

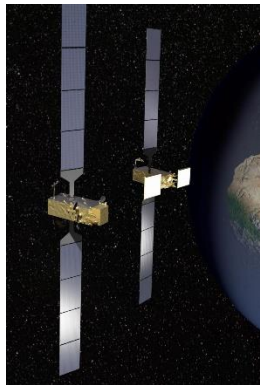


H1 2021 results

23rd July 2021



H1 2021 highlights



Record order intake, significantly above H1 2019 in spite of Covid-19

Major rebound in sales and EBIT following heavy Covid-19 disruptions during Q2 2020

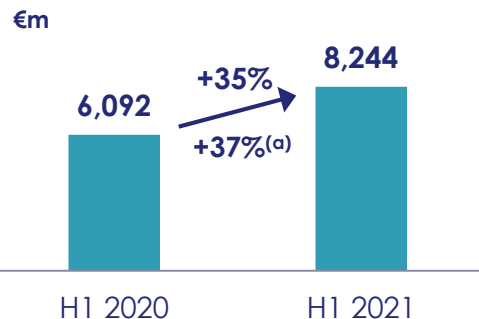
Free operating cash flow significantly ahead of plan

Strong sales performance year-to-date drives guidance upgrade

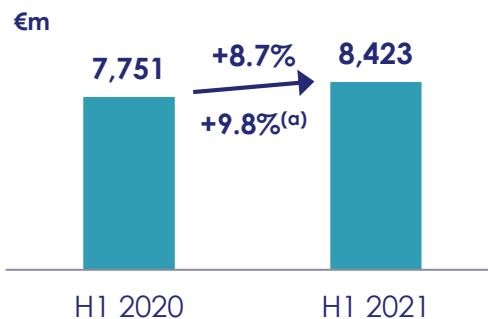
The world post Covid-19: digital innovations accelerate across portfolio

H1 2021 key figures

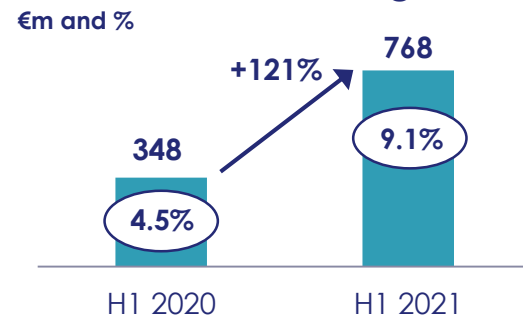
Order intake



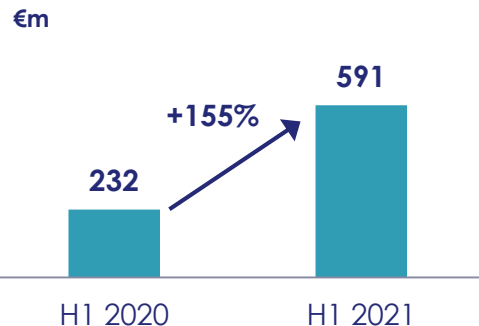
Sales



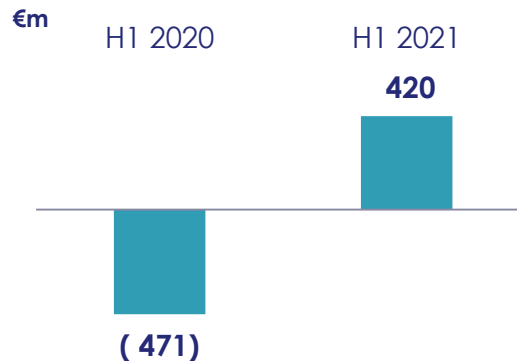
EBIT and EBIT margin^(b)



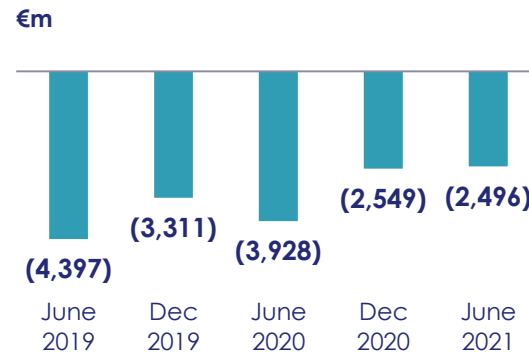
Adjusted net income^(b)



Free operating cash-flow^(b)



Net cash (debt) position



(a) Organic: at constant scope and exchange rates

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

H1 2021 order intake

Continued strong commercial activity

- Q1 2021 reported growth: +28%
- Q2 2021 reported growth: +41%

3 large^(a) orders booked in Q2 2021, for a total of 7 in H1 2021

- 4 in Defense & Security, 3 in Space
- Across many geographies: France, Greece, Italy, Canada and Indonesia

