



H1 2022 results

21st July 2022



H1 2022 highlights



Record H1 order intake, further enhancing long-term visibility

Strong sales growth, notably at DIS, in spite of supply chain challenges

EBIT margin and free operating cash flow ahead of plan

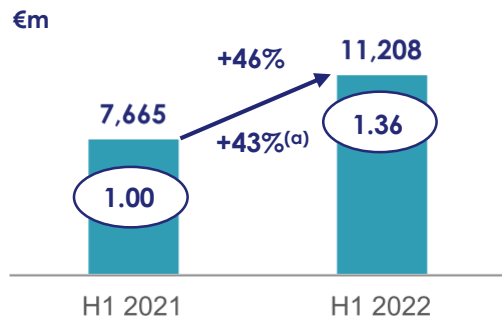


Full Year order intake and sales growth guidances upgraded

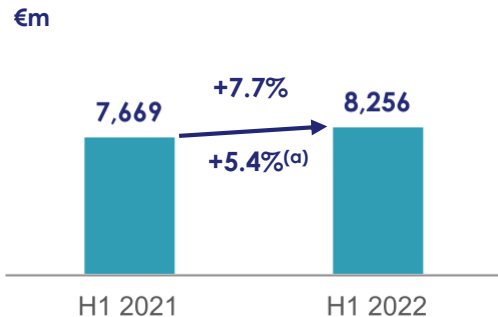
H2: focus on short-term operational bottlenecks while executing on strategic priorities

H1 2022 key figures

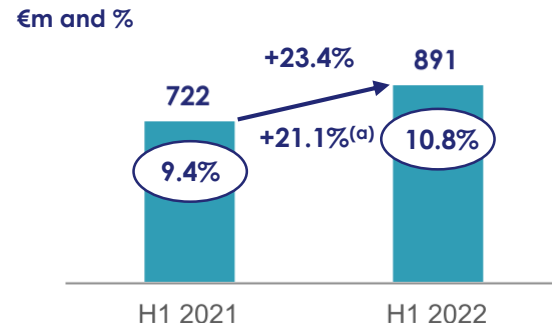
Order intake and book-to-bill



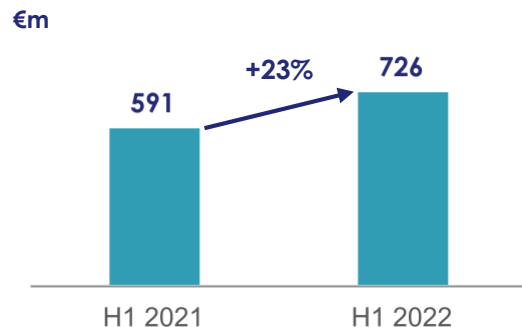
Sales



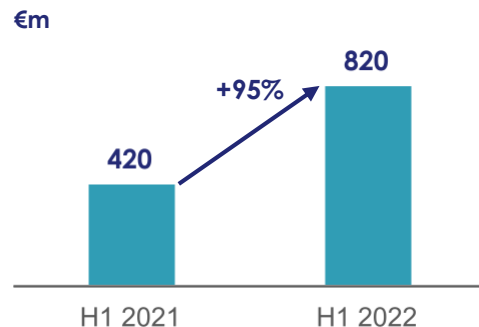
EBIT and EBIT margin^(b)



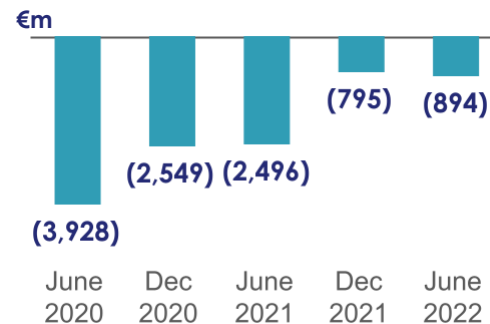
Adjusted net income^(b)



Free operating cash-flow^(b)



Net cash (debt) position^(b)



(a) Organic: at constant scope and exchange rates

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

H1 2022 order intake

Record high order intake, confirming Q1 strong commercial activity

10 large^(a) orders booked in Q2 2022, for a total of 12 in H1 2022

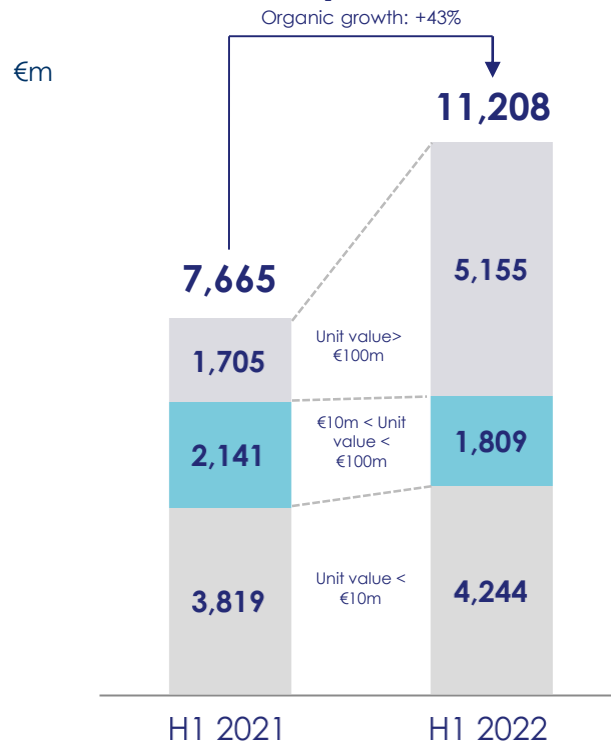
- 8 in Defense & Security, including jumbo Rafale order from the UAE
- 4 in Space: 3 in telecom, 1 in earth observation

