

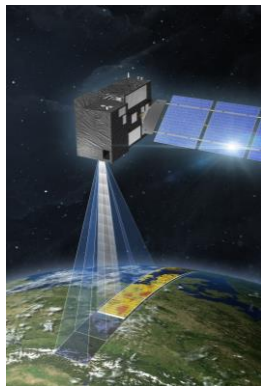


2020 Full-Year results

4 March 2021



Full-Year 2020 highlights



Robust order intake in spite of Covid-19

Free operating cash flow significantly above expectations

Strong delivery on Covid-19 adaptation plan

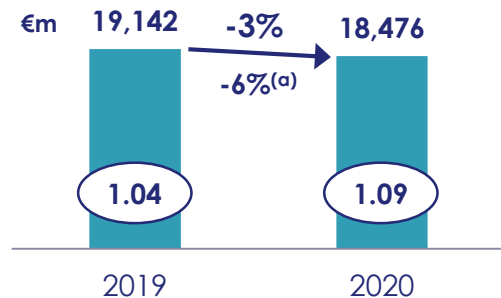
- P&L cost saving actions €100m above target
- Capex cut by 25%

Solid progress achieved on strategic priorities

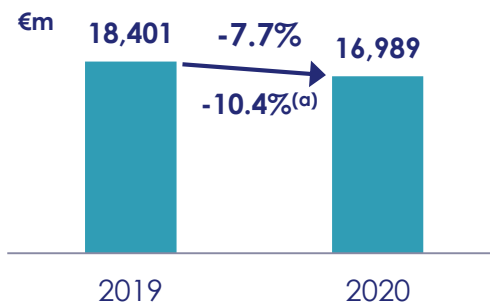
- DIS synergies
- Transport margin improvement
- Repositioning of Space to return to growth

2020 key figures

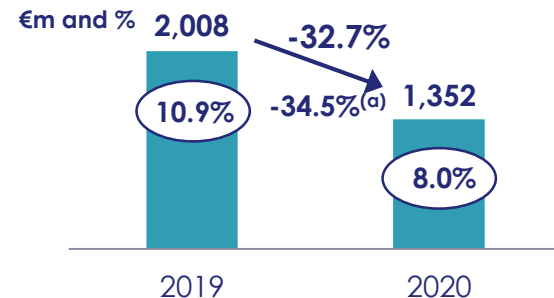
Order intake and book-to-bill



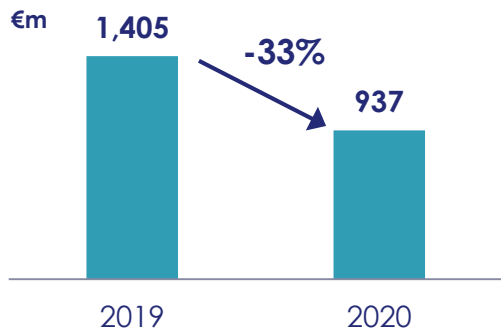
Sales



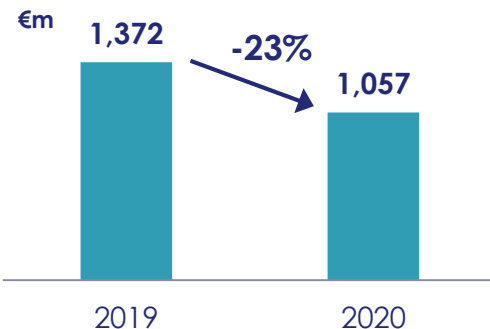
EBIT and EBIT margin^(b)



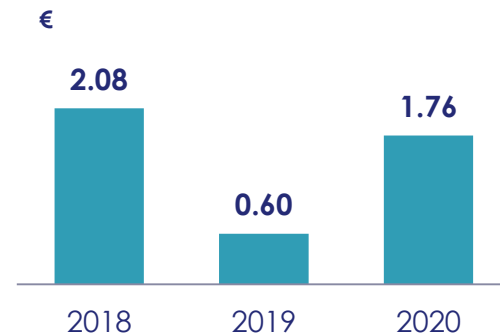
Adjusted net income^(b)



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 6 May 2021 Annual General Meeting

2020 order intake

Strong order intake despite Covid-19 crisis, driven by record Q4

- 13 large^(a) orders booked in Q4 2020
- 19 large^(a) orders booked in 2020

2020 book-to-bill of 1.09

- 1.10 excluding DIS, whose book-to-bill is structurally equal to 1

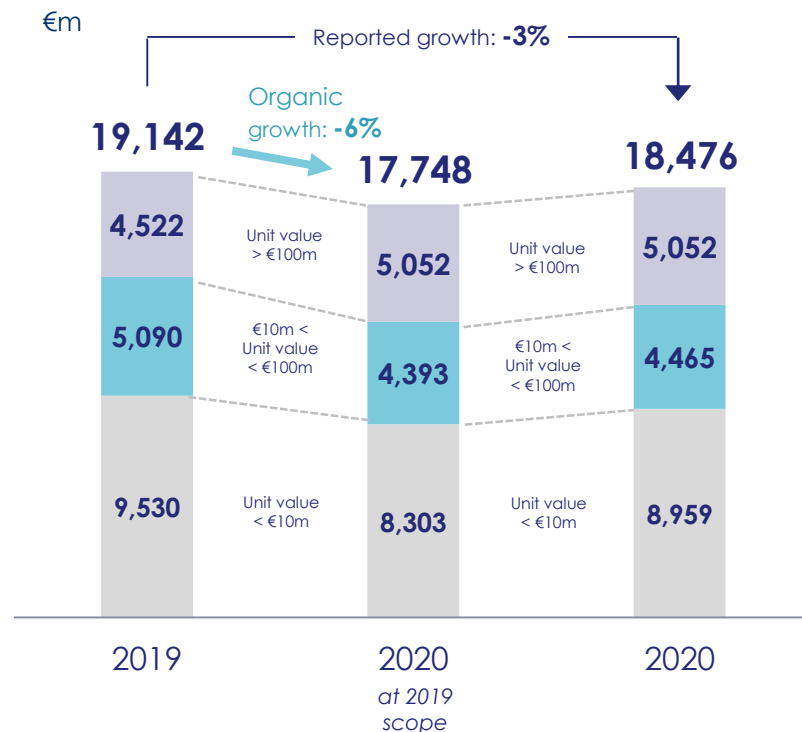
Third year in a row of record order intake in mature markets

Small orders^(b) holding very well outside of civil aero and biometrics

(a) With a unit value over €100m

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

Order intake by contract unit value



2020 organic sales growth

Negative currency impacts in both Q4 and Full Year 2020

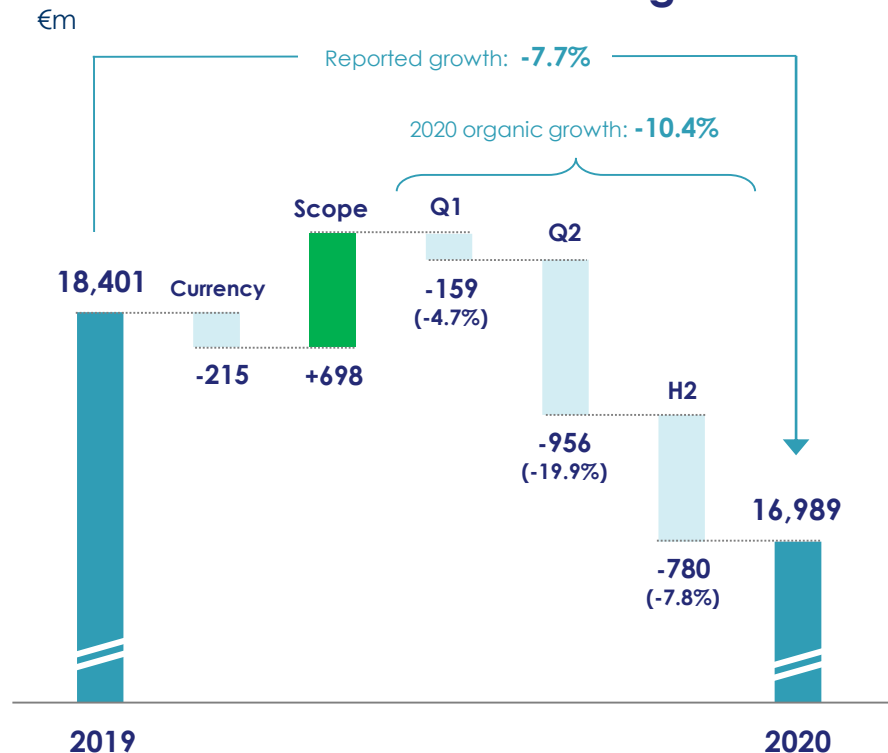
- Q4: -€116m, -2.2% of sales
- 2020: -€215m, -1.3% of sales