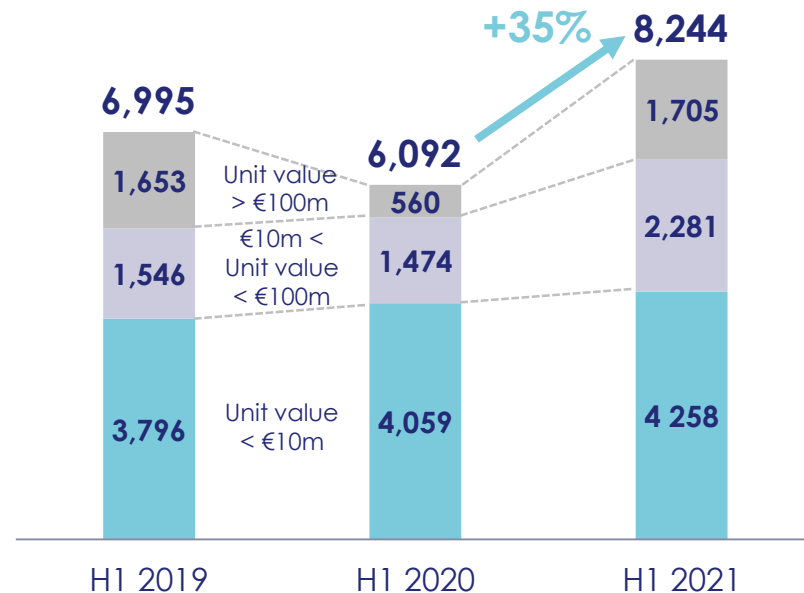
Small orders^(b) up 5% despite continuous impact on civil aero and biometrics

(a) With a unit value over €100m

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

Order intake by contract unit value

€m



H1 2021 sales growth

Solid sales recovery

- Moderating negative currency impact: -0.7 point in Q2 vs -1.4 point in Q1 2021 and -1.9 point in Q4 2020
- Organic growth of +9.8% despite civil aero and biometrics still impacted by Covid-19

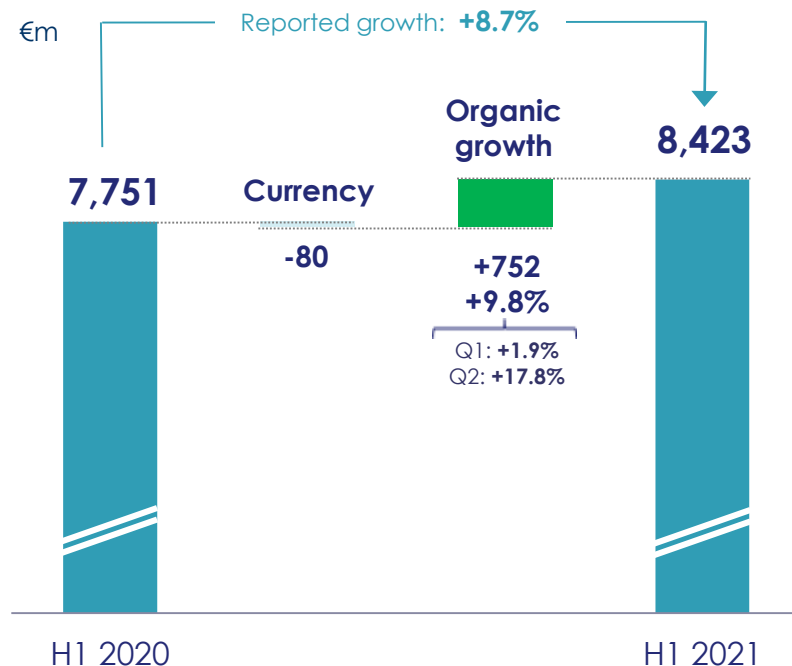
Q2 sales rebounding strongly from Covid-19 crisis trough

- Q2 2020 sales drop driven by decline of demand in civil aeronautics and disruption of operations in other businesses

