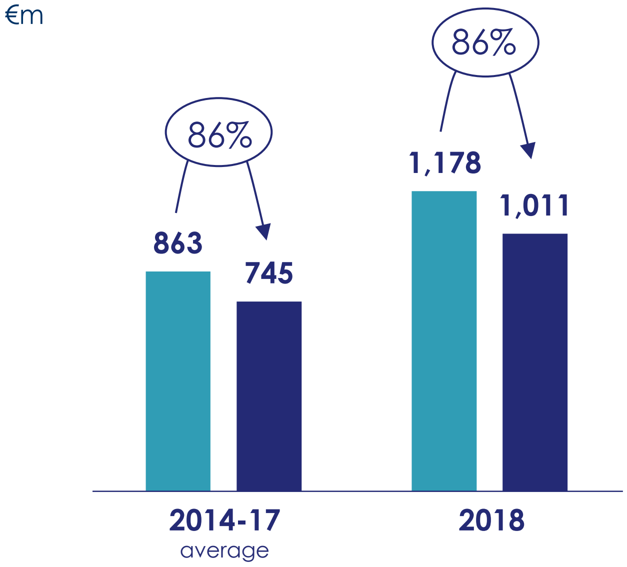


Cash conversion in line with expectations

Reported cash conversion



Cash conversion *before one-offs*[a]



Adjusted net income

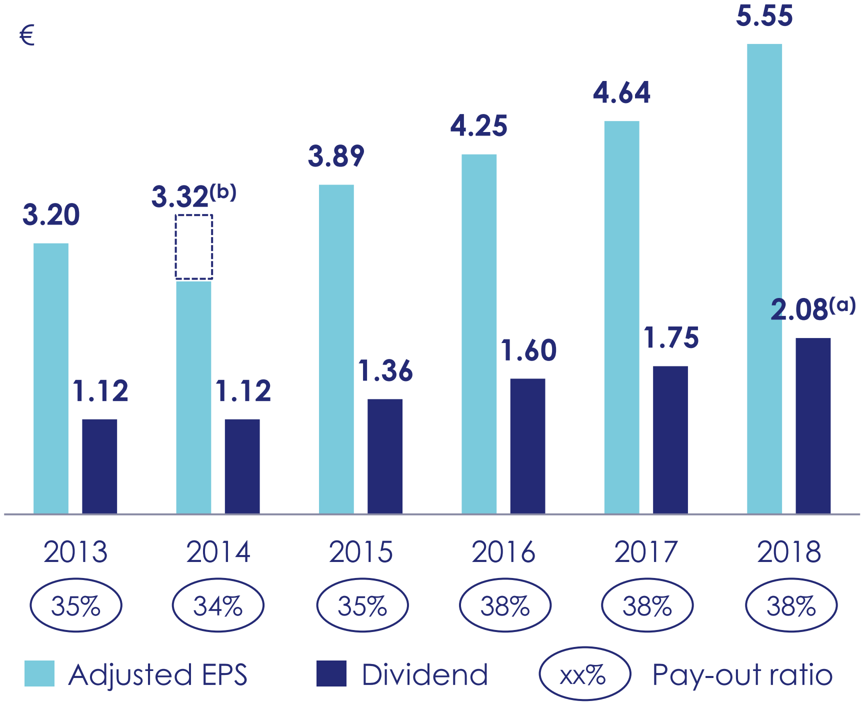
Free operating cash flow

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

(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: 2014-17: €950m of positive WCR effects, 2018: ~€200m estimated unwinding of 2017 one-off positive WCR effect

Adjusted EPS and dividend

Adjusted EPS and dividend per share



(a) Subject to approval by the 15 May 2019 Annual General Meeting
(b) Corrected for negative Naval Group contribution (€0.57)

Adjusted EPS up 12% per year since 2013

Proposed 2018 dividend : €2.08 per share[a]

- Pay-out ratio: 38%

Dividend up 13% per year since 2013

- Quasi doubling in 5 years

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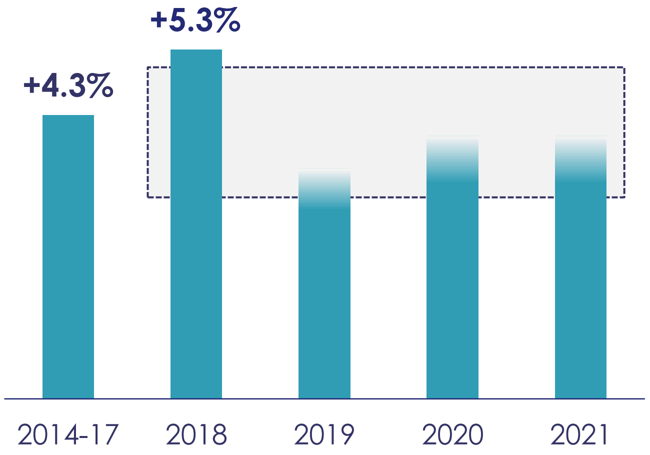
Organic sales growth sustainably above market

NB: targets excluding Gemalto

Group organic sales growth target



3% to 5% growth on average over 2018-21

	Market trend	Organic sales growth target
Aerospace	~+2%	+2-3%
Transport	~+3%	+4-5%
Defence & Security	~+3.5%	+4-6%

