



Investor meeting

September 2019



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



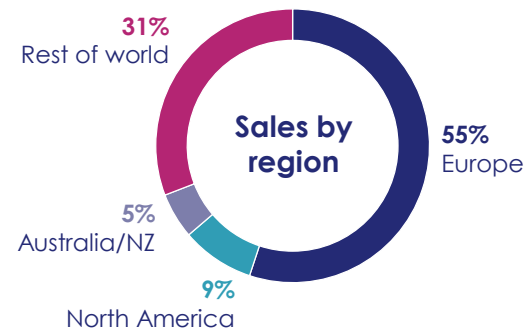
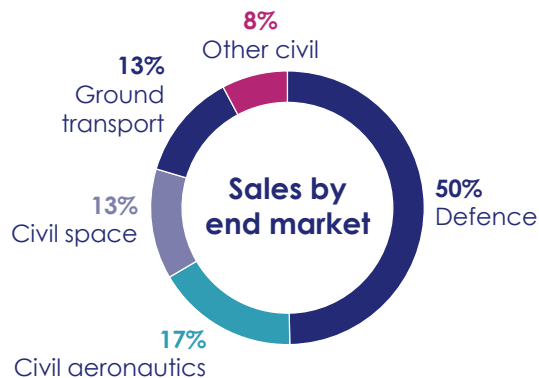
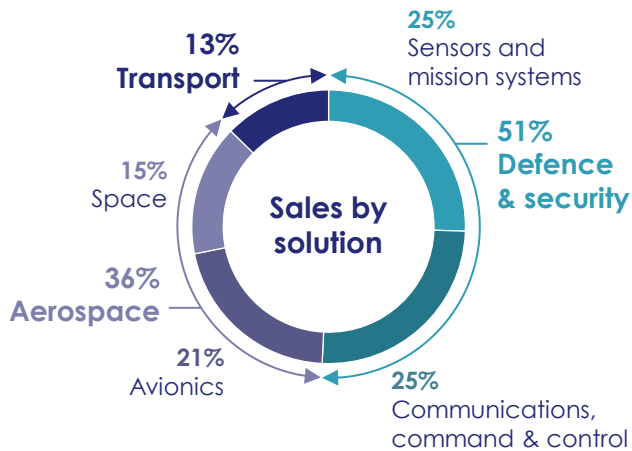
- Introduction to Thales
- Key priorities for 2018-21
- H1 2019 results
- Space business update
- Outlook



1 million
passengers each day enjoy
Thales in-flight technologies

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

All figures based on 2018 reported numbers, before consolidation of Gemalto



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
(defence sensors
and mission systems)



Air Traffic
Management

#1

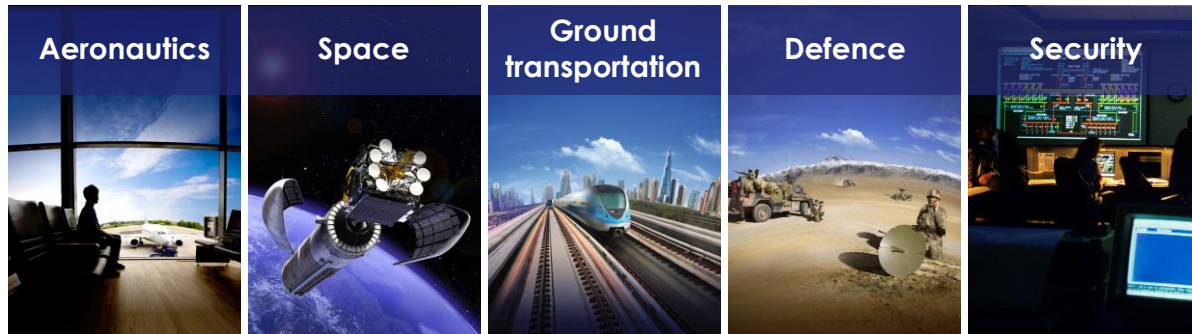
worldwide

Thales: a pure player focused on intelligent systems

Addressing
some of the most
demanding
end markets...



...leveraging a
unique portfolio
of key common
technologies



← Critical decision chain →

Sensing and
data gathering

*Hardware +
software*



Data
transmission
and storage

*Hardware +
software*



Data processing
and decision
making

*Software +
systems*

Sensors, mission systems, communication, command and control systems

Thales builds on 4 key strengths

2018
**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 28 markets

Platform-agnostic positioning

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

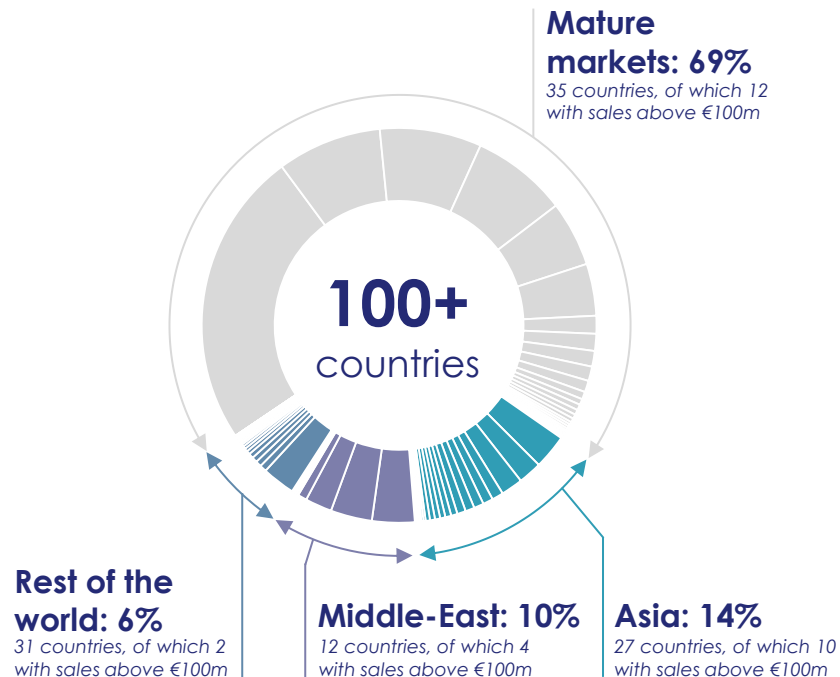
Strong program diversification

- 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



Thales delivers a best-in-class ROCE

ROCE in line with best-in-class peers

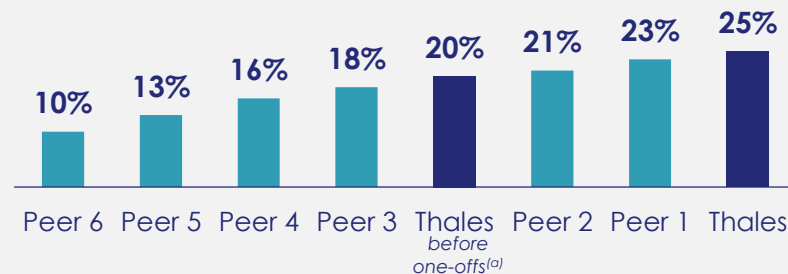
Asset turn higher than peers

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



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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

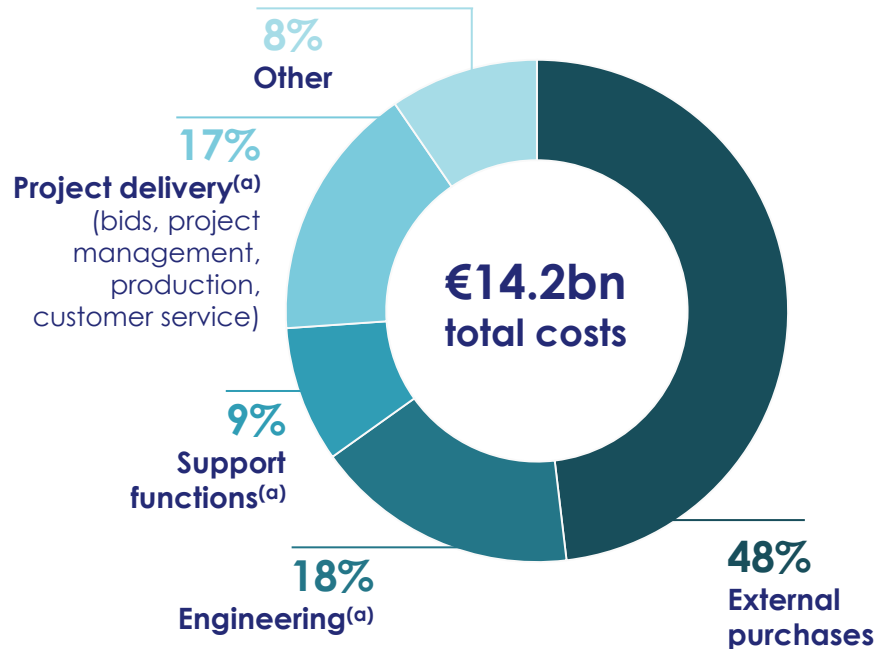
- New marketing initiatives focused on digital value propositions and Group positioning as partner in digital transformation
- Central “sales transformation” function up and running since Summer 2018
- Comprehensive program launched to enhance commercial performance and sales effectiveness



2

Relentlessly optimize operational performance

Group cost structure



(a) Excluding external purchases

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

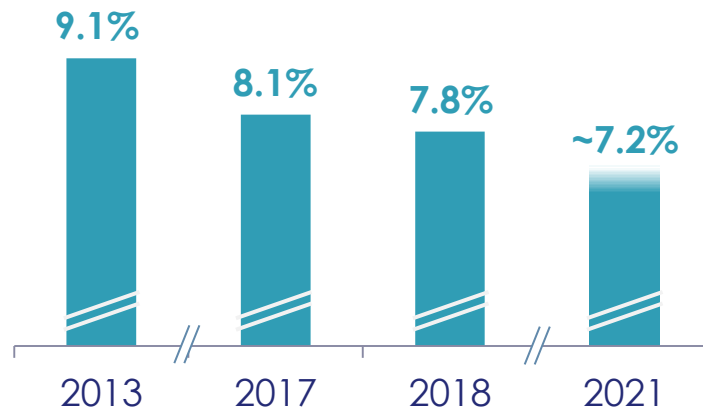
Good progress on Ambition 10 competitiveness initiatives

