



Investor meeting

June 2016

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- Introduction to Thales**

- Full-Year 2015 and Q1 2016 results

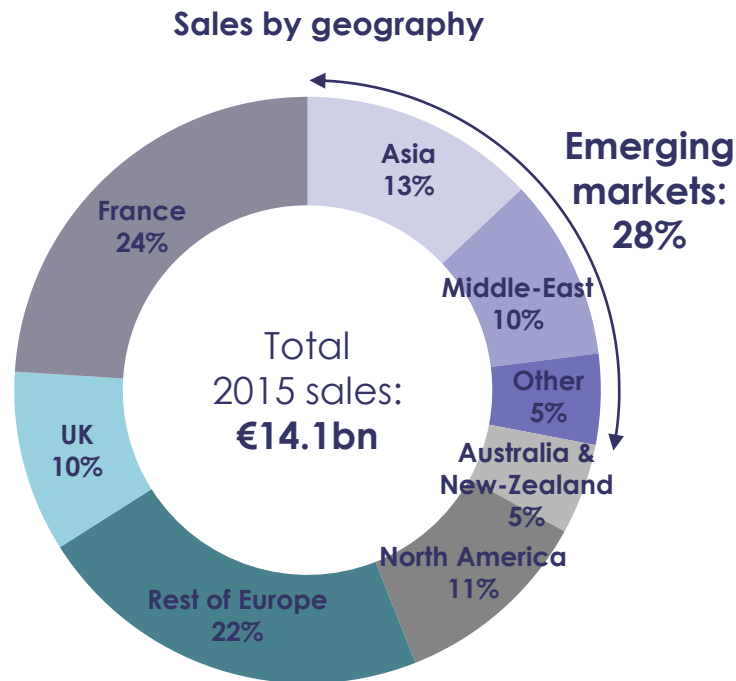
- Key Ambition 10 initiatives

- Outlook

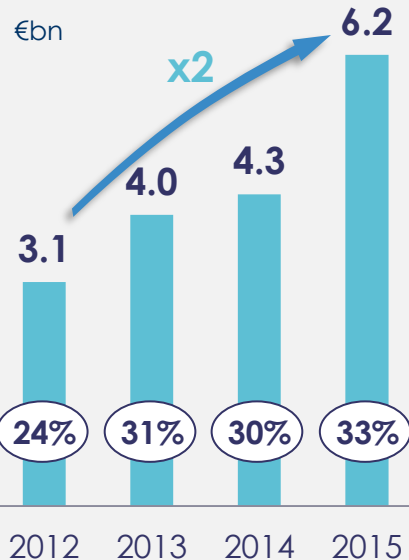
A strong set of focused businesses

Segment	Sub-segment	Civil	Military	2015 sales(€m)	Market position
Aerospace <i>38% of 2015 sales</i>	Flight avionics 			~1,600	#3 worldwide (commercial avionics)
	Other aerospace businesses including training & simulation and microwave systems 			~1,000	#1 worldwide (microwave systems)
	In-flight entertainment and connectivity (IFEC) 			~700	#2 worldwide
	Space solutions for telecom, observation, navigation and exploration 			~2,100	#3 worldwide (civil satellites)
Transport <i>11% of 2015 sales</i>	Signaling and supervision of rail networks including passenger payment collection systems 			~1,500	#2 worldwide
Defence & security <i>50% of 2015 sales</i>	Advanced defence systems including air defence, missiles, surface radars, optronics, armored military vehicles, equipments for fighter jets, ships and underwater warfare 			~4,000	#1 in Europe (defence electronics)
	Secure communications and information systems including radio-communication products, network and protection systems for armies, countries, cities and critical infrastructures, and cyber-security 			~2,600	#2 worldwide (military tactical communications)
	Air Traffic Management 			~450	#1 worldwide

Increasingly diversified geographical mix

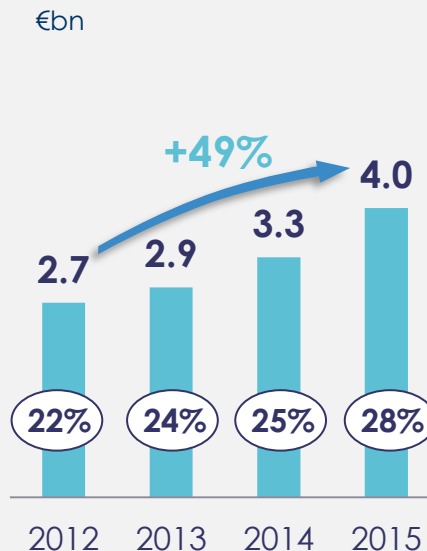


Emerging market order intake
(and % of total order intake)



Note: 2012 proforma, restated based on reported 2012-13 growth

Emerging market sales
(and % of total sales)



Significant footprint in 60+ countries

Successful development in emerging markets



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Key Ambition 10 initiatives

Outlook



Aerospace

- Avionics: continued positive dynamics for cockpit avionics and in-flight entertainment and connectivity
- Space: telecom market recovering, increased demand from institutional and military segments

Transport

- Strong demand in both emerging markets and Europe

Defence and security

- Increased geopolitical tensions and security threats
- Improved outlook in mature markets despite ongoing budget pressures
- Opportunities in emerging markets

2015 highlights: Ambition Boost delivers

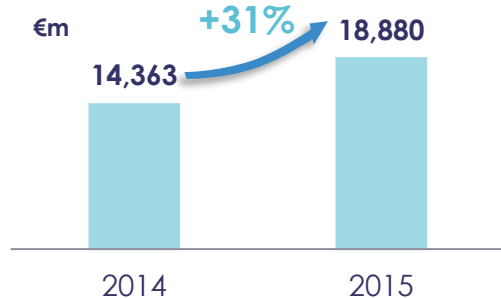
- Record high order intake
- Return to top line growth
- Significant increase in profitability
- Challenges in transport being addressed

Continued focus on profitable growth

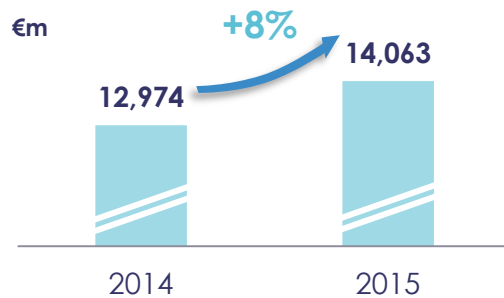


2015 key figures

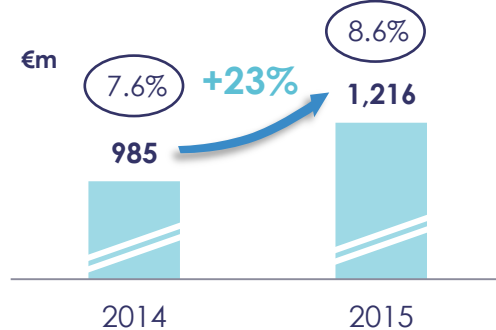
Order intake



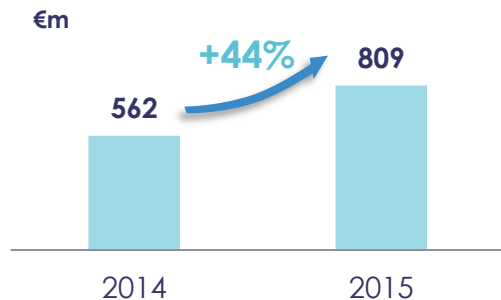
Sales



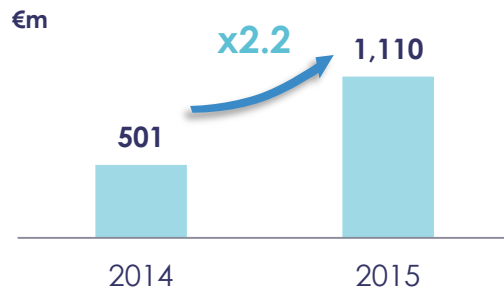
EBIT^(a)