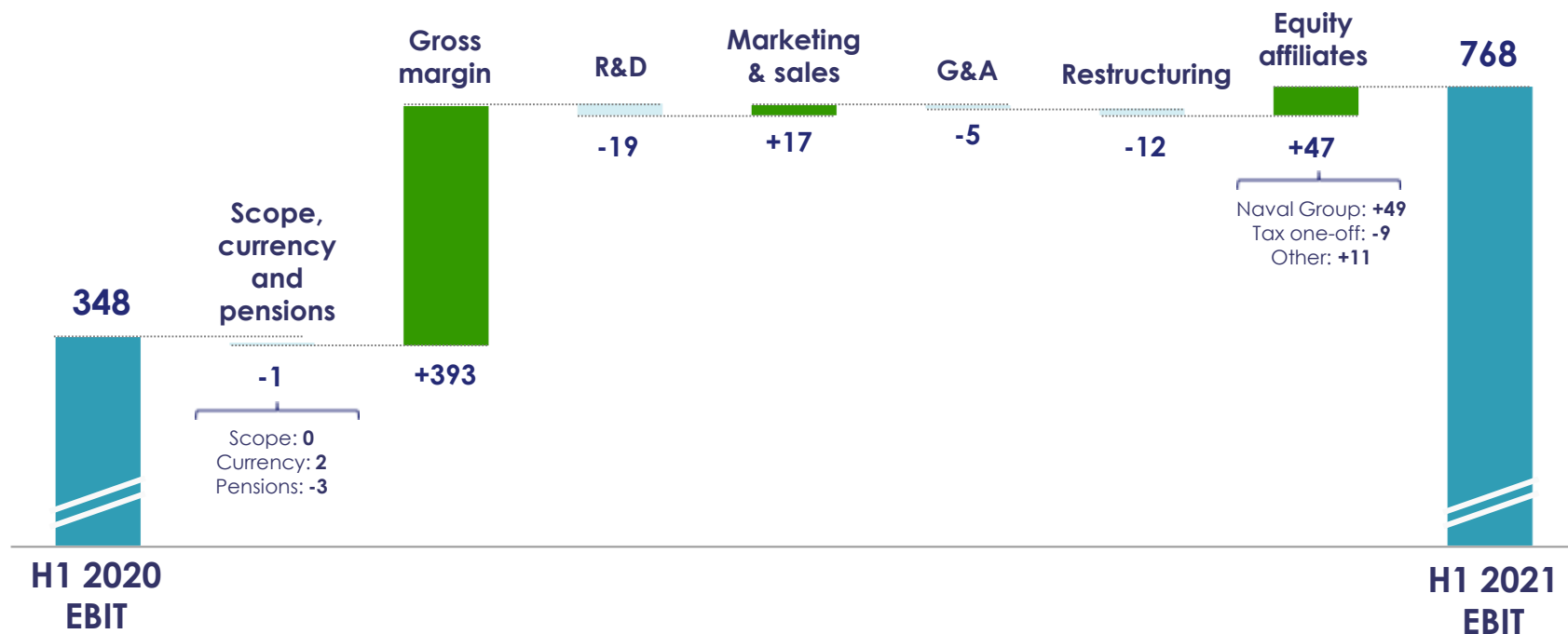
Rebound driven by Europe

- France: +14%
- Rest of Europe: +22%

H1 sales growth drivers



H1 2020 to H1 2021 EBIT bridge





Aerospace: H1 2021 key figures



€m	H1 2021	H1 2020	Change	
			total	organic
Order intake	2,886	1,625	+78%	+80%
Sales	2,112	1,946	+8.6%	+10.2%
EBIT	69	-109	nm	nm
in % of sales	3.3%	-5.6%		

Material growth in order intake driven by strong momentum of Thales Alenia Space

- Tranche 2 of Galileo booked in Q2 for €650m (total contract ~€750m)
- Italian secure telecommunications satellites SICRAL 3 booked for ~€150m
- Progressive recovery of civil aero demand

Sales growth driven by significant rebound of Space and progressive recovery of Flight Avionics aftermarket

EBIT improvement driven by higher sales, global adaptation plan and civil aero structural cost adaptation plan



Transport: H1 2021 key figures



€m	H1 2021	H1 2020	Change	
			total	organic
Order intake	579	442	+31%	+32%
Sales	756	717	+5.4%	+6.0%
EBIT	39	4	+771%	+833%
in % of sales	5.2%	0.6%		

Order intake strongly up vs H1 2020 thanks to robust mainline signaling demand

Sales organically up thanks to strong momentum on mainline projects

- Continuous phasing down effects on 3 major Urban Rail projects^(a), as planned

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

- Transformation plan continues to deliver margin improvement

(a) London, Doha, Hong Kong



Defense & Security: H1 2021 key figures



€m	H1 2021	H1 2020	Change	
			<i>total</i>	<i>organic</i>
Order intake	3,374	2,425	+39%	+39%
Sales	4,152	3,588	+15.7%	+14.9%
EBIT	497	359	+38.5%	+40.7%
in % of sales	12.0%	10.0%		

Continued strong order intake momentum

- H1 2020 orders affected by start of Covid-19 crisis
- 4 contracts above €100m in H1 21, of which 1 in Q2 (tactical radars in Canada)

Solid sales recovery

- H1 2021 sales 7% above H1 2019
- Broad-based organic sales growth: electronic warfare systems, networks and infrastructure, sonars...

EBIT margin recovery after a weak H1 2020 due to health crisis productivity impact



Digital Identity & Security (DIS): H1 2021 key figures



€m	H1 2021	H1 2020	Change	
			total	organic
Order intake	1,370	1,587	-14%	-9%
Sales	1,370	1,472	-6.9%	-2.2%
EBIT	152	140	+8.2%	+6.6%
in % of sales	11.1%	9.5%		

Order intake structurally aligned with sales for most businesses

Sales decline due to high comps in smart cards and ongoing travel restrictions

- Passport business (biometrics) still affected by travel restrictions
- Strong growth momentum in cybersecurity and IoT
- Smart card sales slightly down organically vs. H1 2020

EBIT margin progression in line with plan, despite on-going health crisis impact on biometrics

- Positive impact of cost synergies (target at €110m in 2021) and tight cost control
- Leverage on strong cyber sales growth

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

€m	H1 2021	H1 2020
EBIT	768	348
Cost of net financial debt and other financial results	(37)	(45)
Finance costs on pensions and other employee benefits	(16)	(20)
Income tax	(99) ^(a)	(65)
<i>Effective tax rate</i>	14.7%	23.2%
Adjusted net income	616	218
Minorities	(25) ^(b)	15
Adjusted net income, Group share	591	232
EPS: Adjusted net income, Group share, per share (in €)	2.78	1.09

(a) Includes €51m non cash one-off items related to tax law changes in Italy and the UK. Tax rate excluding one-offs: 22.4%

(b) Minorities excluding €(15)m impact of tax one-offs: €(10)m.