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

**3**

Accelerate R&D investments to drive technological excellence

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



**TOP 100
GLOBAL
INNOVATORS**

6 times winner

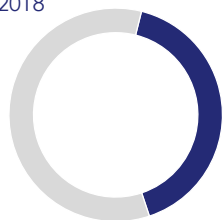
2012, 2013, 2015,
2016, 2017, 2018



**Prestigious recognitions
for researchers**

R&D headcount

2018



**40%
of total
staff**

R&D total spend

2018



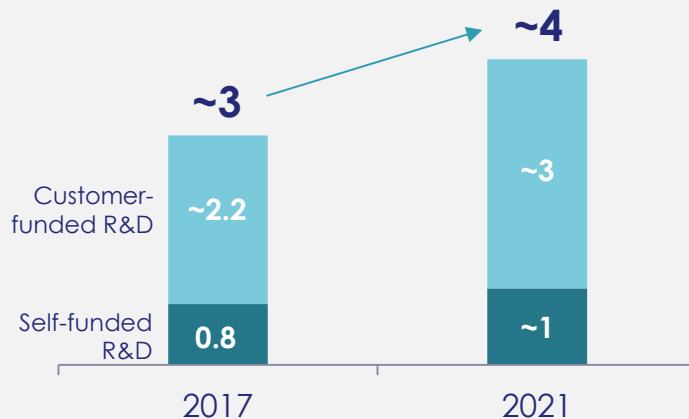
>€3 bn

**~75%
Customer-
funded R&D**

**~25%
Self-funded
R&D**

€bn

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

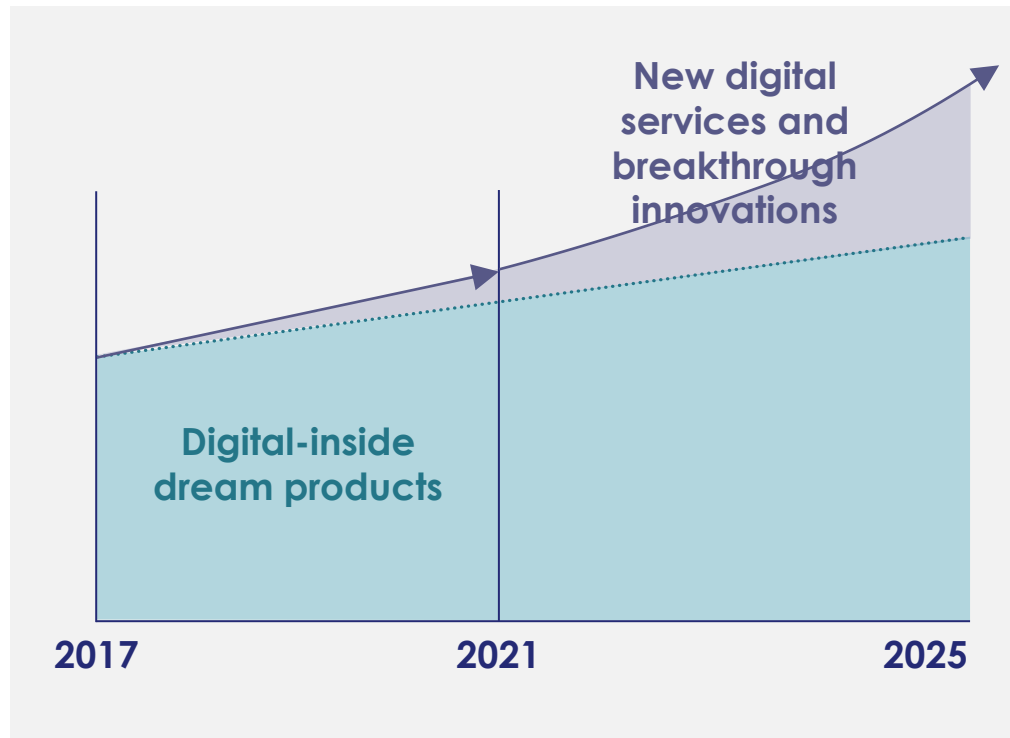
**4**

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

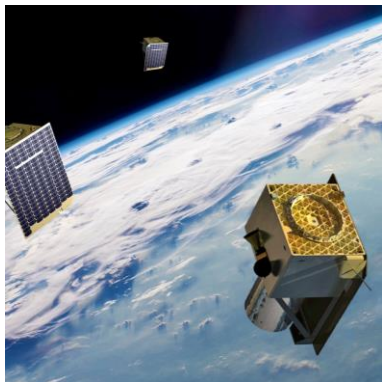
- “As a service” business models delivering steady growth and recurring revenues





4

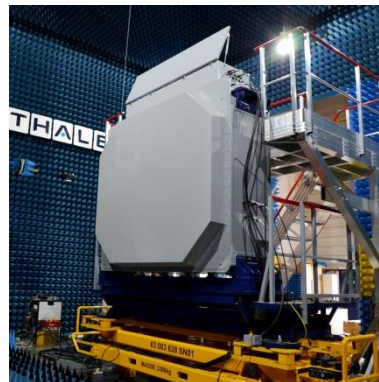
Lead digital transformation of markets: recent examples



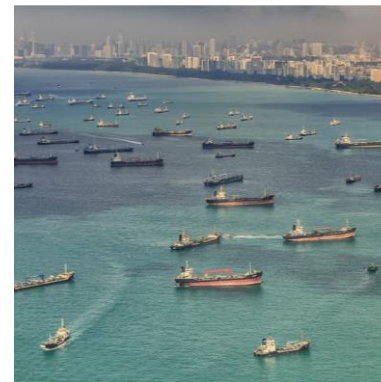
**Big data-enabled
observation
constellation**



**Demonstrations of
autonomous rail
technologies**



**“Smart”
radars**



**First Digital Factory
solutions launched
commercially**

**Capitalizing on critical mass of
expertise in digital technologies**



5

Gemalto acquisition: compelling strategic rationale

Accelerating Thales's digital strategy across all markets

- Adding key technological capabilities
 - Object and people authentication
 - Biometrics
 - Industrial IoT solutions
- Cloud-based solutions and digital platforms
- Large pool of digital talents

Creating a leader in the fast-growing digital security market

- Global leader in digital identification and security of connected objects and identities
- Global leader in enterprise data protection
- Leveraging Thales's extensive technology portfolio and global sales footprint

Reinforcing unique and differentiated market position



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

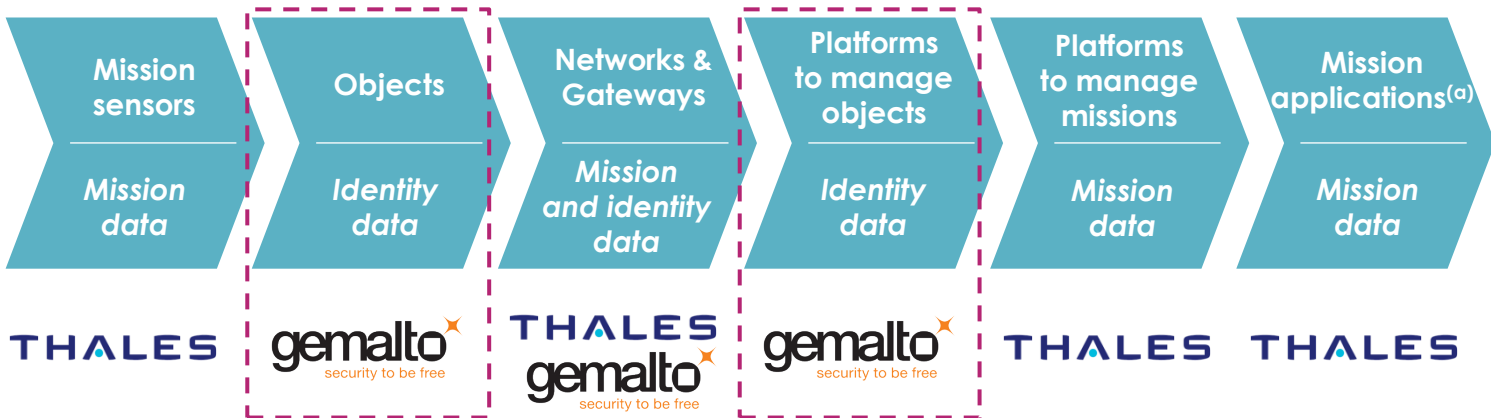
Critical
decision
chain

Sensing and
data gathering

Data
transmission
and storage

Data processing
and decision
making

Critical
digital
decision
chain



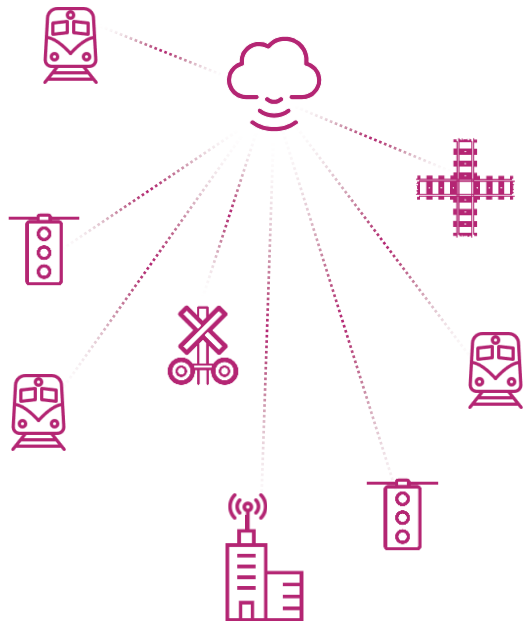
(a) Including big data analytics, artificial intelligence algorithms



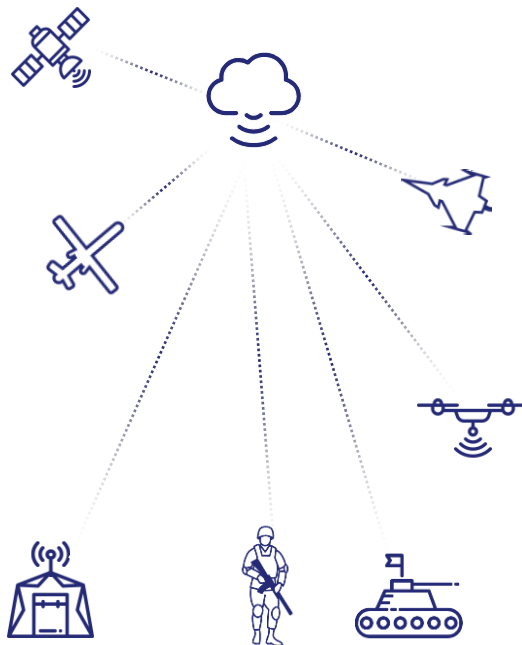
5

Thales and Gemalto: selected use cases

Smart rail infrastructures



Battlefield cloud



Silent authentication

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



5

Integration completed, cost synergy capture fully on track

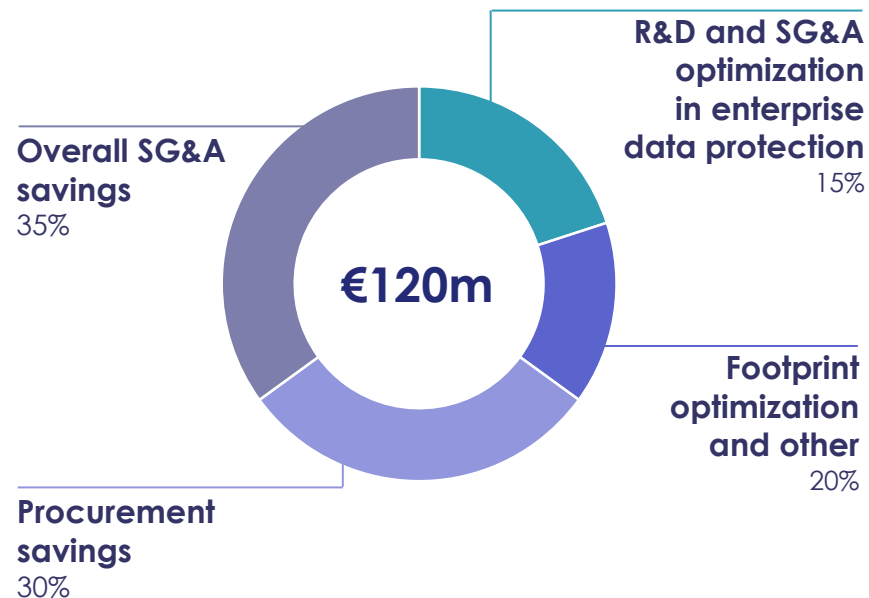
New Digital Identity and Security (DIS) Global Business Unit fully operational

- Selected organization minimizes business disruption

Cost synergy target upgraded to upper range after GP HSM disposal

- €100-150m initial range included ~€30m linked to GP HSM
- Integration costs: ~€60m in 2019, ~€30-40m in 2020
- 2019 cost synergies: ~€20m

Breakdown of expected run-rate cost synergies





5

DIS: internal momentum delivering 0-2% growth in 2019

Sales dynamics expected in line with plan

- Solid growth in identity & biometrics, identity management and data protection, and IoT solutions fully offsets material decline of traditional SIM cards
- Innovation offsetting price pressure in banking and payment
- Assessment of revenue synergies ongoing