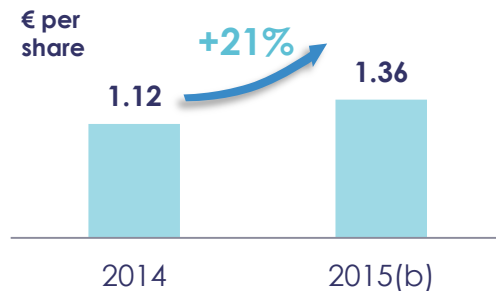
Adjusted net income^(a)



Free operating cash-flow^(a)



Dividend



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

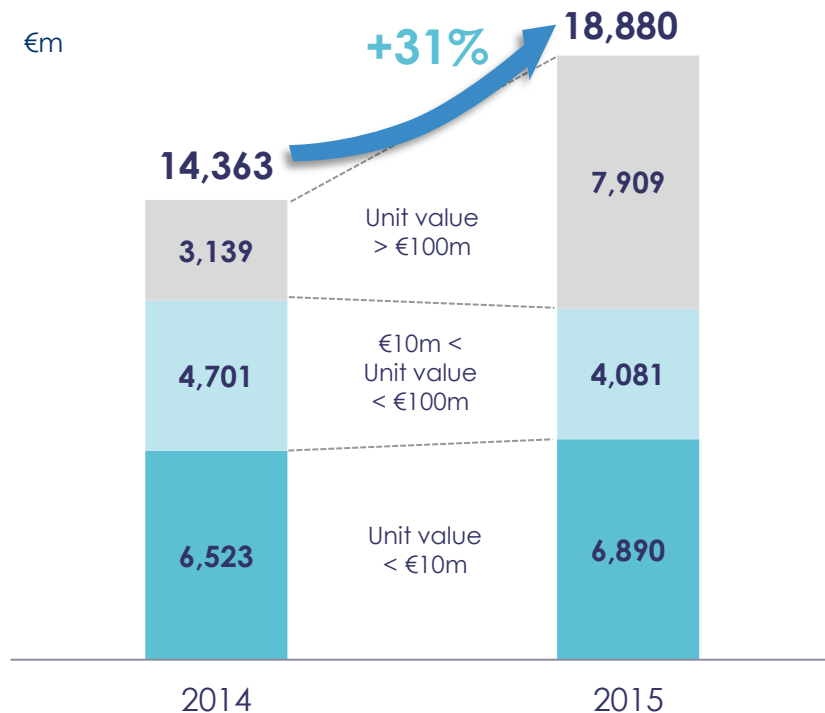
2015 order intake

Record high order intake

Signature of 24 contracts over €100m, including 5 “jumbo” contracts over €500m

- London underground signaling
- Rafale in Egypt and Qatar
- Australian 4x4 vehicles (Hawkei)
- French military satellite (ComSat NG)

Order intake up in all segments and in almost all geographical areas



2015 organic sales growth

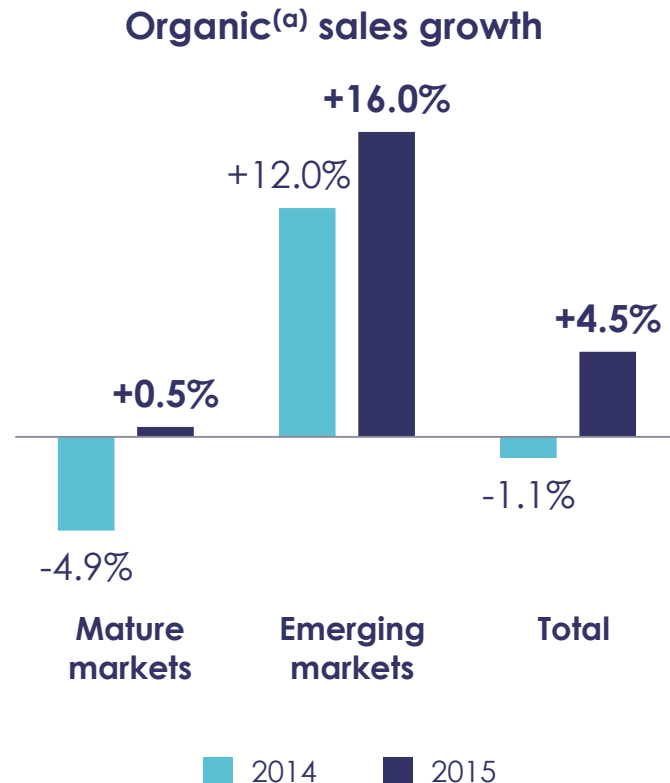
Return to small growth in mature markets

Further acceleration in emerging markets

- +16%, after +12% in 2014
- Broad-based growth: top 10 emerging markets represent only 62% of emerging market sales

**Return to organic growth,
driven by emerging markets**

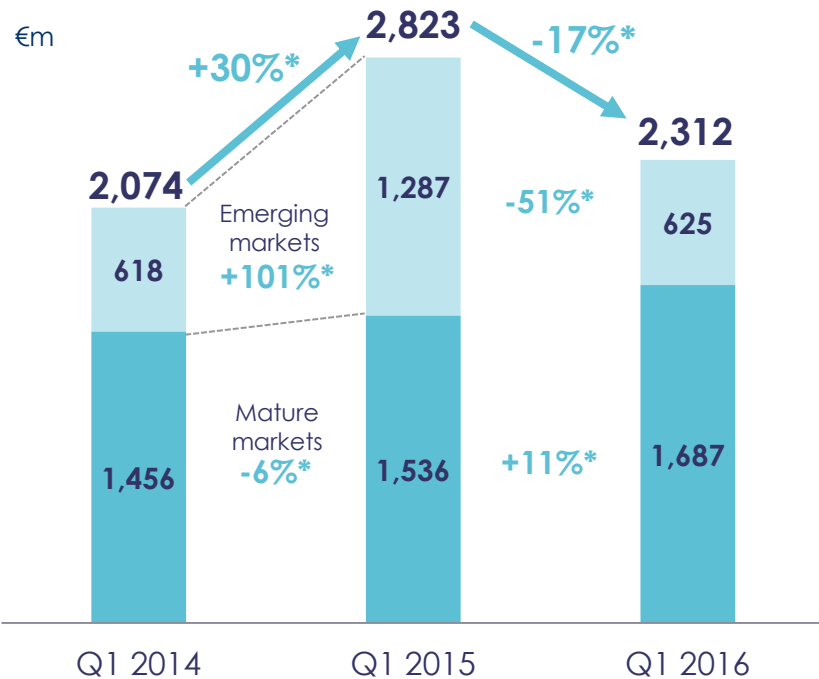
(a) In this presentation, "organic" means "at constant scope and exchange rates"



