



Investor meeting

May 2020



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



- Introduction to Thales

- Covid-19 crisis status update

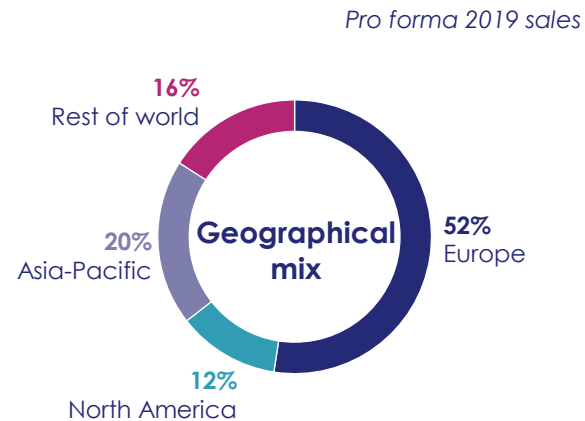
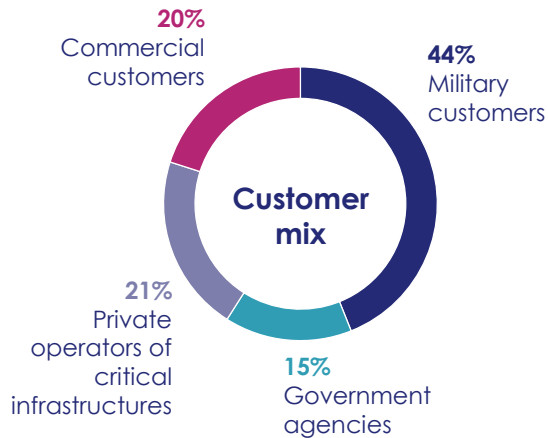
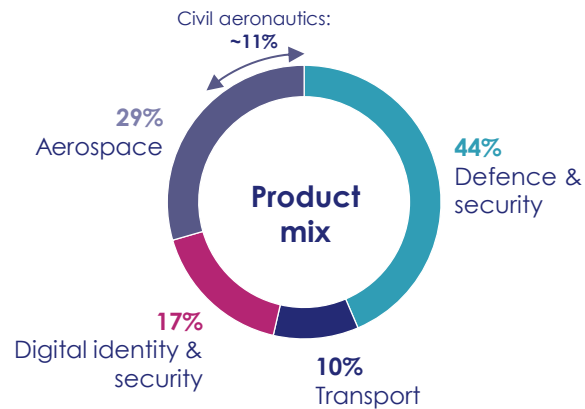
- Key priorities for 2019-23

- Outlook

A photograph of a man with dark hair, a beard, and glasses, wearing a headset. He is smiling and looking towards the left. He is seated in an airplane cabin, with the headrest of the seat in front of him visible. The image is framed by a large, stylized teal shape that curves around 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



**Defence sensors
& mission systems**

#1

in Europe



**Air Traffic
Management**

#1

worldwide



**Rail signalling
and supervision**

#2

worldwide



**Data
protection**

#1

worldwide



**Civil
satellites**

#2

worldwide



**Flight
avionics**

#3

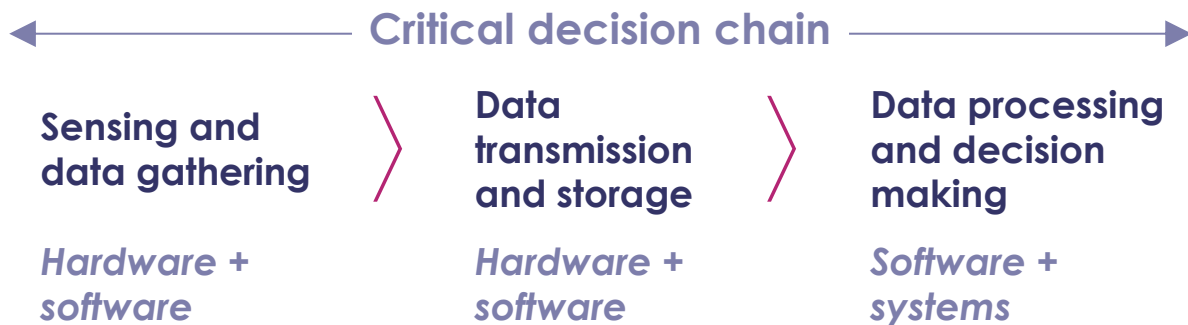
worldwide

Thales: a pure player focused on intelligent systems

Addressing
some of the most
demanding
end markets...



...leveraging a
unique portfolio
of key common
technologies



Sensors, mission systems, communications, command and control systems

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 5th 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

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



- | Introduction to Thales
- | **Covid-19 crisis status update**
- | Key priorities for 2019-23
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50 countries
across the globe protect their populations
with Thales technologies

The Covid-19 crisis raises a unique set of challenges

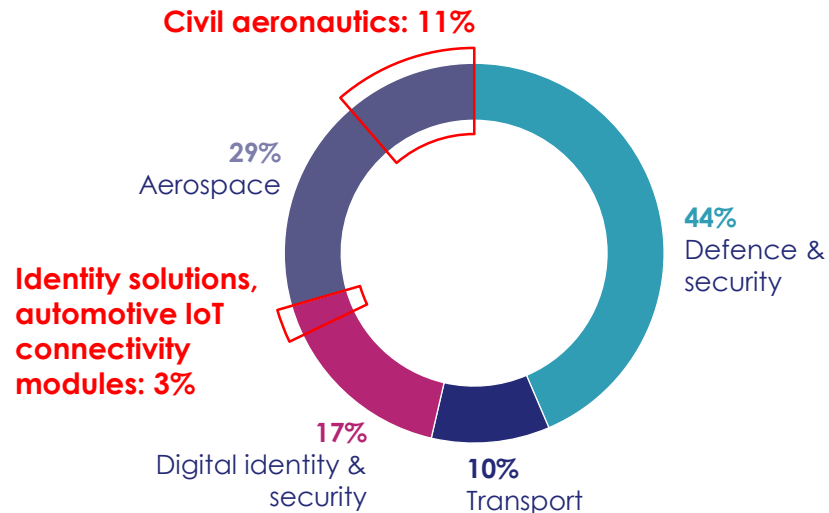
Immediate impact on demand dominated by civil aeronautics

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

Significant impact of sanitary measures on Group operations

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

2019 sales by operating segment^(a)



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

Global adaptation plan

1 Implement all necessary measures to preserve the health of employees, their relatives, customers and the overall population

Adapt operations to maintain productive capacities at the service of customers

2 Launch cost saving actions to limit financial impact

3 Strengthen liquidity in the event that the crisis persists or worsens

Remarkable mobilization of teams

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

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

Focus on maintaining continuity of critical and strategic client services

Comprehensive monitoring of critical suppliers

- Most critical suppliers expected to have resumed delivery as of May



Satellite assembly, integration and test (2018)



Naval radar assembly

Recovery of productivity highly dependent on nature of work, scope and duration of sanitary measures

Nature of work: a few examples

- High impact: hardware engineering and production in physically constrained environment, deployment of systems on customer sites during lockdown
- Medium impact: integration, systems engineering, work using confidential data
- Low impact: software engineering, automated production processes

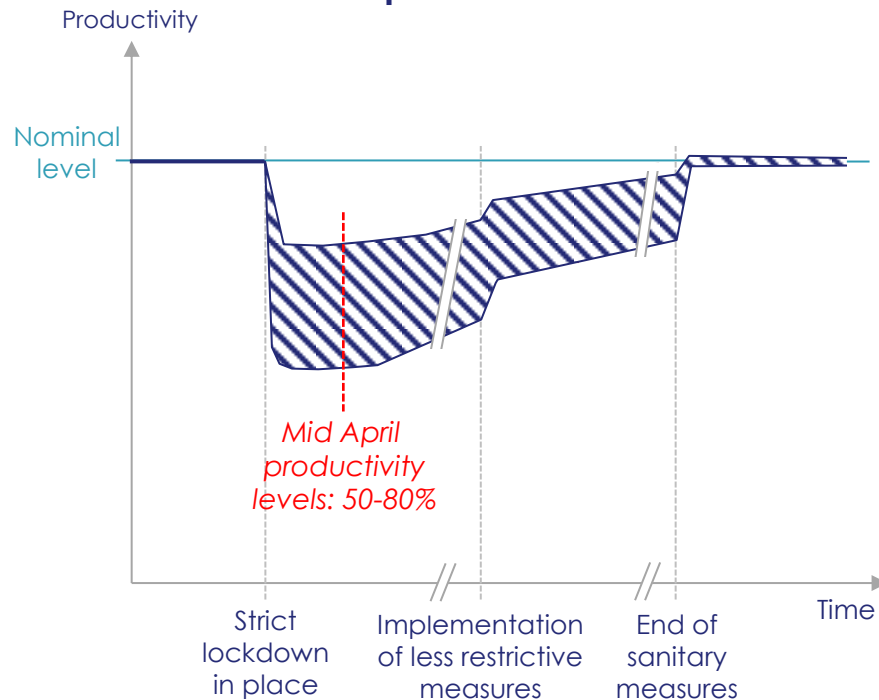
Scope and duration of sanitary measures

- Larger impact in countries that implement strict lockdowns, driving 3-phase recovery
- Lower impact in other countries