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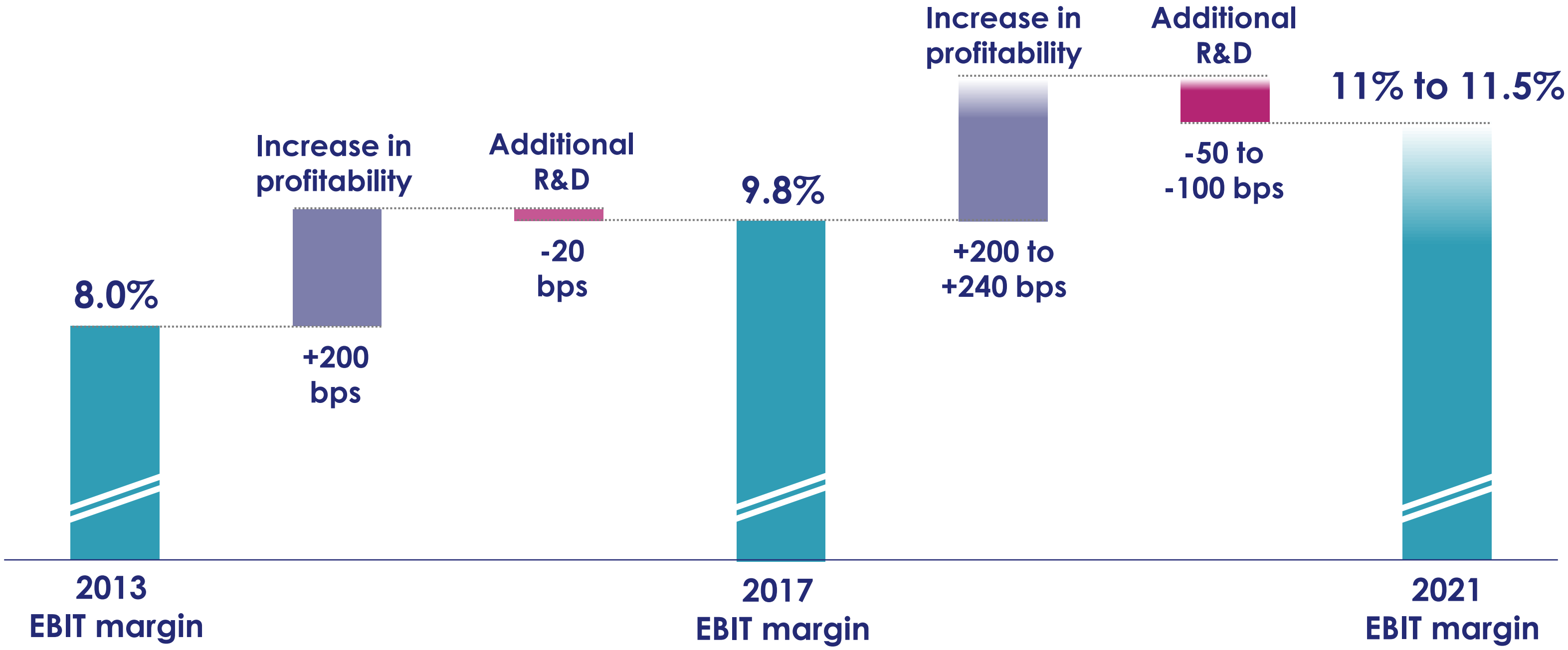
Sustainable new round of margin increase