Gemalto scope effect

Organic sales decline reflecting stages of Covid-19 crisis

- Q2: impact of lockdown across most businesses
- H2: progressive recovery
 - Flight avionics and IFE sales down 35%+
 - Delayed tenders in other businesses

Drivers of sales change

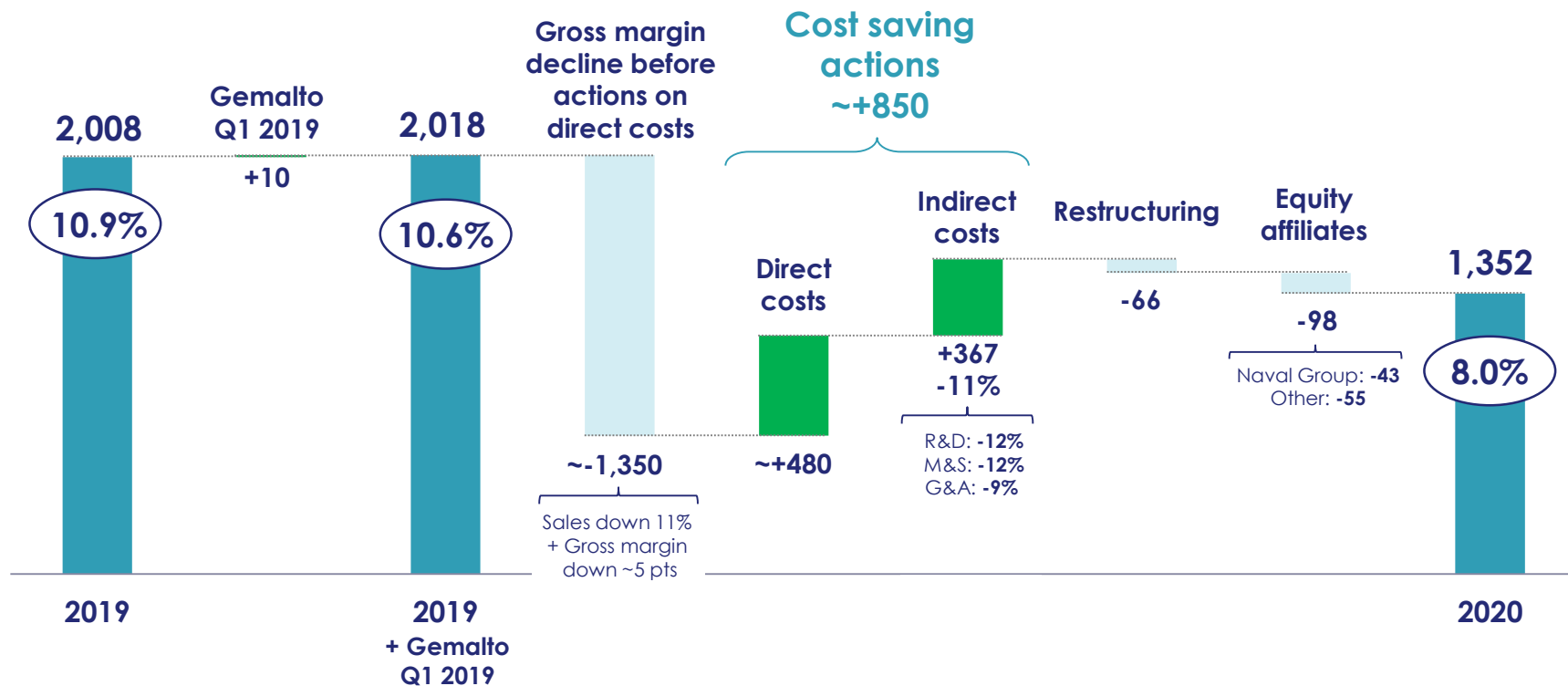


Summary adjusted P&L: from sales to EBIT

	2020		2019 + Q1 Gemalto		Change	
	€m	% of sales	€m	% of sales	total	organic
Sales	16,989		19,052		-10.8%	-10.4%
Gross margin	4 392	25.9%	5,261	27.6%	-16.5%	-16.8%
Indirect costs	(2,943)	-17.3%	(3,310)	-17.4%	-11.1%	-10.4%
o/w R&D expenses	(1,025)	-6.0%	(1,163)	-6.1%	-11.9%	-11.7%
o/w Marketing & Sales expenses	(1,305)	-7.7%	(1,477)	-7.8%	-11.6%	-10.7%
o/w General & Administrative expenses	(613)	-3.6%	(670)	-3.5%	-8.5%	-7.6%
Restructuring costs	(169)		(104)		+61.4%	+65.4%
Share in net result of equity-accounted affiliates, excluding Naval Group	50		106			
EBIT, excluding Naval Group	1,331	7.8%	1,953	10.3%	-31.9%	-33.4%
Share in net result of Naval Group	22		65			
EBIT	1,352	8.0%	2,018	10.6%	-33.0%	-34.5%

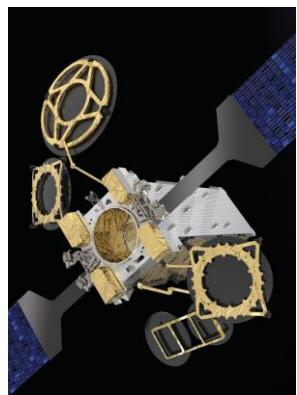
Cost saving actions €100m above target

Drivers of EBIT change between 2019 and 2020
€m and % of sales





Aerospace: 2020 key figures



€m	2020	2019	Change total	organic
Order intake	3,822	4,829	-21%	-20%
Sales	4,217	5,595	-24.6%	-24.1%
EBIT	-76	521	nm	nm
in % of sales	-1.8%	9.3%		

Decrease in order intake driven by In-Flight Entertainment and Flight Avionics, with drop in civil aero demand of around 40% in 2020

- Weaker than expected civil aero Q4 demand due to continuation of travel restrictions
- Strong momentum in institutional space projects, with major wins in earth observation (Copernicus) and space exploration (Moon, Mars)

Sales affected by 40%+ decline in civil aero and a few delayed tenders in space

Negative EBIT driven by severe sales drop, restructuring costs and lower JV contribution, despite material benefits of global adaptation plan



Transport: 2020 key figures



€m	2020	2019	Change	
			total	organic
Order intake	1,652	1,751	-6%	-4%
Sales	1,618	1,910	-15.3%	-13.9%
EBIT	86	56	+53.5%	+52.5%
in % of sales	5.3%	2.9%		

Order intake impacted by Covid-19 related delays in bid processes, especially in urban rail

- Robust main line signaling order intake, including key win for digital node in Germany

Sales affected by phasing effects and Covid-19 disruptions

- Strong phasing effects on 4 major urban rail projects^(a), as planned
- Covid-19 related disruptions since Q2, mainly on urban rail projects

Solid EBIT margin progression, in line with mid-term target

- Transformation plan continues to deliver margin improvement, in spite of crisis



Defense & Security: 2020 key figures



€m	2020	2019	Change	
			total	organic
Order intake	9,922	9,907	0%	+1%
Sales	8,085	8,266	-2.2%	-1.8%
EBIT	1,039	1,153	-9.9%	-9.5%
in % of sales	12.9%	14.0%		