Learning curve on new organization

- Ambition to return as close as possible to nominal productivity

Simplified productivity model in a 3-phase scenario



Plan addressing all P&L cost lines

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

Capex reduction and strict working capital management

Ongoing quantification, depending on scenario

Simplified 2019 adjusted P&L by nature

	€m	% of sales
Sales	18,401	
Direct procurement on contracts	-5,200	-28%
Thales employee costs	-7,400	-40%
Other costs	-3,150	-17%
Depreciations & Amortizations	-720	-4%
Restructuring	-102	
Income from JVs	171	
EBIT	2,008	11%

Robust financial position

- €2.9bn in cash at 31/12/19
- Low leverage: net debt / EBITDA of 0.6x^(a)
- Strong investment grade rating: A-/A2, unchanged post Gemalto acquisition

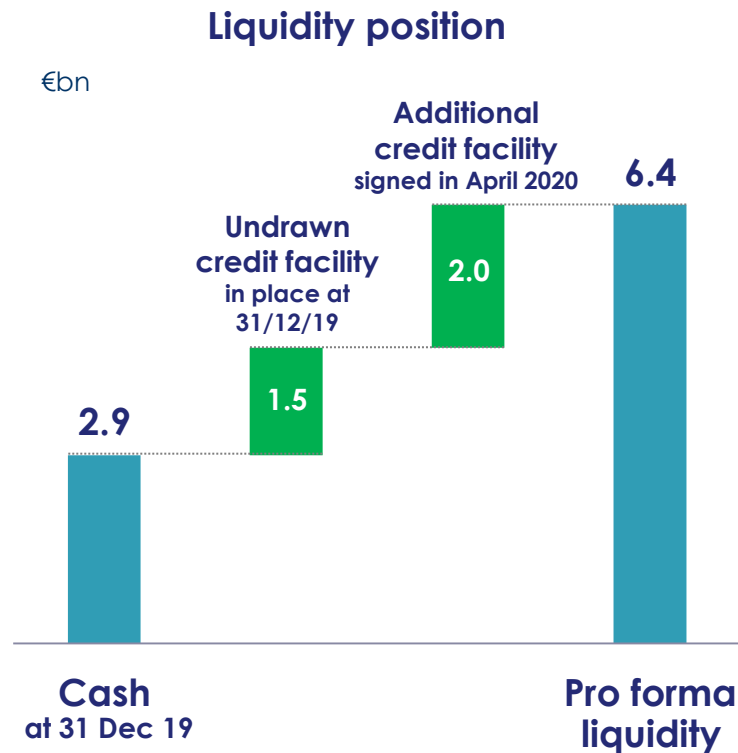
Additional €2bn syndicated credit facility signed early April

- On top of existing undrawn €1.5bn committed credit facility

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

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

(a) At 31/12/2019, excluding lease debt and amortization



Q1 2020 key figures

Order intake affected by timing effects and Covid-19 crisis

- Timing of €100m+ orders: 1 vs 3 in Q1 2019
 - Orders below €10m organically up 4%
- Covid-19 crisis impact estimated at €190m
 - Lower demand in civil aeronautics: ~€80m
 - Delayed orders in other businesses: ~€110m

Sales slightly up excluding estimated Covid-19 crisis impact (€200m)

- Civil aeronautics: ~€60m
- First disruptions of operations in other businesses: ~€140m

€m	Q1 2020	Q1 2019	Change total	Change organic
Order intake	2,663	2,273	+17%	-15%
Sales	3,899	3,361	+16.0%	-4.7%
Aerospace	1,083	1,221	-11.3%	-11.9%
Transport	347	398	-12.9%	-13.1%
Defence & Security	1,724	1,686	+2.3%	+2.4%
Digital Identity & Security	727	36	nm	nm
Other	18	21	nm	nm

Order intake and sales in line with expectations prior to first impacts of Covid-19 crisis



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8 billion
passengers each year benefit
from Thales technologies

Ambition 10: unchanged long-term priorities



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

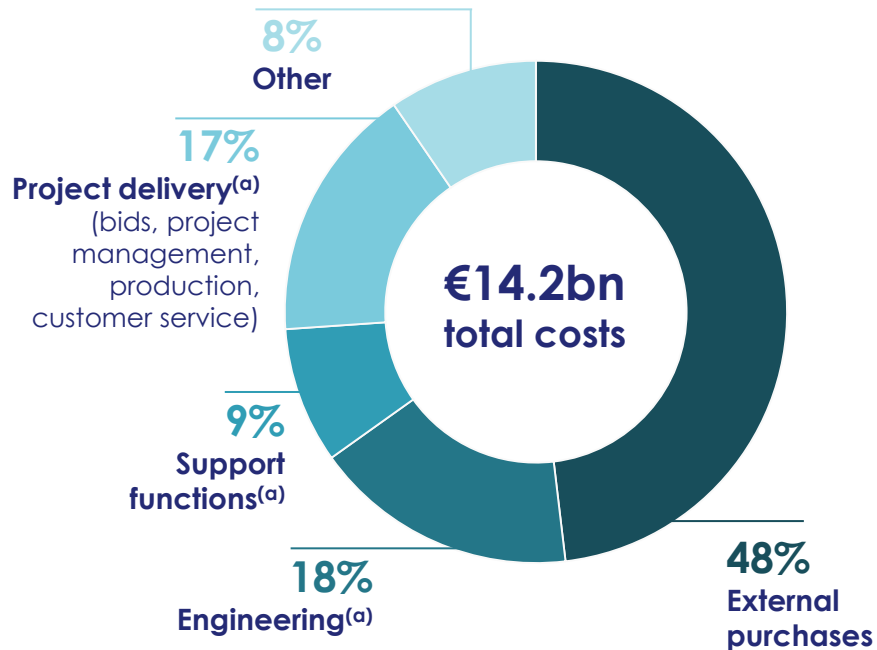
Execute on transformative acquisition of Gemalto

**2**

Relentlessly optimize operational performance

Group cost structure

(2018, before Gemalto)