NB: targets excluding Gemalto

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

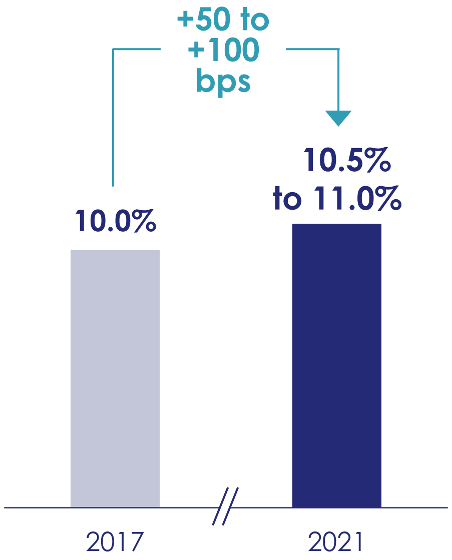


All operating segments to contribute to EBIT margin improvement

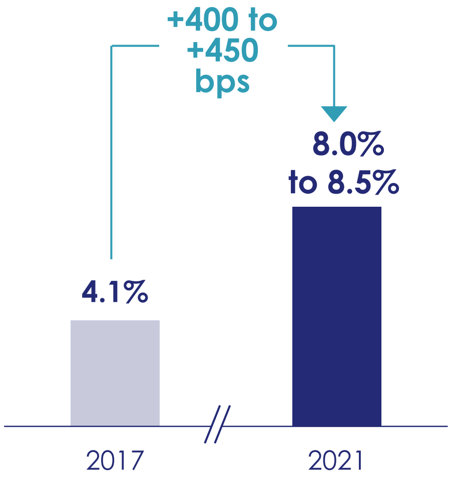
NB: targets excluding Gemalto

EBIT margin targets

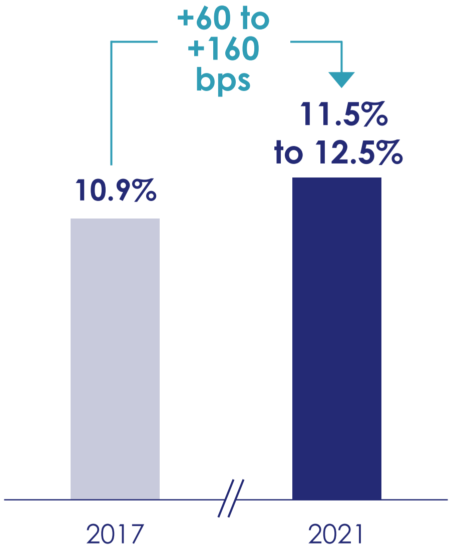
Aerospace



Transport



Defence & Security



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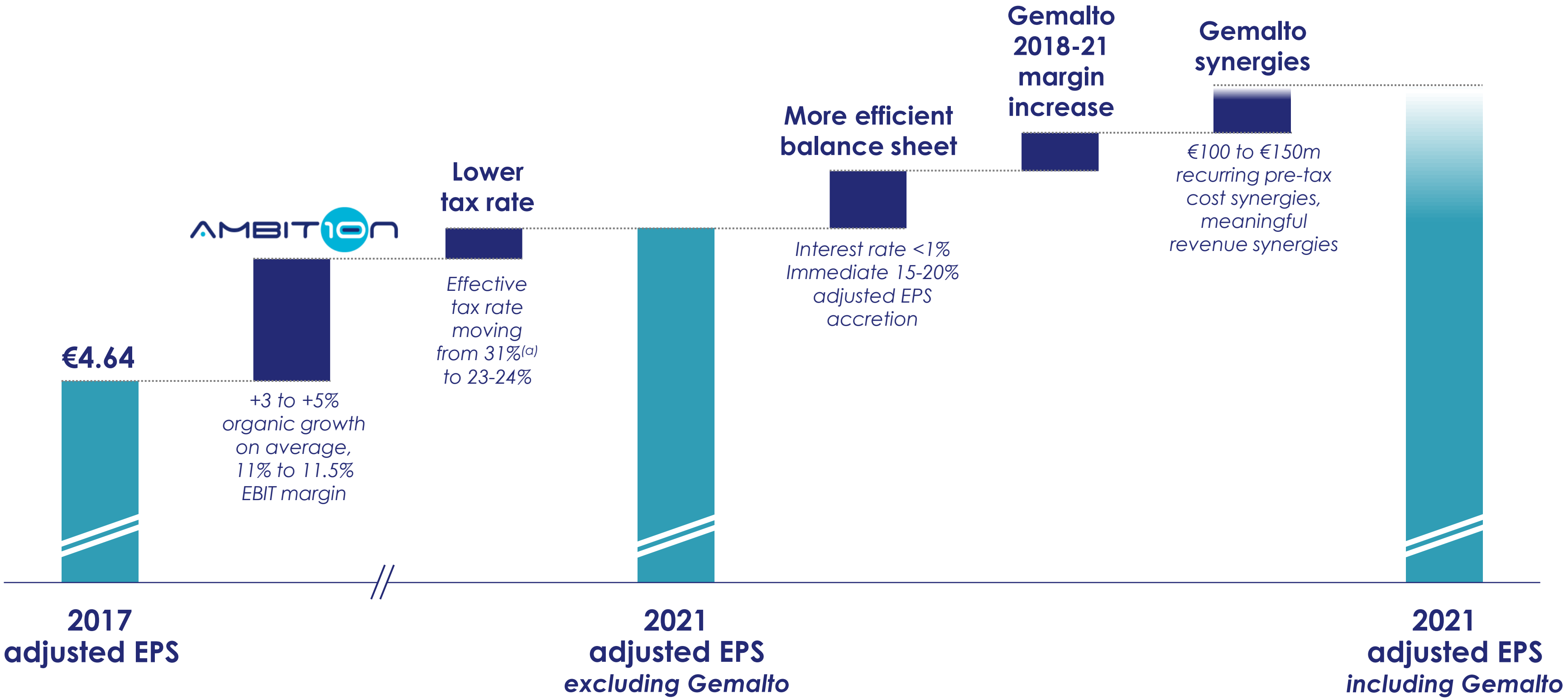
Strategic initiatives deliver significant EPS accretion, with further upside from Gemalto integration



(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

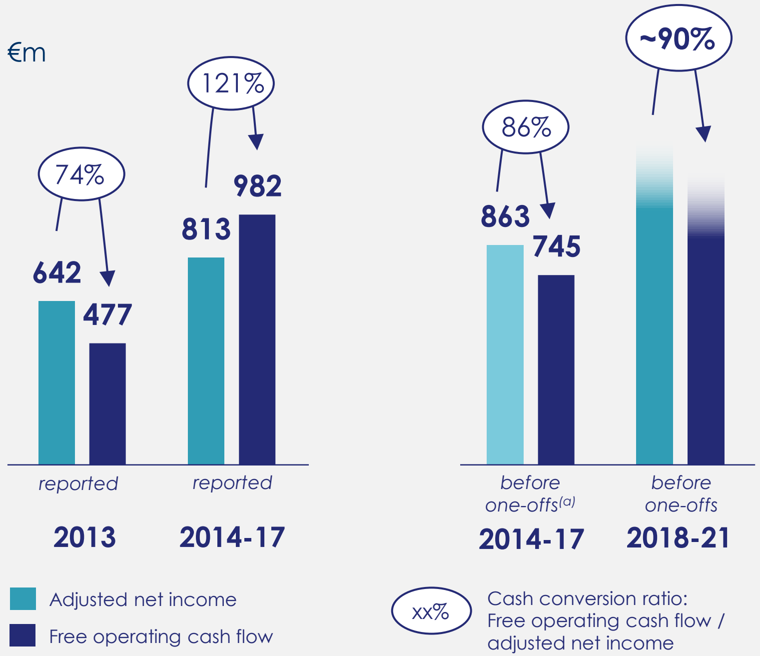
2014-17: turning Thales into a cash-flow minded company