Continued strong order intake momentum despite Covid-19 crisis

- 14 large (€100m+) orders in 7 countries, including jumbo contract in Germany (MKS180)
- New record order intake, book-to-bill of 1.23
- New record high backlog of €23.2bn, providing solid visibility

Solid recovery in H2 (+3.2% organic) against high comps (+6.1% organic in H2 2019)

EBIT margin in upper range of medium-term guidance range, despite Covid-19 disruptions

- Solid H2 EBIT margin recovery, catching-up with Q2 negative productivity impacts
- Strong mobilization of teams, solid project execution and limited restructuring costs



Digital Identity & Security (DIS): 2020 key figures



€m	2020	2019 +Q1 Gemalto	Change total	organic
Order intake	3,023	3,315	-9%	-7%
Sales	2,992	3,202	-6.6%	-5.9%
EBIT	324	274	+18.2%	+8.4%
in % of sales	10.8%	8.6%		

Order intake structurally aligned with sales for most businesses

Full Year organic sales decline due to Covid-19 and high comps in smart cards

- Passport business (biometrics) affected by travel restrictions
- Smart cards facing high comps in H2

EBIT margin progression in line with plan, despite Covid-19 crisis

- Cost synergies ahead of plan
- Good cost control offsetting additional Covid-19 costs
- Positive impact of higher than expected smart card sales in H1

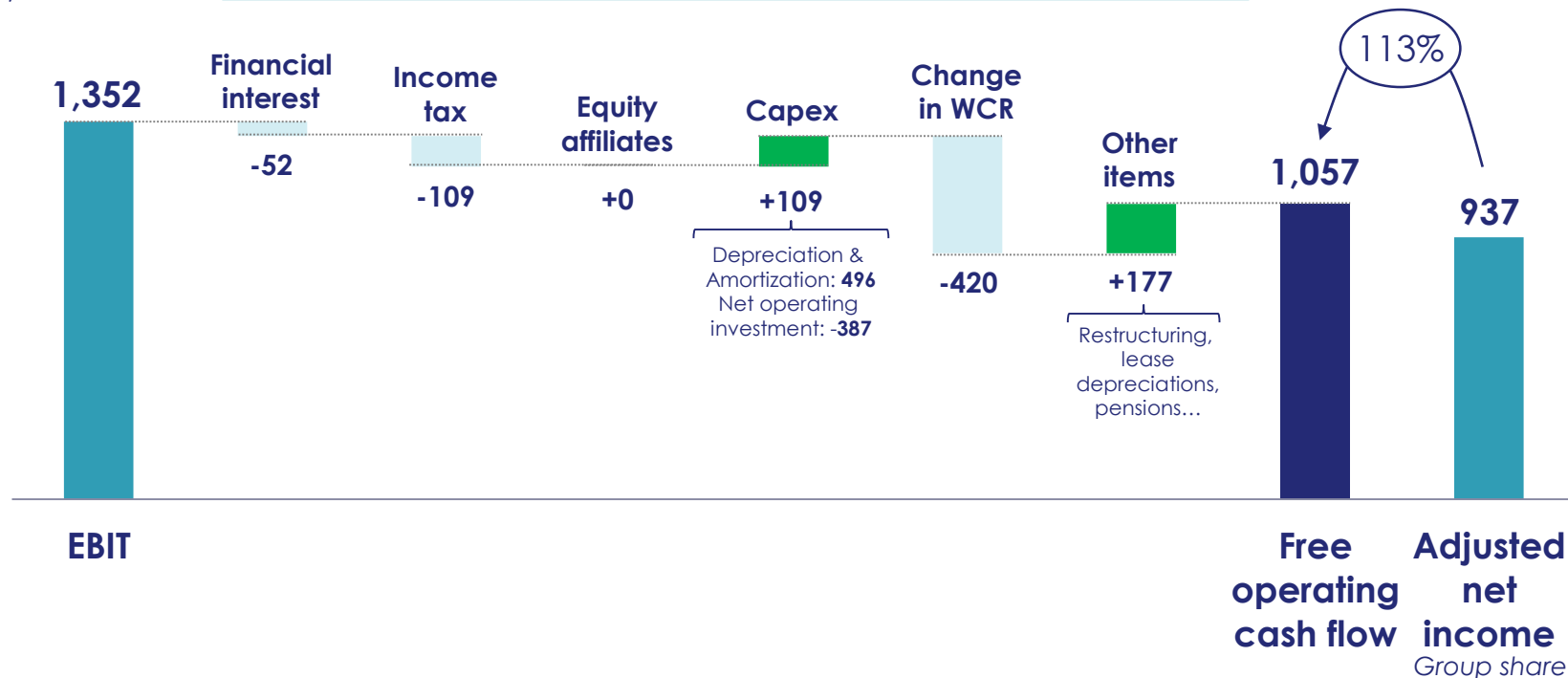
Summary adjusted P&L: from EBIT to adjusted net income

€m	2020	2019
EBIT	1,352	2,008
Cost of net financial debt and other financial results	(94)	(55)
Finance costs on pensions and other employee benefits	(41)	(56)
Income tax	(264)	(454)
<i>Effective tax rate</i>	23.1%	26.3%
Adjusted net income	953	1,443
Minus, Minorities	(16)	(38)
Adjusted net income, Group share	937	1,405
EPS: Adjusted net income, Group share, per share (in €)	4.40	6.61

Cash conversion: from EBIT to Free Operating Cash Flow

2020, €m

Free operating cash flow significantly above expectations thanks to strong focus on cash



Solid cash conversion confirmed, driving upgraded 2019-2023 target

Strong focus on cash delivers

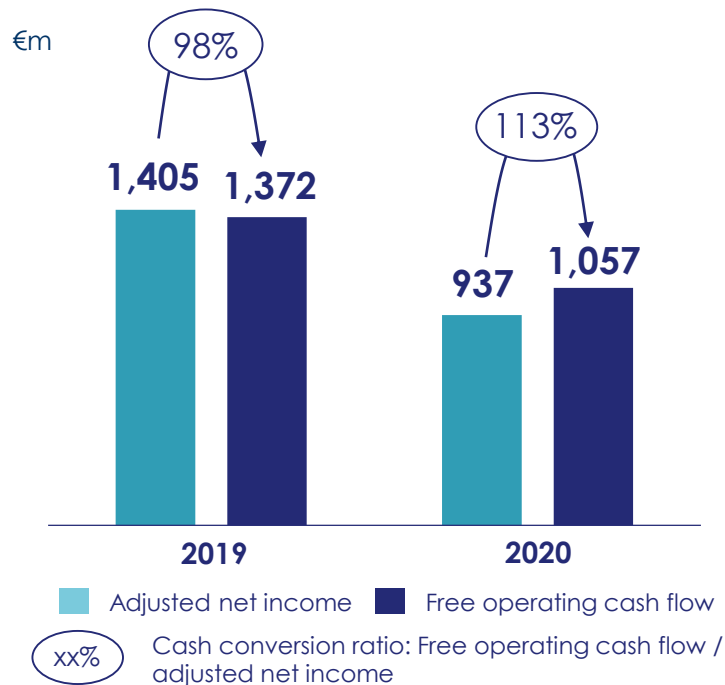
- CA\$H! initiative launched in 2019
- Effect of global crisis adaptation plan: cash focus, 25% capex cut
- Support from institutional and governmental customers
- Lower than planned unwinding of down-payments

2019-2023 cash conversion target upgraded: now targeting 95% on a reported basis^(a)

- Natural year-on-year volatility due to cut-off effects and down-payments on large export contracts
- 2021-23: balance of ~€500m to unwind