(a) Excluding external purchases

Focus on 4 high impact initiatives

Procurement performance

Engineering competitiveness

Support function efficiency

Excellence in delivery

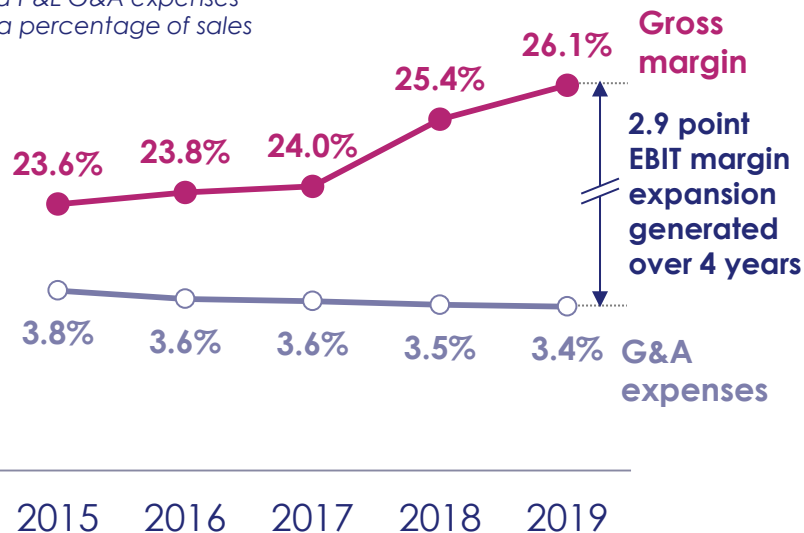


2

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



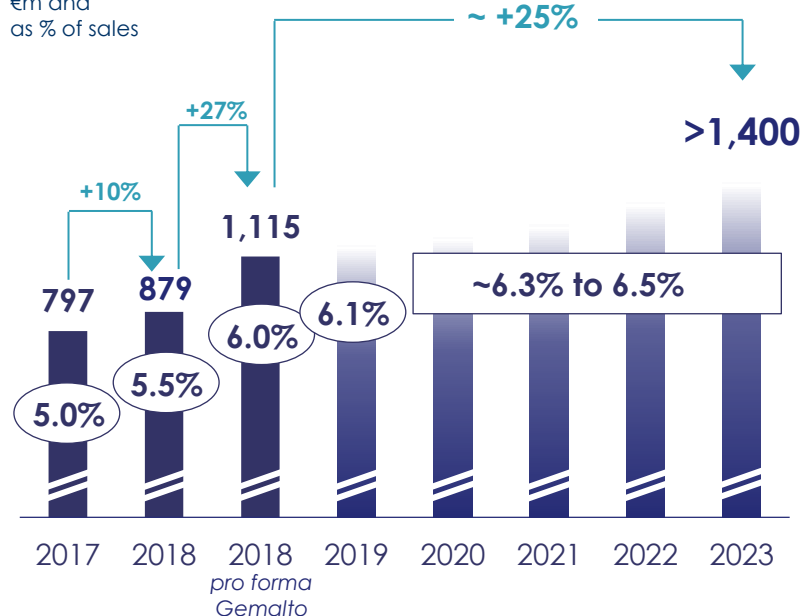
3

Further R&D step-up to drive technological excellence

Pre Covid-19 crisis targets

Self-funded R&D

€m and
as % of sales



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



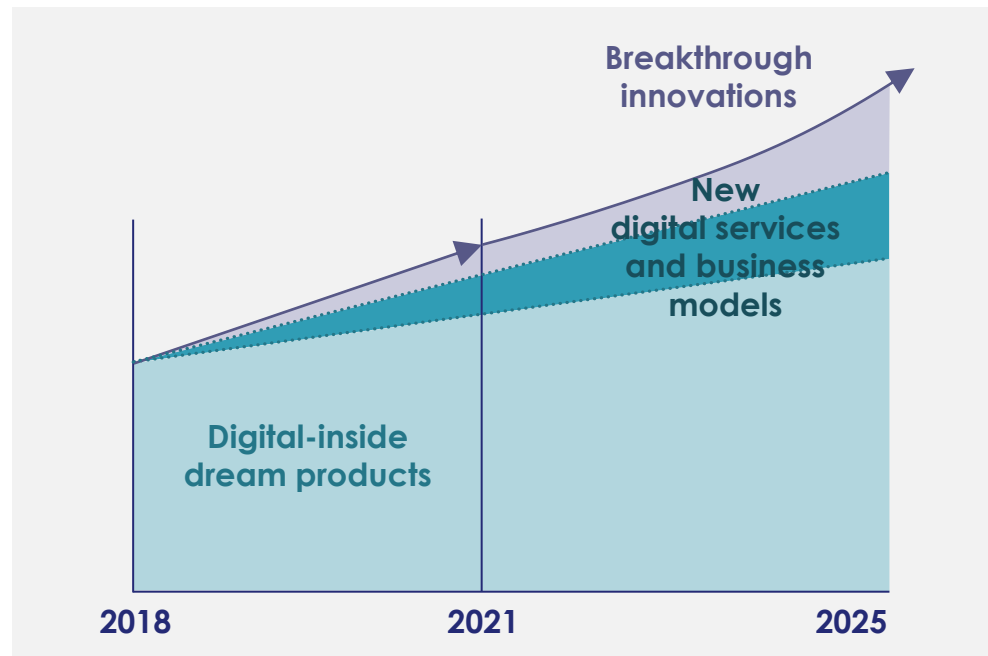
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Digital technology leadership enhances long-term growth profile

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

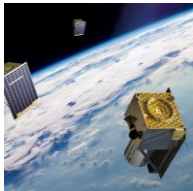


Digital innovations driving mid to long-term growth



4

Digital offering: expanding the pipeline of digital innovations



**Big data-enabled
observation
constellation**



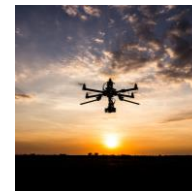
**Autonomous
trains**



**"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



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

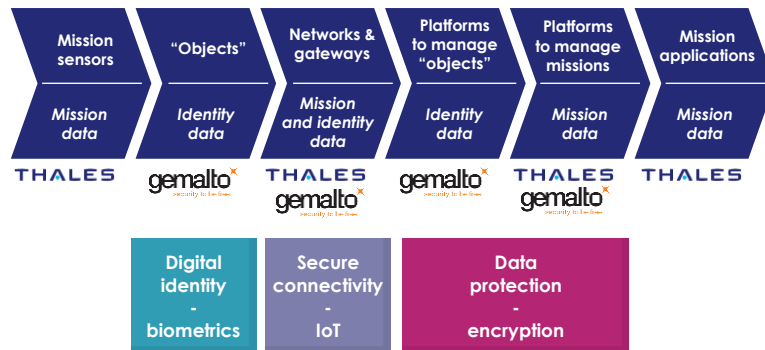
Critical decision chain

Sensing and data gathering

Data transmission and storage

Data processing and decision making

Critical digital decision chain



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



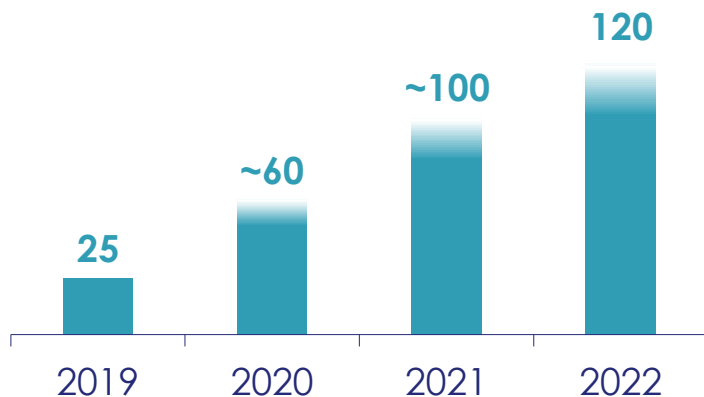
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Cost synergies progressing fully in line with plan

Pre Covid-19 crisis targets

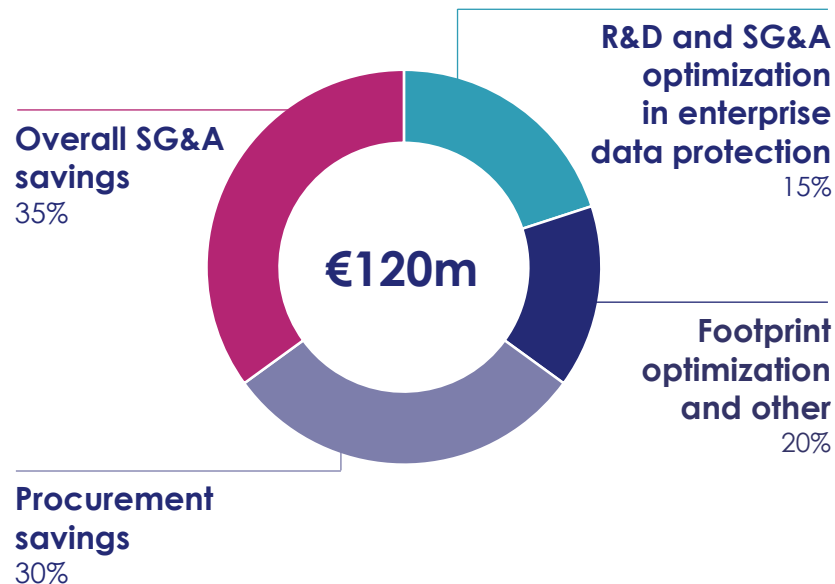
Expected ramp-up of cost synergies

€m



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

Breakdown of expected run-rate cost synergies





5

Revenue synergy opportunities materializing across Group



Digital identity - biometrics



Secure connectivity - IoT



Data protection - encryption

Defence & Security

- > Integration of cybersecurity products and improved go-to-market
- > New homeland security offers
- > Digitally-enabled asset management, collaborative combat, IoBT (military IoT)
- > Drone management and surveillance