- 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

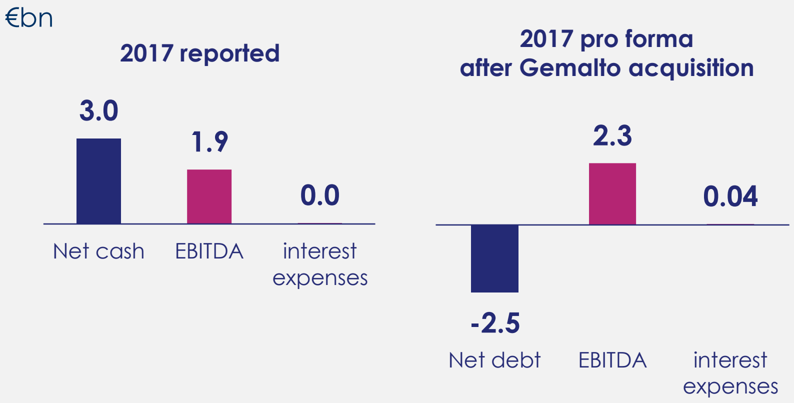
Cash conversion



(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: €950m of positive WCR effects booked in 2015-17

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

Improved balance sheet efficiency after Gemalto acquisition



Strong investment grade maintained

S&P	AAA	A-/BBB+	B
Moody's	Aaa	A2 / A3	C

Dividend growth in line with adjusted EPS

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

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2019 business environment

Unchanged solid underlying trends

- Civil markets benefiting from long-term growth trends: global air traffic, urbanization, mobility, data protection…
- Confirmed uptrend of defence budgets in both mature and emerging countries

Growing role of intelligent systems to deliver operational efficiency

Digitalization gathering pace across markets

Markets underpinned by major societal aspirations

- Security, safety, environmental efficiency…

Highly diversified customer base

- 5 markets in 100+ countries
- Broad program diversification

Balancing defence and civil business models

Thales: combining solid growth opportunities and business model resilience

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2019 financial objectives

Reminder: targets excluding Gemalto and impact of disposal of GP HSM business
2019 outlook will be updated on 13 June

Order intake	**Around €16bn**
Sales	**Organic growth between 3% and 4%**
EBIT[a]	**€1,780-1,800m[b]**

(a) Non-GAAP measure: see definition in appendix
(b) Based on February 2019 scope and foreign exchange rates, post IFRS 16

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Appendix


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

A strong set of focused businesses

Segment	Sub-segment		Civil	Military	2018 sales (€m)	Market position
Aerospace *36% of 2018 sales*	**Flight avionics** including cockpit avionics, communications, electrical systems, training and simulation				~2,100	#3 worldwide (flight avionics)
	Connected in-flight entertainment (IFE)				~750	#2 worldwide
	Microwave tubes for satellite, medical, scientific and military applications				~450	#1 worldwide
	Space solutions for telecom, observation, navigation and exploration				~2,500	#2 worldwide (civil satellites)
Transport *13% of 2018 sales*	**Rail signalling and supervision** including passenger payment collection systems				~2,000	#2 worldwide
Defence & security *51% of 2018 sales*	**Sensors and mission systems** including radars, sonars, optronics, mission systems for combat aircraft, ships and submarines, missiles and armored military vehicles				~4,000	#1 in Europe
	Communications, command and control systems including military communications and networks, military command and control systems (C4I), civil and military cybersecurity, Air Traffic Management, and security solutions for countries, cities and critical infrastructures				~4,000	#2 worldwide (military tactical communications) #1 worldwide (air traffic management)

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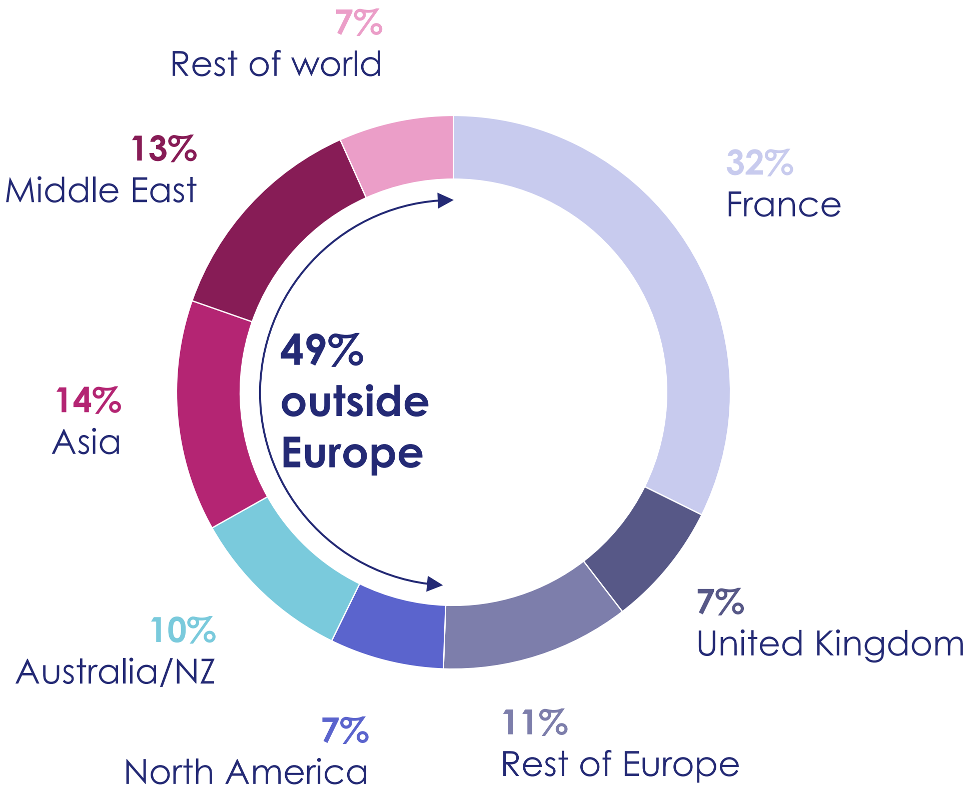
Highly diversified Defence & security customer base