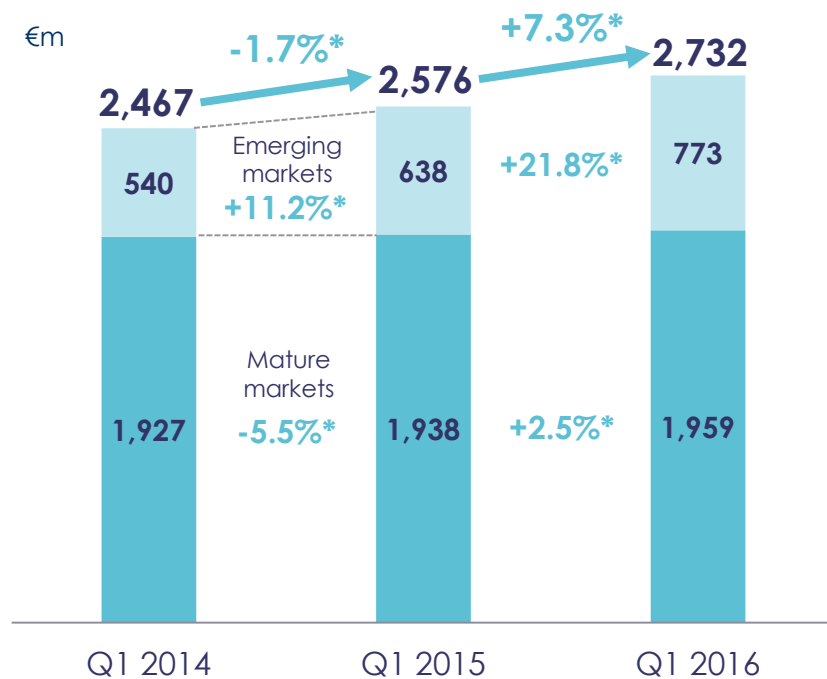
Q1 2016 key figures

Order intake: in line with expectations

(Q1 2015 high level related to Rafale contract in Egypt)



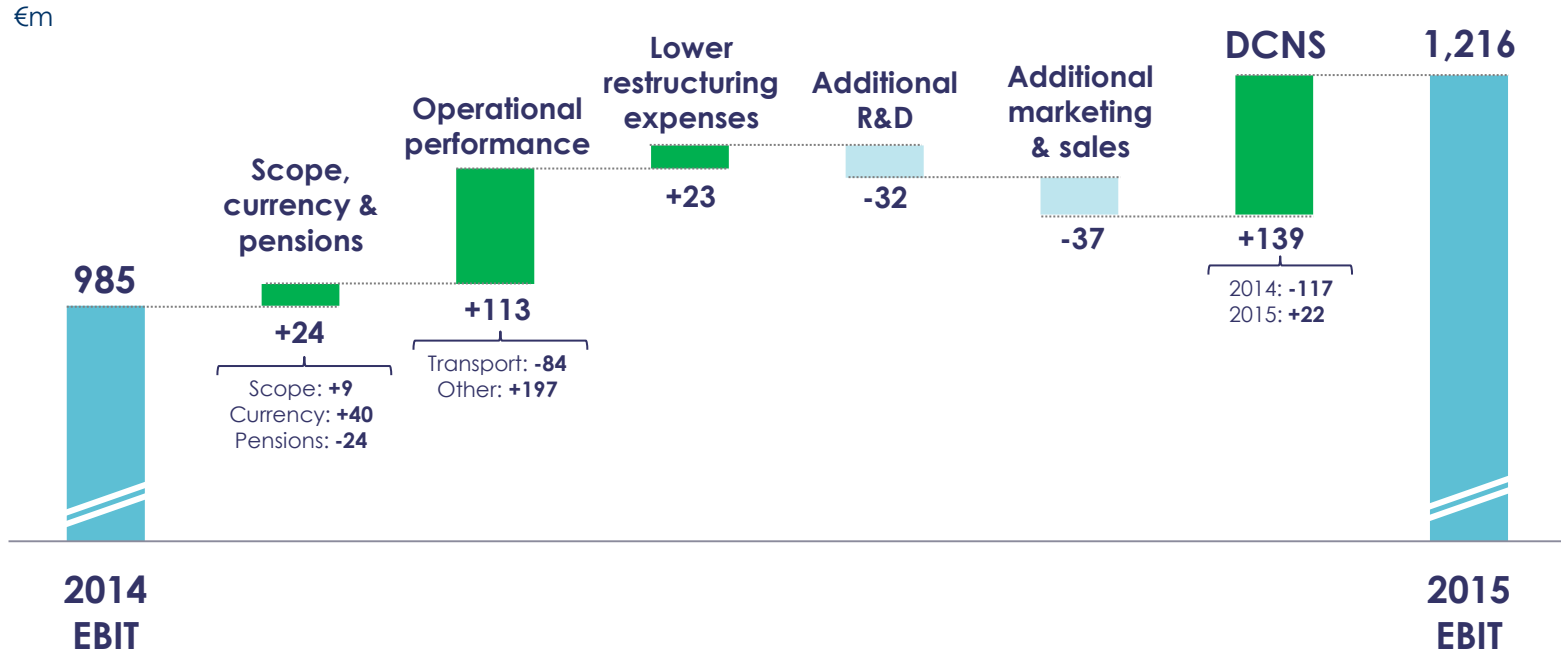
Acceleration of organic sales growth



* Organic change: at constant scope and exchange rates

EBIT bridge

- Solid operational performance
- Increased R&D and marketing & sales investments



Aerospace: 2015 key figures

€m	2015	2014	change	
			total	organic
Order intake	6,279	5,024	+25%	+20%
Sales	5,381	5,014	+7%	+2%
EBIT	518	505	+2%	-3%
<i>in % of sales</i>	9.6%	10.1%		

- High order intake in space
- EBIT margin remains at a high level



Transport: 2015 key figures

€m	2015	2014	change	
			total	organic
Order intake	2,826	1,651	+71%	+66%
Sales	1,519	1,402	+8%	+4%
EBIT	(37)	32	NM	NM
<i>in % of sales</i>	<i>-2.4%</i>	<i>2.3%</i>		

- Strong order intake momentum
- Profitability significantly impacted by project execution
- Action plan well underway



Defence & Security: 2015 key figures

€m	2015	2014	change	
			total	organic
Order intake	9,704	7,608	+28%	+24%
Sales	7,084	6,480	+9%	+7%
EBIT	760	620	+23%	+18%
<i>in % of sales</i>	10.7%	9.6%		