Small orders^(b) up 11%, driven by recovery in civil aero and biometrics and robust pricing of smart cards

(a) With a unit value over €100m

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

Order intake by contract unit value



H1 2022 organic sales growth

Significant currency impact over H1

- Q1 = +€54m (+1.5 pts)
- Q2 = +€103m (+2.5 pts)

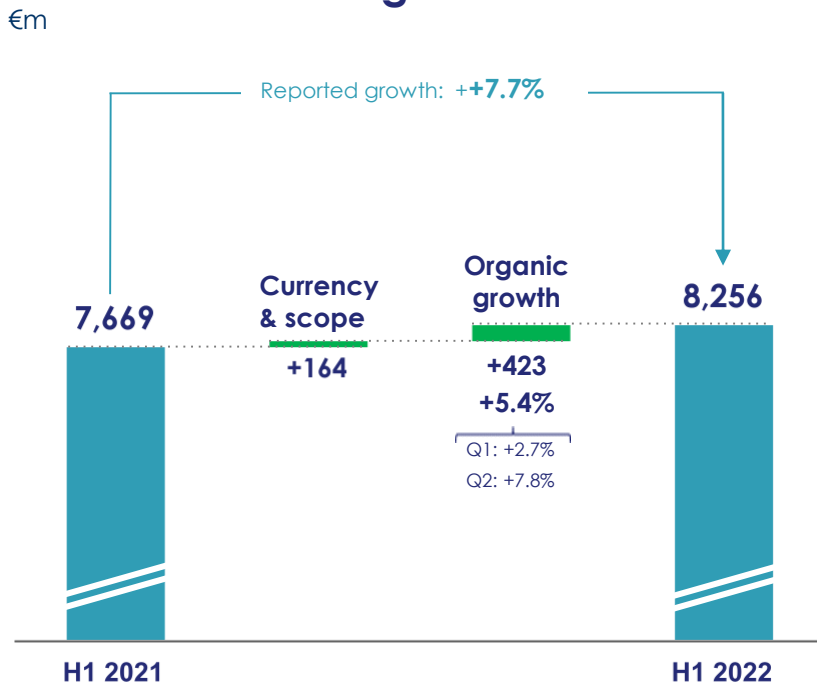
H1 sales organically up 5.4% thanks to strong Q2

- DIS sustaining double-digit organic growth performance in Q2
- Defense & Security catching up after soft Q1