Defence & security sales by region, 2018



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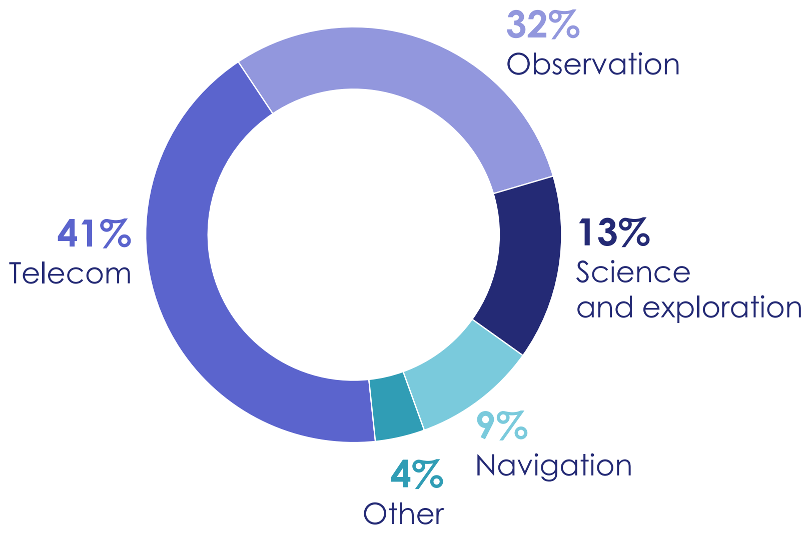
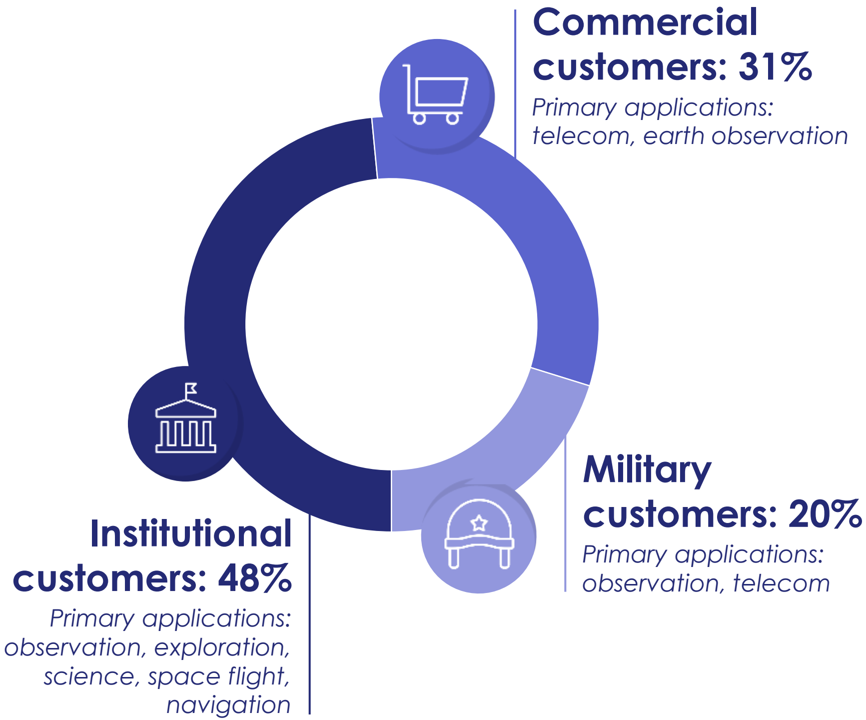
Space remains an attractive market, in which Thales is well positioned

4 main types of solutions…

Average 2016-18 Thales sales

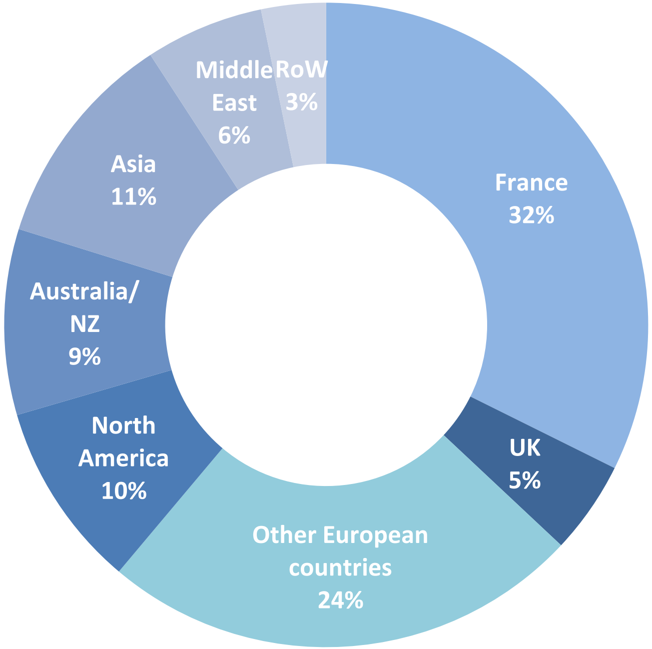


…serving 3 end markets



2018 order intake by destination

€m	2018	2017	change total	change organic
France	5,183	4,443	+17%	+17%
United Kingdom	746	1,153	-35%	-35%
Other European countries	3,872	2,919	+33%	+33%
Europe	**9,802**	**8,515**	**+15%**	**+16%**
North America	1,501	1,536	-2%	+1%
Australia/NZ	1,494	671	+123%	+138%
Mature markets	**12,797**	**10,722**	**+19%**	**+21%**
Asia	1,764	2,168	-19%	-17%
Middle East	952	1,218	-22%	-21%
Rest of the world	521	824	-37%	-35%
Emerging markets	**3,237**	**4,210**	**-23%**	**-22%**
Total	**16,034**	**14,931**	**+7%**	**+9%**