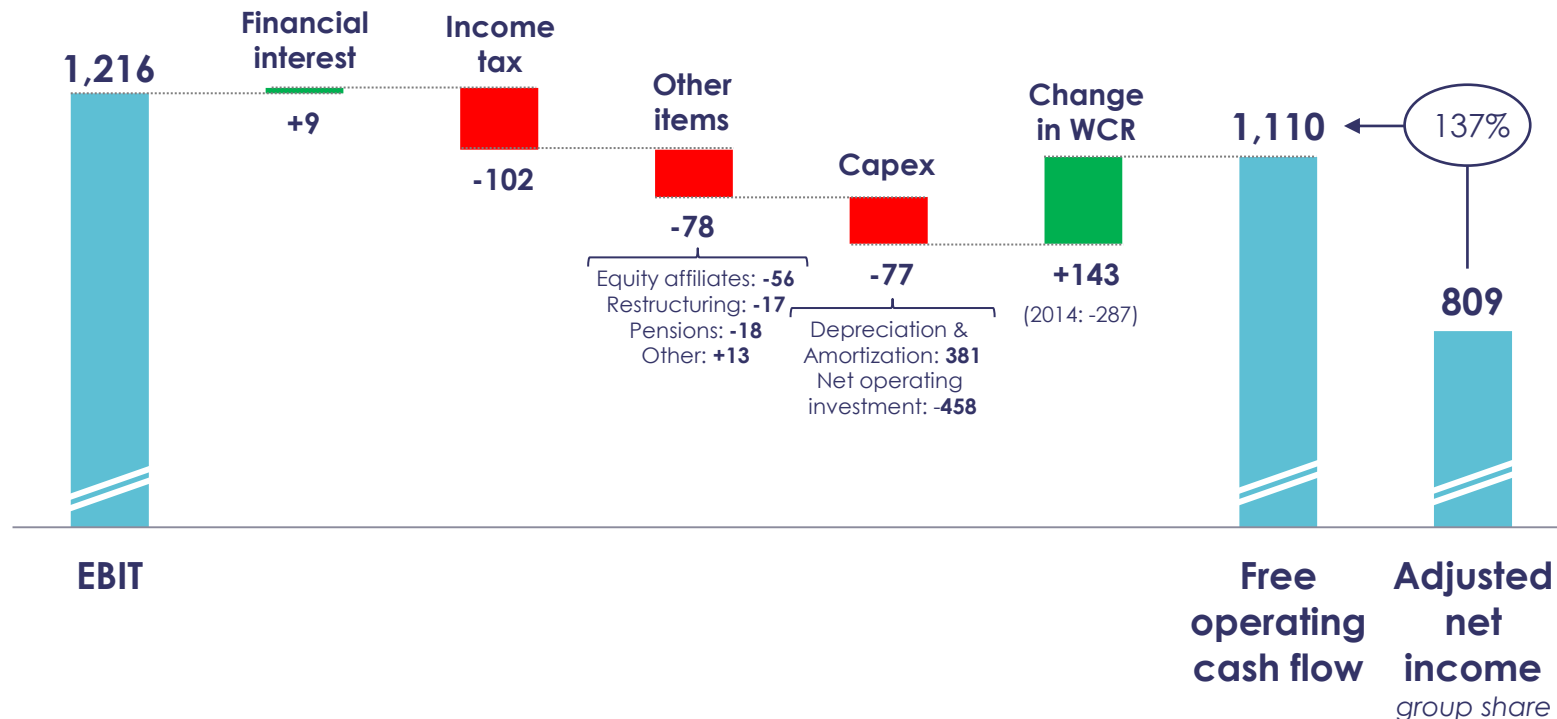
- Further strong order intake in 2015: third year with book-to-bill well above 1
- Increased profitability driven by top line growth and high quality project execution



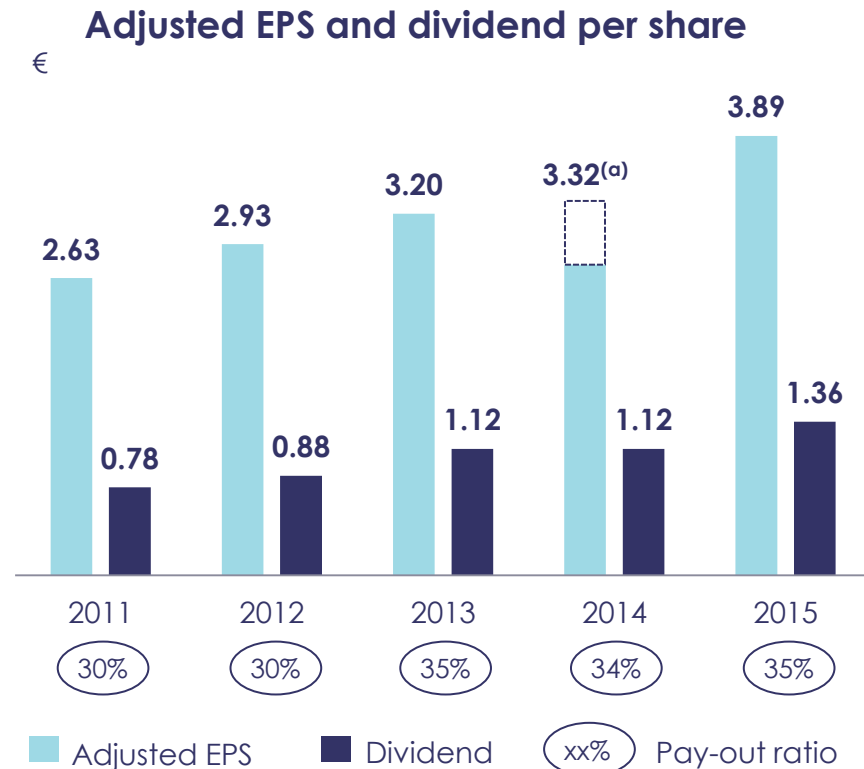
Cash conversion: from EBIT to Free operating cash-flow

2015, €m

- Increased capex to support future growth
- High rate of cash conversion



Adjusted EPS and dividend



(a) Corrected for negative DCNS contribution (€0.57)

■ Adjusted EPS up 10% per year since 2011

■ Dividend : €1.36 per share
➤ Pay-out ratio : 35%

■ Dividend up 15% per year since 2011



- Introduction to Thales
- Full-Year 2015 and Q1 2016 results
- **Key Ambition 10 initiatives**
- Outlook

Ambition 10: building on Thales strengths...


- Technological leadership, sustained through continued R&D investments
- Global footprint, combining strength in key mature markets with historical relationships in many emerging markets
- Leading positions in growing end-markets
 - Avionics and in-flight entertainment for civil aviation
 - Satellites, for telecom, scientific and military applications
 - Signaling and supervision of rail systems
 - Advanced defence systems
 - Protection of critical infrastructures, cities and states
 - Cyber-security



...and addressing 3 key areas



Building a growing, more global and more profitable Thales

 COMPREHENSIVE PERFORMANCE PROGRAM	Growth	Competitiveness	People
	Emerging markets Larger contracts Services	International industrial footprint Customer-driven competitive innovation Engineering competitiveness	Leadership and diversity Customer value and customer mindset Teamwork, incentives
	Excellence in project delivery	Competitiveness In sourcing	Efficiency of structure

2014-2015: Ambition Boost delivers

- ✓ Visible acceleration in order intake
- ✓ Return of sustainable sales growth
- ✓ Focused M&A accelerating profitable growth
- ✓ First phase of engineering competitiveness plan
- ✓ Ongoing reduction in structure costs
- ✓ Transport recovery plan well underway

**Ambition Boost: a comprehensive performance plan
delivering continued improvement in profitability**

2015, second year of visible acceleration in order intake

Deployment of multiple Ambition Boost levers...