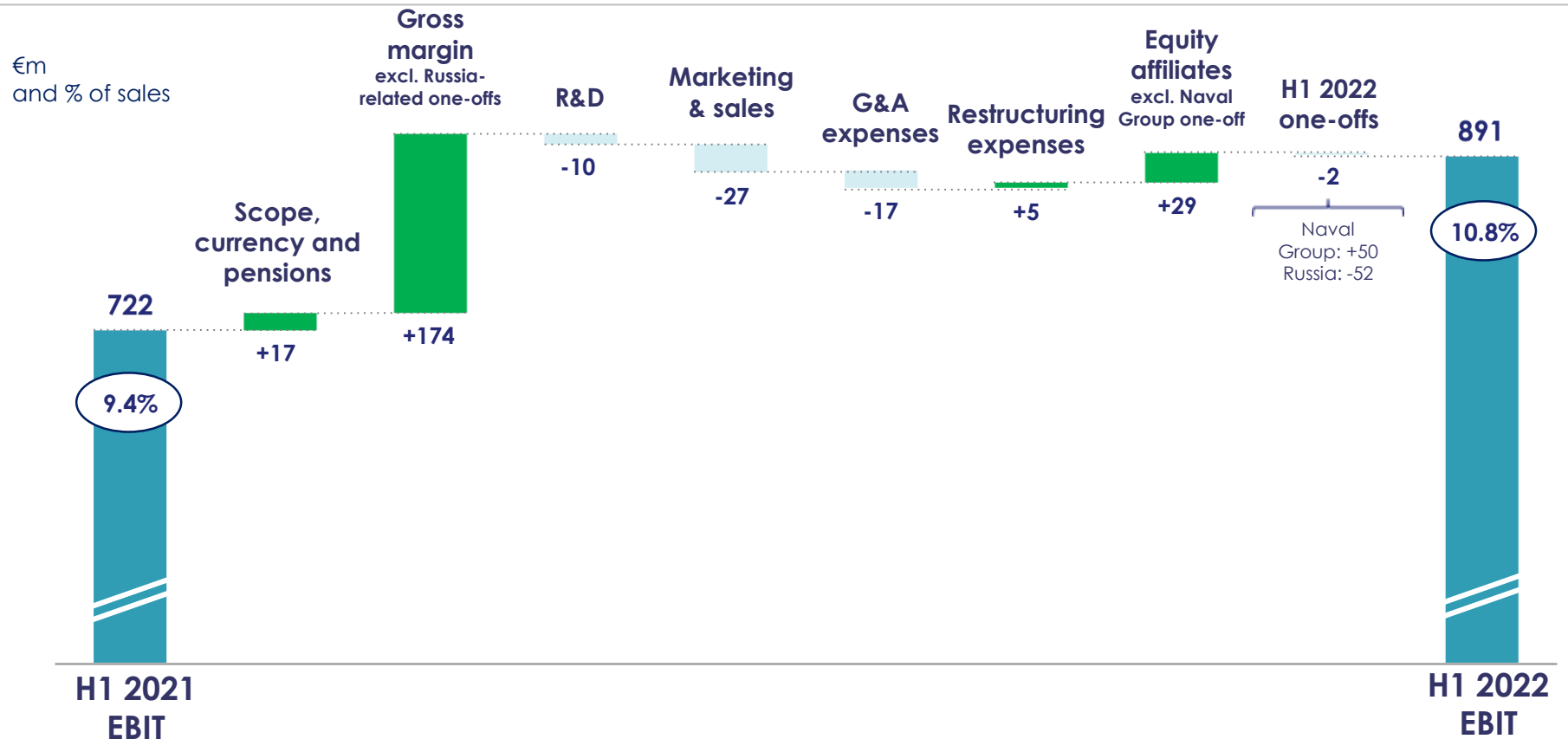
Robust growth across Europe

- France: +8%
- United Kingdom: +6%
- Rest of Europe: +10%

H1 sales growth drivers

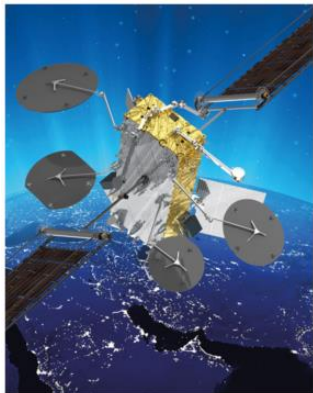


H1 2021 to H1 2022 EBIT bridge





Aerospace: H1 2022 key figures



€m	H1 2022	H1 2021	Change	
			Total	Organic
Order intake	2,393	2,886	-17%	-18%
Sales	2,211	2,112	+4.7%	+2.9%
EBIT	97	69	+41.6%	+39.8%
in % of sales	4.4%	3.3%	+ 1.1 pts	+1.2 pts

Order intake decline due to high comps in Space (Jumbo Galileo contract booked in H1 2021)

- Strong commercial activity in Space, including 4 Space Inspire satellites
- On-going recovery of civil avionics business

Sales growth impacted by Russia, high comps and softness of widebody market

- End of sales to Russia
- High comps in Space and microwave tubes
- Civil avionics aftermarket activity up high double digit, partially offset by persistent softness of widebody market

Strong EBIT margin improvement excluding negative one-off impact related to Russia



Defense & Security: H1 2022 key figures



€m	H1 2022	H1 2021	Change	
			Total	Organic
Order intake	7,150	3,374	+112%	+108%
Sales	4,378	4,152	+5.4%	+4.1%
EBIT	545	497	+9.7%	+9.8%
in % of sales	12.4%	12.0%	+0.4 pts	+ 0.6 pts

Record high order intake driven by booking of 8 large orders

- Includes Jumbo contract related to supply of 80 Rafale combat aircraft to the UAE

Sales acceleration in Q2 in line with expectations, catching up after soft Q1

- Strong performance in surface radars, airspace protection systems, radio communication products, protection systems and critical information systems

EBIT margin benefiting from small favorable H1/H2 phasing of expenses



Digital Identity & Security (DIS): H1 2022 key figures



€m	H1 2022	H1 2021	Change	
			Total	Organic
Sales	1,631	1,370	+19.1%	+13.1%
EBIT	201	152	+32.6%	+21.5%
in % of sales	12.3%	11.1%	+1.2 pts	+ 0.8 pts

Order intake structurally aligned with sales

Robust sales growth in spite of supply chain challenges

- Continued strong smart cards performance, driven by precautionary buying and pricing effect on higher purchasing costs
- Cybersecurity led by higher demand for encryption solutions
- Passport demand recovering after 2 years impacted by the public health crisis

EBIT margin progression driven by operating leverage on strong top line growth

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

€m	H1 2022	H1 2021
EBIT	891	722
Cost of net financial debt and other financial results	(42)	(36)
Finance costs on pensions and other employee benefits	(15)	(15)
Income tax	(141)	(88) ^(a)
<i>Effective tax rate</i>	19.7%	14.0%
Adjusted net income - discontinued operations	31	32
Adjusted net income	724	616
Minus, Minorities	2	(25) ^(b)
Adjusted net income, Group share	726	591
EPS: Adjusted net income, Group share, per share (in €)	3.41	2.78

(a) Includes €51m non cash one-off items related to tax law changes in Italy and the UK. Tax rate excluding one-offs: 22.1%