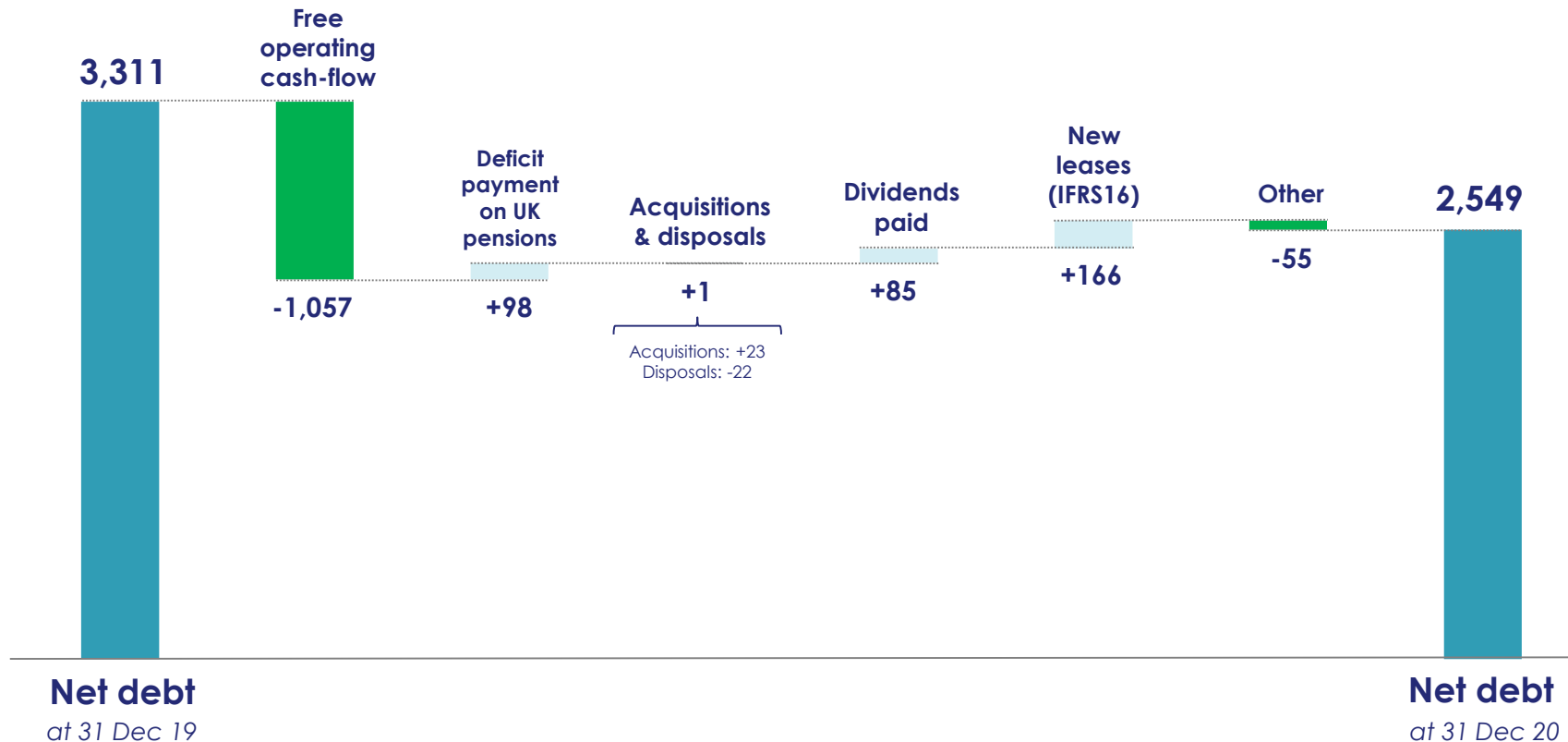
(a) Previous target: "around 95% before one-offs on average over the 2019-2023 period"

Reported cash conversion



Movement in net debt over 2020

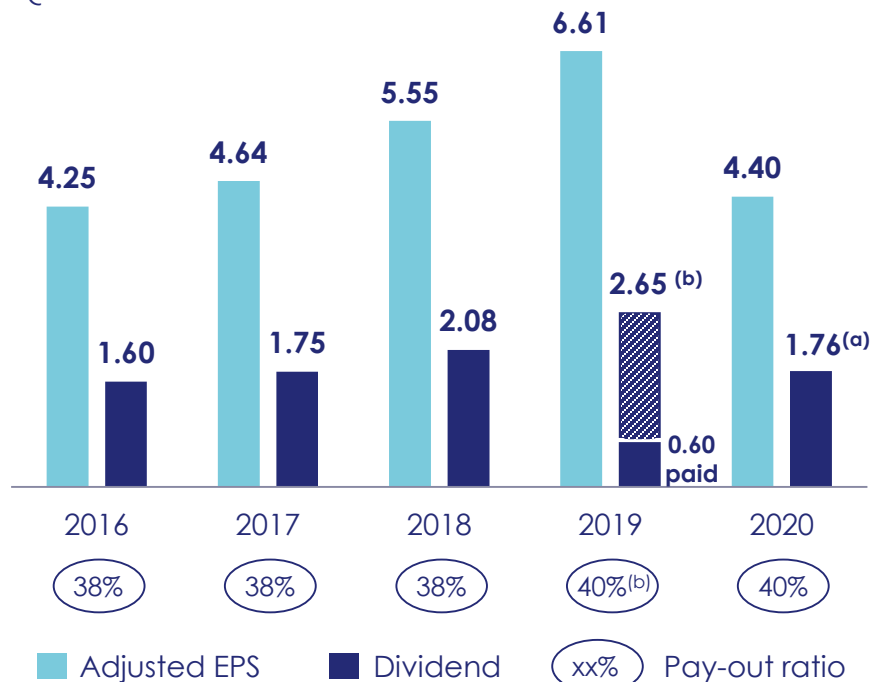
€m



Adjusted EPS and dividend

Adjusted EPS and dividend per share

€



(a) Subject to approval by the 6 May 2021 Annual General Meeting

(b) Initial amount and pay-out ratio. Adjusted in April 2020 in context of Covid-19 crisis

Adjusted EPS affected by Covid-19 crisis

Return to pre-Covid-19 distribution policy

- Proposed 2020 dividend: €1.76 per share^(a)
- Pay-out ratio confirmed at 40%



2020 Full-Year results

Strategy and outlook



Defense & Security: a world class defense business

Defense budget growth confirmed across key Thales markets

- Geopolitical tensions and terrorism
- Greater variety of threats

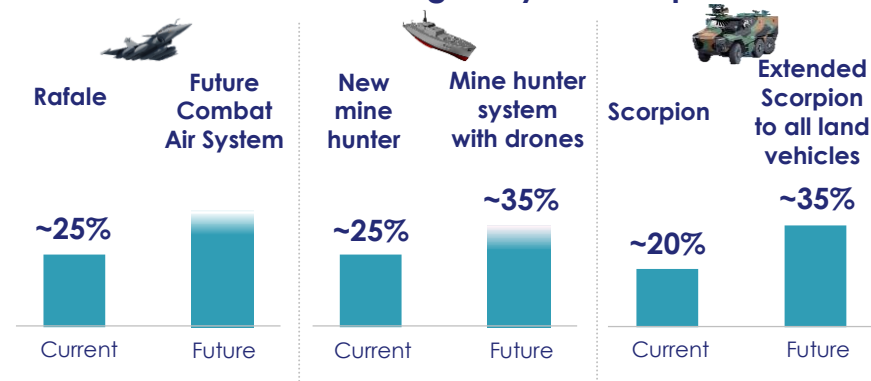
Positioning on intelligent systems and digital solutions driving faster growth and opening new markets

- Sensors and mission systems
- Secured networks
- Command and control solutions

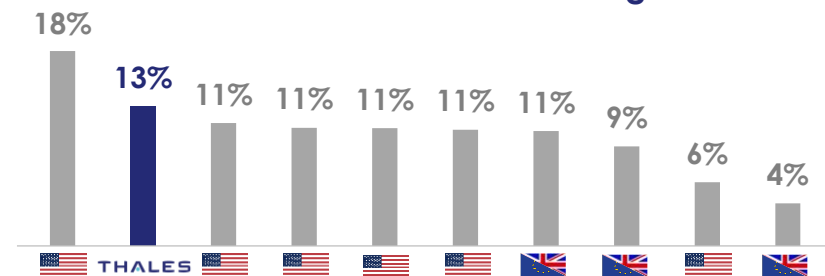
Industry-leading margins

- Differentiated technologies
- Strict focus on cost and execution

Illustrative value of intelligent systems in platforms



Peer defense business EBIT margin^(a)