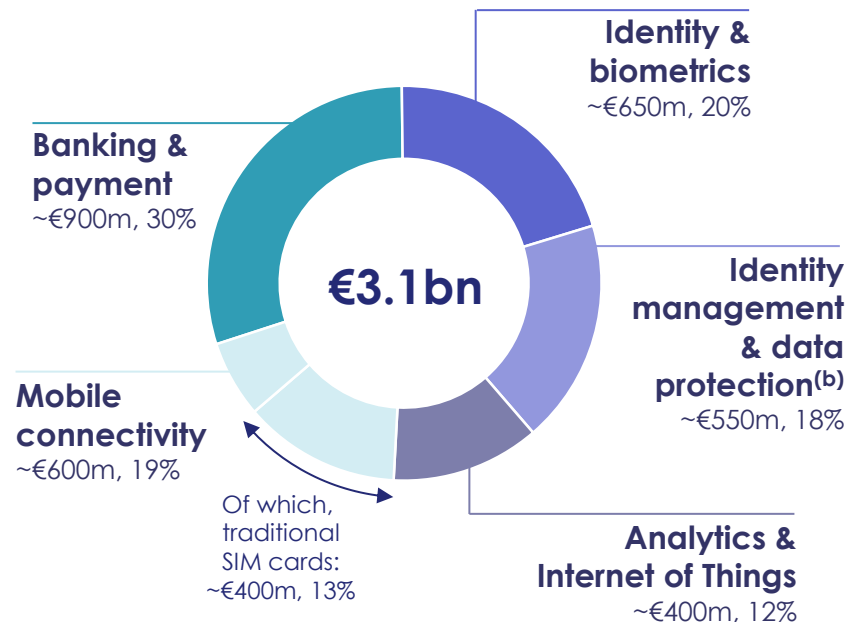
Limited scope and currency effects

- Small acquisitions partly offsetting disposal of Netsize at end 2018
- Material USD exposure

Order intake structurally aligned with sales

- Shorter order cycle than in other Thales businesses

Pro forma^(a) DIS sales breakdown by sub-segment (2018)



(a) Reported Gemalto sales (€2,969m) + D&S sales transferred to DIS (€186m) – Netsize (€52m)

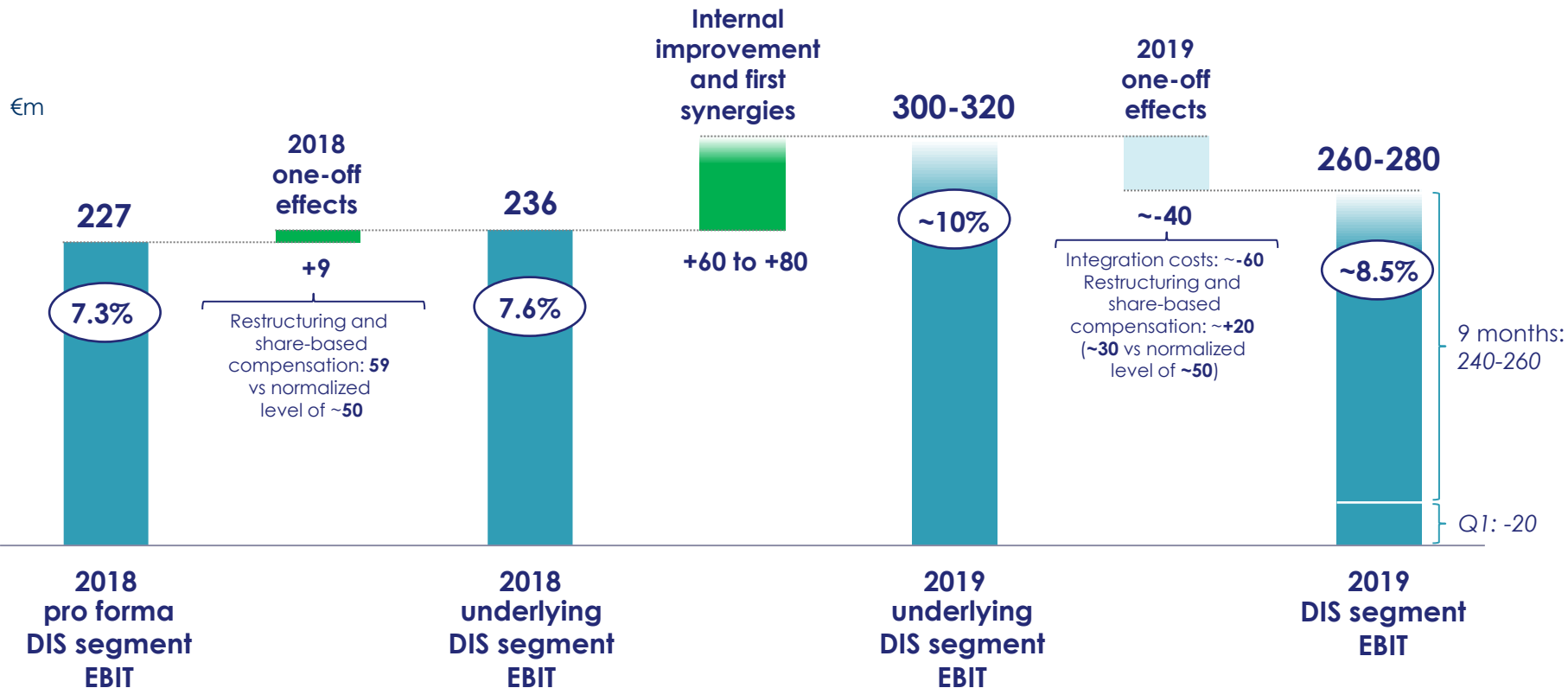
(b) Does not include ~€350m cybersecurity sales recorded in other DIS business lines and in Defence & Security segment

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5

DIS: underlying margin improvement in 2019



Note: All targets based on June 2019 scope and foreign exchange rates, post IFRS 16.

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**



**Grow faster than
the market**

**Grow profitably in
a sustainable way**



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50 countries
across the globe protect their populations
with Thales technologies

H1 2019 highlights

Order intake driven by solid dynamics
in Defence & Security

Sales growth impacted by slowdown of
Space and phasing effects in Transport

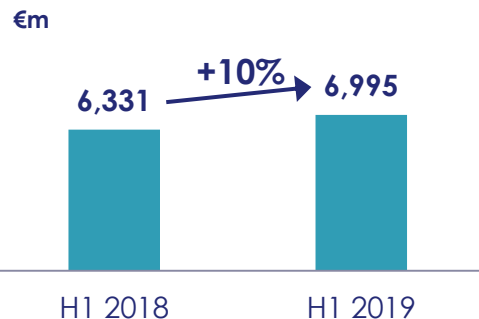
Further EBIT margin progression at
constant scope and currency

Gemalto consolidated as of 1st April,
contributing in line with expectations

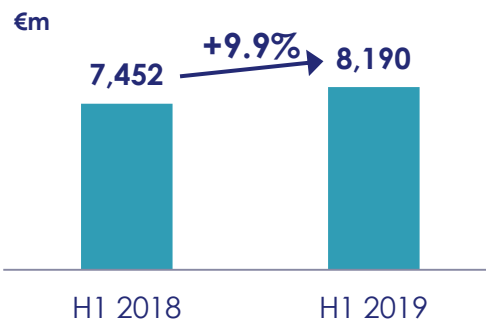


H1 2019 key figures

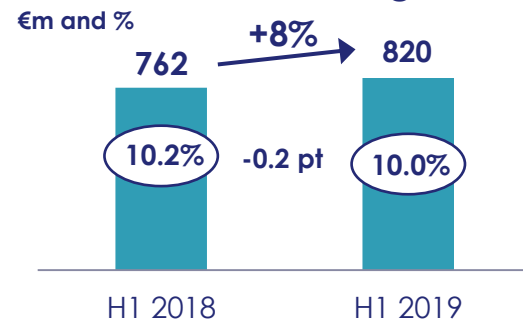
Order intake



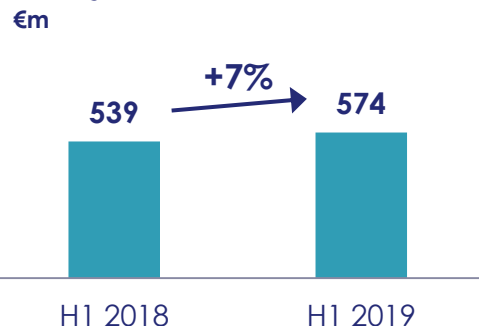
Sales



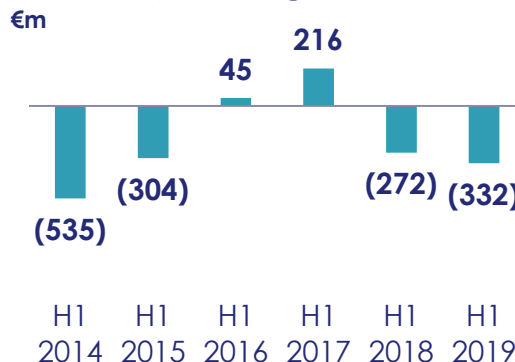
EBIT and EBIT margin^(a)



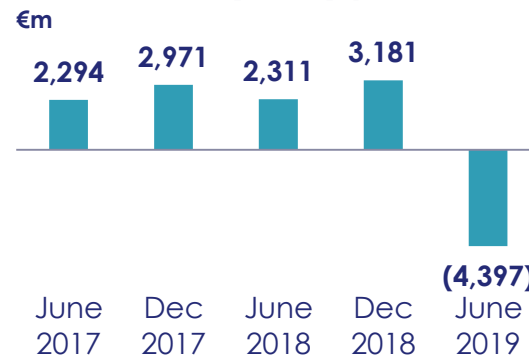
Adjusted net income^(a)



Free operating cash-flow^(a)



Net cash (debt) position



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

H1 2019 order intake

Solid order intake

- -1% before Gemalto consolidation
(impact: +€758m)

4 large^(a) orders booked in Q2 2019, for a total of 7 in H1 2019

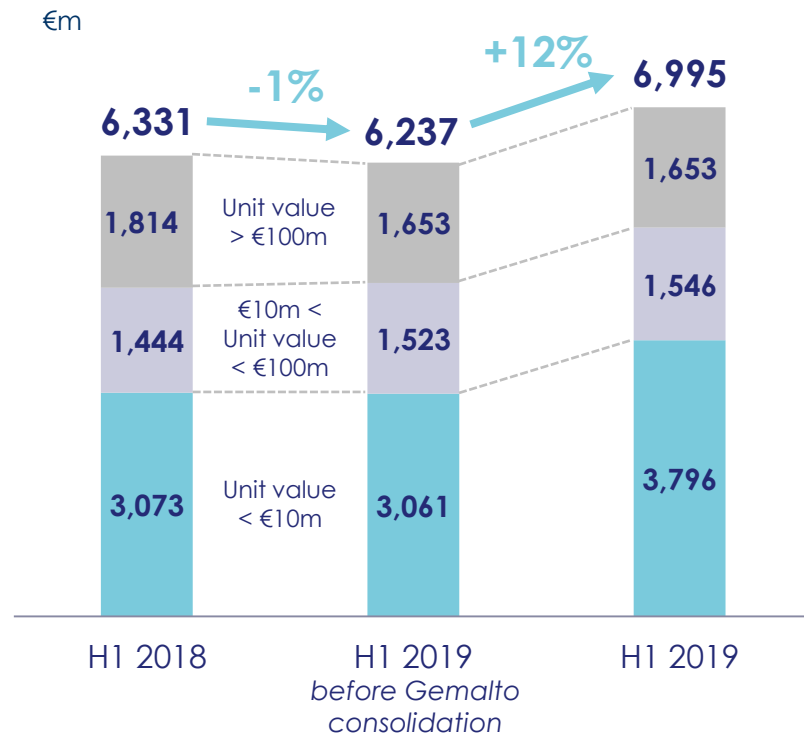
- Spainsat NG satellite
- Ground segment for French military satellite
- “CaMo” armored vehicles (Belgium)
- Long-term maintenance contract for French air force