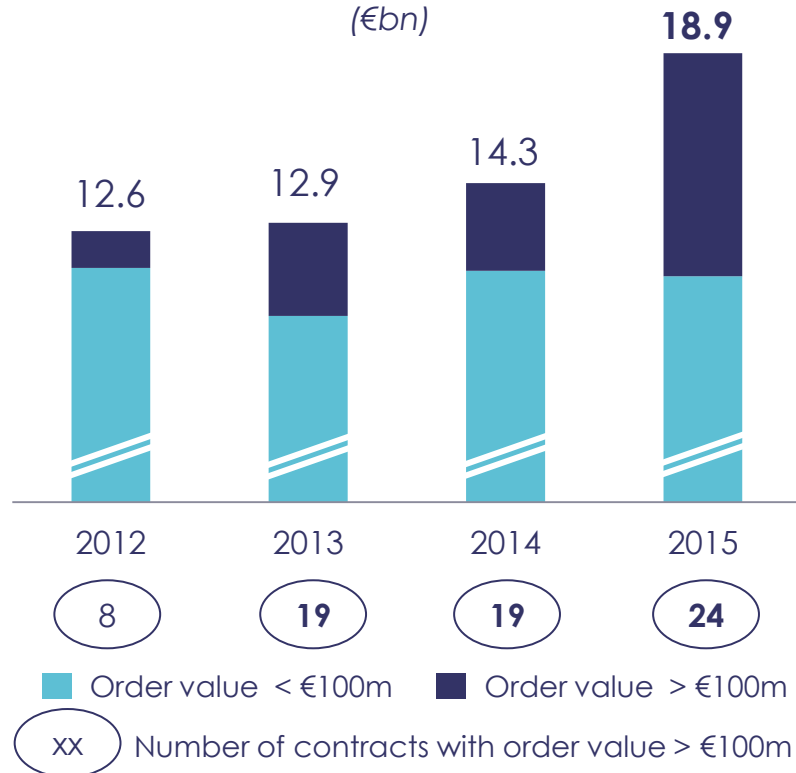
- Dedicated international development organization focused on emerging markets
- Targeting of larger contracts and of multi-year service agreements
- Increased focus on marketing

...supports acceleration of order intake

- Record high order intake in 2015
- Strong growth in large contracts: 24 over €100m in 2015 (8 in 2012)
- Doubling of emerging market orders: €6 bn in 2015 (€3 bn in 2012)

Record high backlog, increasing visibility on future sales growth

Order intake per year
(€bn)

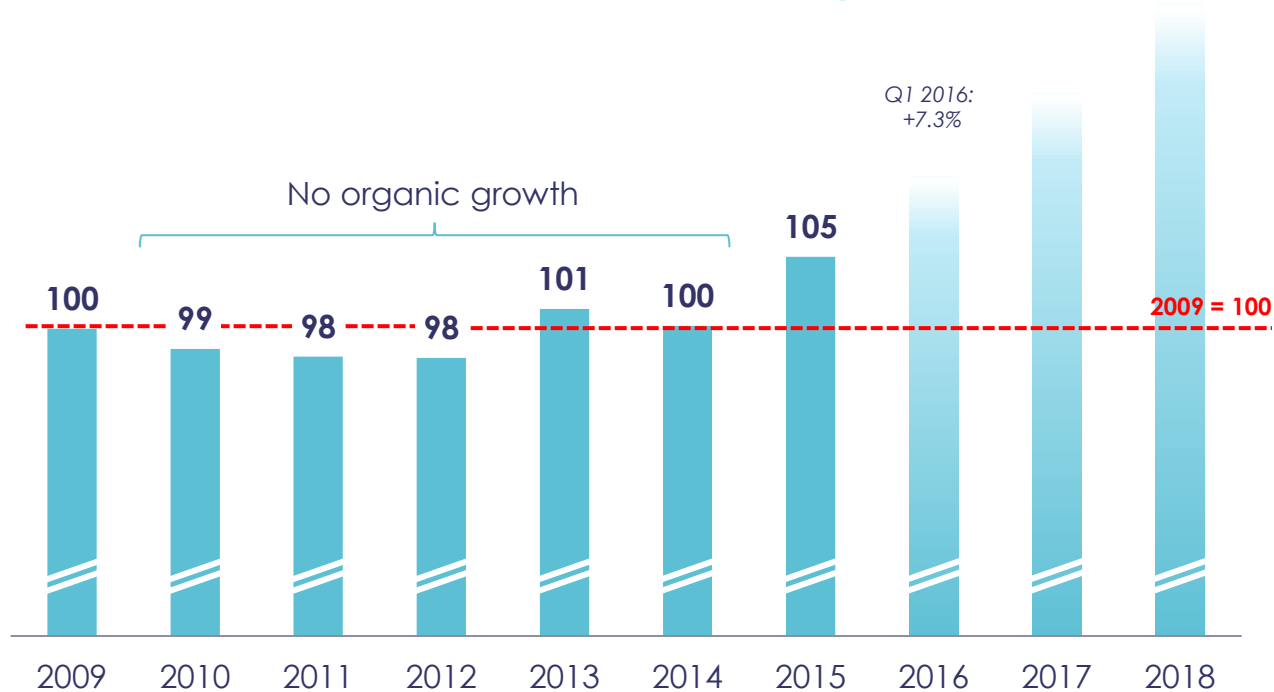


Note: 2012 excluding DCNS, pre IFRS10/11

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Return of sustainable sales growth

Organic sales evolution,
base 100 = 2009 sales



Focused M&A accelerating profitable growth



2014: integration of Live TV to enrich in-flight entertainment offer

- Live TV bringing Internet connectivity capabilities and significant customer base
- Complementing high-growth in-flight entertainment business
- Acceleration of order intake in 2015



2016: integration of Vormetric as part of cyber-security offer

- Vormetric, leader in software-based data protection
- Creating a world leader in data protection
- Leveraged as differentiator in other Thales civil markets

Strengthening solid, fast-growing businesses with new capabilities

Engineering competitiveness: ongoing deployment of best practices

Engineering: the core added value of Thales

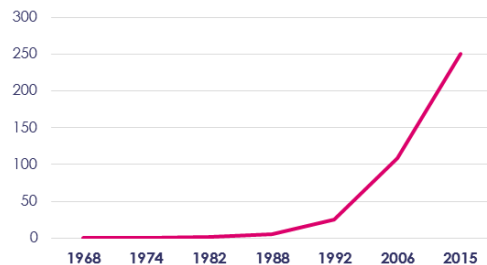
- ~22,500 engineers worldwide (1/3 of group staff)
- Combining hardware, software and systems expertise to design differentiated solutions
- Addressing increasingly complex and critical situations
- Improved methods, processes and tools key to increase engineering performance

2014-15: introducing improved methods and tools

- Gradual deployment of state-of-the-art methods
- Design and initial deployment of a single engineering platform, Orchestra
- All new projects now designed using Orchestra

2016-18: full deployment across all units

Software size evolution on board a commercial aircraft



Reduction in structure costs

Further optimization of G&A cost base

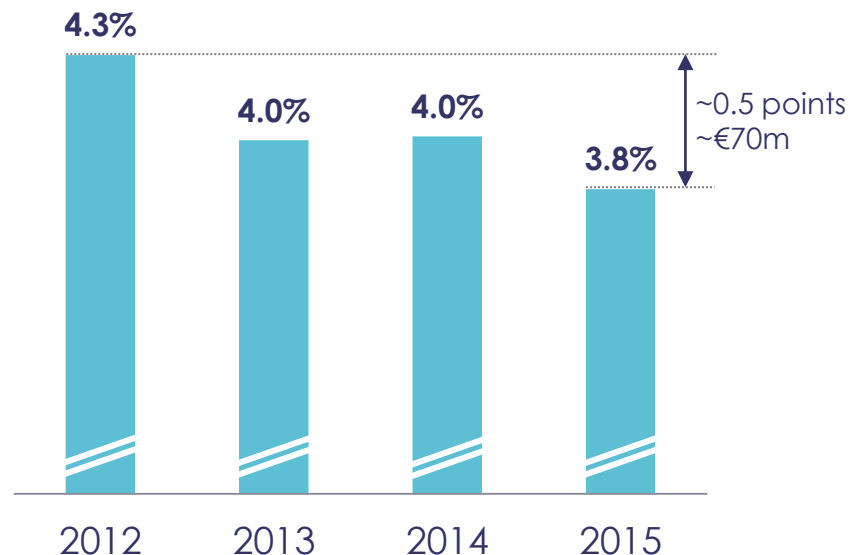
- Systematic internal and external benchmarking
- Ongoing transformation plan of support functions

