



Investor meeting

September 2021

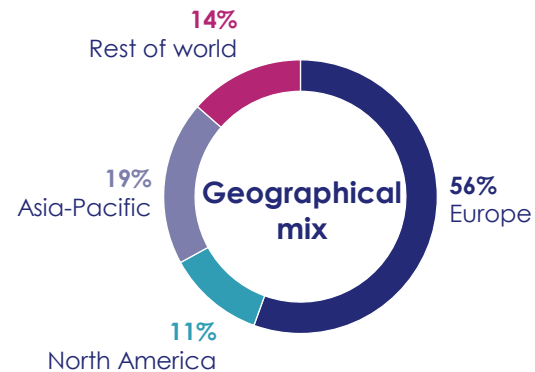
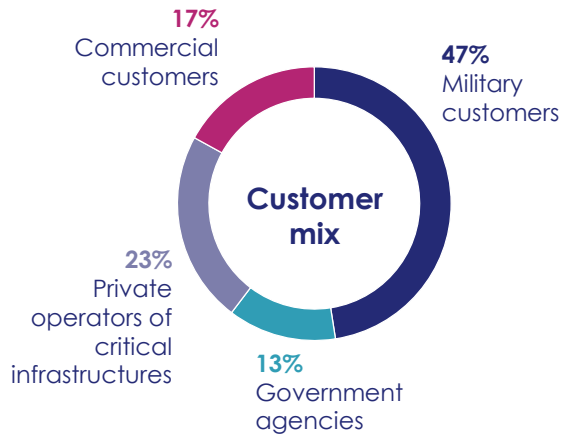
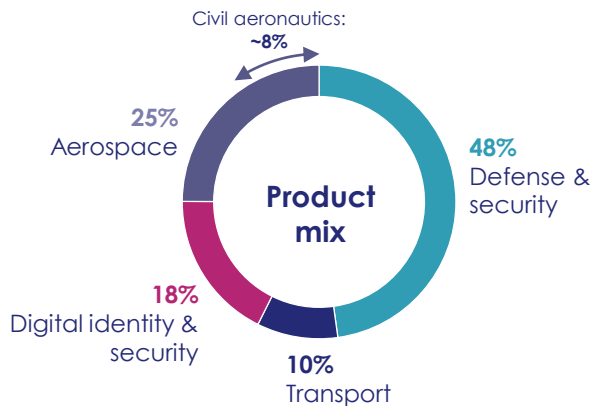


- **Introduction to Thales**
- Key priorities for 2019-23
- Proposed disposal of transport segment
- H1 2021 results
- Outlook



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

2020 sales



**Defense sensors
& mission systems**

#1

in Europe



**Air Traffic
Management**

#1

worldwide



**Rail signaling
and supervision**

#2

worldwide



**Data
protection**

#1

worldwide



**Civil
satellites**

#2

worldwide



**Flight
avionics**

#3

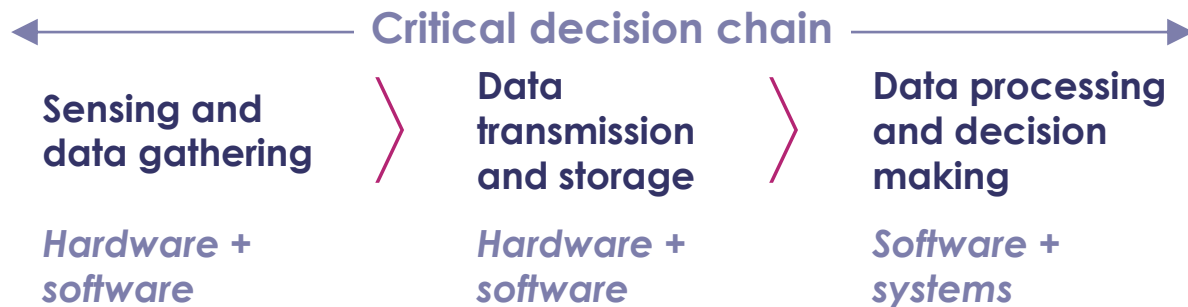
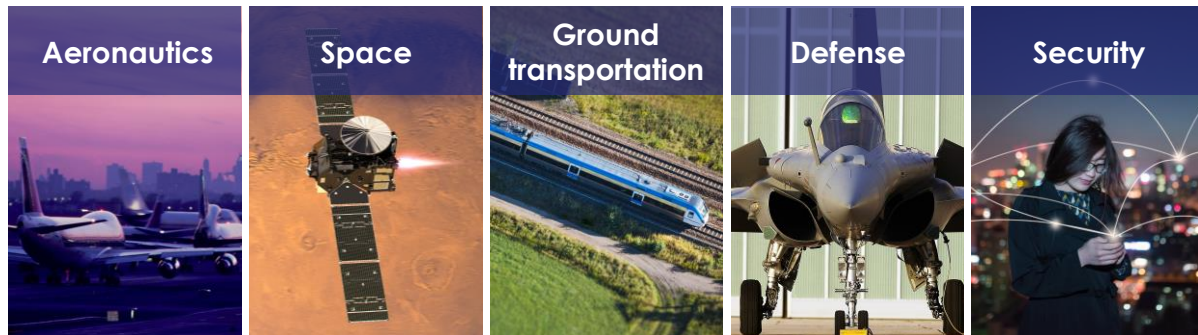
worldwide