Small orders^(b) stable at constant scope

(a) With a unit value over €100m

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

Order intake by contract unit value



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H1 2019 sales growth

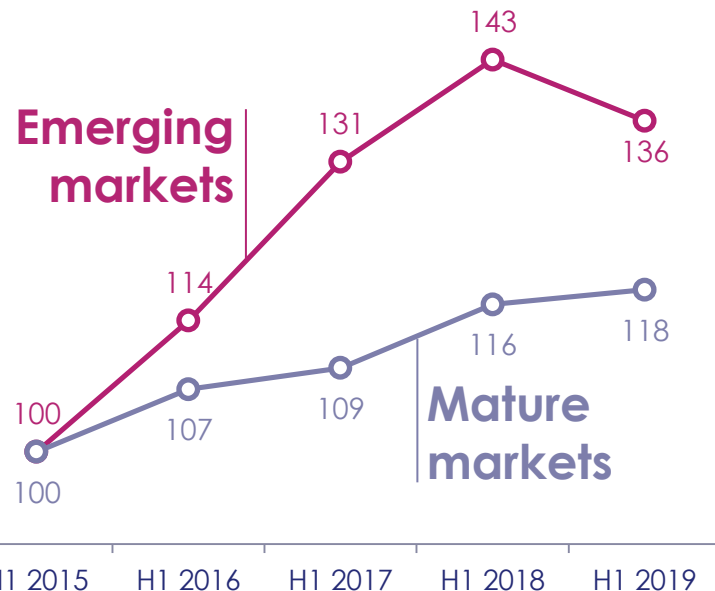
Sales growth benefiting from Gemalto consolidation

- Reported growth: +9.9%
- Organic growth: -0.5%
- Small positive currency impact: +0.8%

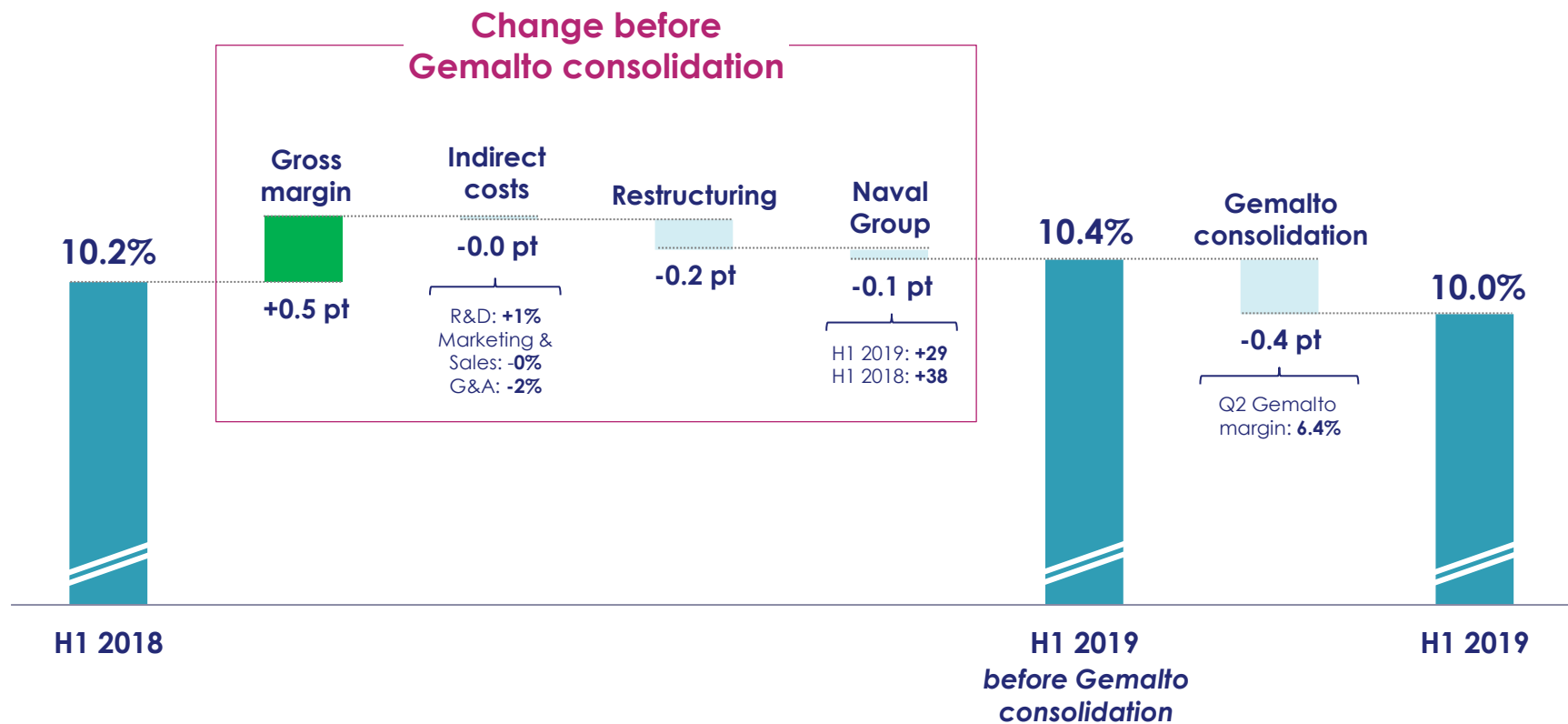
Organic sales decline driven by slowdown of space and by high comps, notably in emerging markets

Organic sales trend by region

Base 100 in 2015

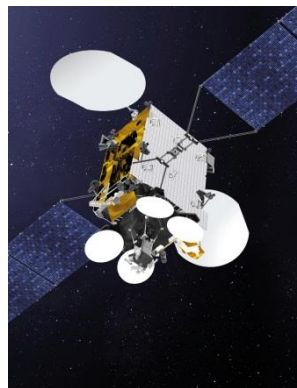


EBIT margin evolution driven by solid operational improvement





Aerospace: H1 2019 key figures



€m	H1 2019	H1 2018	Change	
			total	organic
Order intake	1,758	2,042	-14%	-15%
Sales	2,609	2,768	-5.7%	-7.0%
EBIT	270	291	-7%	-8%
<i>in % of sales</i>	10.3%	10.5%	-0.1 pt	-0.1 pt

Order intake down compared to H1 2018

- High comps in IFE and training & simulation
- Slow recovery of commercial telecom satellite market

Sales affected by commercial satellite market slowdown

- Space sales to level off in H2, in line with Full Year expected decline of ~10%

EBIT impact of lower space sales offset by solid dynamics in avionics

- H2 affected by booking of restructuring costs in space



Transport: H1 2019 key figures



€m	H1 2019	H1 2018	Change	
			total	organic
Order intake	556	835	-33%	-34%
Sales	835	904	-7.6%	-8.9%
EBIT	(42)	27	nm	nm
<i>in % of sales</i>	-5.0%	2.9%	-7.9 pts	-7.8 pts

Order intake significantly down due to high comps in H1 2018

Sales affected by phasing effects on major urban rail projects, in line with expectations

➤ H1 2018 organic sales growth was exceptional: +22.2%

EBIT impacted by one-offs: restructuring costs linked to ambitious engineering transformation plan, 9% drop in sales and impact of execution delays on a metro project

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Defence & Security: H1 2019 key figures



€m	H1 2019	H1 2018	Change	
			Total	organic
Order intake	3,809	3,350	+14%	+16%
Sales	3,881	3,669	+5.8%	+6.8%
EBIT	564	439	+28%	+35%
<i>in % of sales</i>	14.5%	12.0%	+2.5 pts	+3.0 pts

Strong order intake momentum

Solid, broad-based organic sales growth, in spite of high comps (H1 18 organic sales growth: +8.5%)

Further increase in profitability thanks to gross margin improvement, leverage on growth, and solid project execution



Digital Identity & Security: H1 2019 key figures



€m	H1 2019	H1 2018	Change	
			total	organic
Order intake	829	84		
Sales	830	87		non meaningful
EBIT	37	6		
in % of sales	4.5%	nm		

Order intake structurally aligned with sales for most businesses

Flat pro forma sales, in line with expectations

- Continuous decline of traditional SIM cards
- Good dynamics of EMV cards, driven by re-issue cycle in the US
- Authentication and data protection affected by reorganization

EBIT in line with Full Year €240-260m guidance

- Impact of integration costs and HSM business reorganization
- DIS EBIT margin more seasonal than in other segments

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H1 2019 Free operating cash flow

€m	H1 2019	H1 2018
Operating cash flow before WCR changes, interest and tax^(a)	1,024	915
+ Change in WCR and reserves for contingency reserves ^(a)	(1,022)	(915)
+ Pension cash out, excluding deficit payment on UK pensions	(73)	(70)
+ Net financial interest	(22)	(16)
+ Income tax paid	(64)	(33)
= Net cash flow from operating activities^(a)	(157)	(118)
+ Net operating investments	(175)	(153)
= Free operating cash flow	(332)	(272)

(a) IFRS 16 impact on operating cash flow before WCR changes, interest and tax: +€112m, on change in WCR: -€21m, on net cash flow from operating activities: +€91m

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A global well-balanced leader in space solutions

Space Alliance with Leonardo,
involving 2 joint-ventures

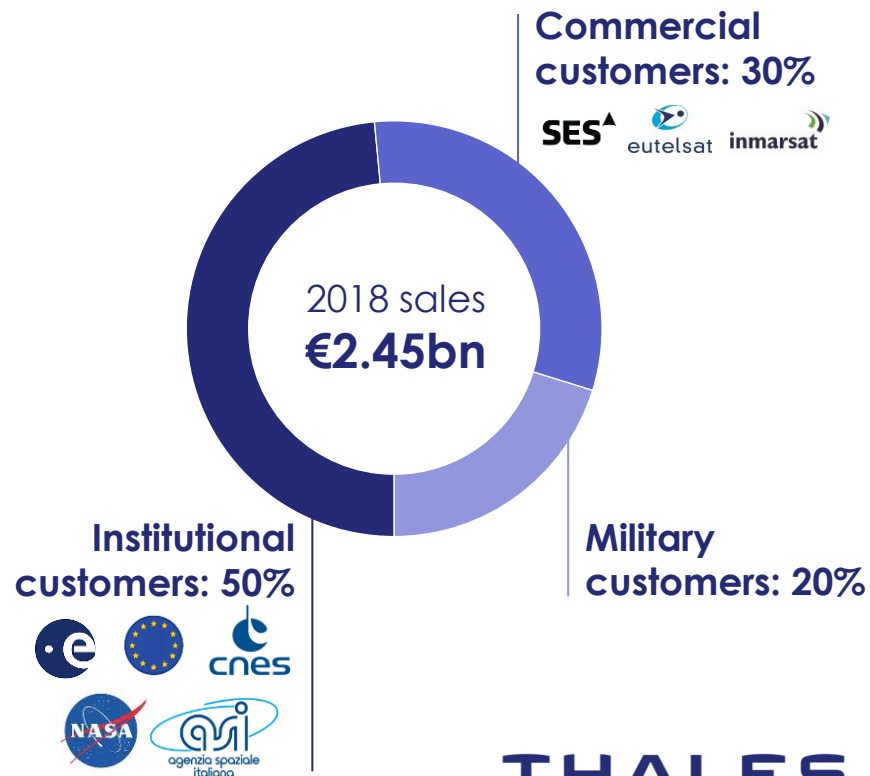
World #2 largest civil satellite
manufacturer