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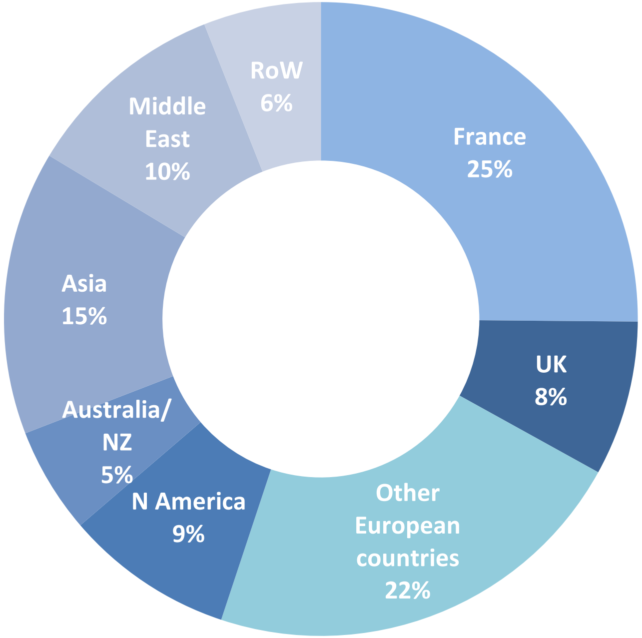
2018 sales by destination

€m	2018	2017	change total	change organic
France	3,985	3,700	*+7.7%*	*+7.9%*
United Kingdom	1,253	1,327	*-5.5%*	*-4.6%*
Other European countries	3,498	3,313	*+5.6%*	*+5.9%*
Europe	**8,736**	**8,340**	***+4.7%***	***+5.1%***
North America	1,367	1,392	*-1.8%*	*-0.1%*
Australia/NZ	858	838	*+2.3%*	*+9.2%*
Mature markets	**10,960**	**10,570**	***+3.7%***	***+4.7%***
Asia	2,297	2,156	*+6.5%*	*+7.7%*
Middle East	1,647	1,569	*+4.9%*	*+6.2%*
Rest of the world	950	932	*+2.0%*	*+4.2%*
Emerging markets	**4,894**	**4,657**	***+5.1%***	***+6.5%***
Total	**15,855**	**15,228**	***+4.1%***	***+5.3%***



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EBIT by operating segment

€m / % of sales	2018		2017		change total	change organic
Aerospace	**580**	***10.0%***	567	9.9%	+2%	+3%
Transport	**88**	***4.4%***	57	3.3%	+56%	+57%
Defence & Security	**1,007**	***12.6%***	757	9.8%	+33%	+35%
EBIT - operating segments	**1,675**	**10.6%**	1,380	9.1%	+22%	+23%
Other	(53)		(48)		-	-
EBIT - excluding Naval Group	**1,623**	**10.2%**	1,333	8.8%	+22%	+23%
Naval Group	63		33		+91%	+91%
EBIT - total	**1,685**	**10.6%**	1,365	9.0%	+23%	+25%

Contribution to EBIT improvement from all segments

Significant EBIT margin expansion in Defence & Security

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Summary adjusted P&L: from sales to EBIT

	2018		2017		Change	
	€m	% of sales	€m	% of sales	total	organic
Sales	**15,855**		**15,228**		**+4.1%**	**+5.3%**
Gross margin	4,088	25.8%	3,712	24.4%	+10%	+11%
Indirect costs	(2,526)	-15.9%	(2,404)	-15.8%	+5%	+6%
o/w R&D expenses	(879)	-5.5%	(797)	-5.2%	+10%	+11%
o/w Marketing & Sales expenses	(1,095)	-6.9%	(1,065)	-7.0%	+3%	+4%
o/w General & Administrative expenses	(552)	-3.5%	(542)	-3.6%	+2%	+3%
Restructuring costs	(48)		(81)		-40%	-40%
Share in net result of equity-accounted affiliates, excluding Naval Group	109		106		+3%	+4%
EBIT, excluding Naval Group	**1,623**	**10.2%**	**1,332**	**8.7%**	**+22%**	**+23%**
Share in net result of Naval Group	63		33		+91%	+91%
EBIT	**1,685**	**10.6%**	**1,365**	**9.0%**	**+23%**	**+25%**

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

€m	2018	2017
EBIT	**1,685**	**1,365**
Cost of net financial debt and other financial results	(15)	(24)
Finance costs on pensions and other employee benefits	(52)	(63)
Income tax	(387)	(375)
Effective tax rate	*26.7%*	*33.0%**
Adjusted net income	**1,232**	**903**
Minorities	(53)	(63)
Adjusted net income, Group share	**1,178**	**840**
EPS: Adjusted net income, Group share, per share (in €)	***5.55***	***3.97***