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

H1 2022 Free operating cash-flow

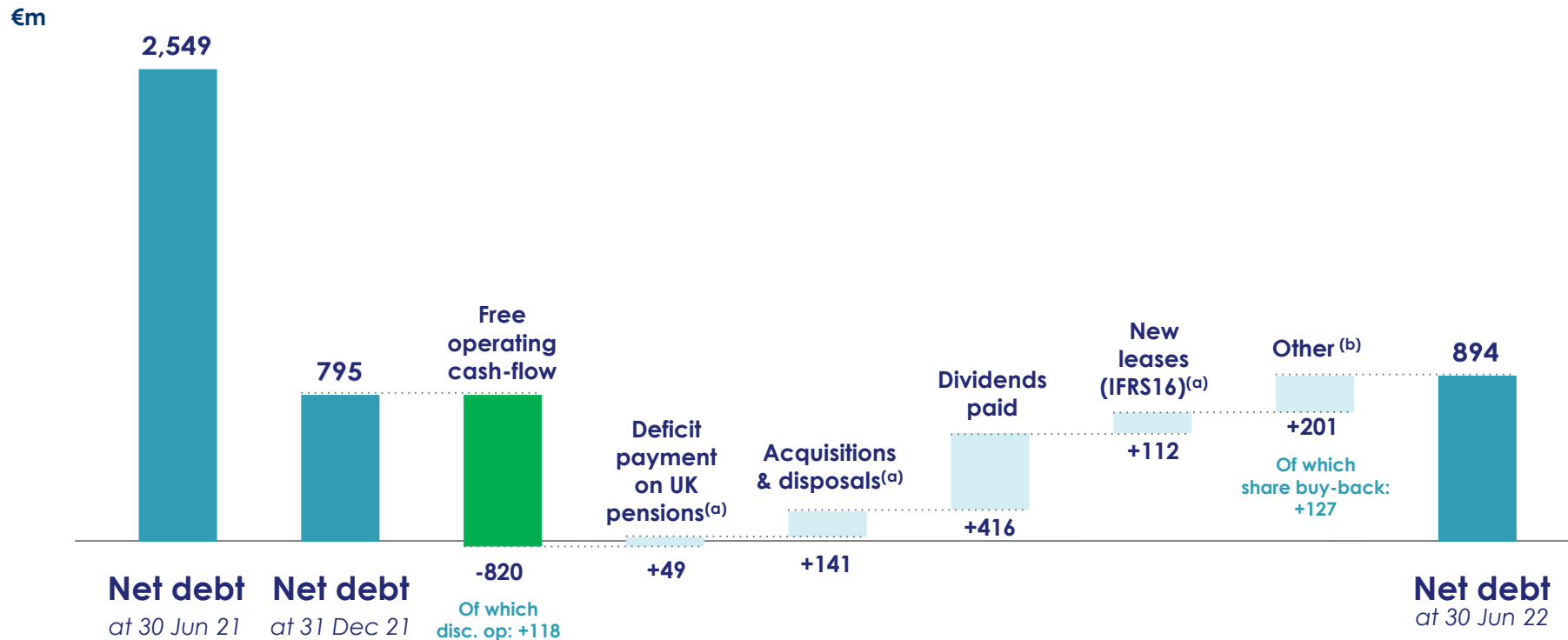
Robust free operating cash-flow performance in H1

- Strong commercial dynamics, including significant UAE Rafale downpayment
- Internal “CASH” project
- Confirmed improved H1/H2 balance of working capital
- Tight control of capex

Cash management remains a key focus across the Group

€m	H1 2022	H1 2021
Operating cash flow before WCR changes, interest and tax	1,176	1,064
+ Change in WCR and reserves for contingencies	4	(382)
+ Pension cash out, excluding deficit payment on UK pensions	(56)	(78)
+ Net financial interests	(32)	(37)
+ Income tax received (paid)	29	34
+ Net operating investments	(184)	(181)
= Free operating cash-flow, continuing operations	938	420
+ Free operating cash-flow, discontinued operations	(118)	0
= Free operating cash-flow	820	420

Movement in net debt over H1 2022



(a) Continued operations

(b) Continued and discontinued operations



H1 2022 results

Strategy and outlook



Defense & Security: multi-year extension of mid-single digit sales growth outlook

Invasion of Ukraine driving major changes of political context in Europe

- Finland and Sweden joining NATO
- €100bn commitment by Germany
- New defense momentum at EU level

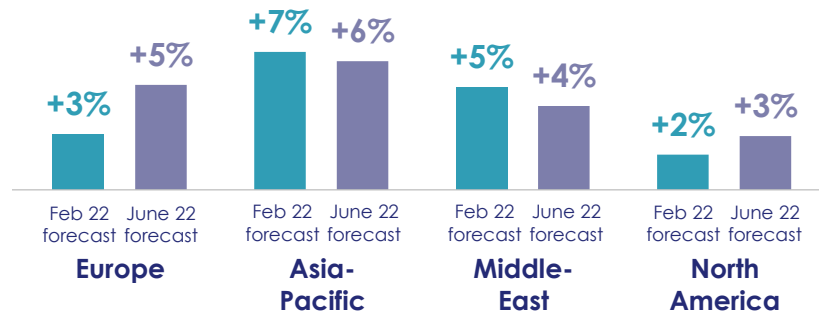
Actual spending increases to take several years to materialize