Well diversified across solutions
and end-markets

Delivering strong financial
performance in past 4 years

- 2015-18 sales CAGR: +5%
- High-single digit EBIT margin

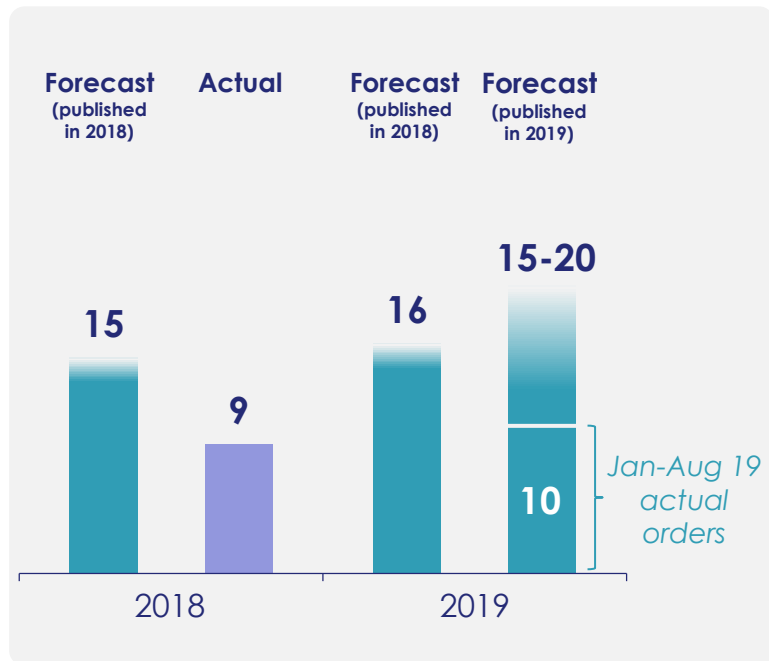
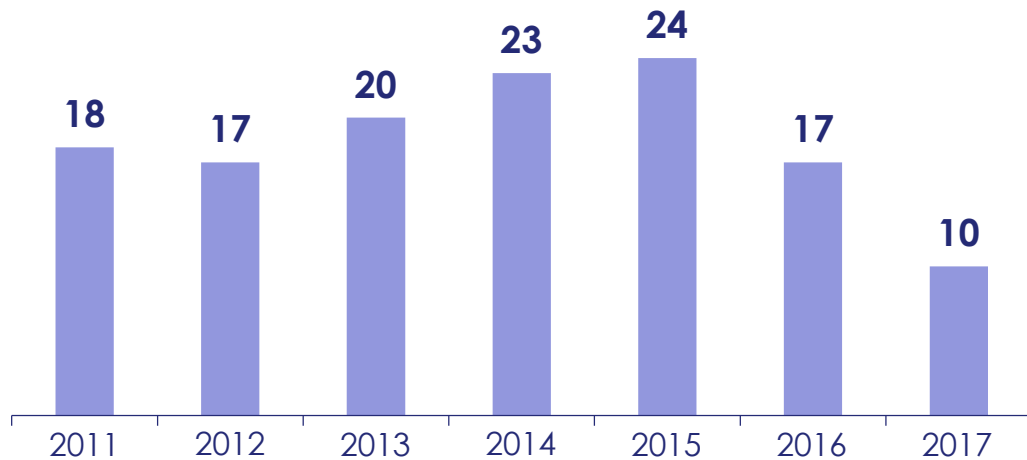
Breakdown of sales by end-markets



Recovery of geostationary telecom market delayed by one year

Worldwide number of geostationary telecom satellite ordered

satellites



Forecast source: NSR

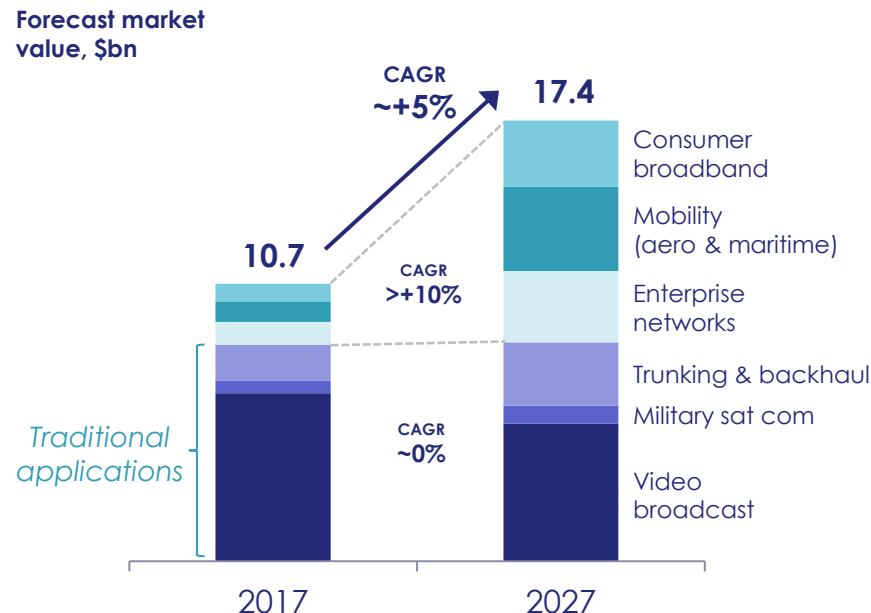
Solid long-term growth for space-based telecom solutions

~5% long-term growth, driven by new applications

Shift in usage drives new technological requirements

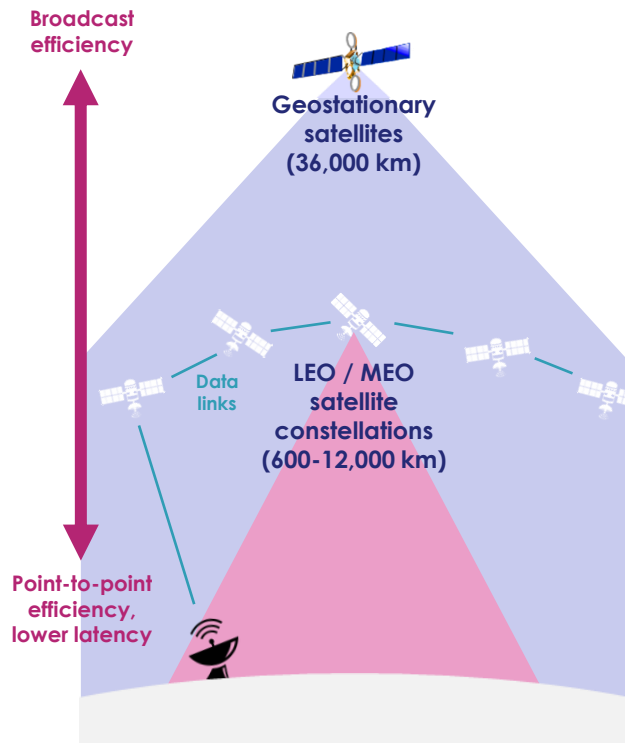
- Delivery of highest data rate at lowest cost
- Ability to seamlessly connect to moving objects on a global basis (mobility applications)
- Increased flexibility in mission type, coverage and orbital slot

Commercial telecom satellite services market demand



Source: Euroconsult

Thales: further investments to strengthen best-in-class product range



Note: GEO: geostationary, LEO: Low Earth Orbit, MEO: Medium Earth Orbit, VHTS: Very High Throughput Satellite

GEO satellites

SES[^]

SES 17



Konnect



SATRIA

- Global VHTS leader
- Extremely high capacity and unique agility
- Complementing with new satellite product line, offering in-orbit reconfiguration and flexible coverage

LEO / MEO constellations

Globalstar



NEXT

- Global constellation leader
- Unique expertise in networked constellations
- Recently awarded Kineis nanosatellite IoT constellation

Best-in-class product range, ideally suited to capture future market growth

Space: key takeaways

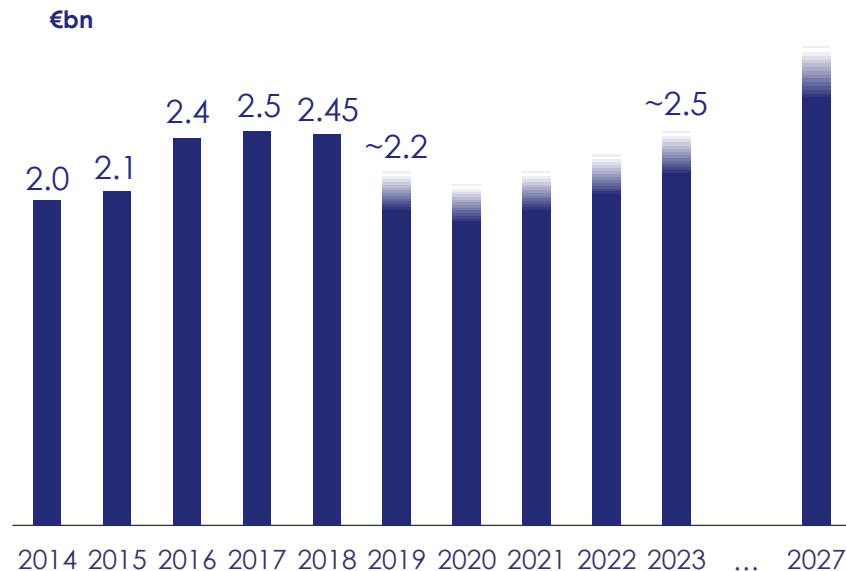
Solid long-term growth dynamics forecasted in all end-markets

Thales: best-in-class telecom product range, to be complemented by new generation flexible satellite product line

Slower than expected recovery of telecom market driving drop in sales in 2019 and 2020

Sales decline and R&D investment to weigh on profitability over 2019-2021 period

Space sales trend



Notes: 2014-2016 figures before application of IFRS 15 standard
Trajectory does not assume the booking of any telecom constellation



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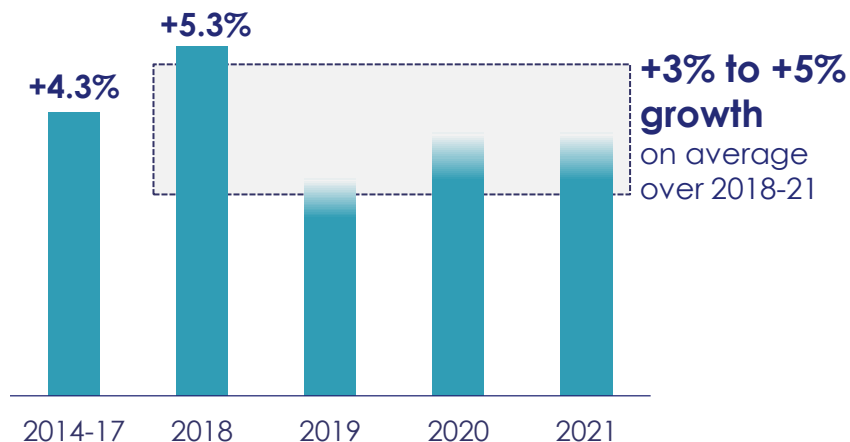
A large, stylized graphic on the right side of the slide. It features a small, circular globe with a teal border. The globe shows a cross-section of the Earth with a city skyline, a green forest, and a sandy beach with blue water. The globe is set against a dark blue background with a starry space pattern and a bright sun or moon in the upper right corner.