* 26.2% excluding one-off items

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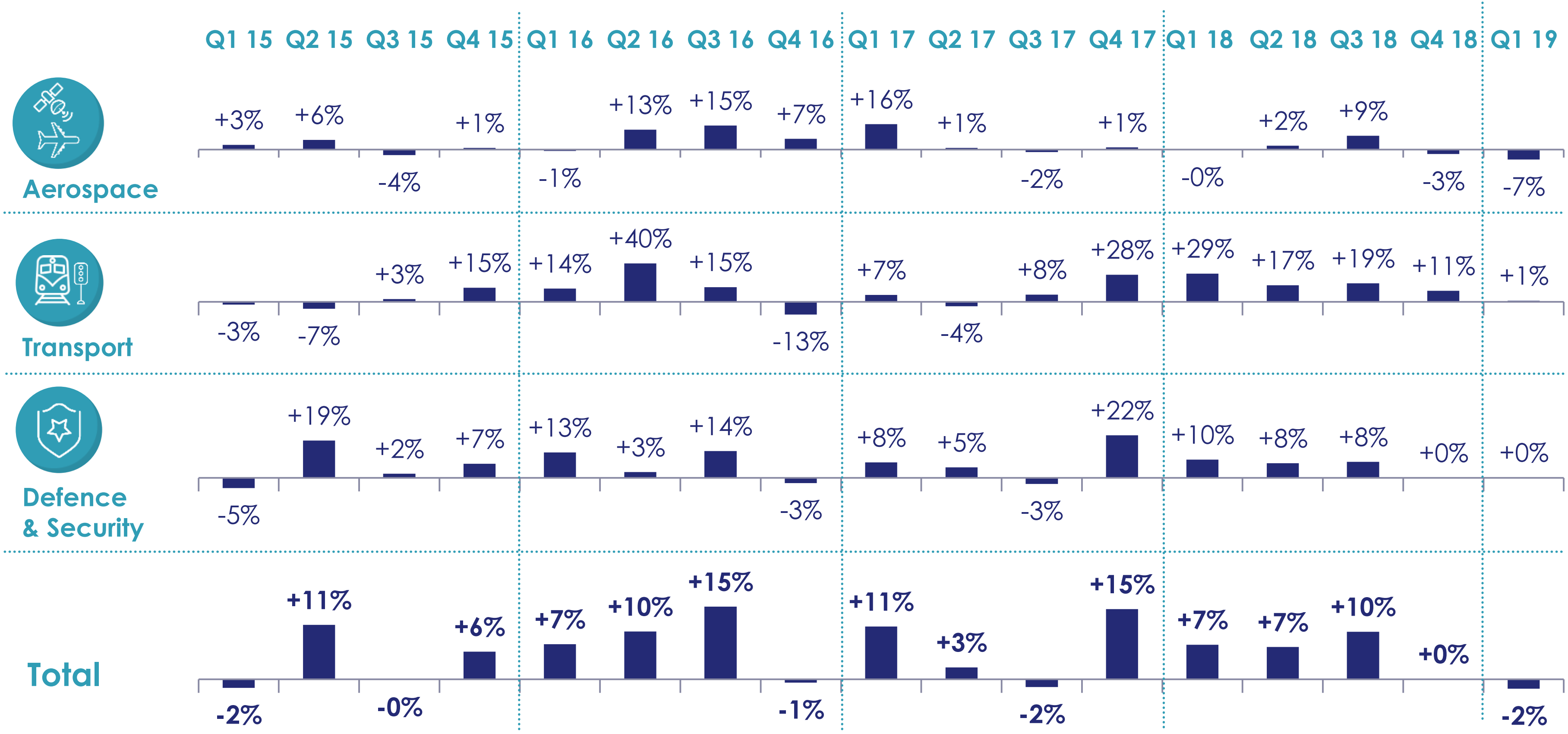
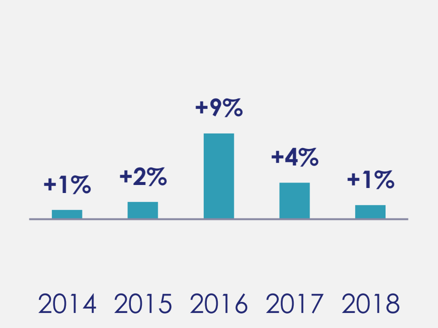
Organic sales growth per quarter



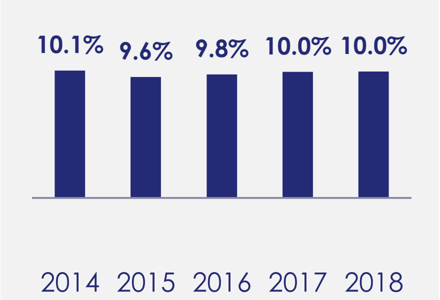
Historical sales and EBIT performance by segment