(a) 10 largest US/UK/EU listed defense companies. Defense segment margin for non pure defense companies. 2020 margin if disclosed as of 3 March 2021, 2019 otherwise

THALES
Building a future we can all trust

Space: major commercial wins underpin return to sustained growth

Technology leadership enables major wins across key institutional markets

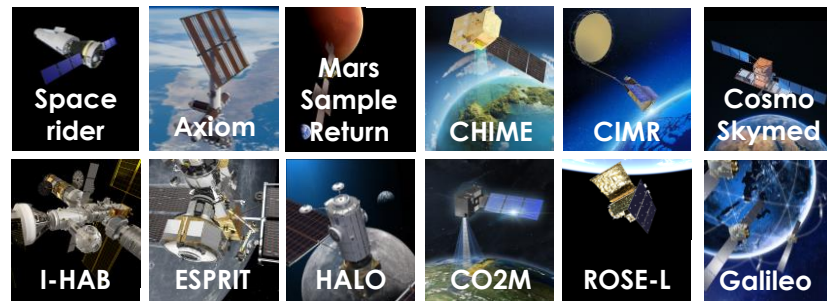
- Copernicus
- Moon and Mars missions
- New generation Galileo satellites

Capitalizing on best-in-class telecom product range

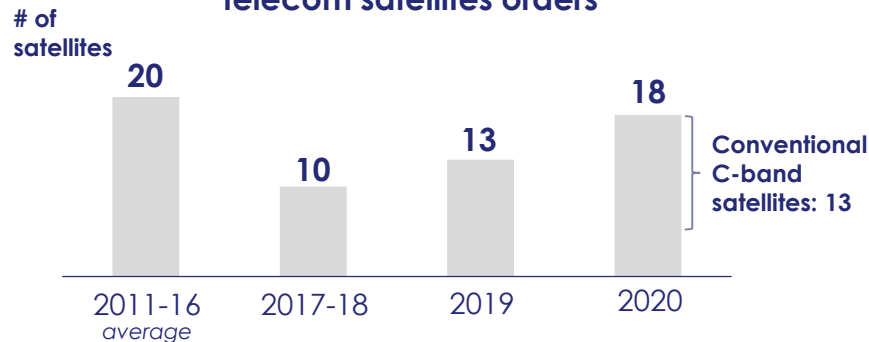
- Flexible GEO satellites: first customer award for *Space Inspire*
- Telesat selection demonstrating global constellation leadership

R&D investments sustained

Key institutional wins since July 2020



Worldwide geostationary commercial telecom satellites orders



Avionics and IFE: prepared for upcoming rebound

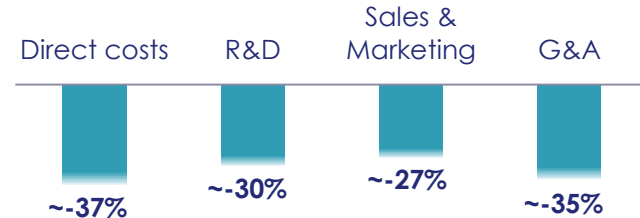
Comprehensive recovery action plan implemented since April 2020

- On-going structural cost adaptation
- Further deployment of best practices in lean manufacturing and inventory management
- Creation of single global services business line
- R&D efforts focused on green, digital and connected air transport opportunities

Progressive sales improvement expected from Q2 2021

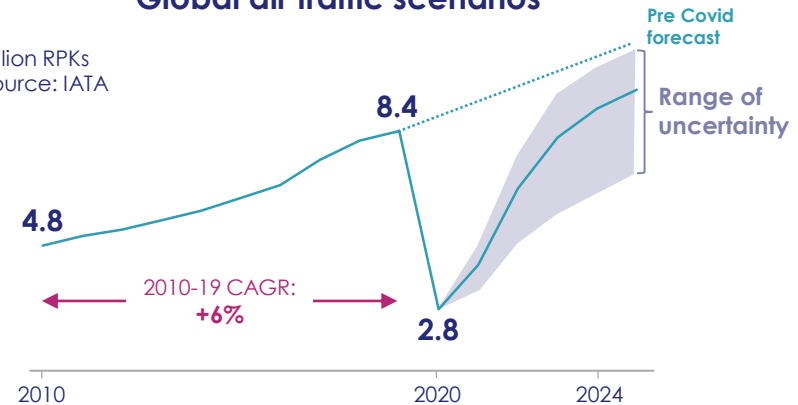
- Full Year avionics & IFE sales expected organically down mid single digit
- Gradual ramp up of commercial aftermarket as air travel restrictions are lifted
- Lower commercial widebody OE production rates

Avionics and IFE: structural cost adjustment targets (2021 vs 2019)

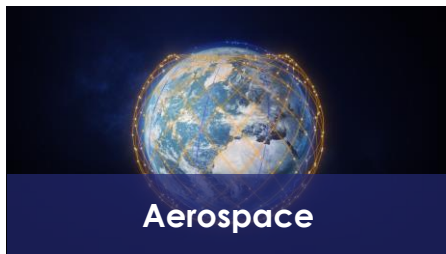


Global air traffic scenarios

Billion RPKs
Source: IATA



Digital investments drive key successes across all markets



- Telesat: flexible capacity allocation and end-to-end security
- Blacksky: big data enabled observation constellation
- FlytX: cyber-secured and connected avionics suite



- Deutsche Bahn: first major digital signaling contract in Germany
- Norway: country-wide digital traffic management system



- MKS180: digital mission system and cyber-defense
- NATO: deployable defense cloud
- UK and French MoD: autonomous mine-hunting



- Data security and privacy partnership with Google cloud
- 50%+ market share on eSIM management platforms
- Strong growth in digital payments and biometric EMV cards

Enhancing growth profile through digital investments

Solid progress on Gemalto synergies

Revenue synergies in line with plan

- Compelling offer on data protection and identity management market, combining industry-leading capabilities from Thales and Gemalto
- Sale of DIS solutions through Thales global sales network
- Progressive insertion of DIS key technologies in Thales solutions
 - New “fly-to-gate” airport security offerings
 - Drone identification and geo-localization
 - Physical and digital access control to critical sites
- 50 projects already won, in line with 2023 revenue synergy target (€300-500m)