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

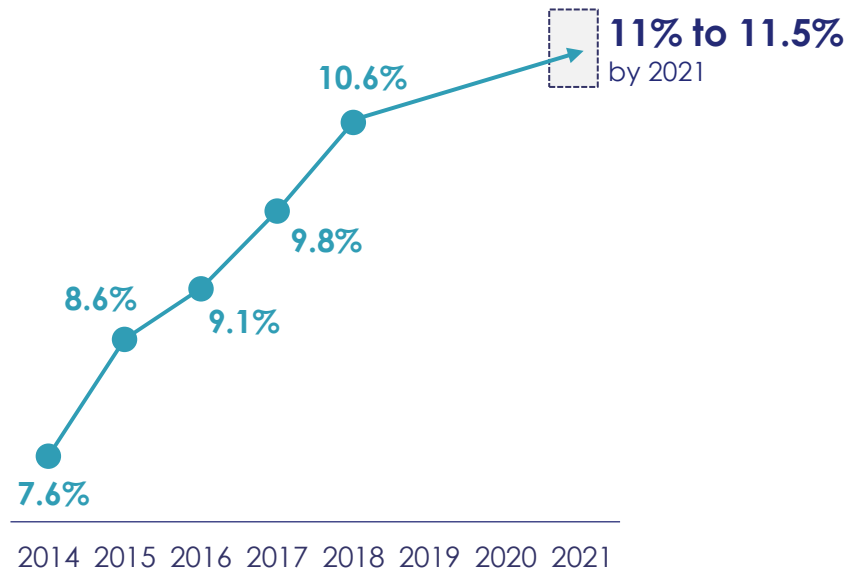
Medium-term financial targets

NB: targets excluding Gemalto, to be updated on 3 October 2019

Organic sales growth target

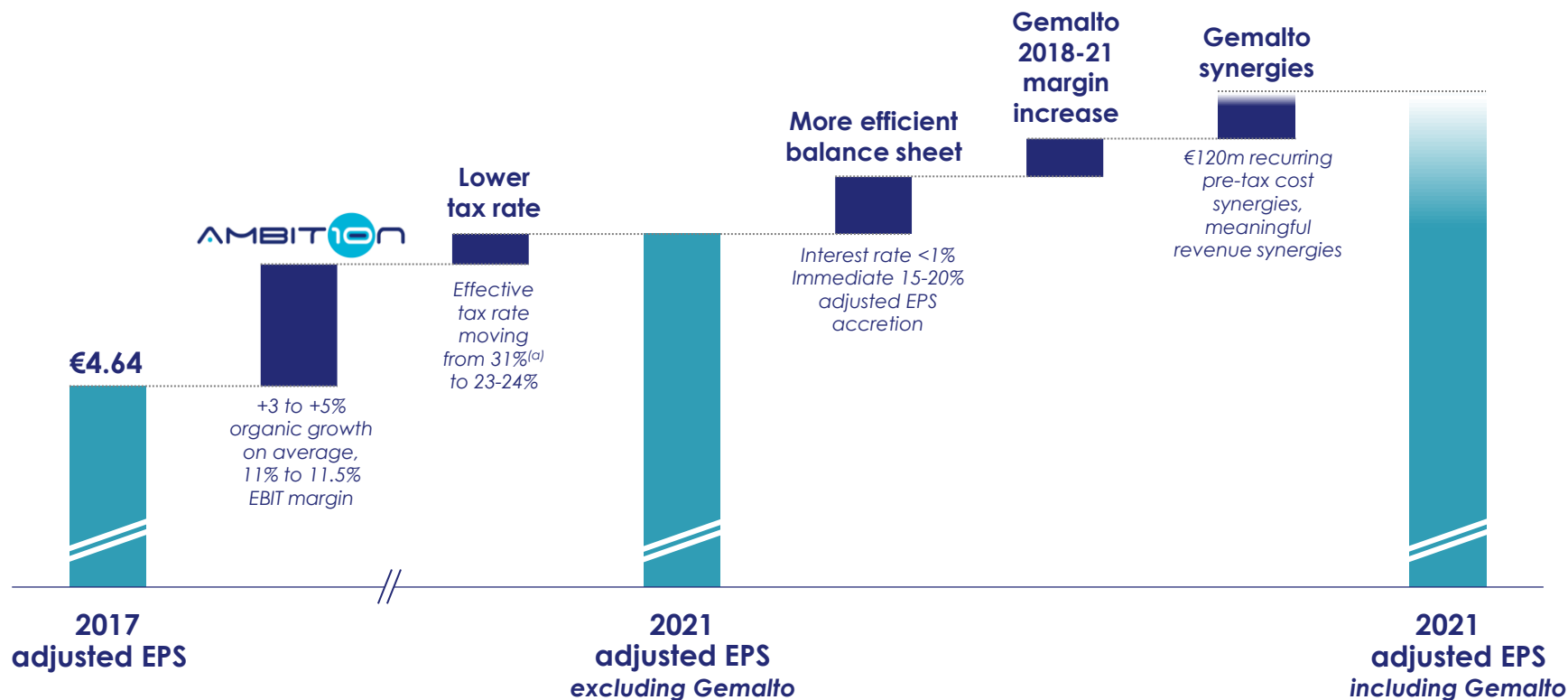


EBIT^(a) margin target



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

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

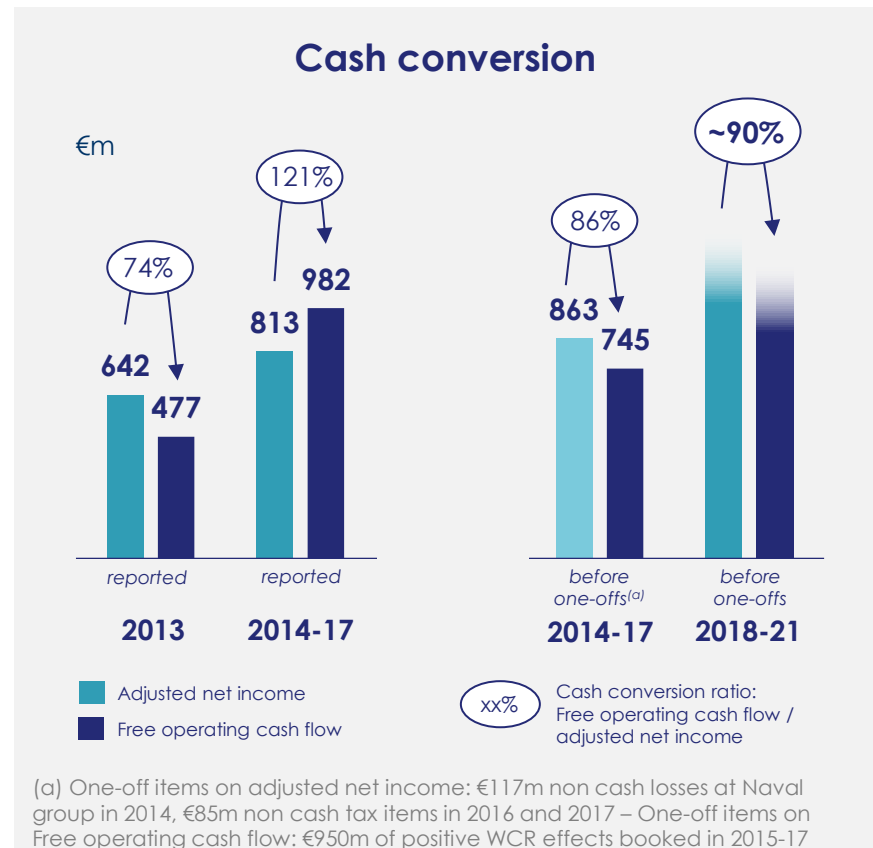
NB: targets excluding Gemalto, to be updated on 3 October 2019

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

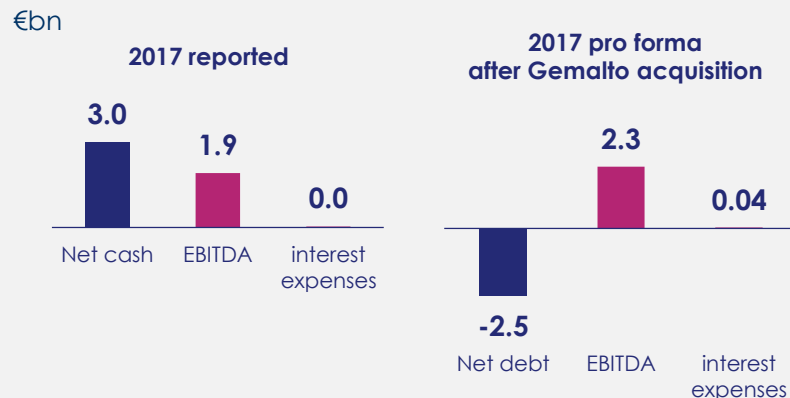
2018-21: further increase in cash conversion before one-offs

- 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

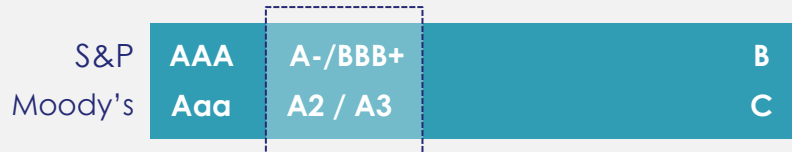
Improved balance sheet efficiency after Gemalto acquisition



Dividend growth in line with adjusted EPS

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

Strong investment grade maintained



2019 financial objectives

Order intake		Slightly above €18bn)	Unchanged
Sales	Thales excluding DIS segment	Organic growth between 3% and 4%)	Now expected at bottom of range
	DIS segment	Organic growth between 0% and 2% ^(a))	Unchanged
EBIT ^(b)		€1,980-2,000m ^(c))	Unchanged

(a) On a full-year basis

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

(c) Based on June 2019 scope and foreign exchange rates, post IFRS 16
























Appendix



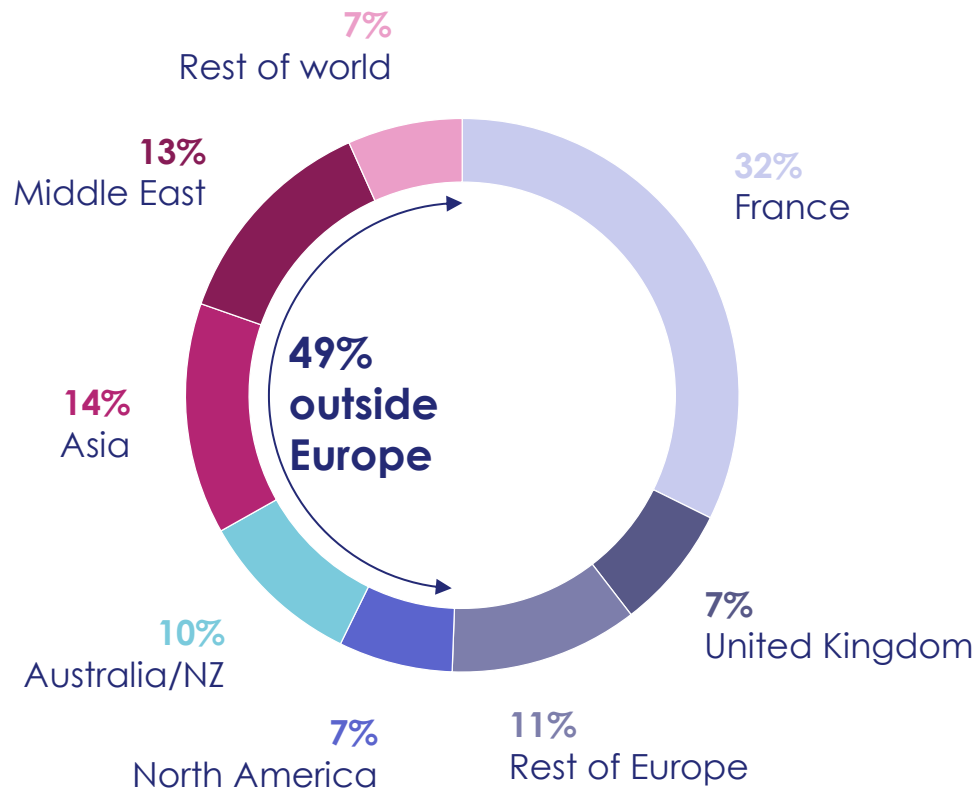
The people we all rely on
to make the world go round,
they rely on Thales