Digital Identity & Security

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



Aerospace

- > Connected aircraft cybersecurity
- > Drone management



Transport

- > Smart rail infrastructure
- > Autonomous train cybersecurity
- > New generation revenue collection



Enhanced by multiple cross-selling opportunities



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

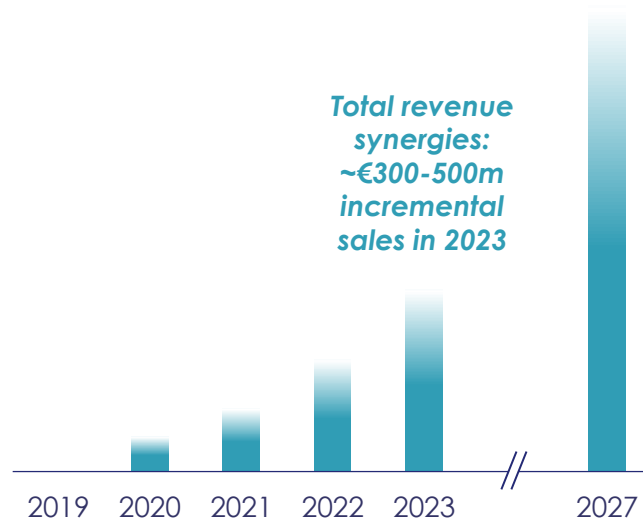
- 50 use cases identified across all Thales segments
- 5 priority themes for new synergistic offers
- 2 first pilot projects launched with Digital Factory

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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The people we all rely on
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Sustained organic sales growth

Pre Covid-19 crisis targets

Group organic sales growth target

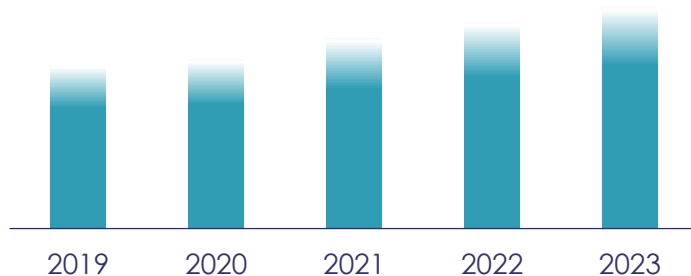
3% to 5% growth
on average over 2019-23

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



Aerospace

~+1.5%^(a)

+2-3%



Transport

~+3%

Flat^(b)
(2018-23: ~+2%)



Defence
& Security

~+3.5%

+4-6%



Digital identity
& security

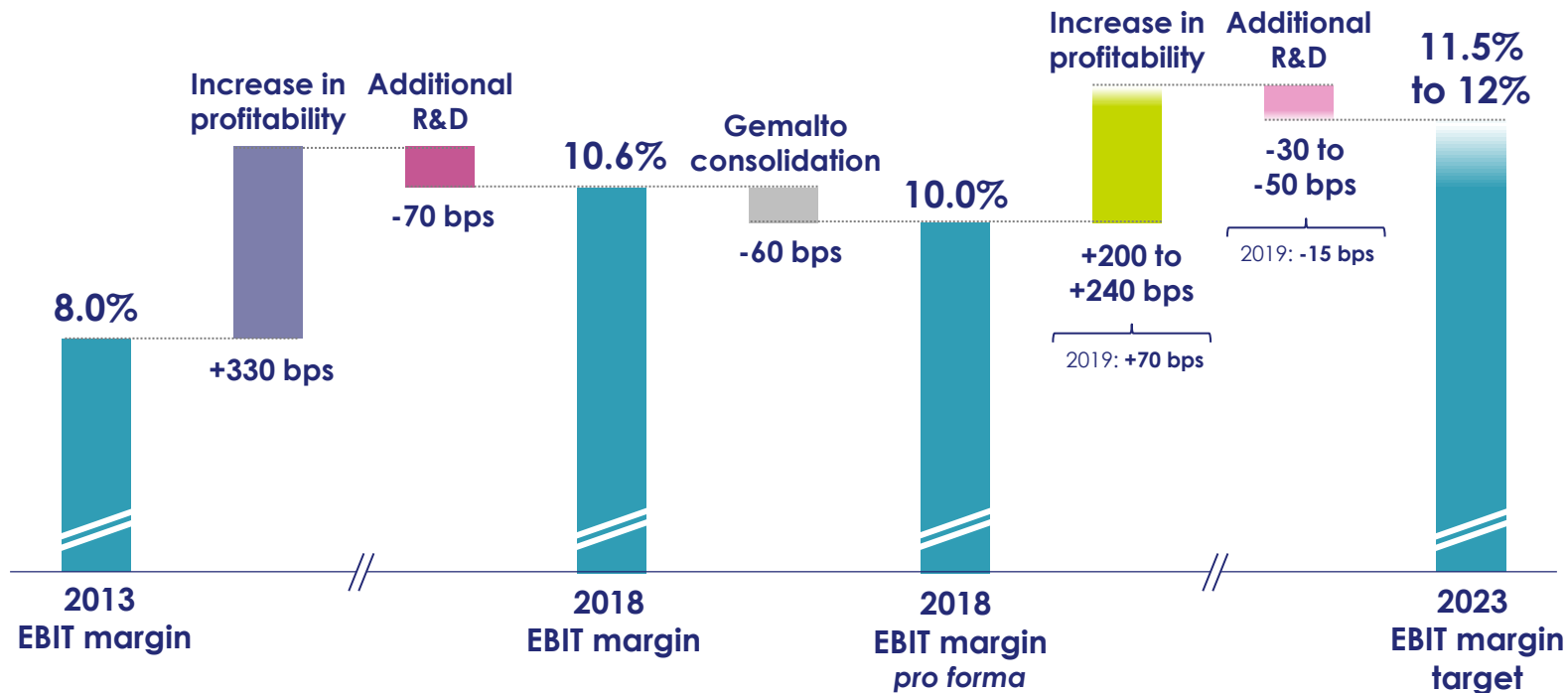
Smart cards Flat
Digital services ~+13%
and solutions

+4-6%^(c)