Significant rationalization of industrial footprint, driving increased efficiency

- Explaining part of ongoing increase in capex

**Maintaining efforts to
reduce structure costs**

General & Administrative expenses as % of sales



Transport recovery plan well underway



2015: definition and deployment of recovery plan

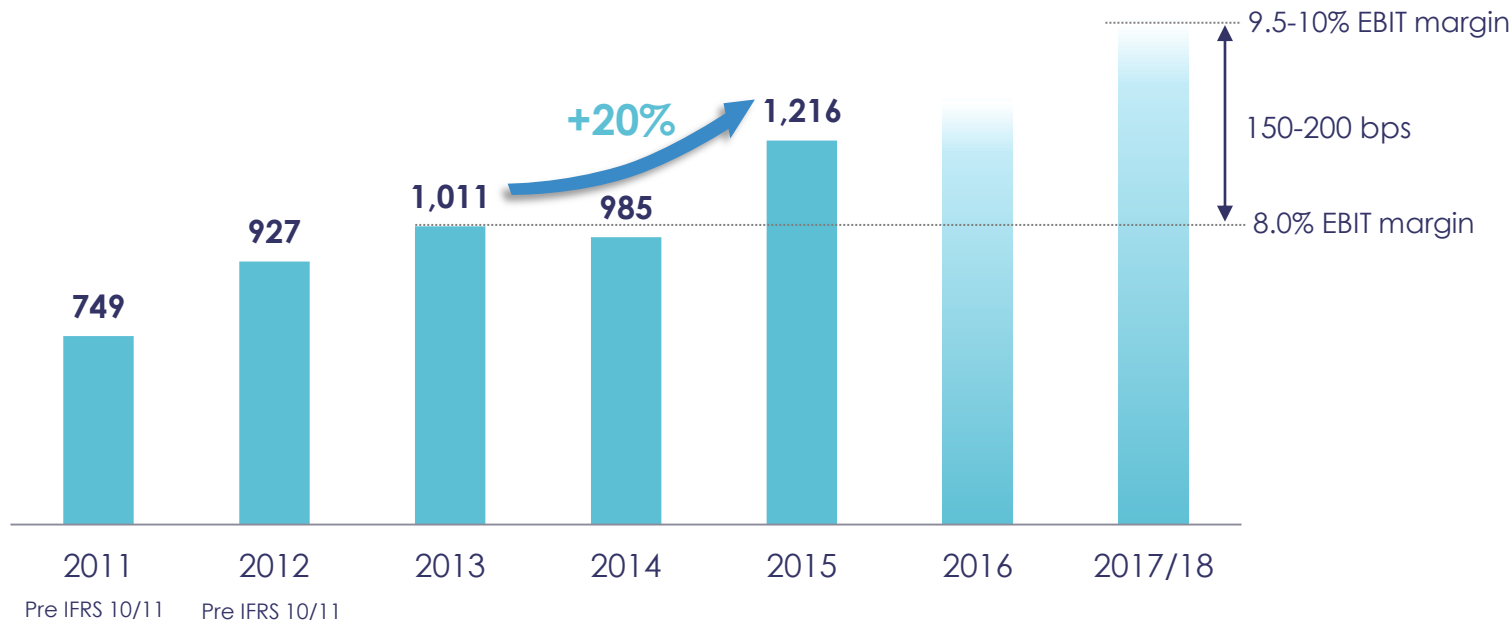
- New management team
- Comprehensive contract portfolio review
- Reinforced governance to control bid and project execution
- Deep transformation plan launched throughout organization

2016: completion of operational recovery

- Execution of projects stabilized on new baselines
- Further transfer of skills from other Thales activities
- Engineering transformation engaged
- Continuous R&D efforts to develop product offering

Significant improvement in profitability, in line with mid-term targets

EBIT, €m





- Introduction to Thales
- Full-Year 2015 and Q1 2016 results
- Key Ambition 10 initiatives
- **Outlook**

Financial objectives

2016

Order intake	Remaining at a high level, close to 2013-14^(a)
Sales	Mid-single digit organic growth
EBIT^(b)	€1,300-1,330m^(c)

2017/18

Sales	Upgraded to mid-single digit organic growth^(d)
EBIT^(b) margin	9.5-10%

(a) Average 2013-14 order intake: €13.6 billion

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

(c) Based on foreign exchange rates as of February 2016

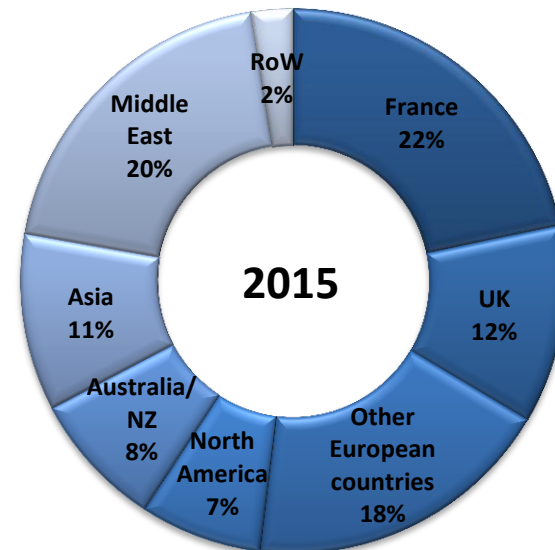
(d) Previous guidance: "moderate top line growth"



Appendix

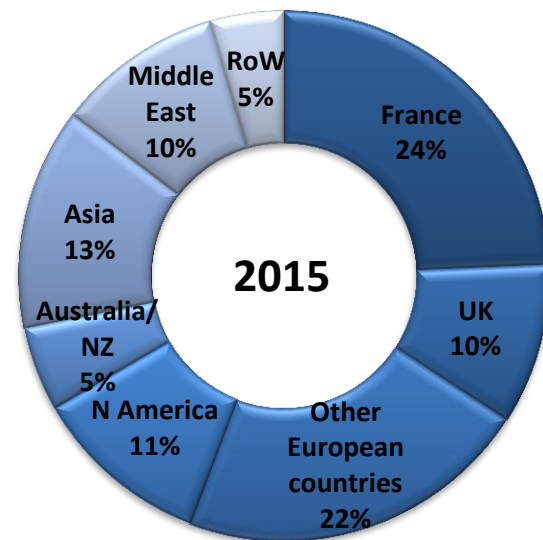
2015 order intake by destination

€m	2015	2014	change	
			total	organic
France	4,102	3,594	+14%	+14%
United Kingdom	2,227	1,326	+68%	+54%
Other European countries	3,483	3,173	+10%	+9%
Europe	9,812	8,093	+21%	+19%
North America	1,364	1,036	+32%	+13%
Australia/NZ	1,525	967	+58%	+59%
Asia	1,982	1,701	+17%	+11%
Middle East	3,726	1,929	+93%	+88%
Rest of the world	470	637	-26%	-26%
Emerging markets	6,178	4,267	+45%	+40%
Total	18,879	14,363	+31%	+28%



2015 sales by destination

€m	2015	2014	change	
			total	organic
France	3,420	3,419	+0.0%	+0.0%
United Kingdom	1,382	1,314	+5.2%	-4.1%
Other European countries	3,040	2,938	+3.5%	+2.5%
Europe	7,842	7,671	+2.2%	+0.2%
North America	1,533	1,350	+13.6%	-1.7%
Australia/NZ	726	667	+8.7%	+9.2%
Asia	1,898	1,823	+4.1%	-0.0%
Middle East	1,431	912	+56.9%	+48.8%
Rest of the world	633	550	+15.0%	+13.8%
Emerging markets	3,962	3,286	+20.6%	+16.0%
Total	14,063	12,974	+8.4%	+4.5%