A strong set of focused businesses

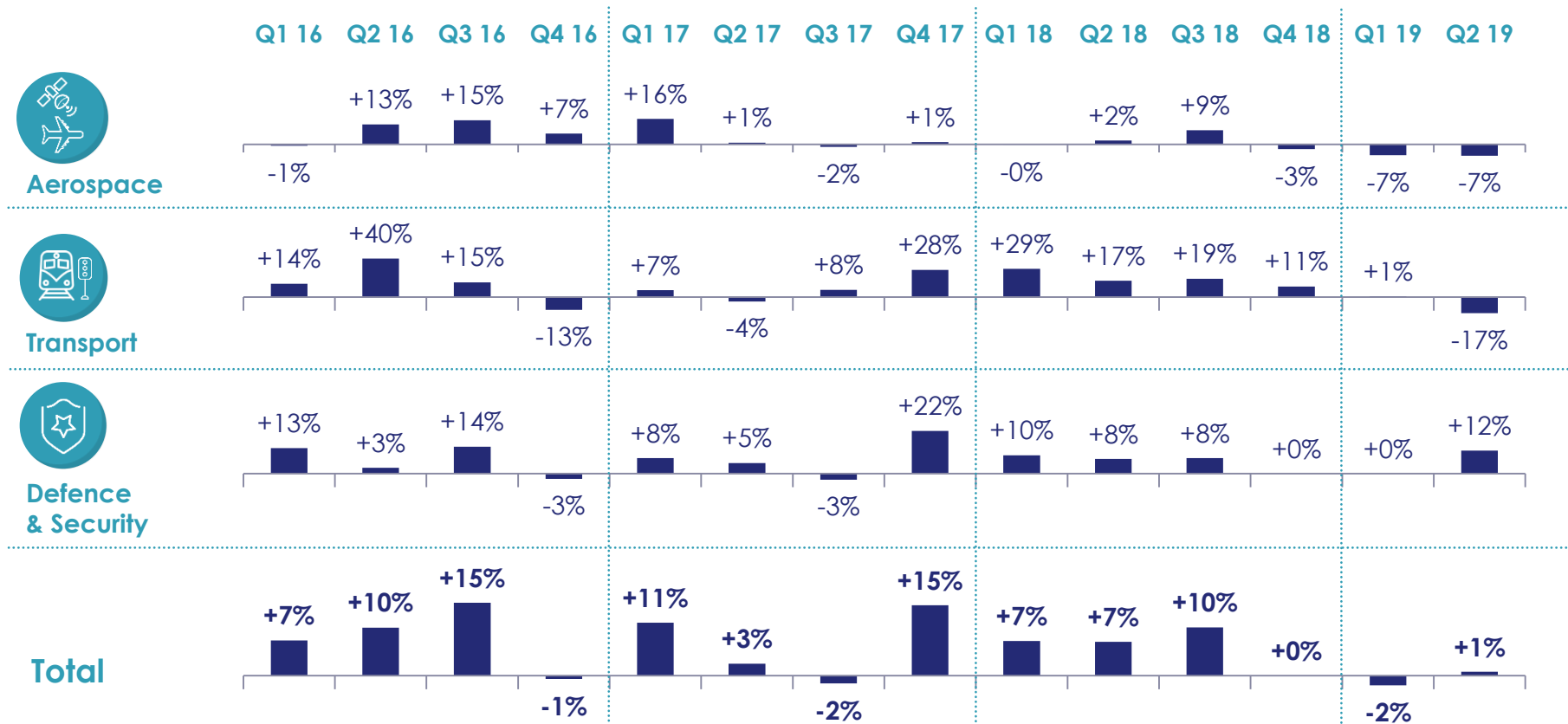
Segment	Sub-segment		Civil	Military	2018 sales (€m)	Market position
Aerospace <i>36% of 2018 sales</i>	Flight avionics including cockpit avionics, communications, electrical systems, training and simulation				~2,100	#3 worldwide (flight avionics)
	Connected in-flight entertainment (IFE)				~750	#2 worldwide
	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 <i>13% of 2018 sales</i>	Rail signalling and supervision including passenger payment collection systems				~2,000	#2 worldwide
Defence & security <i>51% of 2018 sales</i>	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)

Highly diversified Defence & security customer base

Defence & security sales by region, 2018

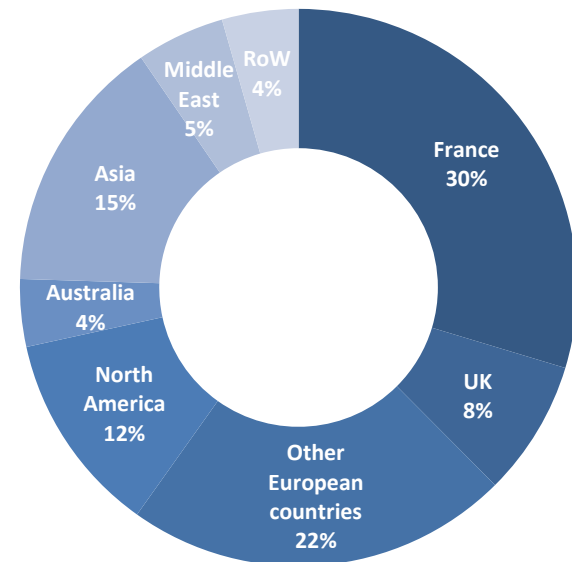


Organic sales growth per quarter



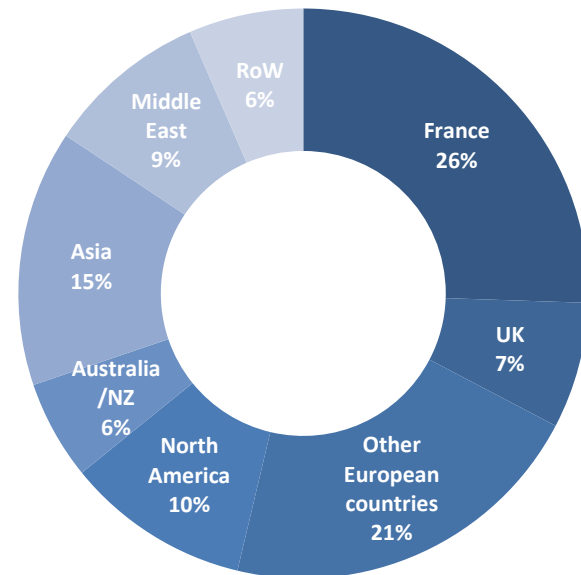
H1 2019 order intake by destination

€m	H1 2019	H1 2018	change	
			total	organic
France	2,075	1,456	+42%	+39%
United Kingdom	551	226	+144%	+132%
Other European countries	1,560	1,558	+0%	-9%
Europe	4,186	3,240	+29%	+23%
North America	821	532	+54%	+15%
Australia/NZ	274	1,239	-78%	-79%
Mature markets	5,280	5,011	+5%	-3%
Asia	1,046	716	+46%	+26%
Middle East	359	457	-22%	-31%
Rest of the world	310	147	+111%	+8%
Emerging markets	1,715	1,320	+30%	+4%
Total	6,995	6,331	+10%	-1%



H1 2019 sales by destination

€m	H1 2019	H1 2018	change	
			total	organic
France	2,090	1,956	+6.8%	+4.7%
United Kingdom	587	621	-5.6%	-11.5%
Other European countries	1,722	1,532	+12.4%	+2.4%
Europe	4,399	4,110	+7.0%	+1.4%
North America	856	660	+29.6%	-0.8%
Australia/NZ	461	433	+6.6%	+4.8%
Mature markets	5,716	5,203	+9.9%	+1.4%
Asia	1,191	1,062	+12.2%	-1.4%
Middle East	749	736	+1.8%	-4.1%
Rest of the world	533	452	+18.0%	-13.2%
Emerging markets	2,474	2,249	+10.0%	-4.7%
Total	8,190	7,452	+9.9%	-0.5%



H1 2019 EBIT by operating segment

€m / % of sales	H1 2019		H1 2018		Change	
					total	organic
Aerospace	270	10.3%	291	10.5%	-7%	-8%
Transport	(42)	(5.0%)	27	2.9%	nm	nm
Defence & Security	564	14.5%	439	12.0%	+28%	+35%
Digital Identity & Security	37	4.5%	6	nm	nm	nm
Other	(39)		(37)			
EBIT – excluding Naval Group	790	9.6%	724	9.7%	+9%	+5%
Naval Group	29		38			
EBIT – total	820	10.0%	762	10.2%	+8%	+4%

Negative margin in Transport, driven by one-off effects

Significant margin improvement in Defence & Security

H1 2019 summary adjusted P&L: from sales to EBIT

	H1 2019		H1 2018		Change	
	€m	% of sales	€m	% of sales	total	organic
Sales	8,190		7,452		+9.9%	-0.5%
Gross margin	2,203	26.9%	1,922	25.8%	+15%	+3%
Indirect costs	(1,420)	(17.3%)	(1,223)	(16.4%)	+15%	-1%
o/w R&D expenses	(476)	(5.8%)	(406)	(5.4%)	+17%	+0%
o/w Marketing & Sales expenses	(638)	(7.8%)	(541)	(7.3%)	+18%	+1%
o/w General & Administrative expenses	(306)	(3.7%)	(276)	(3.7%)	+11%	-3%
Restructuring costs	(44)	(0.5%)	(22)	(0.3%)	+100%	+71%
Share in net result of equity-accounted affiliates, excluding Naval Group	51	0.6%	47	0.6%	+8%	+4%
EBIT excluding Naval Group	790	9.6%	724	9.7%	+9%	+5%
Share in net result of Naval Group	29		38		-23%	-23%
EBIT	820	10.0%	762	10.2%	+8%	+4%

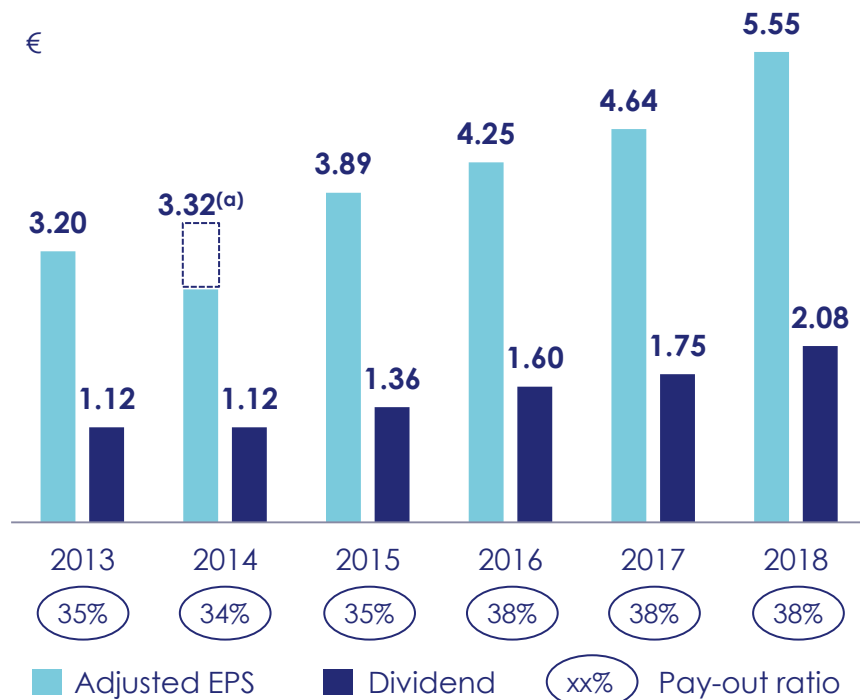
H1 2019 summary adjusted P&L: from EBIT to adjusted net income