- France: new 2024-2030 military programming law to be voted in H1 2023

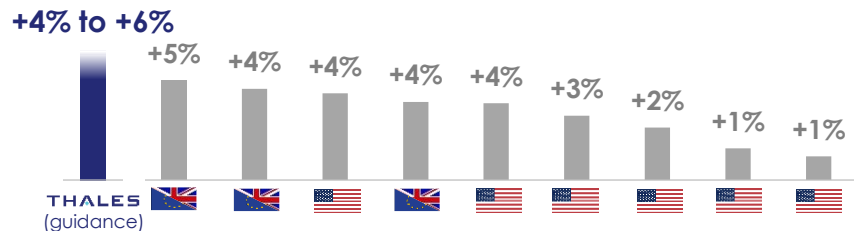
Thales: extension of mid-single digit sales growth outlook

- Position on faster growing market segments
- Record backlog

Updated forecasts for 2021-30 defense budget growth in key markets^(a)



Defense business 2021-24 sales growth vs peers^(b)



(a) Source: Jane's Defense Budget, February vs June 2022 forecasts. Asia-Pacific: India, South Korea, Singapore and Australia, Middle-East: Saudi Arabia, UAE, Qatar and Egypt
(b) 10 largest US/UK/EU listed defense companies. Defense segment for non pure defense companies. Sales CAGR based on Bloomberg consensus at 13 July 2022.

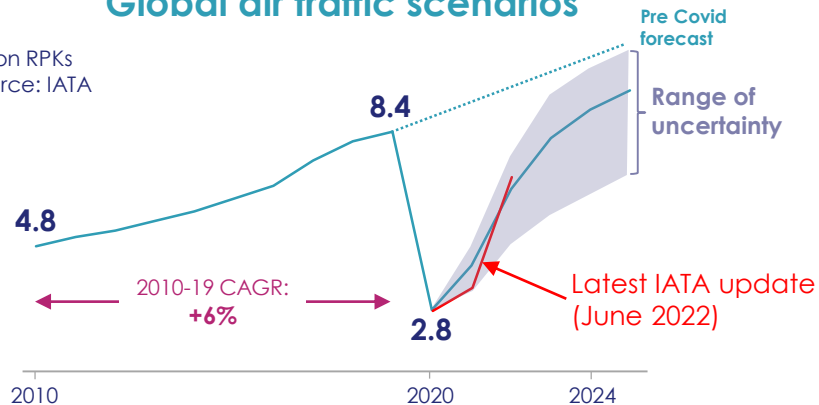
Aerospace and DIS: long-term growth boosted by cyclical recovery



Aerospace

Global air traffic scenarios

Billion RPKs
Source: IATA



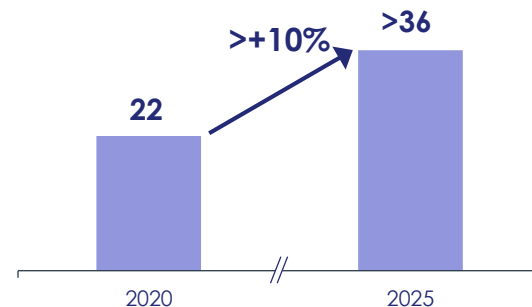
- Multi-year rebound of air traffic and aircraft deliveries
- Further increase of space backlog underpinning sustained 5%+ growth



Digital Identity & Security

Digital identity & security market growth

€bn



Sources: Gartner, ABI Research, Thales, IDC, ARM, Identity Theft Resource Center

- Long-term growth platforms: cybersecurity, biometrics, eSIM...
- Recovery of passport business

Focus on strategy execution: 5 priorities

- 1 Refocus portfolio on 3 leading and highly synergistic businesses
- 2 Accelerate R&D investments to reinforce technology leadership
- 3 Take our sustainability performance to the next level
- 4 Constantly roll out new operational performance action plans
- 5 Leverage sustainably high cash generation

Focus on strategy execution: solid progress in H1

1

Portfolio refocus

- Transport disposal fully on track to close by end 2022/early 2023
- Solid progress on DIS revenue synergies

2

Technology leadership

- New-generation Flight Management System selected by Airbus
- Captas-4 sonar selected by US navy for Constellation class frigates

3

Sustainability

- Full exit from White Phosphorous achieved in line with plan
- CO₂ emission reduction targets submitted to SBTi

4

Operational efficiency

- Global talent acquisition function scaled up to address massive recruitment needs
- Fixed cost structure adaptation post transport disposal

5

Capital deployment

- 4 bolt-on acquisitions implemented since January 2022
- Cash returns: 15% of share buy back plan completed

Business environment assumptions

- Strong market demand across portfolio
- Supply chain tensions remaining high, notably on semiconductors
- Soaring inflation in main markets
- Weakening of euro against other currencies

Key priorities

- Focus on short-term operational bottlenecks
 - Recruitments
 - Supply chain
- Maximize inflation pass through
- Continue to execute on 5 strategic priorities

2022 financial objectives

Order intake	Book-to-bill significantly above 1	<i>Upgraded</i>
Sales	+3.5 to +5.5% organic growth^(a) corresponding to €17.1 to €17.5 billion	<i>Upgraded</i>
EBIT margin^(b)	10.8% to 11.1%^(a)	<i>Unchanged</i>

(a) Assuming no new major disruptions of the health situation, of the economic context, and of global supply chains. Impact of Russia-Ukraine crisis on 2022 sales to both countries: ~€100m. Based on July 2022 scope and foreign exchange rates