(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

Further significant increase in profitability

Pre Covid-19 crisis targets

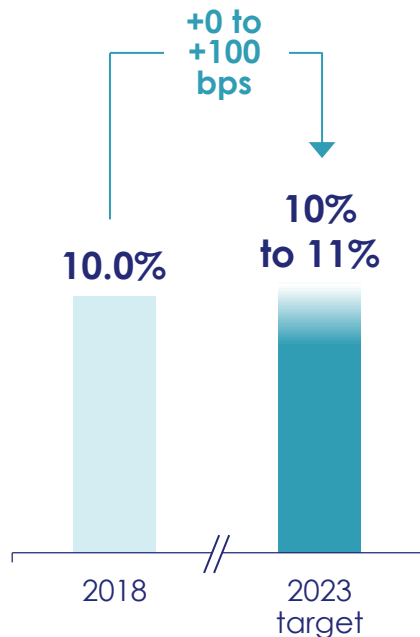


Ambitious 2023 EBIT margin targets by segment

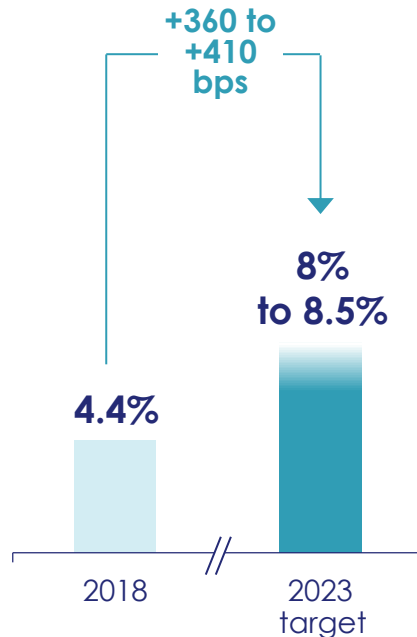
Pre Covid-19 crisis targets



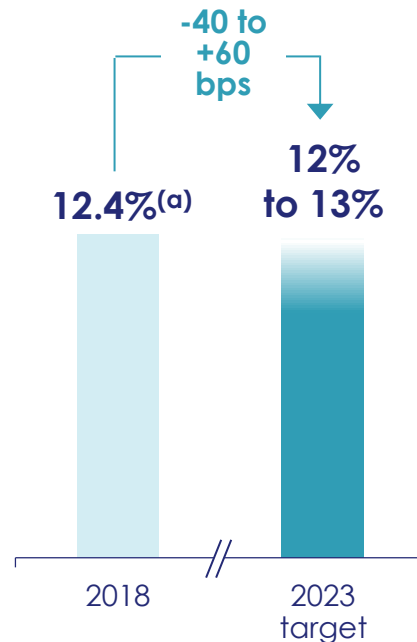
Aerospace



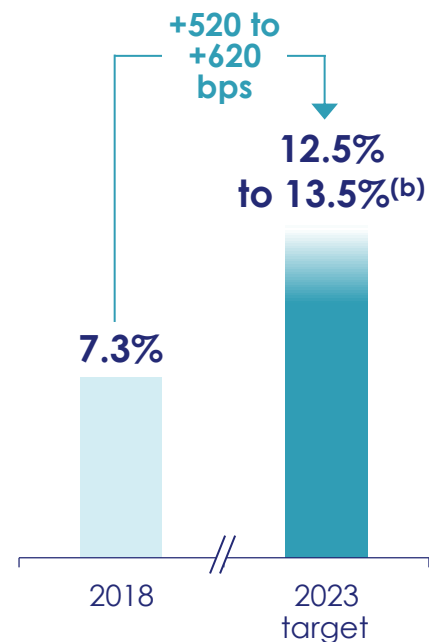
Transport



Defence & security



Digital identity & security

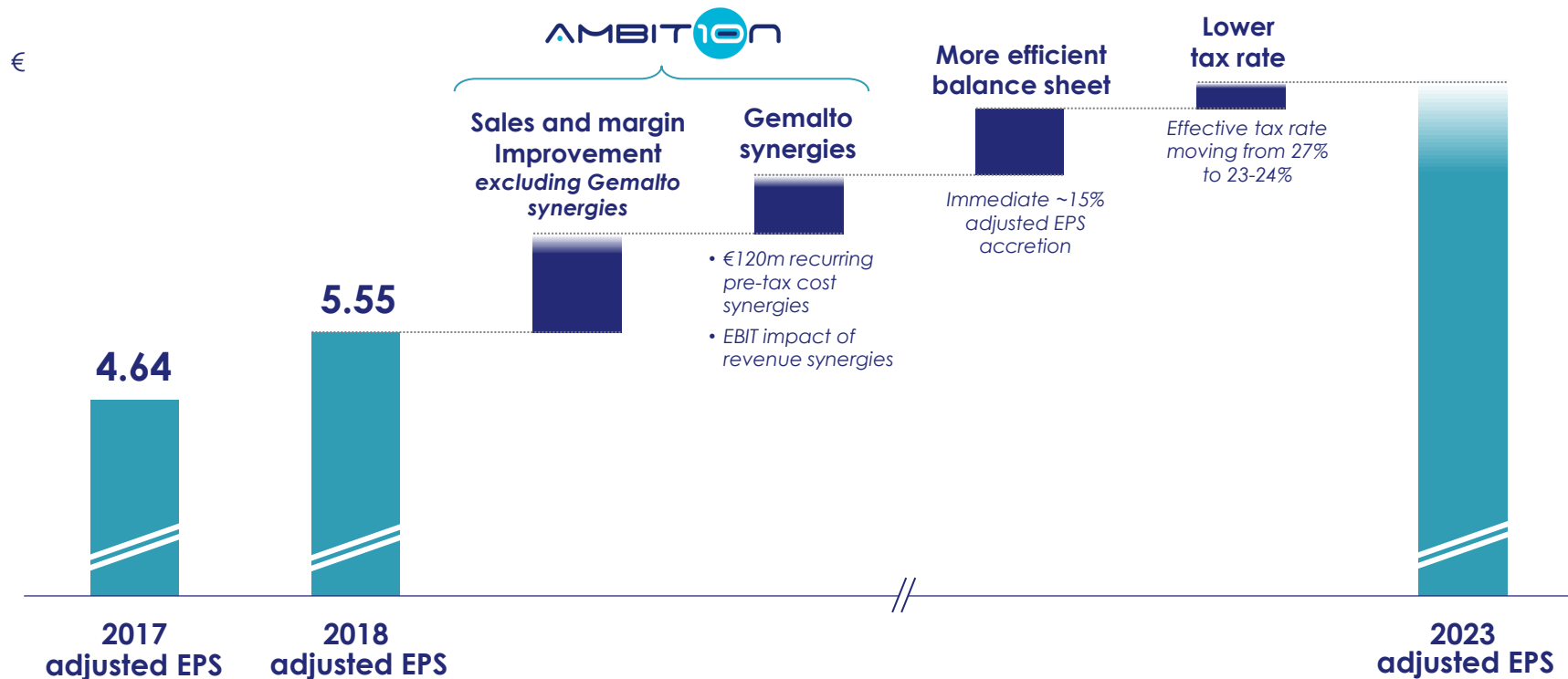


(a) Excluding €20m one-off

(b) Only 2/3 of cost synergies and 1/3 of revenue synergies are expected to be recorded within DIS

Multiple drivers deliver significant EPS accretion

Pre Covid-19 crisis targets



Maintaining strong focus on cash flow generation

Pre Covid-19 crisis targets

2019-23: major increase in underlying free operating cash flow

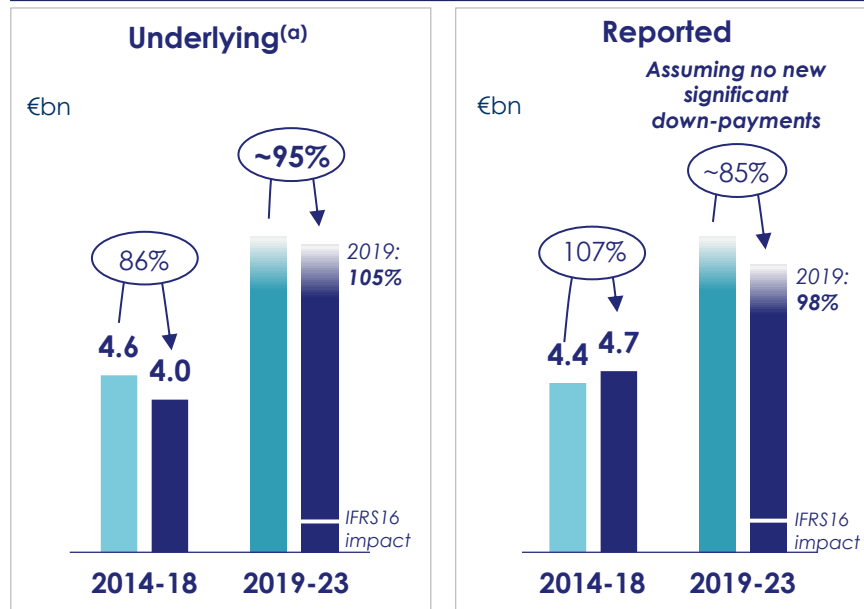
Underlying 2019-23 cash conversion comparable to 2014-18

- 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



Adjusted net income, Group share^(b)

Free operating cash flow^(b)

xx%

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

(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 (A-, A2)

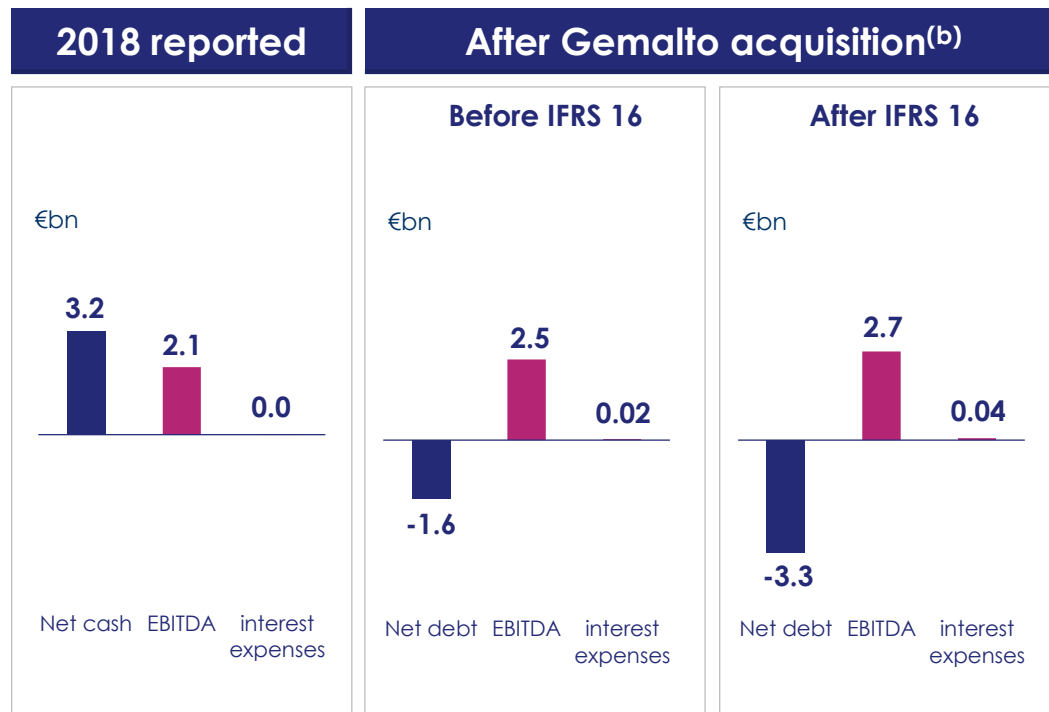
Dividend growth in line with adjusted EPS