H1 2021 Free operating cash-flow

Improved H1/H2 balance of working capital

Cash management: a key focus across the Group

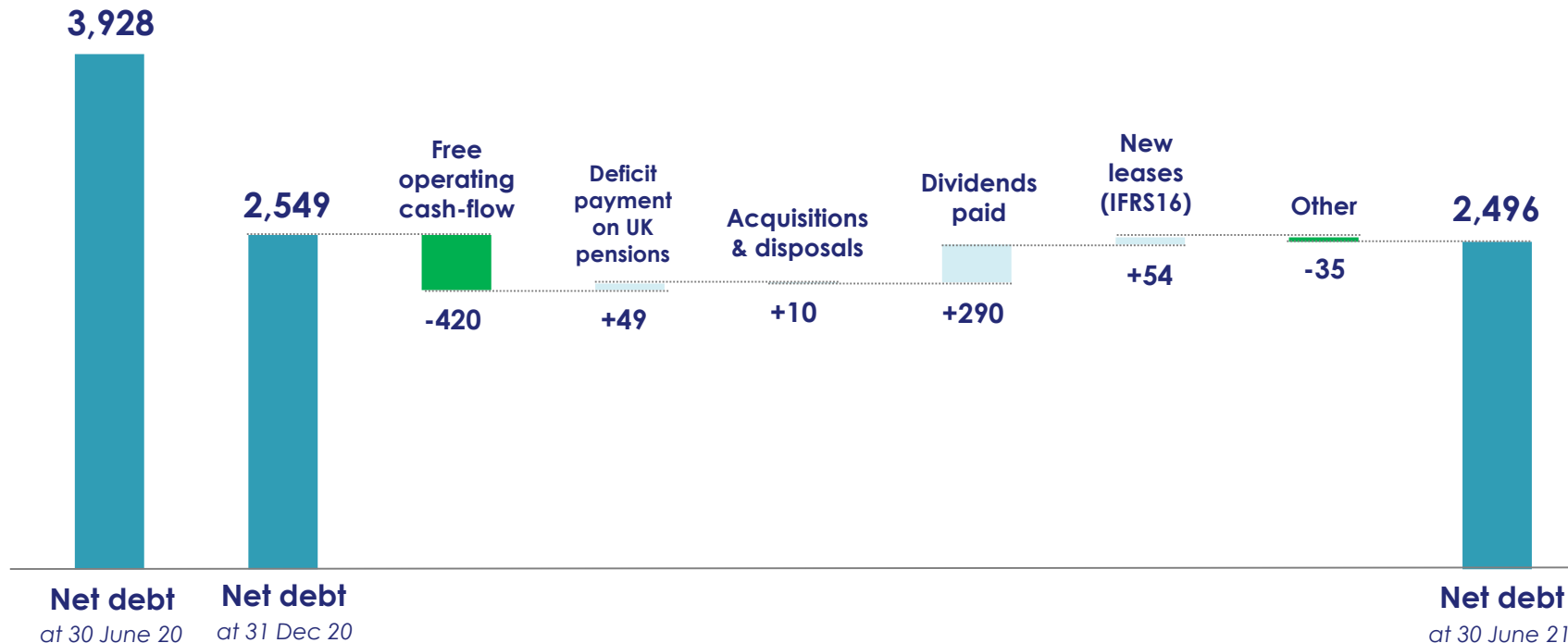
- Internal “CASH” project continues to deliver positive outcomes, with further progress at reducing overdues
- Tight control of supply chain
- Payments anticipated by some customers

Capex increase in line with progressive normalization

€m	H1 2021	H1 2020
Operating cash flow before WCR changes, interest and tax	1,137	709
+ Change in WCR and reserves for contingencies	(435)	(832)
+ Pension cash out, excluding deficit payment on UK pensions	(83)	(87)
+ Net financial interests	(38)	(46)
+ Income tax received (paid)	29	(55)
= Net cash flow from operating activities	610	(310)
+ Net operating investments	(190)	(161)
= Free operating cash-flow	420	(471)

Movement in net debt over H1 2021

€m





H1 2021 results

Strategy and outlook



Aerospace: solid multi-year recovery

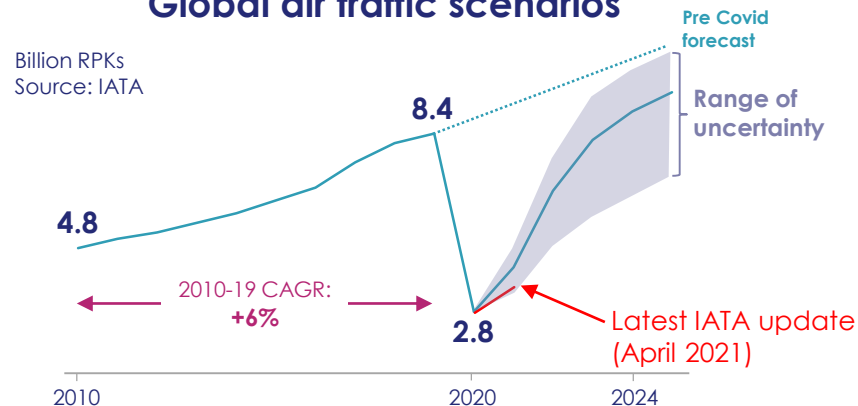
Avionics and IFE: prepared for rebound

- Solid progress on structural cost adaptation plan
- Uncertain outlook for H2 2021
- Significant narrowbody production rate increase planned by Airbus
- Multiple digital and green growth opportunities

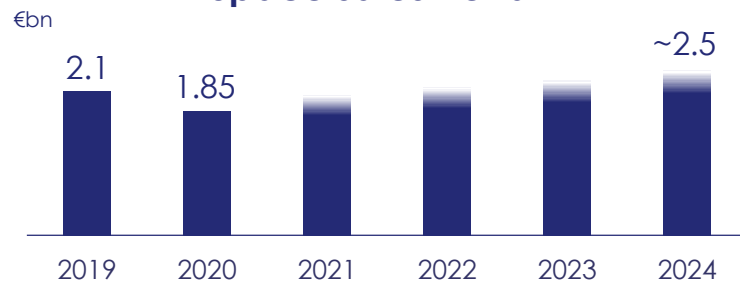
Space: major contract wins

- Flagship wins in every institutional product category: observation, navigation, exploration
- Constellation leadership
- Sustaining Telecom R&D investments