Cost synergies ahead of plan



Relentless focus on operational performance and EBIT margin expansion

Avionics and IFE: structural cost adaptation

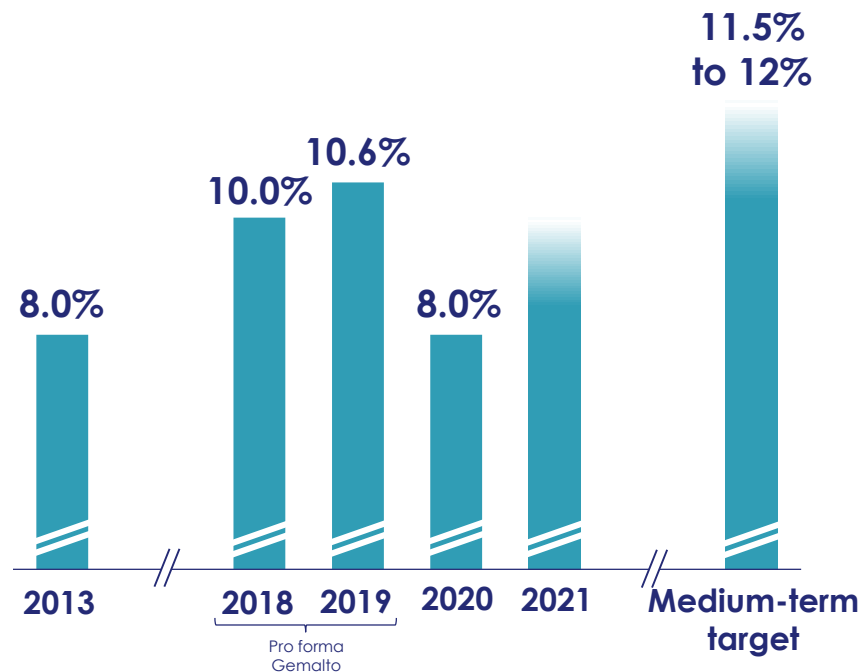
Gemalto cost synergies

Continuation of transport transformation

4 groupwide operational performance initiatives

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

EBIT margin trend



Sustainability: accelerating growth and competitiveness

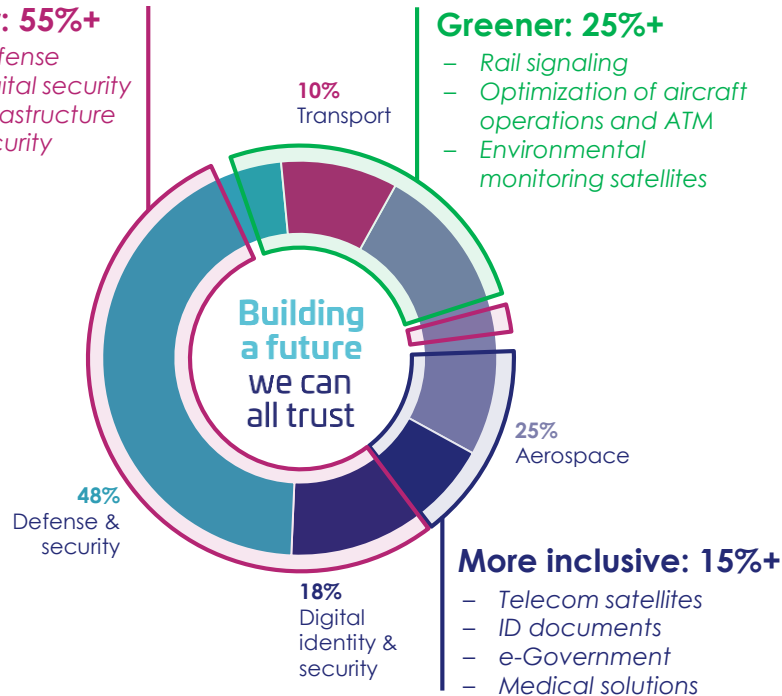
Portfolio addresses key societal needs

Safer: 55%+

- Defense
- Digital security
- Infrastructure security

Greener: 25%+

- Rail signaling
- Optimization of aircraft operations and ATM
- Environmental monitoring satellites



More inclusive: 15%+

- Telecom satellites
- ID documents
- e-Government
- Medical solutions

Significant sustainability-related growth opportunities

- “Clean tech” solutions
 - Greener air transport
 - Efficient rail infrastructures
 - Environmental monitoring satellites
- “Inclusive” solutions
 - Digital government solutions
 - Foundational ID systems: legal identity for all
 - Satellites to bridge the digital divide
- Data security and privacy

Comprehensive sustainability commitments embedded in strategy

Business environment assumptions

- Improving health and macro-economic context
- High near-term uncertainty
 - Pace of air traffic recovery
 - Corporate investment plans
- Improvement in almost all end markets expected over full year

Strategic priorities

- Continued focus on growth initiatives
 - Further ramp up of DIS synergies
 - Digital innovation opportunities
- Implementation of structural cost adaptation plan in civil aero
- Sustaining high level of R&D investments, while increasing selectiveness

2021 financial objectives

Order intake

Book-to-bill above 1

Sales

€17.1 to 17.9 billion^(a), depending notably on pace of recovery in air travel

EBIT margin^(b)

9.5% to 10%^(a)

(a) Based on March 2021 scope and foreign exchange rates. Assuming no new major disruptions of the health and economic context, and a rapid normalization of global semi-conductor supply chains

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

Appendix



Upcoming events

Q1 2021 sales

6th May 2021
(before market)

Annual General Meeting

6th May 2021

Dividend payment^(a)

20th May 2021

H1 2021 results

23rd July 2021
(before market)

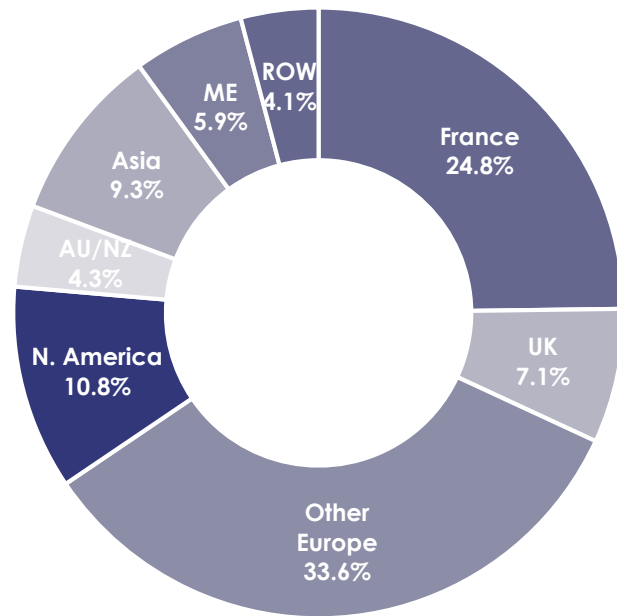
Q3 and 9m 2021 sales

26th October 2021
(before market)

(a) Subject to approval by the 6th May 2021 Annual General Meeting. Ex-dividend date: 18th May 2021.

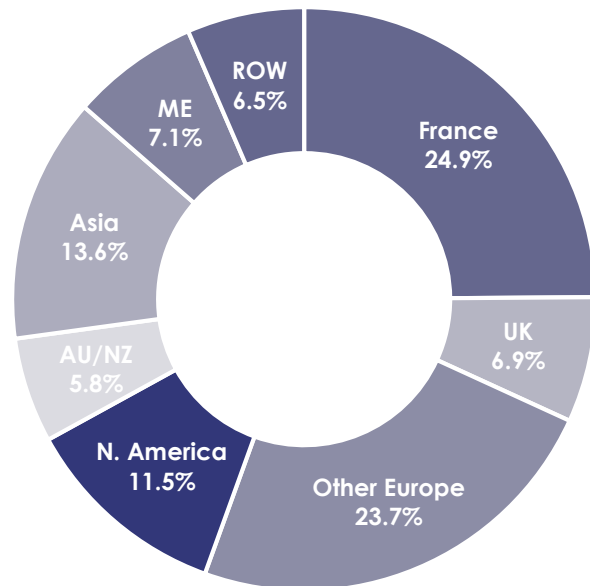
2020 order intake by destination

€m	2020	2019	Change	
			Total	organic
France	4,580	5,372	-15%	-15%
United Kingdom	1,314	1,730	-24%	-25%
Other European countries	6,215	4,266	46%	42%
Europe	12,109	11,368	+7%	+5%
North America	2,002	2,040	-2%	-9%
Australia/NZ	799	850	-6%	-5%
Mature markets	14,910	14,258	+5%	+3%
Asia	1,718	2,452	-30%	-34%
Middle East	1,088	1,293	-16%	-22%
Rest of the world	760	1,139	-33%	-38%
Emerging markets	3,567	4,883	-27%	-32%
Total	18,476	19,142	-3%	-6%



2020 sales by destination

€m	2020	2019	change	
			total	organic
France	4,229	4,461	-5.2%	-5.7%
United Kingdom	1,180	1,297	-9.1%	-9.9%
Other European countries	4,024	4,040	-0.4%	-4.2%
Europe	9,432	9,798	-3.7%	-5.6%
North America	1,952	2,102	-7.1%	-13.8%
Australia/NZ	990	958	+3.4%	+4.6%
Mature markets	12,375	12,858	-3.8%	-6.2%
Asia	2,310	2,642	-12.6%	-16.9%
Middle East	1,201	1,601	-25.0%	-26.6%
Rest of the world	1,104	1,301	-15.1%	-19.4%
Emerging markets	4,614	5,543	-16.8%	-20.3%
Total	16,989	18,401	-7.7%	-10.4%