Thales: a pure player focused on intelligent systems and digital solutions

Addressing
some of the most
demanding
end markets...



...leveraging a
unique portfolio
of key common
technologies



Examples of solutions: sensors, mission systems, communications, command and control systems, digital identity and security solutions

Thales builds on 4 key strengths

Top 100
Global
Innovator
2021

Clarivate™



nature

Cutting edge R&D

- €3.5bn+, ~20% of sales
- ~70% customer-funded
- 29,000+ engineers
- Top 100 global innovator for 7th consecutive year



Deep domain knowledge

- Top 3 globally or #1 in Europe across businesses
- Leverage across 5 end markets with many technological similarities

Connectivity
Mobility, IoT



Big data
analytics

Cyber-
security



Artificial
intelligence

Large digital asset base

- Thales portfolio: digital “by nature”
- Significant organic and inorganic initiatives, targeting 4 key digital technologies
- Large integrated network of digital native talents



Global presence

- Presence in 50+ countries and sales in 100+ countries
- Proven ability to address complex markets and partnerships
- Capitalizing on 40+ year presence

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Ambition 10: a solid framework to capitalize on Thales's unique positioning, further strengthened in the post Covid-19 world



Continued focus on operational performance



1 Reinforce customer-centric organization and culture



2 Relentlessly optimize operational performance

Strong development levers



3 Accelerate R&D investments to drive technological excellence



4 Lead in digital transformation of markets



5 Execute on transformative acquisition of Gemalto

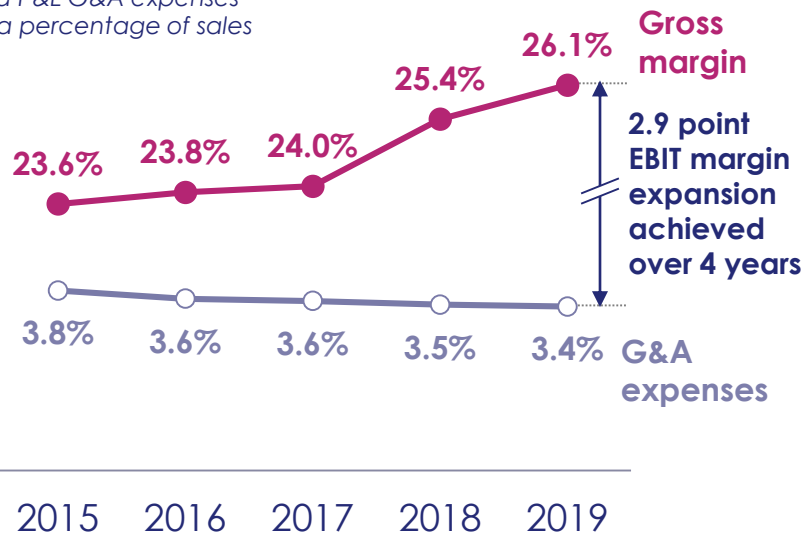


2

Sustainably deliver on operational performance initiatives

Significant improvement in gross margin and G&A expenses achieved since 2015

Adjusted gross margin^(a)
and P&L G&A expenses
as a percentage of sales



(a) At constant scope: 2015-2018 adjusted for disposal of GP HSM business, 2019 excluding Gemalto.