Global air traffic scenarios



Space sales trend^(a)



(a) Trajectory does not assume the booking of a major telecom constellation

DIS revenue synergies progressing in line with plan

Strong growth of combined data protection solution portfolio

- H1: deployment by 4 of top 10 US banks
- Expanded partnership with Google
- Integration in Microsoft 365

Sale of DIS solutions through Thales global sales network

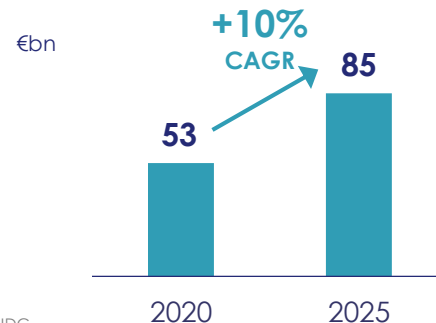
First joint products launched

- New “fly-to-gate” airport security offerings
- Drone identification and geo-localization
- Private 5G networks

49 projects won in H1 2021

- On top of 50 at end of 2020

Cybersecurity product market growth



Source: Gartner, IDC



The world post Covid-19: multiplication of digital innovation opportunities across portfolio



Digital-inside “dream” products

- New generation flight management systems
- New generation IFE and connectivity
- Reconfigurable telecom satellites

- Digital signaling
- Digital Traffic Management Systems
- Data-driven operations control center

- Smart sensors
- Cyber-secured mission systems
- Robots in naval domain
- Software-defined radio
- Big data platform for support services

- Cloud data protection
- Secure IoT connectivity platforms
- IoT security

Digital innovation opportunities

- Green air operations
- Unmanned Traffic Management
- Telecom constellations
- Non terrestrial 5G networks

- Autonomous train
- Smart infrastructures: “rail Internet of Things”

- Defense cloud
- Counter UAV solutions
- Collaborative combat

- Transition from rSIM to eSIM
- 5G network cybersecurity

Unique breadth of cloud solution portfolio for defense customers

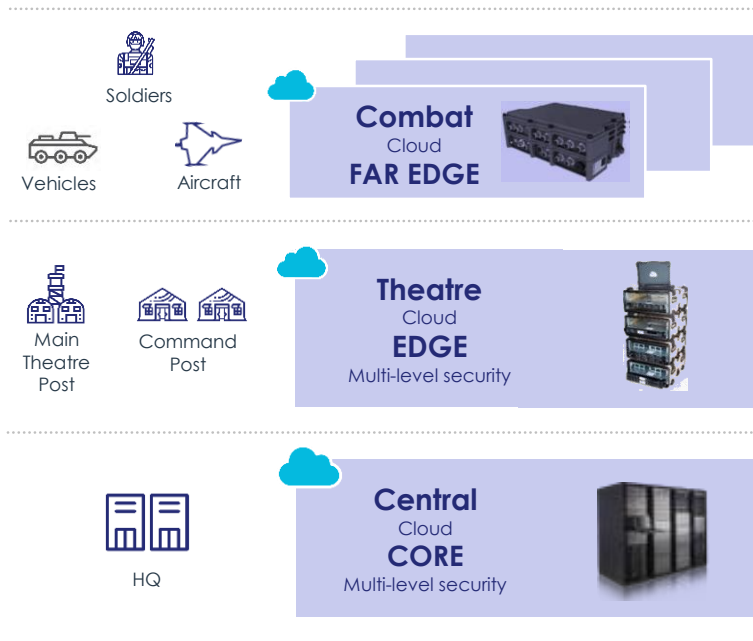
Emerging high growth market

Defense cloud solutions build on Thales's unique expertise

- 50+ years developing defense network solutions, from HQ to theater
- Unique knowledge of defense customer requirements
- Breadth of technology expertise: hardware, software, cybersecurity

First projects awarded

- NATO theater-level deployable cloud
- Nexium: Defense and Intelligence 2021 Microsoft Partner of the Year Award



Leading in attractive, accelerating eSIM market

Strong growth forecasted for eSIM market

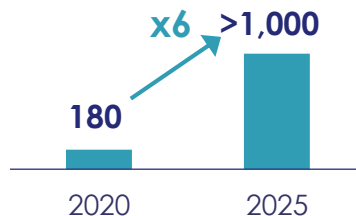
- 2025: 1bn eSIM-equipped smartphones shipped, 50% of them actually activated
- Future key end-point security technology, essential to critical IoT applications

eSIM: attractive software and services business model

- Subscription business model, delivering recurring revenue at higher margin
- Thales: global leader in subscription management services
- €150m+ opportunity by 2023, €300m+ by 2025