2020 adjusted net result

€m	Consolidated P&L 2020	Amortization of acquired assets (PPA)	Expenses related to acquisitions	Disposal of assets and others	Change in fair value of derivative FX instruments	Actuarial gains/losses on other long term benefits	Adjusted P&L 2020
Sales	16,989						16,989
Cost of sales	-13,054	457	1				-12,597
R&D	-1,025						-1,025
Selling costs	-1,306		1				-1,305
G&A costs	-613		0				-613
Restructuring costs	-174		5				-169
Income from operations	818	457	7				1,281
Share in net income (loss) of equity affiliates	44	27					71
Income of operating activities incl. share in net income of equity affiliates	862	484	7				N/A
EBIT	N/A						1,352
Result of disposal of assets, change in scope and others	42			-42			-
Impairment loss on assets	-135			135			-
Cost of net financial debt	-60						-60
Other financial income (expense)	-82				47		-34
Finance costs on pensions and other employee benefits	-45					4	-41
Income tax	-90	-131	0	-27	-15	-1	-264
Net income (loss)	492	353	6	66	32	3	953
Minorities	-9	-8					-16
Net income (loss), Group share	483	345	6	66	32	35	937

2019 adjusted net result

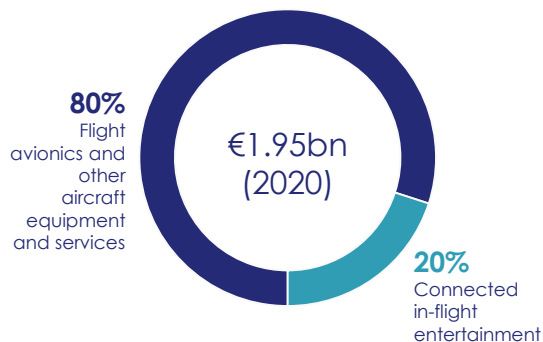
€m	Consolidated P&L 2019	Amortization of acquired assets (PPA)	Expenses related to acquisitions	Disposal of assets and others	Change in fair value of derivative FX instruments	Actuarial gains/losses on other long term benefits	Adjusted P&L 2019
Sales	18,401						18,401
Cost of sales	-13,877	528					-13,350
R&D	-1,099		1				-1,097
Selling costs	-1,383		2				-1,381
G&A costs	-637		3				-634
Restructuring costs	-122		21				-102
Income from operations	1,284	528	27				1,837
Share in net income (loss) of equity affiliates	142	29					171
Income of operating activities incl. share in net income of equity affiliates	1,425						N/A
EBIT	N/A	556	27				2,008
Result of disposal of assets, change in scope and others	219			-219			0
Cost of net financial debt	-43						-43
Other financial income (expense)	-84				73		-12
Finance costs on pensions and other employee benefits	-69					13	-56
Income tax	-301	-145	-1	21	-24	-4	-454
Net income (loss)	1,146	411	26	-198	49	10	1,443
Minorities	-25	-13	0				-38
Net income (loss), Group share	1,122	398	25	-198	49	10	1,405

EBIT by operating segment

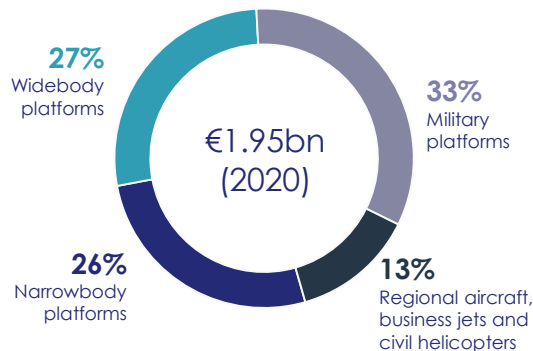
€m / % of sales	2020		2019		Change	
					total	organic
Aerospace	(76)	-1.8%	521	9.3%	nm	nm
Transport	86	5.3%	56	2.9%	+53.5%	+52.5%
Defence & Security	1,039	12.9%	1,153	14.0%	-9.9%	-9.5%
Digital Identity & Security	324	10.8%	264	10.3%	+22.8%	+8.4%
EBIT - operating segments	1,373	8.1%	1,994	10.9%	-31.1%	-32.9%
Other	(43)		(50)			
EBIT - excluding Naval Group	1,331	7.8%	1,943	10.6%	-31.5%	-33.4%
Naval Group	22		65			
EBIT - total	1,352	8.0%	2,008	10.9%	-32.7%	-34.5%

Global leader in flight avionics and connected in-flight entertainment

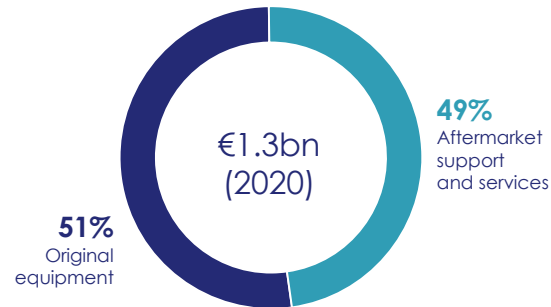
Sales by solutions



Sales by platform type



Commercial sales by activity type



Main avionics platforms



Air transport

A320
A330/340
A350
B787
B747

ATR
Dash 8
CRJ
SSJ 100



Business jets

Bombardier
Cessna
Dassault
Gulfstream



Helicopters

Airbus helicopters
Airbus Tiger
NHI NH90
Bell Cobra/Huey
Sikorsky



Military aircraft

Airbus 400M
Airbus MRTT
Boeing F/A-18

Dassault Rafale
Dassault Mirage 2000
LM F-16

Connected in-flight entertainment (IFE)