Focus on 4 high impact initiatives

Procurement performance

Engineering competitiveness

Support function efficiency

Excellence in delivery

**3**

Further R&D step-up to drive technological excellence

Investments focused on core digital technologies

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

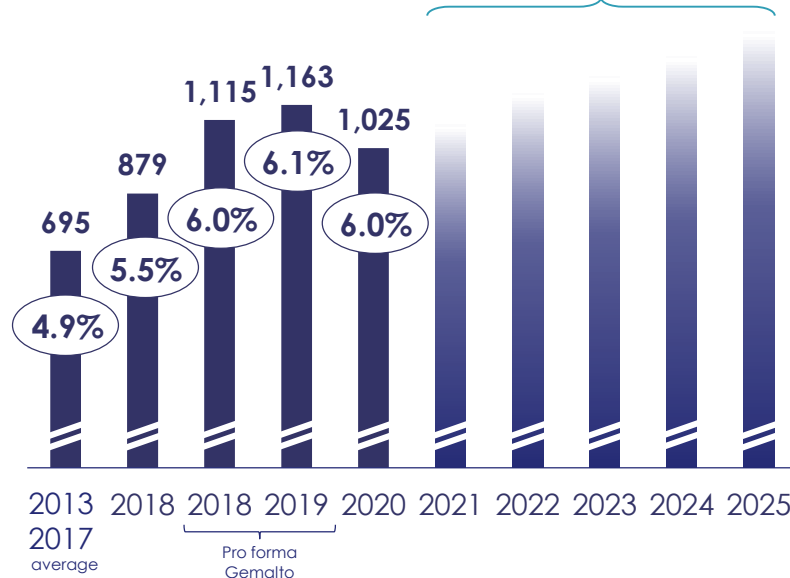
New R&D investment areas

- 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





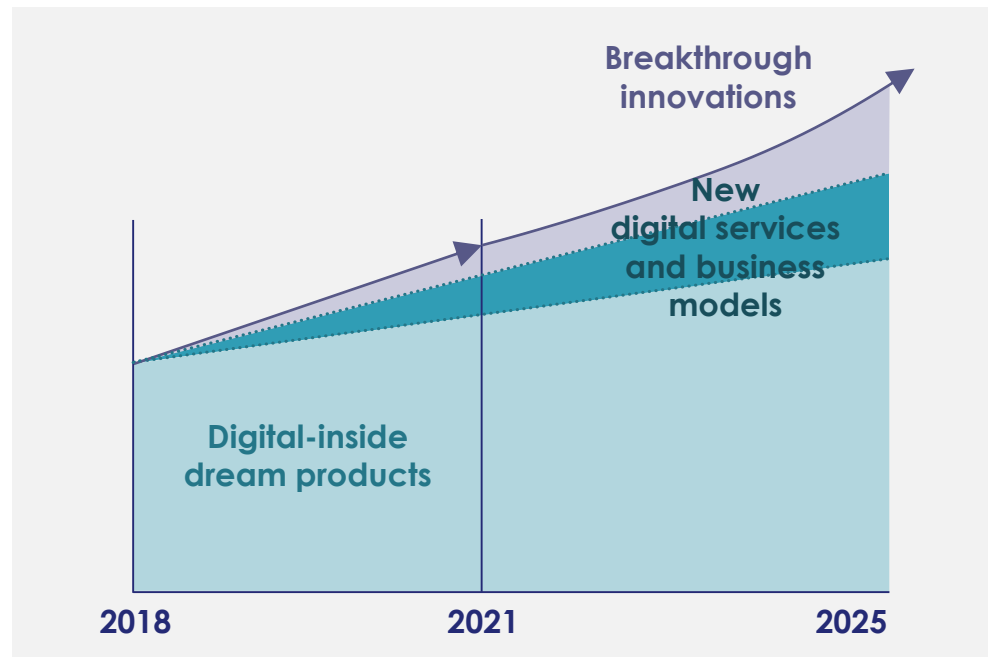
4

Digital technology leadership enhances long-term growth profile

Quick adoption of digital technologies inside dream products to support top-line growth

Design of new services and business models delivering more recurring revenues

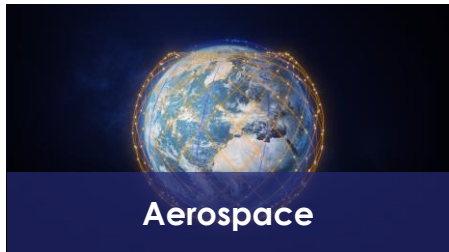
Breakthrough innovations boosting longer-term growth



Digital innovations driving mid to long-term growth

**4**

Digital investments drive key successes across all markets



Aerospace

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



Transport

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



Defense & Security

- F126 frigates: digital mission system and cyber-defense
- NATO: deployable defense cloud
- UK and French MoD: autonomous mine-hunting