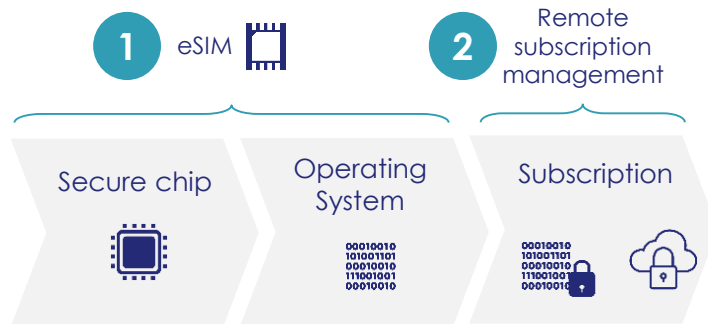
eSIM-equipped smartphone market growth

Million units shipped



Source: Counterpoint

eSIM market: 2 revenue streams



Differentiation based on unmatched R&D capabilities

Investments focused on core digital technologies

- Cybersecurity
- Big data analytics and artificial intelligence
- Connectivity, IoT
- Digital identity, biometrics

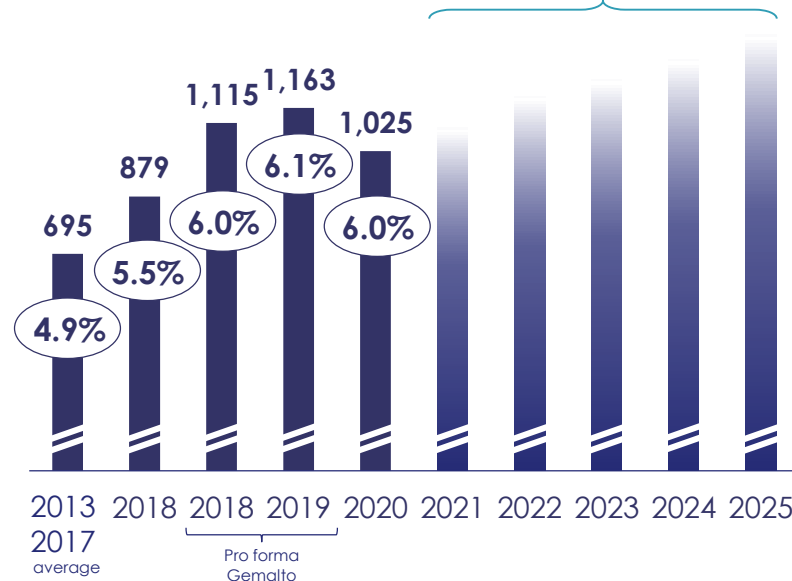
New R&D investment areas

- Edge and far edge computing
- Quantum sensors
- Quantum communications
- Post-quantum cryptography

Self-funded R&D

€m and
as % of sales

6.0% to 6.5%
of sales



2021 financial objectives

Order intake

Book-to-bill above 1

Unchanged

Sales

€17.5 to 18 billion^(a)

Upgraded

EBIT margin^(b)

9.5% to 10%^(a)

Unchanged

(a) Based on July 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. Previous guidance, set on 3 March 2021: €17.1 to 17.9bn

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

**Tuesday 5 October 2021
(Afternoon CET)**

ESG investor day

Virtual format, invitation to follow



Appendix



Upcoming events

ESG investor day

5 October 2021

Q3 and 9m 2021 sales

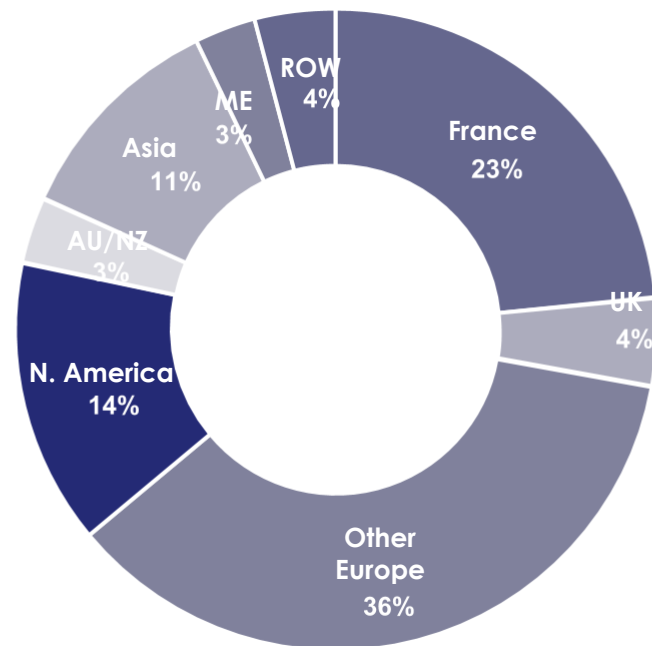
26th October 2021
(before market)

Summary adjusted P&L: from sales to EBIT

	H1 2021		H1 2020		Change	
	€m	% of sales	€m	% of sales	total	organic
Sales	8,423		7,751		+8.7%	+9.8%
Gross margin	2,219	26.3%	1,847	23.8%	+20.1%	+21.3%
Indirect costs	(1,458)	-17.3%	(1,470)	-19.0%	-0.9%	+0.4%
o/w R&D expenses	(503)	-6.0%	(491)	-6.3%	+2.5%	+3.9%
o/w Marketing & Sales expenses	(645)	-7.7%	(671)	-8.7%	-3.9%	-2.6%
o/w General & Administrative expenses	(310)	-3.7%	(308)	-4.0%	+0.5%	+1.5%
Restructuring costs	(40)		(30)		+34.9%	+40.6%
Share in net result of equity-accounted affiliates, excluding Naval Group	13		16			
EBIT, excluding Naval Group	734	8.7%	363	4.7%	+102%	+101%
Share in net result of Naval Group	34		(15)			
EBIT	768	9.1%	348	4.5%	+121%	+119%