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



(b) 2019, pro forma 12 months

2020 outlook: major uncertainties

Remarkable mobilization of teams

Significant cost saving actions launched

Strengthened liquidity

Demand impact limited so far to
15% of portfolio

Uncertain macro environment

No visibility on scope and duration of
sanitary measures



Impossible to quantify the
financial impact of the crisis
at this point

Preparing for a very difficult
Q2/H1

Medium-term: structural assets to mitigate effects of crisis

Diversified and robust customer base

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

Leadership in critical technologies, strengthened thanks to Gemalto acquisition

Continued focus on operational performance

Solid balance sheet



AMBITION

Sustainable
long-term
value creation,
with enhanced
resilience



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	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 signalling and supervision including passenger payment collection systems				~1,900	#2 worldwide
Defence & 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 security solutions for countries, cities and critical infrastructures				~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

Robust customer mix and broad industrial footprint

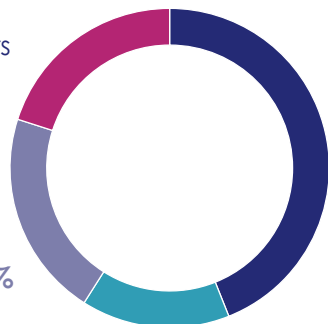
Customer mix^(a)

Commercial customers: 20%

- Aircraft OEMs
- Commercial satellite operators
- Industrial customers
- Airlines

Private operators of critical infrastructures: 21%

- Railways, metro operators
- Banks
- Mobile network operators
- Cloud suppliers, utilities

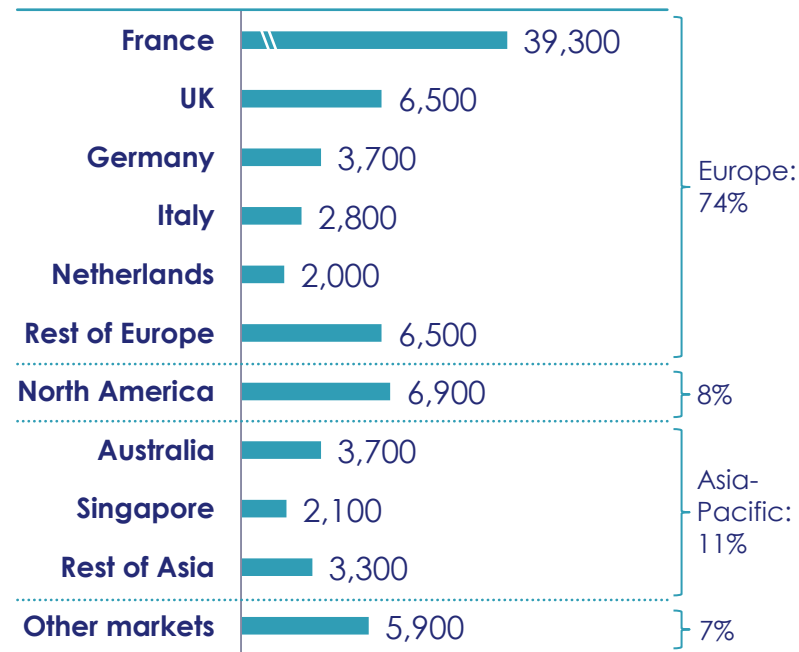


Military customers: 44%

Government agencies: 15%

- Ministries of interior/Home offices
- Space agencies
- Air traffic control agencies

Headcount by geography

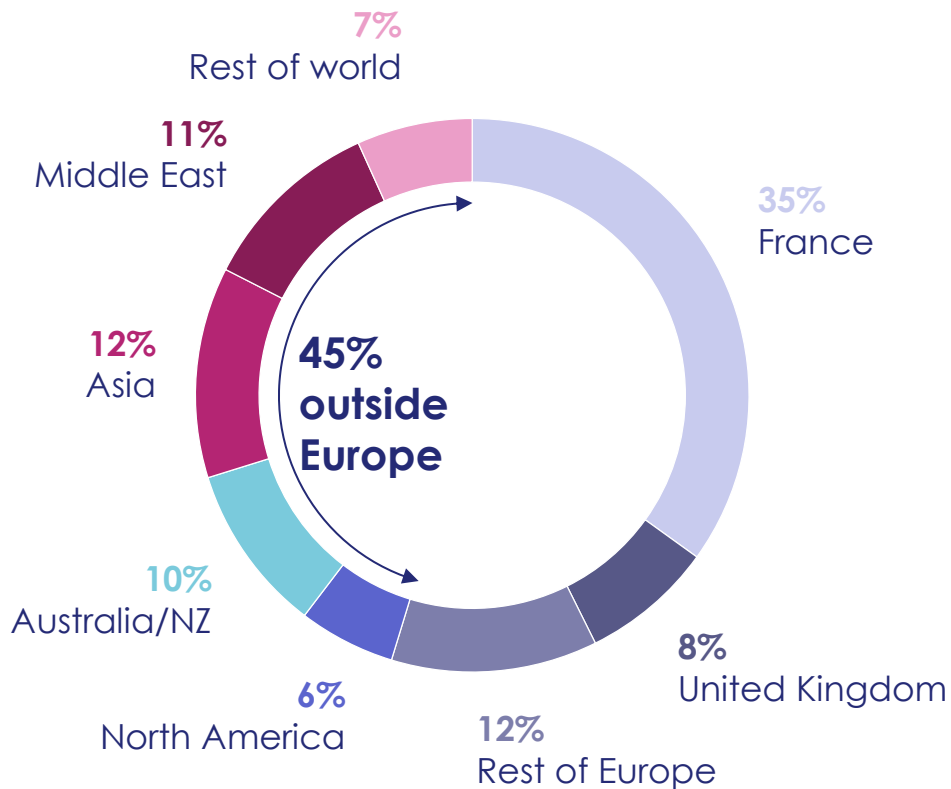


Total headcount at 31/12/19: 82,700

(a) Based on Thales 2019 + Gemalto Q1 2019: €19,052m

Highly diversified Defence & security customer base

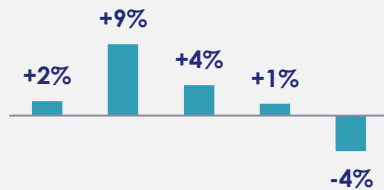
Defence & security sales by region, 2019