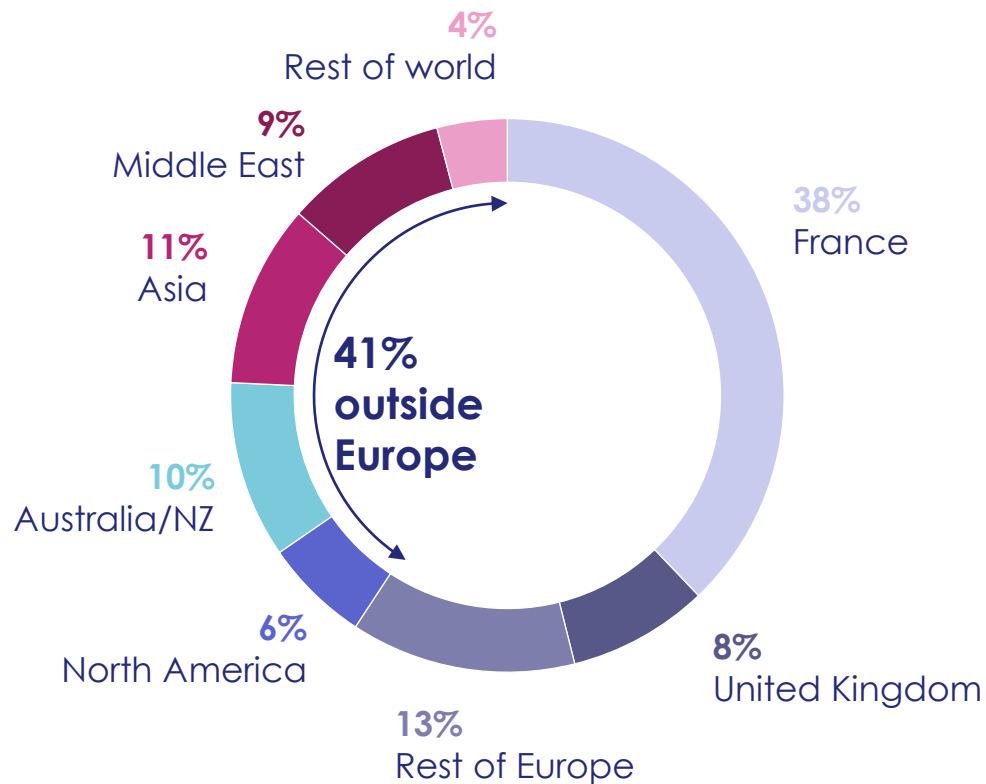
Main platforms

A330/A340
A350
B787
B777

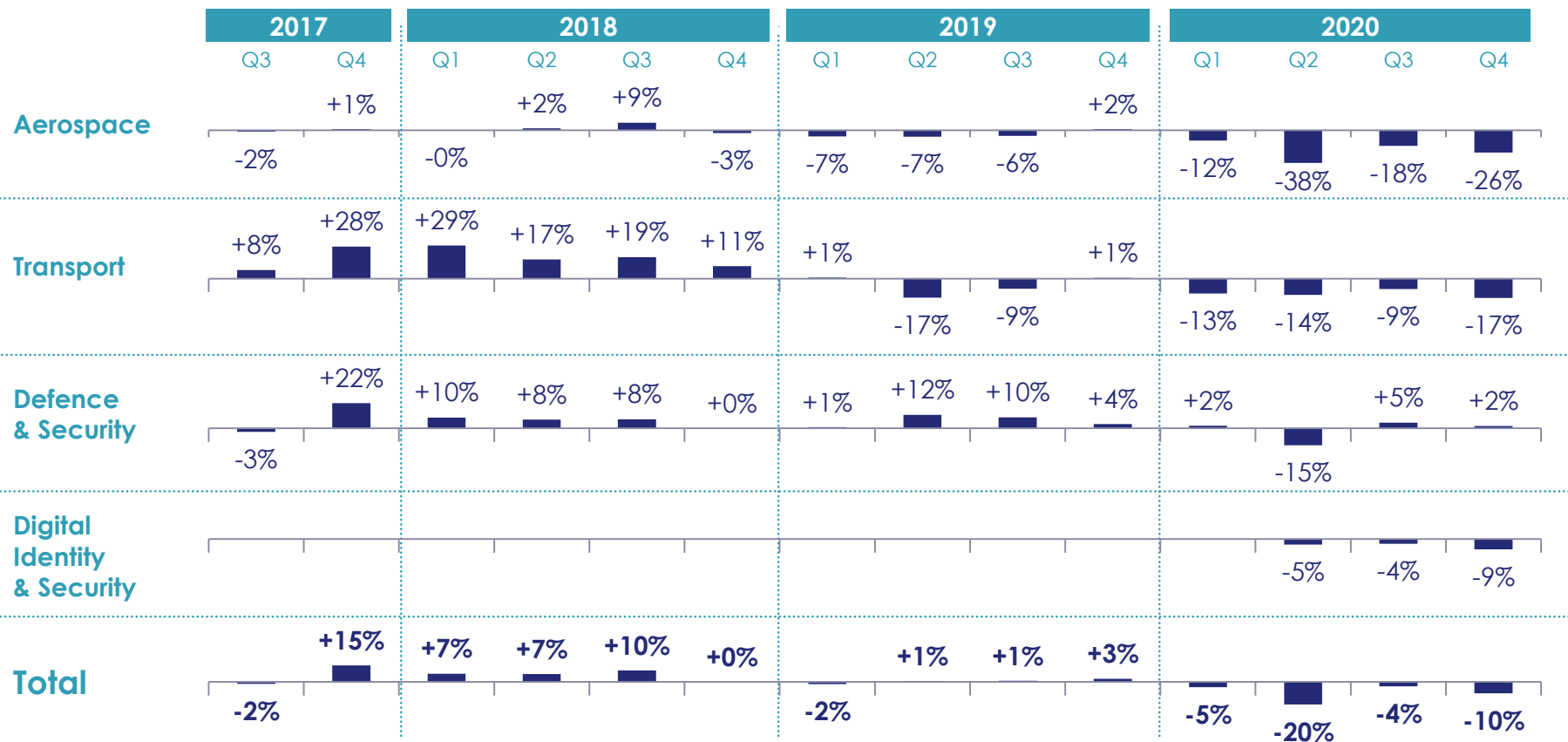
A320
B737

Highly diversified Defense & Security customer base

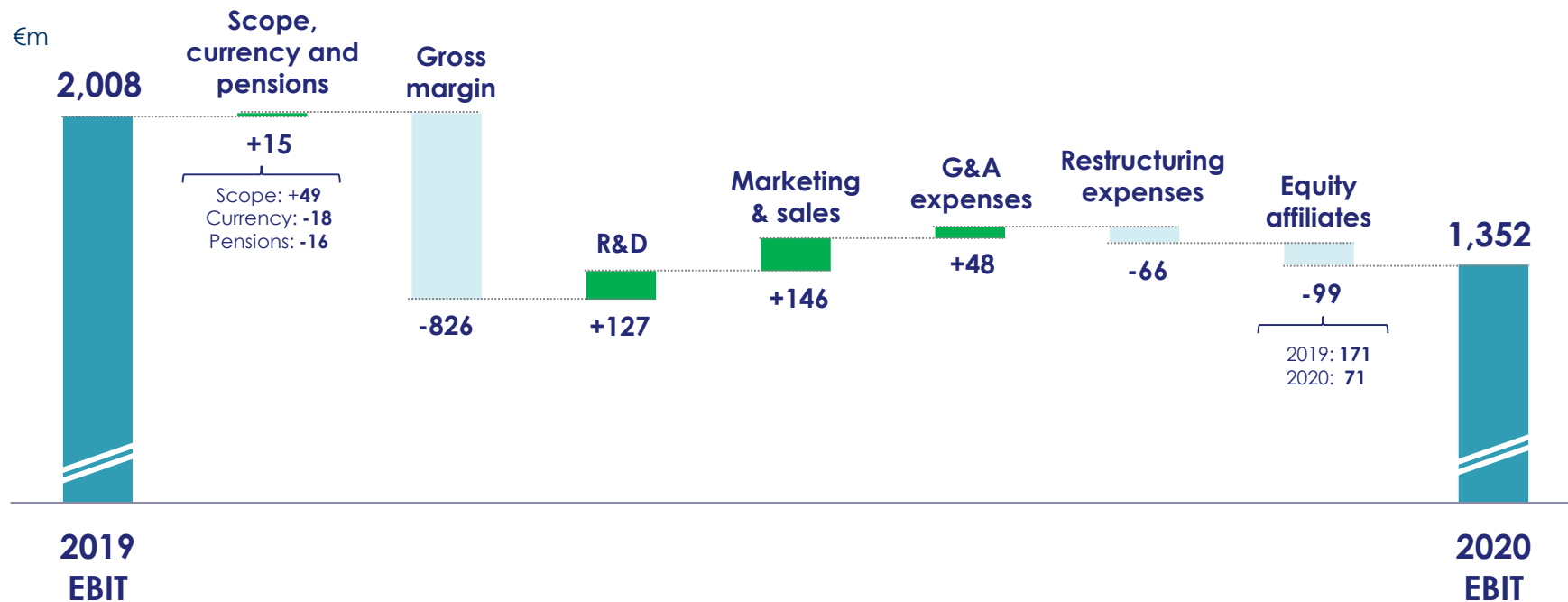
Defense & Security sales by region, 2020



Organic sales growth per quarter



2019 to 2020 EBIT bridge



Q4 2020 order intake by operating segment

€m	Q4 2020	Q4 2019	Change	
			Total	Organic
Aerospace	1,554	2,204	-30%	-29%
Transport	846	883	-4%	-2%
Defence & Security	6,070	4,636	+31%	+32%
Digital Identity & Security	796	952	-16%	-12%
Other	30	21	nm	nm
Total	9,296	8,696	+7%	+8%

Q4 2020 sales by operating segment

€m	Q4 2020	Q4 2019	Change	
			Total	Organic
Aerospace	1,319	1,808	-27.0%	-26.0%
Transport	516	642	-19.6%	-17.3%
Defense & Security	2,616	2,595	+0.8%	+1.6%
Digital Identity & Security	791	920	-14.0%	-9.0%
Other	32	25	nm	nm
Total	5,275	5,991	-12.0%	-10.2%

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 2020.
- **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 2020. 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 2020 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 2020.
- **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 2020.

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This presentation contains certain forward-looking statements. Although Thales believes that its expectations are based on reasonable assumptions, actual results may differ significantly from these forward-looking statements due to various risks and uncertainties, as described in the Company's Universal Registration Document, which has been filed with the French financial markets authority (Autorité des marchés financiers – AMF).

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