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

Summary

Focus on 3 leading high tech ESG-aligned businesses

- Simplified exposure to 3 long-term growth markets
- Able to sustainably deliver double-digit margins

Continued implementation of key Ambition 10 strategic levers

- Further acceleration of R&D investments
- Constant focus on operational performance

Leveraging sustainably high cash generation

- Strict M&A discipline
- Cash returns to shareholders





Appendix



Upcoming events

Q3 and 9m 2022 sales

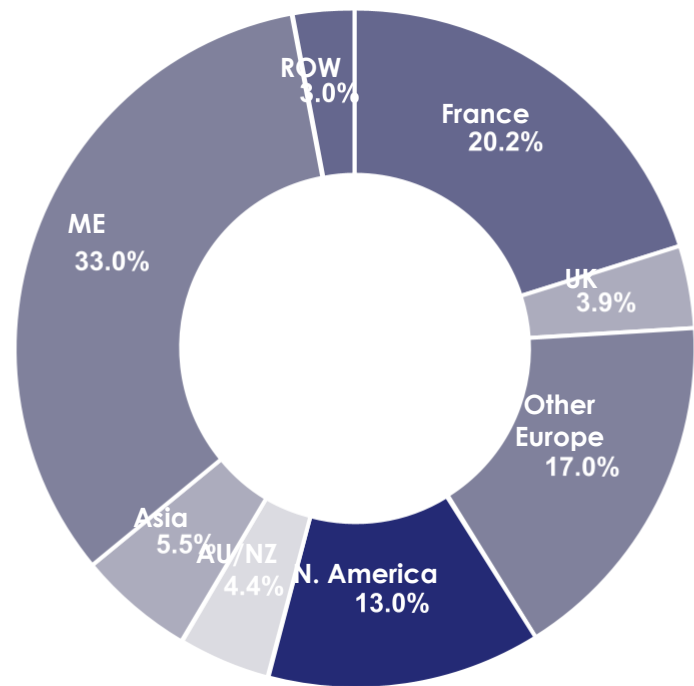
26th October 2022
(before market)

Summary adjusted P&L: from sales to EBIT

	H1 2022		H1 2021		Change	
	€m	% of sales	€m	% of sales	total	organic
Sales	8,256		7,669		+7.7%	+5.4%
Gross margin	2,220	26.9%	2,049	26.7%	+8.4%	+6.0%
Indirect costs	(1,416)	-17.2%	(1,331)	-17.4%	+6.4%	+3.9%
o/w R&D expenses	(486)	-5.9%	(465)	-6.1%	+4.7%	+2.1%
o/w Marketing & Sales expenses	(639)	-7.7%	(598)	-7.8%	+6.8%	+4.3%
o/w General & Administrative expenses	(291)	-3.5%	(268)	-3.5%	+8.5%	+6.1%
Restructuring costs	(35)		(39)		-9.9%	-12.4%
Share in net result of equity-accounted affiliates, excluding Naval Group	33		9			
EBIT, excluding Naval Group	803	9.7%	688	9.0%	+17%	+14%
Share in net result of Naval Group	89		34			
EBIT	891	10.8%	722	9.4%	+23%	+21%

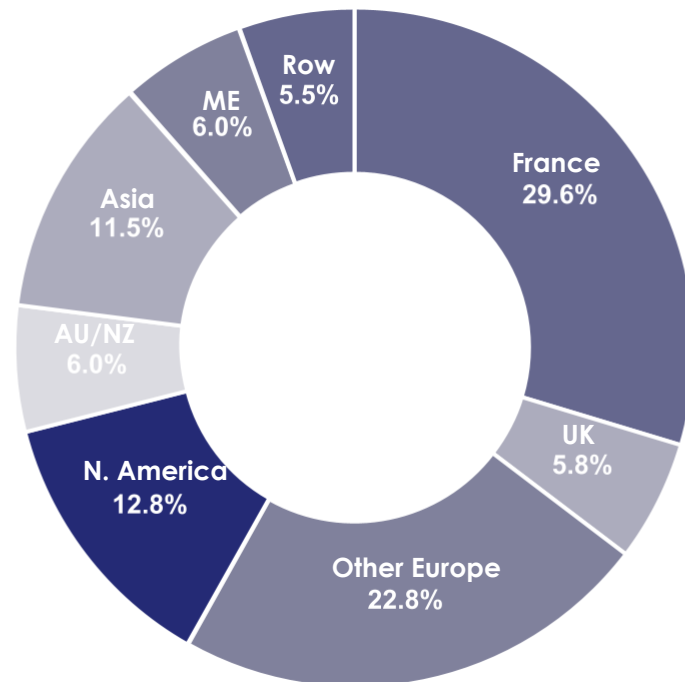
H1 2022 order intake by destination

In € millions	H1	H1	Change	
	2022	2021	Total	Organic
France	2,259	1,911	+18%	+18%
United Kingdom	438	319	+37%	+34%
Rest of Europe	1,911	2,654	-28%	-28%
Europe	4,608	4,884	-6%	-6%
North America	1,459	1,137	+28%	+18%
Australia / NZ	490	274	+79%	+73%
Mature markets	6,556	6,295	+4%	+2%
Asia	620	868	-29%	-29%
Middle East	3,701	206	+1697%	+1591%
Rest of the world	331	296	+12%	+4%
Emerging markets	4,652	1,369	+240%	+229%
Total	11,208	7,665	+46%	+43%