Historical sales and EBIT performance by segment

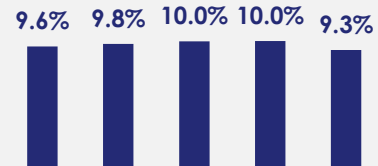
Aerospace

Organic sales growth



2015 2016 2017 2018 2019

EBIT margin



2015 2016 2017 2018 2019

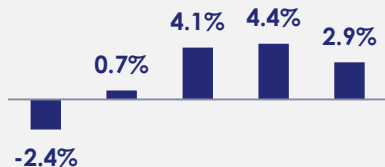
Transport

Organic sales growth



2015 2016 2017 2018 2019

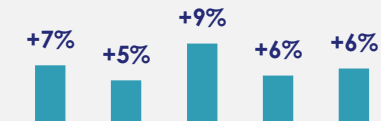
EBIT margin



2015 2016 2017 2018 2019

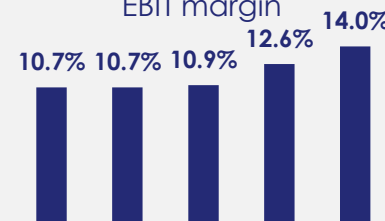
Defence & Security

Organic sales growth



2015 2016 2017 2018 2019

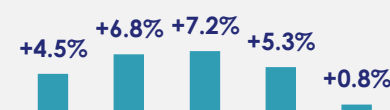
EBIT margin



2015 2016 2017 2018 2019

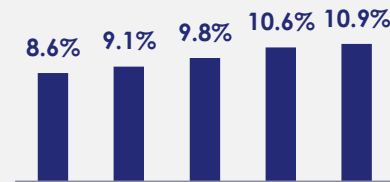
Total Group

Organic sales growth



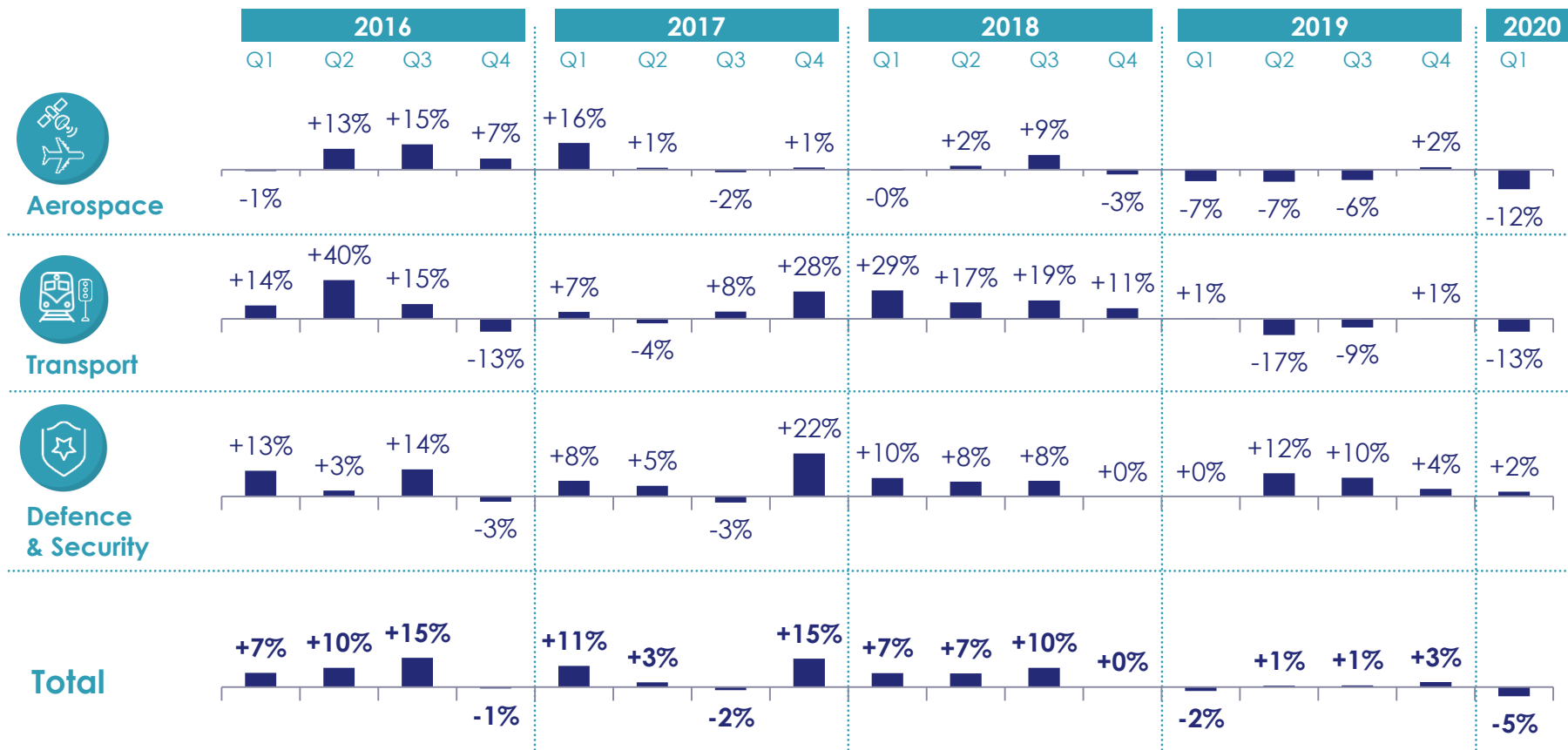
2015 2016 2017 2018 2019

EBIT margin



2015 2016 2017 2018 2019

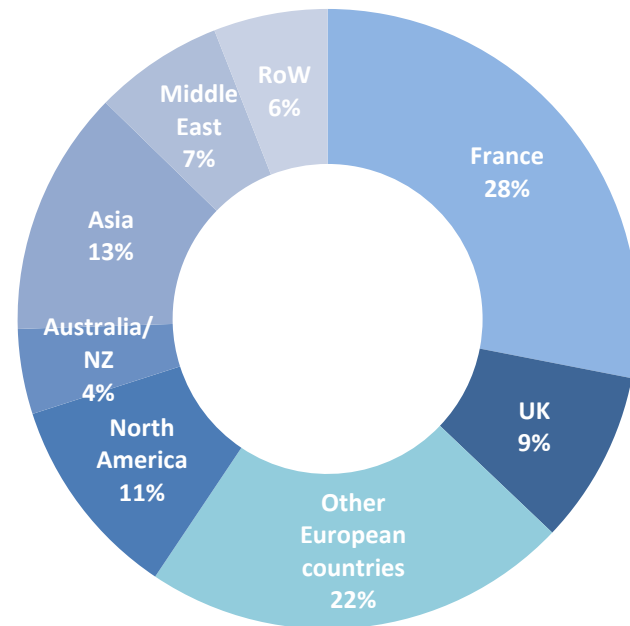
Organic sales growth per quarter



NB: DIS organic sales growth not meaningful

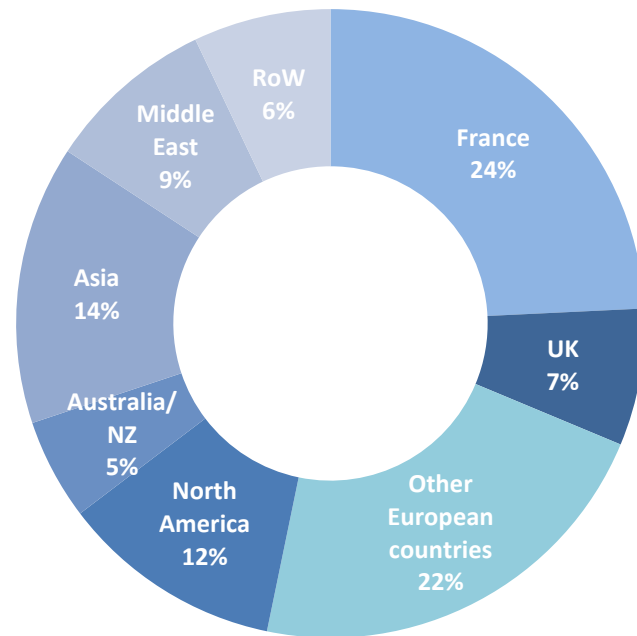
2019 order intake by destination

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



2019 sales by destination

€m	2019	2018	change	
			total	organic
France	4,461	3,985	+12.0%	+8.8%
United Kingdom	1,297	1,253	+3.5%	-6.1%
Other European countries	4,040	3,498	+15.5%	+2.3%
Europe	9,798	8,736	+12.2%	+4.1%
North America	2,102	1,367	+53.7%	+6.9%
Australia/NZ	958	858	+11.6%	+7.2%
Mature markets	12,858	10,960	+17.3%	+4.7%
Asia	2,642	2,297	+15.0%	-5.3%
Middle East	1,601	1,647	-2.8%	-11.1%
Rest of the world	1,301	950	+36.8%	-7.5%
Emerging markets	5,543	4,894	+13.3%	-7.7%
Total	18,401	15,855	+16.1%	+0.8%



EBIT by operating segment

€m / % of sales	2019		2018		Change	
					total	organic
Aerospace	521	9.3%	580	10.0%	-10%	-11%
Transport	56	2.9%	88	4.4%	-37%	-35%
Defence & 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 + Gemalto 2019 P&L

	2019 <i>Thales reported</i>		2019 <i>Thales + Q1 Gemalto^(a)</i>	
	€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