€m	H1 2019	H1 2018
EBIT	820	762
Cost of net financial debt and other financial results ^(a)	(20)	(3)
Finance costs on pensions and other employee benefits	(27)	(27)
Income tax	(184)	(173)
<i>Effective tax rate</i>	26.6%	26.6%
Adjusted net income	588	560
Minorities	(14)	(22)
Adjusted net income, Group share	574	539
EPS: Adjusted net income, Group share, per share (in €)	2.70	2.54

(a) IFRS 16 impact on cost of net financial debt: -€13m (financial interest linked to lease debt)

Adjusted EPS and dividend

Adjusted EPS and dividend per share



(a) Corrected for negative Naval Group contribution (€0.57)

Adjusted EPS up 12% per year since 2013

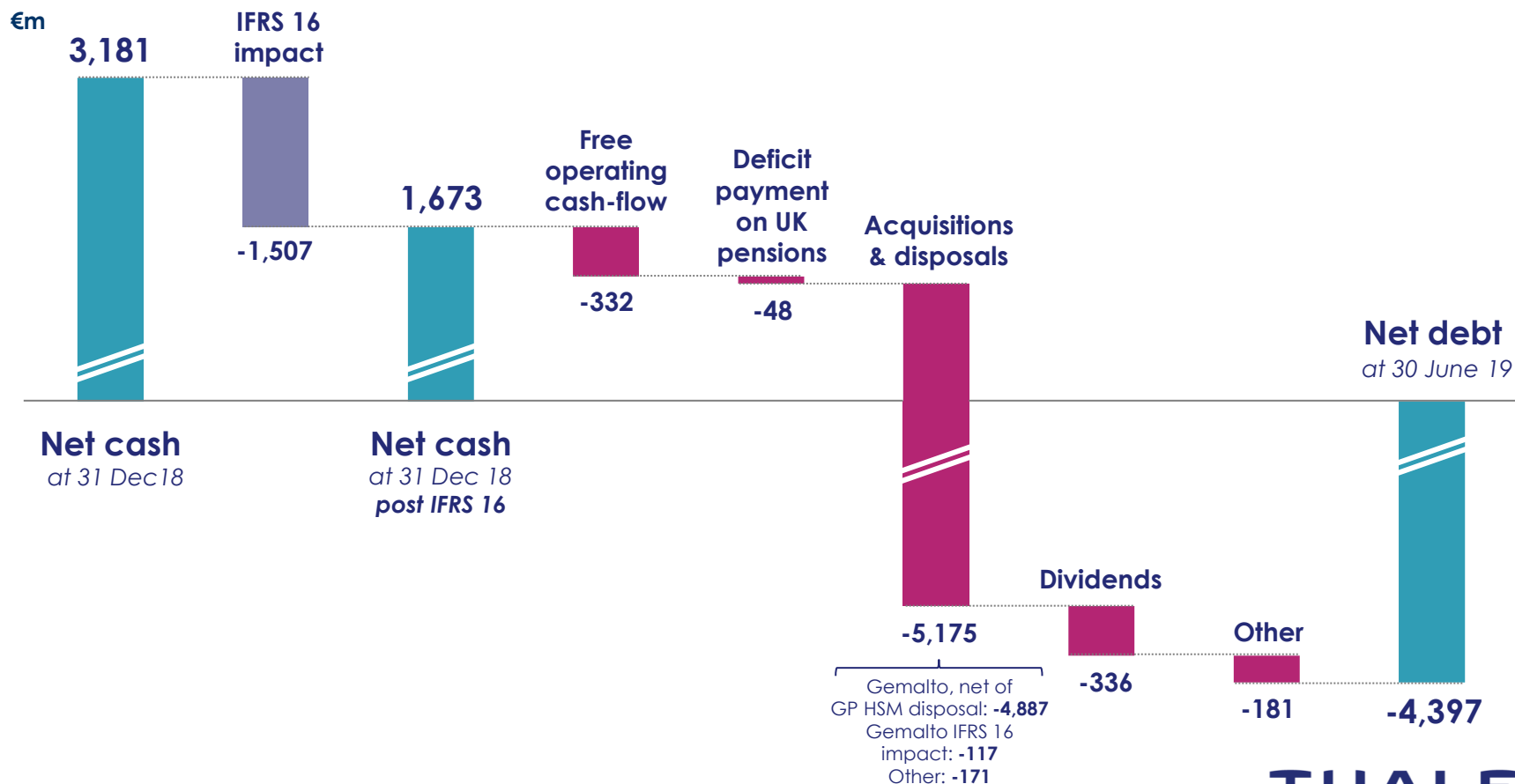
2018 dividend : €2.08 per share

➤ Pay-out ratio: 38%

Dividend up 13% per year since 2013

➤ Quasi doubling in 5 years

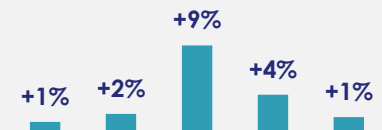
Movement in net cash (debt) over H1 2019



Historical sales and EBIT performance by segment

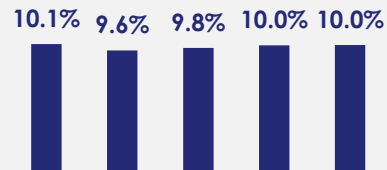
Aerospace

Organic sales growth



2014 2015 2016 2017 2018

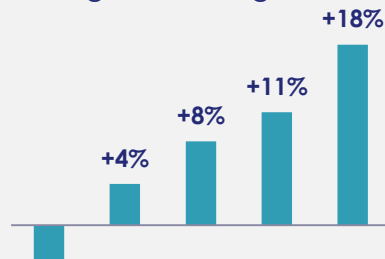
EBIT margin



2014 2015 2016 2017 2018

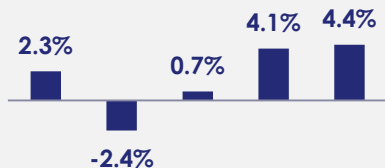
Transport

Organic sales growth



2014 2015 2016 2017 2018

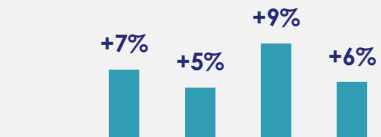
EBIT margin



2014 2015 2016 2017 2018

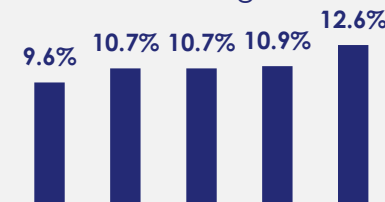
Defence & Security

Organic sales growth



2014 2015 2016 2017 2018

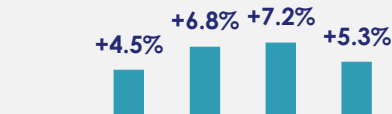
EBIT margin



2014 2015 2016 2017 2018

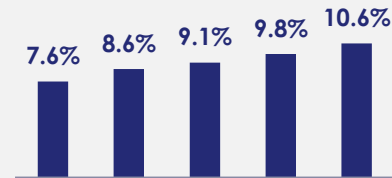
Total Group

Organic sales growth



2014 2015 2016 2017 2018

EBIT margin



2014 2015 2016 2017 2018

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

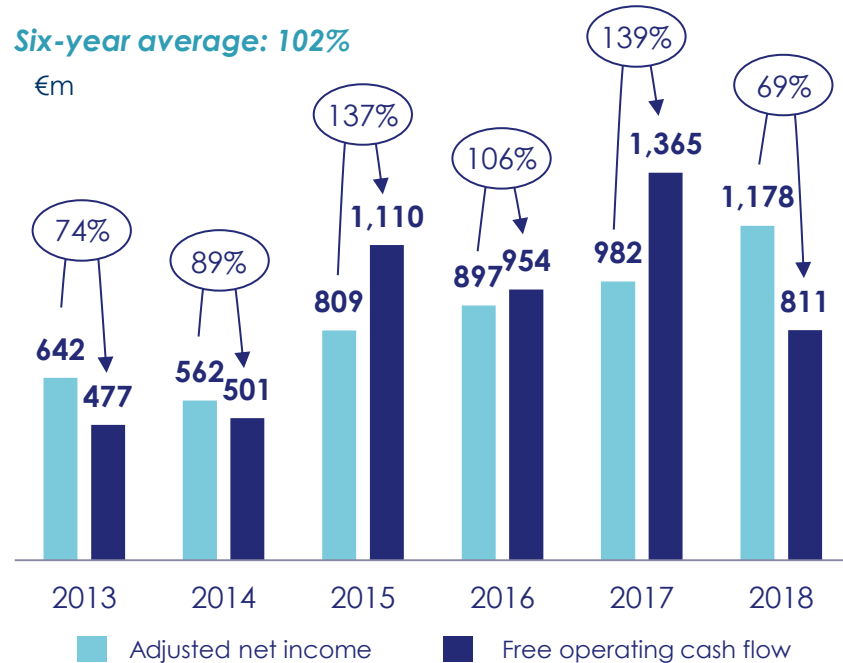
THALES

Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow

Six-year average: 102%

€m

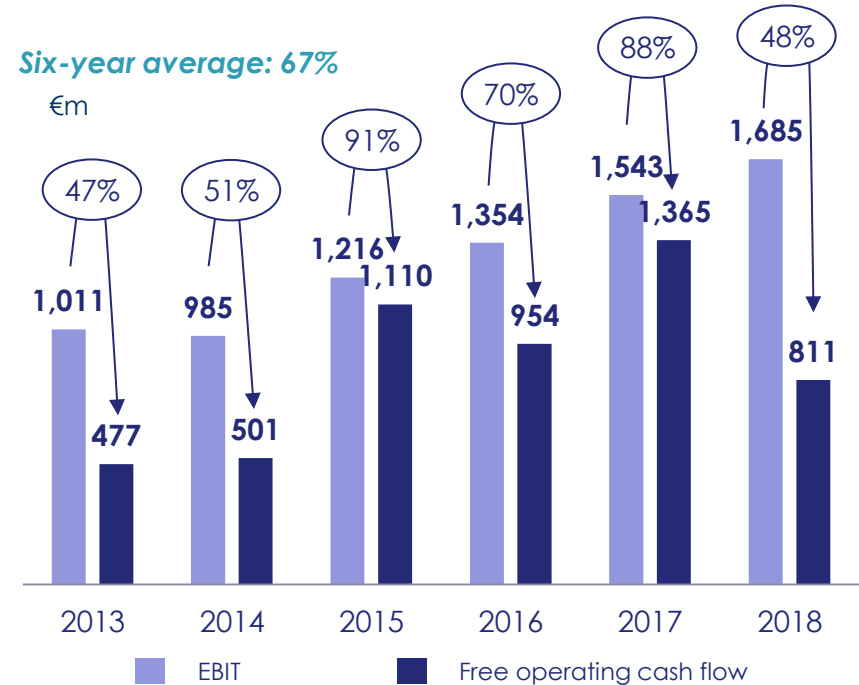


xx% Cash conversion ratio: Free operating cash flow / adjusted net income

EBIT conversion into Free operating cash flow

Six-year average: 67%

€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 2018.
- **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 2018. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS See page 11 and 12 of the H1 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 6.4 of the consolidated financial statements at 31 December 2018.
- **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 2018.



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