H1 2022 sales by destination

	H1	H1	Change	
<i>In € millions</i>	2022	2021	Total	Organic
France	2,447	2,265	+8.0%	+8.0%
United Kingdom	475	438	+8.4%	+5.6%
Rest of Europe	1,881	1,707	+10.2%	+9.9%
Europe	4,804	4,411	+8.9%	+8.5%
North America	1,058	869	+21.8%	+11.2%
Australia / NZ	496	497	-0.2%	-3.5%
Mature markets	6,357	5,776	+10.1%	+7.9%
Asia	950	945	+0.5%	-0.9%
Middle East	493	507	-2.8%	-5.1%
Rest of the world	456	441	+3.6%	-1.2%
Emerging markets	1,899	1,893	+0.3%	-2.1%
Total	8,256	7,669	+7.7%	+5.4%



H1 2022 adjusted net result

€m	Consolidated P&L H1 2022	Amortization of acquired assets (PPA) and expenses related to acq.	Disposal of assets and others	Change in fair value of derivative FX instruments	Actuarial gains/losses on other long term benefits	Income and expenses directly linked to disposal of transport	Adjusted P&L H1 2022
Sales	8,256	—	—	—	—	—	8,256
Cost of sales	-6,223	187	—	—	—	—	-6,036
R&D	-486	—	—	—	—	—	-486
Selling costs	-639	—	—	—	—	—	-639
G&A costs	-291	—	—	—	—	—	-291
Restructuring costs	-35	—	—	—	—	—	-35
Income from operations	583	187	—	—	—	—	769
Share in net income (loss) of equity affiliates	107	15	—	—	—	—	122
Income of operating activities incl. share in net income of equity affiliates	690	—	—	—	—	—	N/A
EBIT	N/A	201	—	—	—	—	891
Result of disposal of assets, change in scope and others	10	—	-10	—	—	—	—
Impairment loss on assets	—	—	—	—	—	—	—
Cost of net financial debt	-32	—	—	—	—	—	-32
Other financial income (expense)	-30	—	—	19	—	—	-10
Finance costs on pensions and other employee benefits	16	—	—	—	-31	—	-15
Income tax	-105	-48	9	-4	8	—	-141
Net income from continuing operations	549	154	-2	15	-23	—	693
Net income from discontinued operations	11	—	1	-4	—	23	31
Net income (loss)	560	154	—	11	-23	23	724
Minorities	6	-4	—	—	—	—	2
Net income (loss), Group share	566	150	—	11	-23	23	726