Summary adjusted P&L: from sales to EBIT

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

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

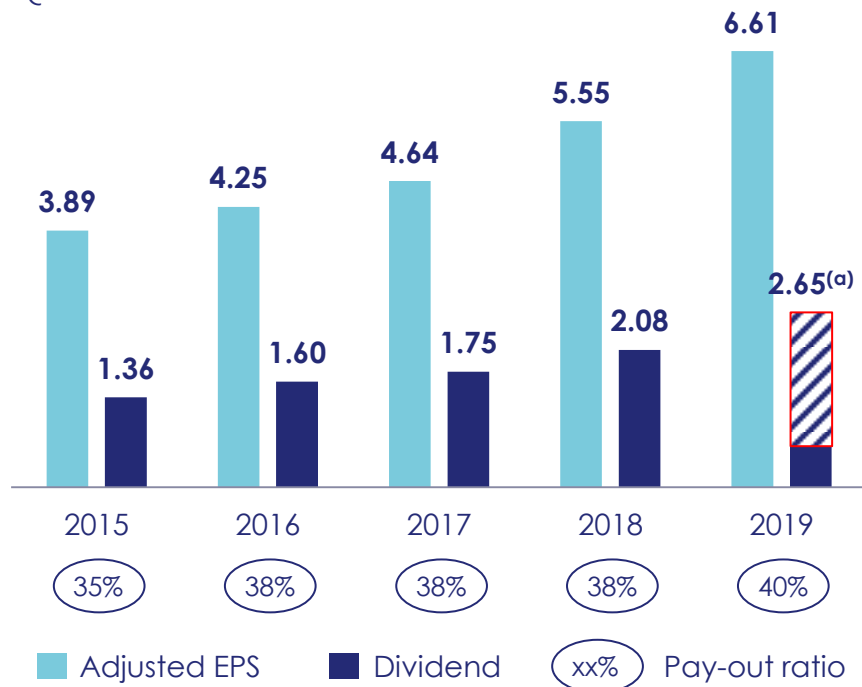
€m	2019	2018
EBIT	2,008	1,685
Cost of net financial debt and other financial results ^(a)	(55)	(15)
Finance costs on pensions and other employee benefits	(56)	(52)
Income tax	(454)	(387)
<i>Effective tax rate</i>	26.3%	26.7%
Adjusted net income	1,443	1,232
Minus, Minorities	(38)	(53)
Adjusted net income, Group share	1,405	1,178
EPS: Adjusted net income, Group share, per share (in €)	6.61	5.55

(a) 2019 includes -€27m IFRS 16 impact on the cost of net financial debt

Adjusted EPS and dividend

Adjusted EPS and dividend per share

€



(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

Cash conversion before one-offs

€m		2014	2015	2016	2017	2018	2014-18 average	2019 ^(a)
Free operating cash flow, <u>before one-offs</u>	(A)	501	660	854	965	1,011	798	1,472
+ Exceptional down-payments received			+450	+100			+150	
- Exceptional cut-off effects at 31 December					+400			+300
- Gemalto acquisition one-offs								-50
- 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
<i>Year-end balance of one-off items to reverse in subsequent years</i>			+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, <u>before one-offs</u>	(B)	562	926	915	1,049	1,178	903	1,405
Cash conversion <u>before one-offs</u>	(A)/(B)	89%	71%	93%	92%	86%	88%	105%

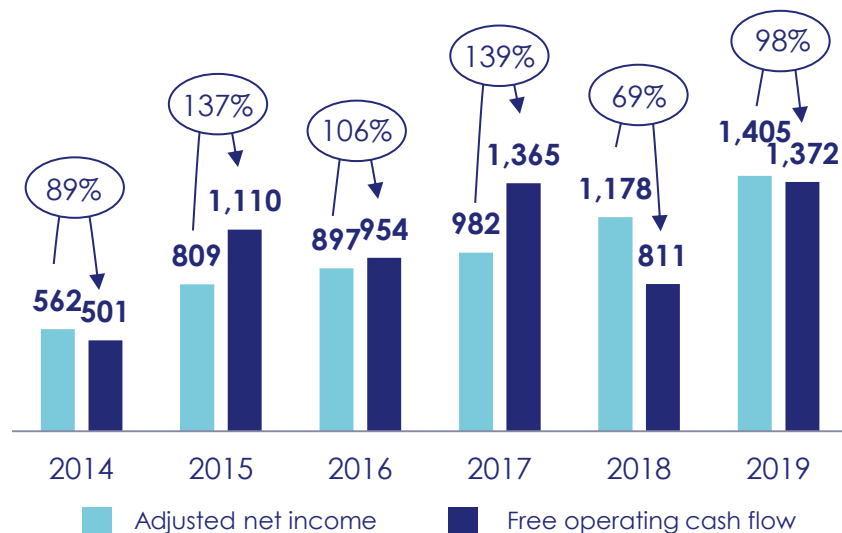
(a) IFRS16 impact on 2019 free operating cash flow: €+203m. IFRS16 impact on 2019 adjusted net income, Group share: €-11m.
2019 cash conversion before one-offs and IFRS16 impact: 90%

Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow

2014-18 average: 107%

€m

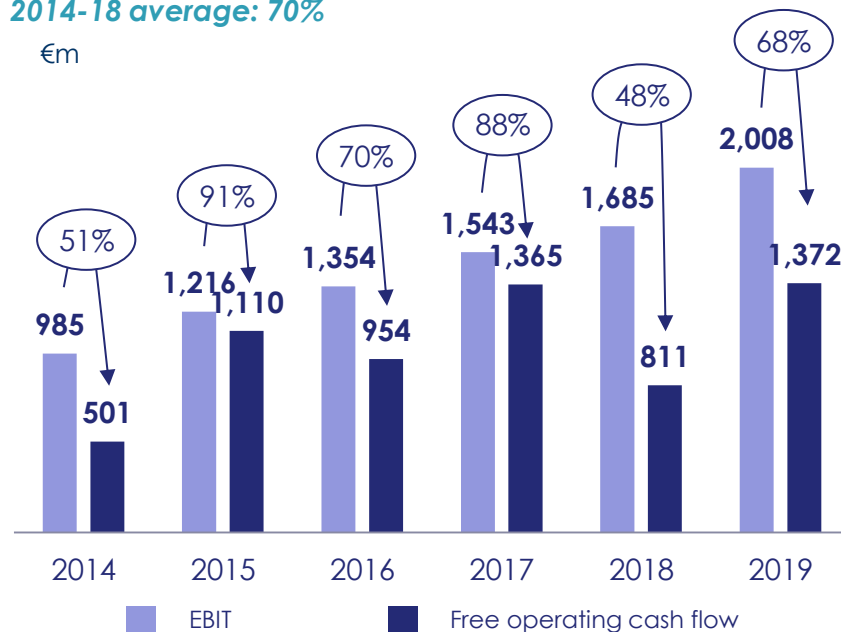


xx% Cash conversion ratio: Free operating cash flow / adjusted net income

EBIT conversion into Free operating cash flow

2014-18 average: 70%

€m



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

Definition of non-GAAP measures and other remarks

Rounding of amounts in euros

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

Definitions

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

Non-GAAP measures

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

- **EBIT:** income from operations; *plus* the share of net income or loss of equity affiliates *less:* amortization of acquired assets (PPA), expenses recorded in the income from operations that are directly related to business combinations. See also notes 13-a and 2 of the consolidated financial statements at 31 December 2019.
- **Adjusted net income:** net income, *less* the following elements, net of the corresponding tax effects: (i) amortization of acquired assets (PPA), (ii) expenses recorded in the income from operations or in "financial results" which are directly related to business combinations, which by their nature are unusual, (iii) disposal of assets, change in scope of consolidation and other, (iv) impairment of non-current assets, (v) changes in the fair value of derivative foreign exchange instruments (recognized under "other financial income and expenses" in the consolidated financial statements), (vi) actuarial gains or losses on long-term benefits (recognized under "finance costs on pensions and employee benefits" in the consolidated financial statements). See note 13-a of the consolidated financial statements at 31 December 2019. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS See page 14 and 15 of the 2019 results press release for detailed calculation of these other indicators.
- **Free operating cash flow:** net cash flow from operating activities, *less:* capital expenditures, *less:* deficit payments on pensions in the United Kingdom. See notes 13-a and 6.3 of the consolidated financial statements at 31 December 2019.
- **Net cash (debt):** difference between the sum of "cash and cash equivalents" and "current financial assets" items and short and long-term borrowings, after deduction of interest rate derivatives. See note 6.2 of the consolidated financial statements at 31 December 2019.



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