Aerospace

Organic sales growth

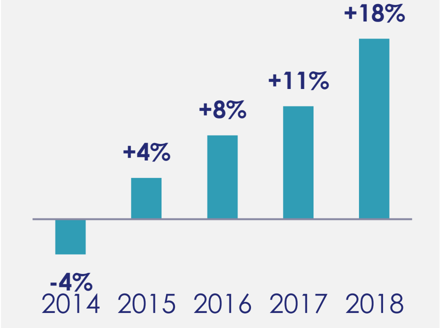


EBIT margin

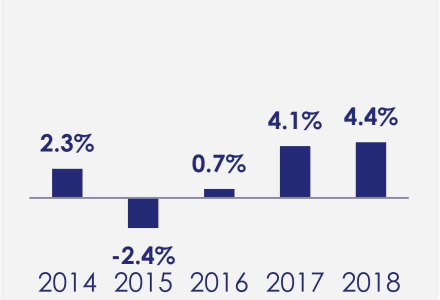


Transport

Organic sales growth

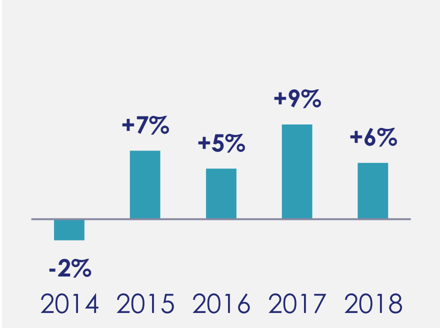


EBIT margin

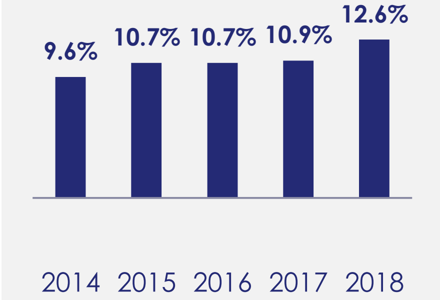


Defence & Security

Organic sales growth

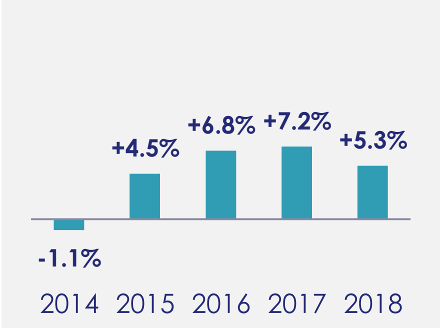


EBIT margin

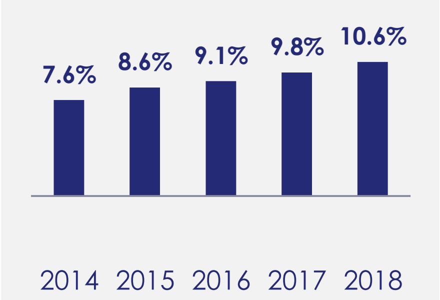


Total Group

Organic sales growth



EBIT margin



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

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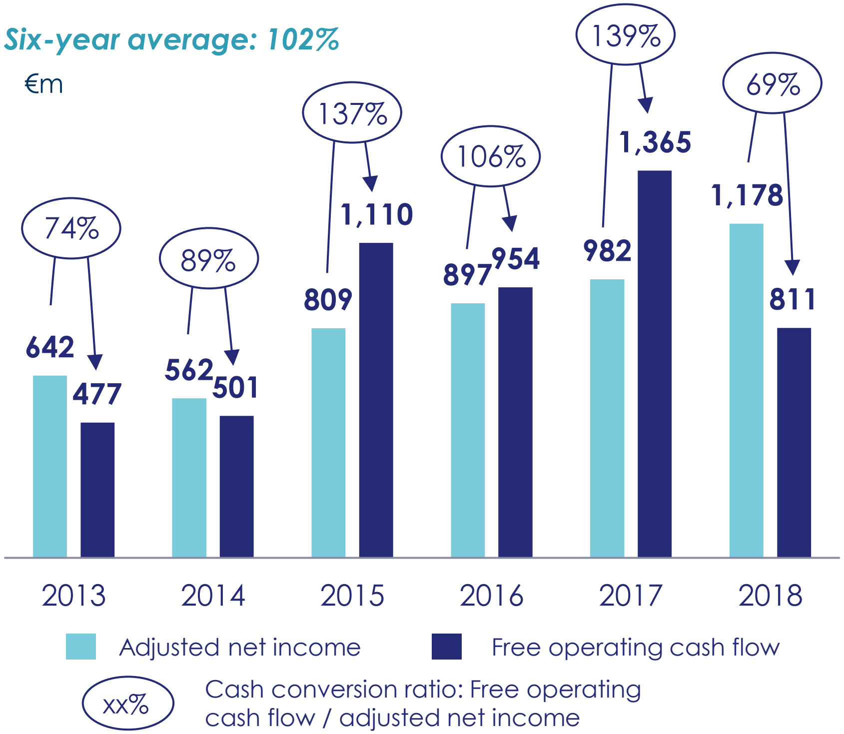
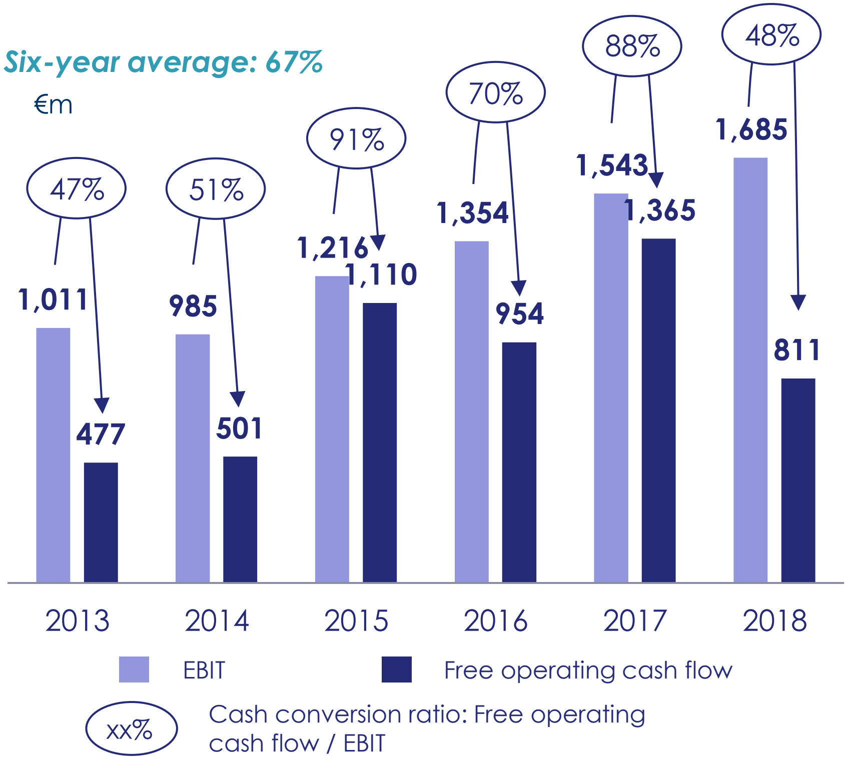
Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow



EBIT conversion into Free operating cash flow



Reference table

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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 intangible 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 2018.
- **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, (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 2018. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS …. See page 15 and 16 of the 2018 Full-Year 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 6.4 of the consolidated financial statements at 31 December 2018.
- **Net cash:** 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 2018.

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