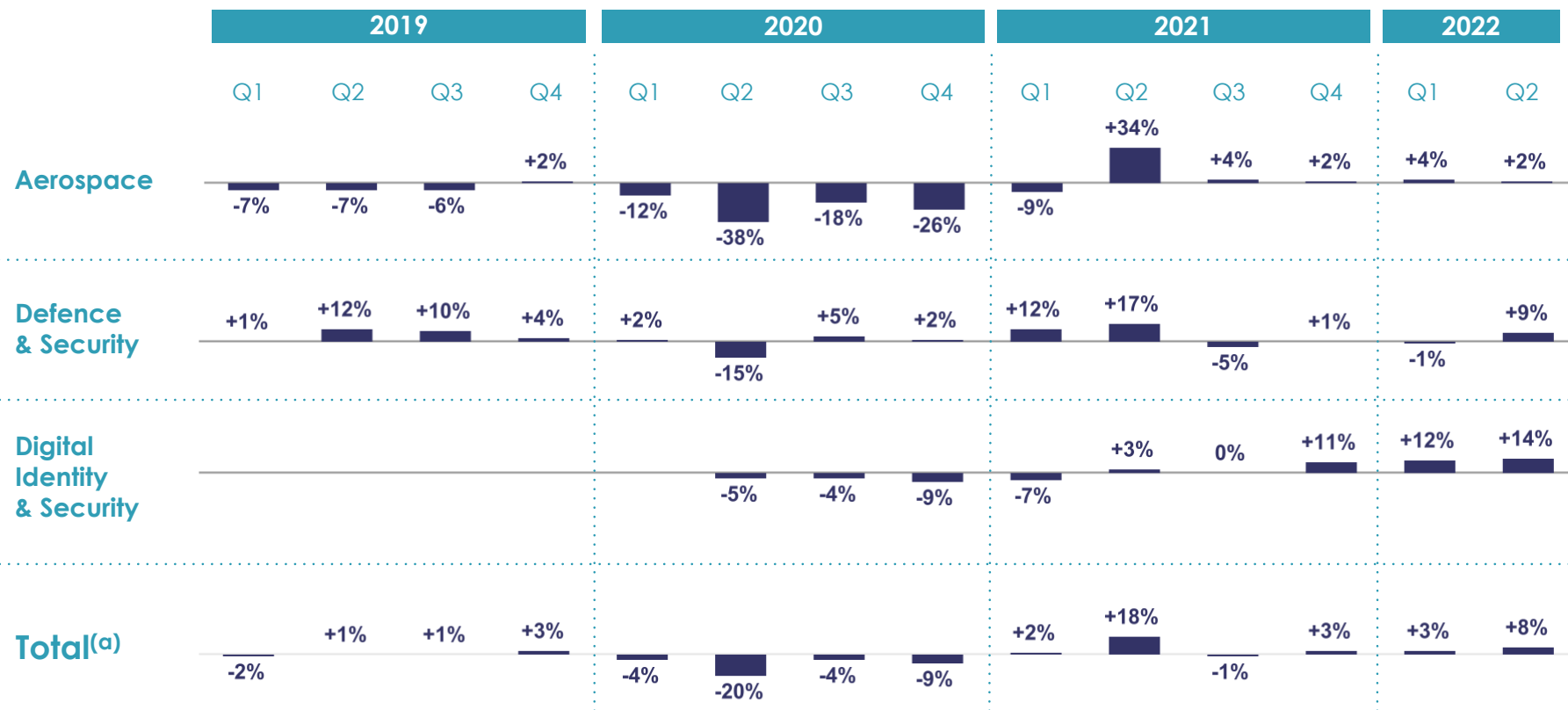
H1 2021 adjusted net result

€m	Consolidated P&L H1 2021	Amortization of acquired assets (PPA) and expenses related to acq.	Disposal of assets and others	Change in fair value of derivative FX instruments	Actuarial gains/losses on other long term benefits	Income and expenses directly linked to disposal of transport	Adjusted P&L H1 2021
Sales	7,669	—	—	—	—	—	7,669
Cost of sales	-5,805	185	—	—	—	—	-5,620
R&D	-465	—	—	—	—	—	-465
Selling costs	-598	—	—	—	—	—	-598
G&A costs	-268	—	—	—	—	—	-268
Restructuring costs	-40	1	—	—	—	—	-39
Income from operations	493	187	—	—	—	—	679
Share in net income (loss) of equity affiliates	29	14	—	—	—	—	43
Income of operating activities incl. share in net income of equity affiliates	522	—	—	—	—	—	N/A
EBIT	N/A	201	—	—	—	—	722
Result of disposal of assets, change in scope and others	-7	—	7	—	—	—	—
Impairment loss on assets	—	—	—	—	—	—	—
Cost of net financial debt	-28	—	—	—	—	—	-28
Other financial income (expense)	-28	—	—	21	—	—	-7
Finance costs on pensions and other employee benefits	-7	—	—	—	-7	—	-15
Income tax	-34	-51	-2	-4	2	—	-88
Net income from continuing operations	418	150	5	17	-5	—	585
Net income from discontinued operations	36	—	—	-4	—	—	32
Net income (loss)	454	150	5	13	-5	—	616
Minorities	-21	-4	—	—	—	—	-25
Net income (loss), Group share	432	147	5	13	-5	—	591

H1 2022 EBIT by operating segment

€m / % of sales	H1 2022		H1 2021		Change	
					total	organic
Aerospace	97	4.4%	69	3.3%	+41.6%	+39.8%
Defense & Security	545	12.4%	497	12.0%	+9.7%	+9.8%
Digital Identity & Security	201	12.3%	152	11.1%	+32.6%	+21.5%
EBIT - operating segments	843	10.3%	717	9.4%	+17.6%	+15.3%
Other	-41		-29			
EBIT - excluding Naval Group	803	9.7%	688	9.0%	+16.6%	+14.4%
Naval Group	89		34			
EBIT - total	891	10.8%	722	9.4%	+23.4%	+21.1%

Organic sales growth per quarter



(a) Excluding Transport in all periods (Transport business classified as "discontinued operations" as of 01/01/2021)

Q2 2022 order intake by operating segment

	Q2	Q2	Change	
€m	2022	2021	Total	Organic
Aerospace	1,211	1,888	-36%	-37%
Defense & Security	6,050	1,861	+225%	+218%
Digital Identity & Security	892	733	+22%	+14%
Other	22	26		
Total	8,176	4,507	+81%	+77%

Q2 2022 sales by operating segment

€m	Q2	Q2	Change	
	2022	2021	Total	Organic
Aerospace	1,186	1,141	+4.0%	+1.9%
Defense & Security	2,428	2,203	+10.2%	+8.6%
Digital Identity & Security	892	733	+21.7%	+14.1%
Other	20	19		
Total	4,526	4,096	+10.5%	+7.8%



Transport: H1 2022 key figures



€m	H1 2022	H1 2021	Change	
			Total	Organic
Order intake	841	579	+45%	+41%
Sales	778	754	+3.1%	+0.7%
EBIT	43	46	-6.6%	-9.1%
in % of sales	5.5%	6.1%	- 0.6 pts	- 0.6 pts

Order intake strongly up thanks to main line business

Sales growth slightly affected by supply-chain delays

Slight decline in EBIT margin vs. H1 2021 driven by higher R&D and Sales & Marketing costs

- Reported EBIT margin remains boosted by reallocation of costs due to IFRS 5^(a)

(a) Following the classification of the Transport business as discontinued operation, certain costs have been reallocated to the operating segment "Other, Eliminations, Unallocated".

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 2021.
- **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 2021. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS See page 16 and 17 of the 2021 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, 6.3 (continued operations) and 1.4 of the consolidated financial statements at 31 December 2021.
- **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 2021.

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