2015: 24 contracts over €100m

Aerospace: 12

- In-flight entertainment for JetBlue
- ComSat military satellite (France)
- Ceres military satellite (France)
- Telecom satellite (Bangladesh)
- Telecom satellite (Eutelsat)
- 8 additional satellites for the O3B constellation
- Cosmo Skymed (Italy)
- Galileo satellite navigation system (EU)
- Sentinel 1C and 1D satellites (ESA)
- Sentinel 3C and 3D satellites (ESA)
- Additional tranche of the Euclid scientific satellite program (ESA)
- Additional tranche of the Exomars program (ESA)

Transport: 3

- London underground signaling
- Doha metro signaling
- Hong Kong metro

Defence & Security: 9

- Upgrade of the French army's air-defence system (Aster B1NT)
- Optronics systems for Scout SV armoured vehicles (UK)
- Hawkei light protected vehicles (Australia)
- Rafale (Egypt)
- Rafale (Qatar)
- Airport security (Oman)
- Starstreak air-defence (Malaysia)
- Military equipment contracts in 2 Middle-Eastern countries

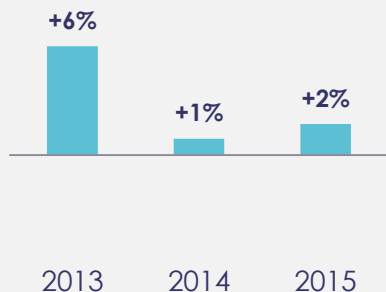
Main programmes in backlog

Amount	Programme
<i>More than €600m</i>	London Underground signalling Rafale (Egypt) Hawkei (Australia) Rafale (France) Rafale (Qatar)
<i>Between €400m and €600m</i>	French military satellite (Comsat NG) Contact Software Defined Radio (France) Iridium (USA) Mirage 2000 Upgrade (India) JetBlue IFE systems (USA) Meteosat (EU)

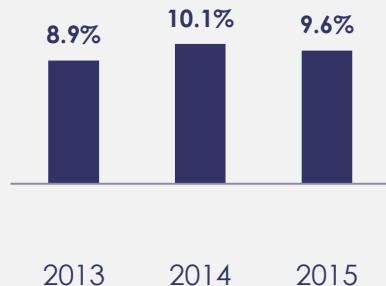
Sales and EBIT performance by segment

Aerospace

Organic sales growth

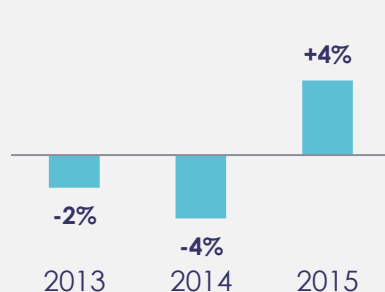


EBIT margin

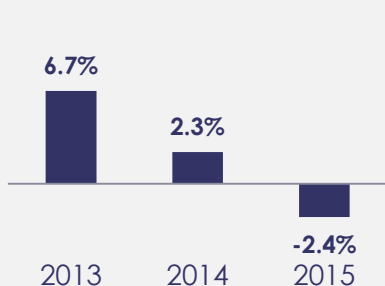


Transport

Organic sales growth

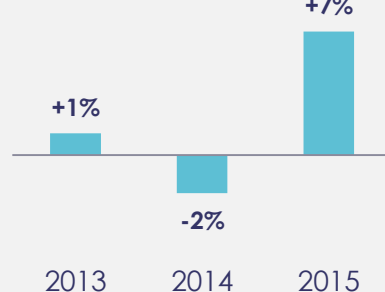


EBIT margin

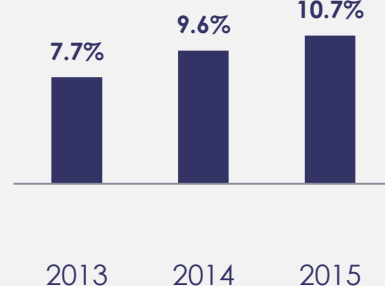


Defence & security

Organic sales growth

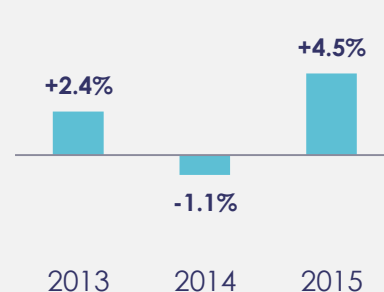


EBIT margin

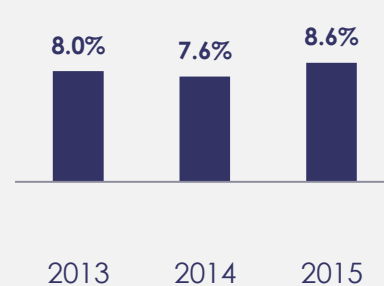


Total Group

Organic sales growth



EBIT margin



Note: Group EBIT includes equity associates
(Losses at DCNS in 2014)

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Summary P&L: from sales to EBIT

	2015		2014		change	
	€m	% of sales	€m	% of sales	total	organic
Sales	14,063		12,974		+8.4%	+4.5%
Gross margin	3,375	24.0%	3,182	24.5%	+6%	+3%
Indirect costs	(2,205)	15.7%	(2,075)	16.0%	+6%	+3%
o/w R&D expenses	(692)	4.9%	(641)	4.9%	+8%	+5%
o/w Marketing & Sales expenses	(981)	7.0%	(914)	7.0%	+7%	+4%
o/w General & Administrative expenses	(532)	3.8%	(519)	4.0%	+2%	-1%
Restructuring costs	(94)	0.7%	(114)	0.9%	-18%	-20%
Share of net result of equity-accounted affiliates excl. DCNS	118		110		+7%	+7%
EBIT excluding DCNS	1,194	8.5%	1,102	8.5%	+8%	+4%
Share of net result of DCNS	22		(117)			
EBIT	1,216	8.6%	985	7.6%	+23%	+18%