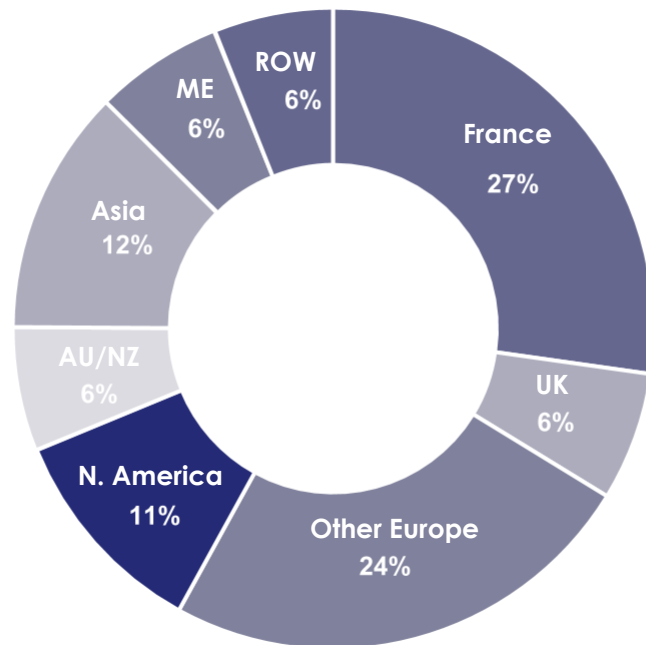
H1 2021 order intake by destination

In € millions	H1	H1	Change	
	2021	2020	Total	Organic
France	1,931	1,270	52%	52%
United Kingdom	365	393	-7%	-8%
Rest of Europe	2,977	1,304	128%	128%
Europe	5,273	2,967	78%	78%
North America	1,186	1,198	-1%	5%
Australia / NZ	277	402	-31%	-35%
Mature markets	6,736	4,566	47%	49%
Asia	918	705	30%	35%
Middle East	254	439	-42%	-40%
Rest of the world	336	381	-12%	-9%
Emerging markets	1,508	1,526	-1%	3%
Total	8,244	6,092	35%	37%



H1 2021 sales by destination

	H1	H1	Change	
<i>In € millions</i>	2021	2020	Total	Organic
France	2,298	2,014	14.1%	14.2%
United Kingdom	546	562	-2.8%	-3.7%
Rest of Europe	2,041	1,676	21.8%	21.7%
Europe	4,885	4,251	14.9%	14.8%
North America	913	955	-4.4%	1.7%
Australia / NZ	525	480	9.4%	2.4%
Mature markets	6,324	5,687	11.2%	11.6%
Asia	1,045	1,012	3.2%	6.3%
Middle East	546	553	-1.2%	1.7%
Rest of the world	509	500	1.8%	5.1%
Emerging markets	2,099	2,064	1.7%	4.8%
Total	8,423	7,751	8.7%	9.8%



H1 2021 adjusted net result

€m	Consolidated P&L H1 2021	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 H1 2021
Sales	8,423	—	—	—	—	—	8,423
Cost of sales	-6,389	185	—	—	—	—	-6,204
R&D	-503	—	—	—	—	—	-503
Selling costs	-645	—	—	—	—	—	-645
G&A costs	-310	—	—	—	—	—	-310
Restructuring costs	-41	—	1	—	—	—	-40
Income from operations	535	185	1	—	—	—	721
Share in net income (loss) of equity affiliates	33	14	—	—	—	—	47
Income of operating activities incl. share in net income of equity affiliates	568	—	—	—	—	—	N/A
EBIT	N/A	200	1	—	—	—	768
Result of disposal of assets, change in scope and others	-7	—	—	7	—	—	—
Impairment loss on assets	—	—	—	—	—	—	—
Cost of net financial debt	-30	—	—	—	—	—	-30
Other financial income (expense)	-22	—	—	—	15	—	-7
Finance costs on pensions and other employee benefits	-9	—	—	—	—	-7	-16
Income tax	-46	-51	—	-2	-2	2	-99
Net income (loss)	454	149	1	5	13	-5	616
Minorities	-21	-4	—	—	—	—	-25
Net income (loss), Group share	433	145	1	5	13	-5	591

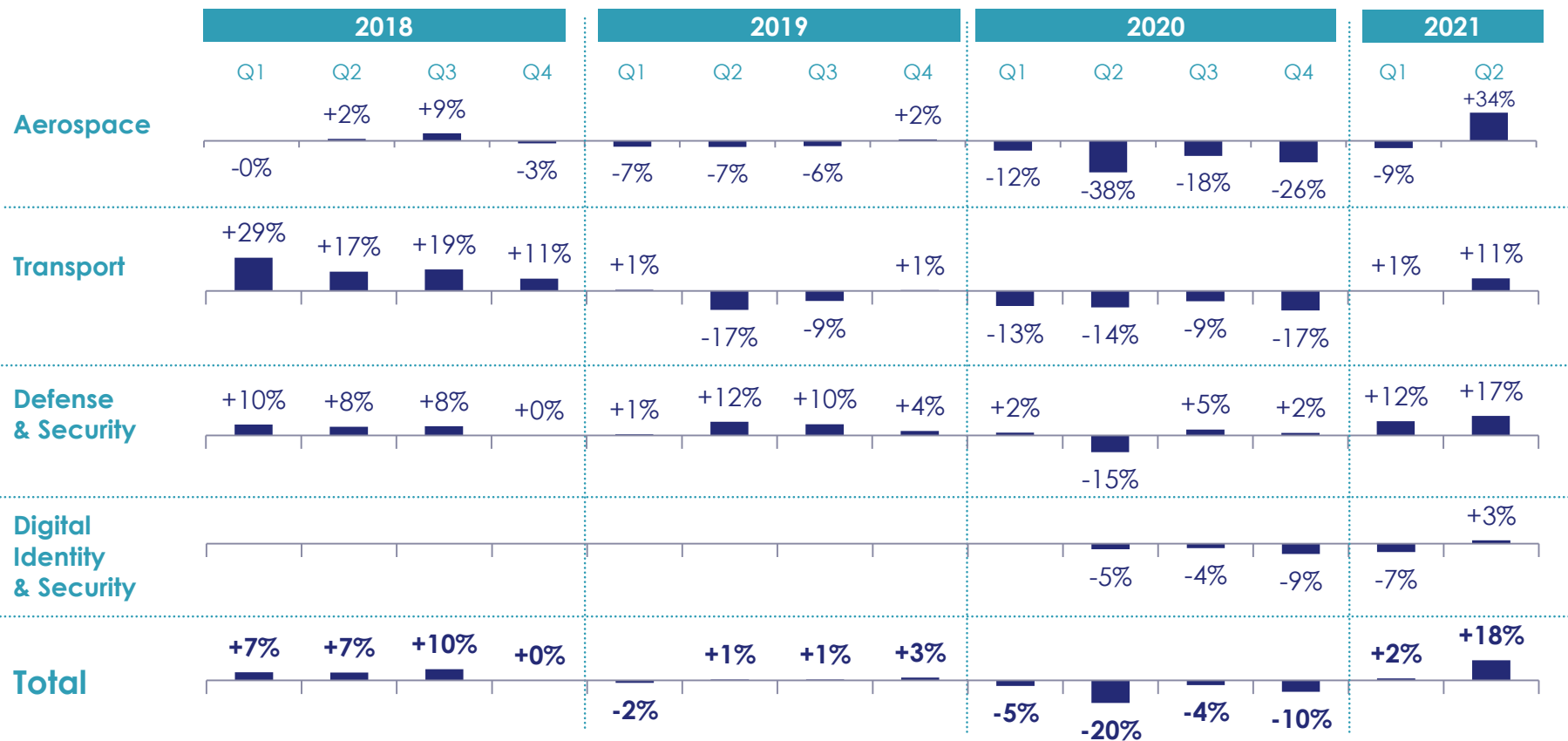
H1 2020 adjusted net result

€m	Consolidated P&L H1 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 H1 2020
Sales	7,751	—	—	—	—	—	7,751
Cost of sales	-6,156	252	—	—	—	—	-5,904
R&D	-491	—	—	—	—	—	-491
Selling costs	-672	—	1	—	—	—	-671
G&A costs	-310	—	2	—	—	—	-308
Restructuring costs	-30	—	—	—	—	—	-30
Income from operations	92	252	3	—	—	—	347
Share in net income (loss) of equity affiliates	-13	14	—	—	—	—	1
Income of operating activities incl. share in net income of equity affiliates	80	—	—	—	—	—	N/A
EBIT	N/A	266	3	—	—	—	348
Result of disposal of assets, change in scope and others	45	—	—	-45	—	—	—
Cost of net financial debt	-30	—	—	—	—	—	-30
Other financial income (expense)	-49	—	—	—	34	—	-15
Finance costs on pensions and other employee benefits	-18	—	—	—	—	-2	-20
Income tax	20	-74	—	—	-12	1	-65
Net income (loss)	47	192	2	-45	22	-1	218
Minorities	18	-4	—	—	—	—	14
Net income (loss), Group share	65	189	2	-45	22	-1	232

H1 2021 EBIT by operating segment

€m / % of sales	H1		H1		Change	
	2021		2020		total	organic
Aerospace	69	3.2%	-109	-5.6%	+163%	+167%
Transport	39	5.2%	4	0.6%	+771%	+833%
Defence & Security	497	12.0%	359	10.0%	+38.5%	+40.7%
Digital Identity & Security	152	11.1%	140	9.5%	+8.2%	+6.6%
EBIT - operating segments	756	9.0%	395	5.1%	+92.5%	+90.7%
Other	-22		-32			
EBIT - excluding Naval Group	734	8.7%	363	4.7%	+102%	+101%
Naval Group	34		-15			
EBIT - total	768	9.1%	348	4.5%	+121%	+119%

Organic sales growth per quarter



Q2 2021 order intake by operating segment

€m	Q2	Q2	Change	
	2021	2020	Total	Organic
Aerospace	1,888	846	+123%	+125%
Transport	320	286	+12%	+12%
Defense & Security	1,861	1,465	+27%	+26%
Digital Identity & Security	733	826	-11%	-7%
Other	26	7		
Total	4,828	3,429	+41%	+42%

Q2 2021 sales by operating segment

€m	Q2	Q2	Change	
	2021	2020	Total	Organic
Aerospace	1,141	862	+32.2%	+33.9%
Transport	412	370	+11.2%	+11.2%
Defense & Security	2,203	1,864	+18.2%	+17.2%
Digital Identity & Security	733	745	-1.6%	+2.8%
Other	17	11		
Total	4,506	3,852	+17.0%	+17.8%

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.

Tour Carpe Diem

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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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