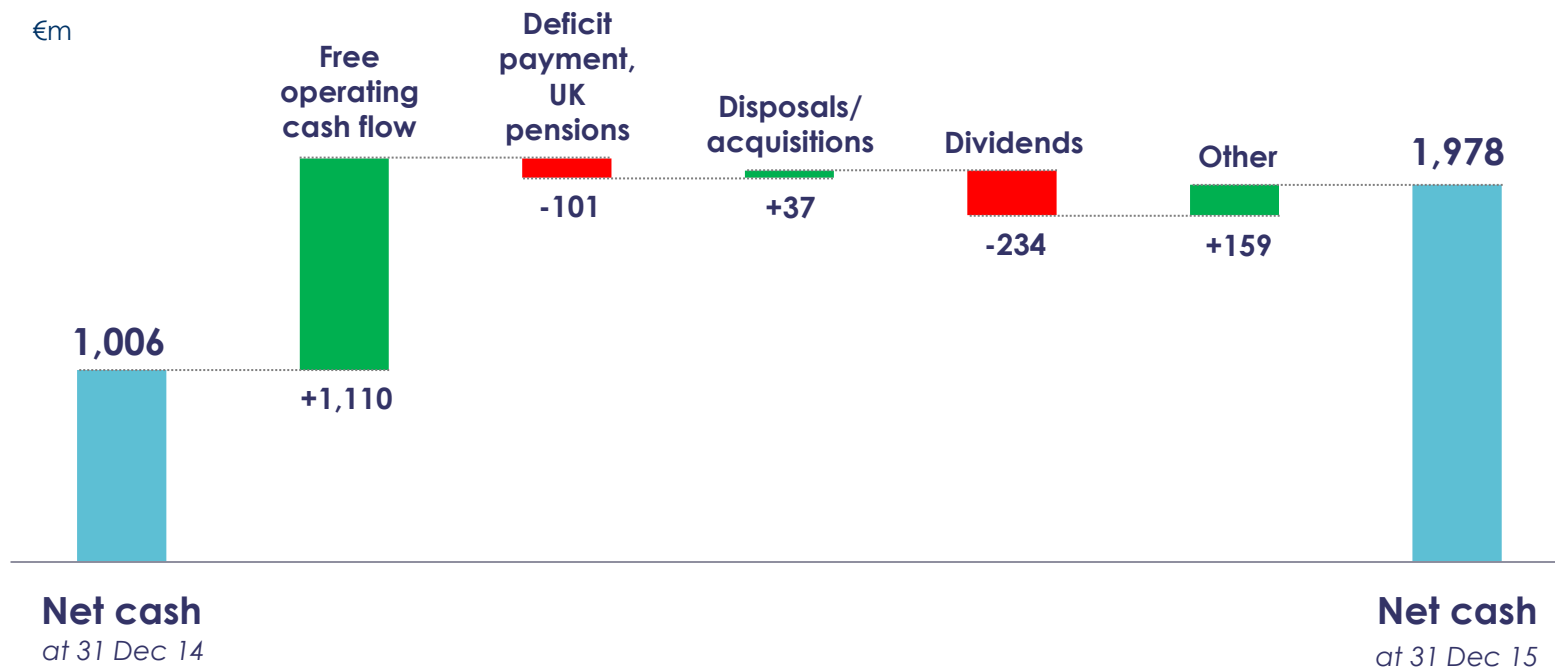
EBIT by segment

- Defence & Security: very strong performance
- Transport: impact of project execution
- DCNS: results above breakeven

€m	2015		2014		change	
					total	organic
Aerospace	518	9.6%	505	10.1%	+3%	-3%
Transport	(37)	-2.4%	32	2.3%	NM	NM
Defence & Security	760	10.7%	620	9.6%	+23%	+18%
EBIT - operating segments	1,241	8.8%	1,158	8.9%	+7%	+3%
Other	(47)		(56)			
EBIT - excluding DCNS	1,194	8.5%	1,102	8.5%	+8%	+4%
DCNS (35% share of net result)	22		(117)			
EBIT - total	1,216	8.6%	985	7.6%	+23%	+18%

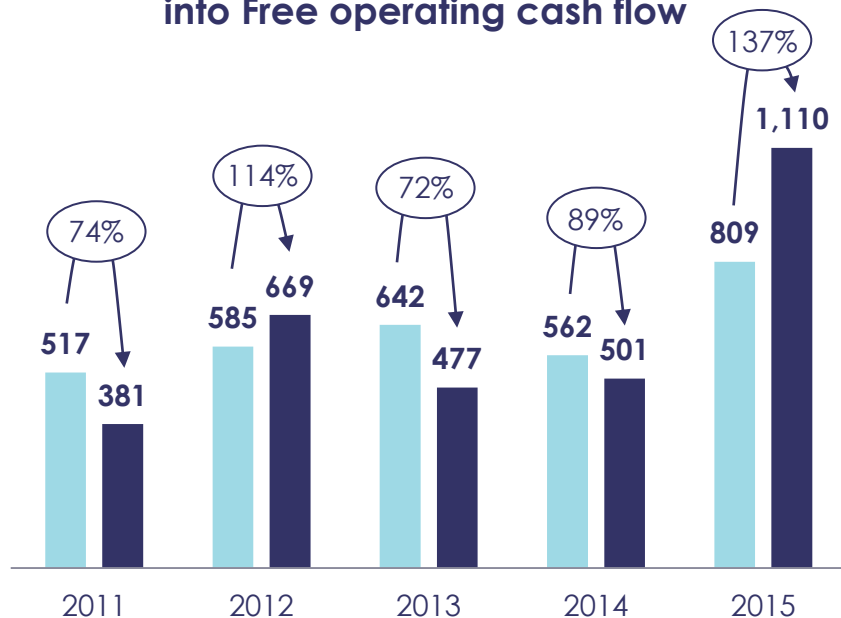
Movement in net cash

High net cash position driven by free operating cash-flow



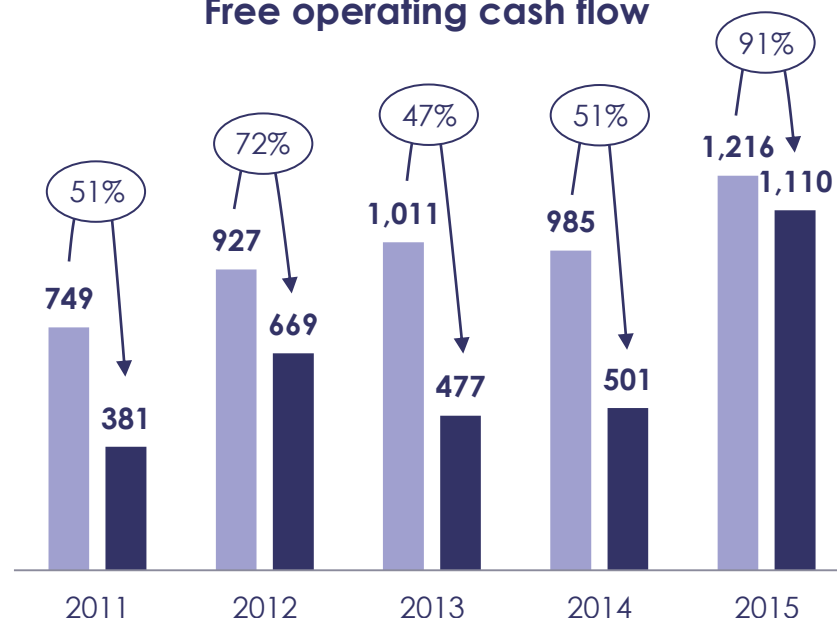
Historical trend in cash conversion

Adjusted net income conversion into Free operating cash flow



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

EBIT conversion into Free operating cash flow



EBIT
Free operating cash flow
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, ie 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*: amortisation of intangible assets acquired (PPA). See note 14-a and 2.2 of the consolidated financial statements.
- > **Adjusted net income:** net income, *less* the following elements, net of the corresponding tax effects: (i) amortisation of intangible assets acquired, (ii) disposal of assets, change in scope of consolidation and other, (iii) change in fair value of derivative foreign exchange instruments (recorded in "other financial results" in the consolidated accounts), (iv) actuarial gains or losses on long-term benefits (accounted within the "finance costs on pensions and employee benefits" in the consolidated accounts). See notes 14-a and 2.2 of the consolidated financial statements.
- > **Adjusted EPS:** ratio of adjusted net income (as defined above) to average number of shares outstanding. See notes 14-a and 2.2.
- > **Free operating cash-flow:** net cash flow from operating activities, *less*: capital expenditures, *less*: deficit payments on pensions in the United Kingdom. See notes 14-a and 11.1 of the consolidated financial statements.



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