Digital identity & Security

- 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



5

Gemalto acquisition: accelerating Thales's digital strategy

Digital security: a unique differentiator to stay at the forefront of intelligent systems

3 key technological capabilities



Digital identity - biometrics



Secure connectivity - IoT



Data protection - encryption

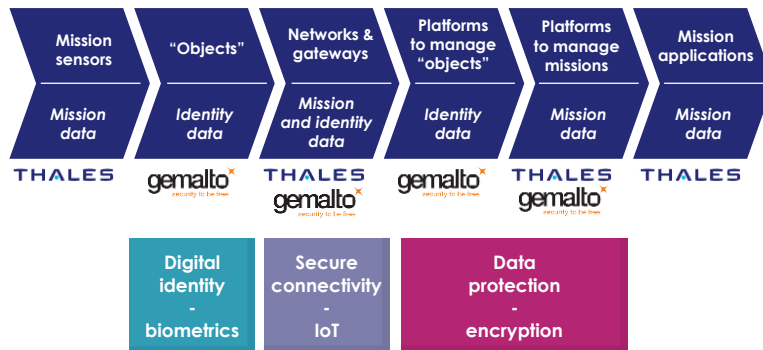
Opportunities already materializing in 80% of existing business lines

Access to large pool of digital talents

Critical decision chain

Sensing and data gathering > Data transmission and storage > Data processing and decision making

Critical digital decision chain



Reinforcing unique and differentiated market position



5

Gemalto acquisition: expanding portfolio in highly synergistic growth market

Global leader in fast-growing digital identity and security market

Multiple growth engines, addressing major societal aspirations

Significant cross-selling opportunities, capitalizing on Thales's global sales force

Leveraging Thales's extensive technology portfolio

Maximizing value in mature businesses

Multiple fast-growing markets

		2023 market size	2019-23 forecasted market growth ^(a)
	Data protection	~€9bn	x2
	IoT connectivity & security ^(b)	€6bn+	x2
	Biometrics	~€5bn	x1.5
	eSIM shipments	~800 million units	x6

(a) Pre Covid-19 crisis forecasts

(b) IoT cellular modules and IoT security

Sources: ABI Research, Gartner, IDC, Counterpoint, Thales



5

Solid progress on Gemalto synergies

Revenue synergies in line with plan

- Strong growth of combined data protection solution portfolio, 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
 - Private 5G networks
- 49 projects won in H1 2021, in line with 2023 revenue synergy target (€300-500m)

Cost synergies ahead of plan



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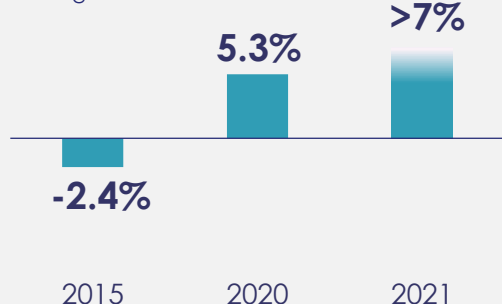


Transport: solid progress achieved over past 5 years



Recovery and transformation

EBIT margin

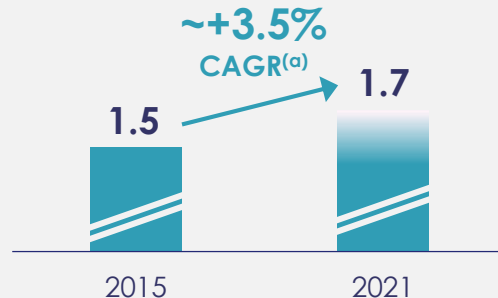


- Strong program execution discipline
- Competitiveness focus: procurement, engineering, and contract management
- Product policy: structured approach across all projects



Global growth

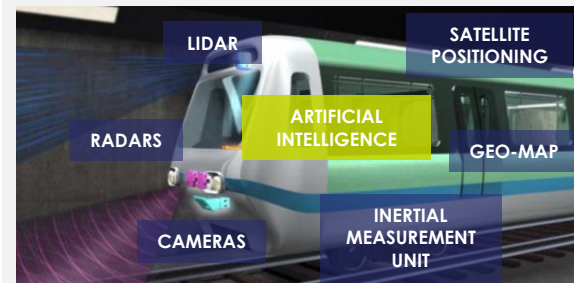
€bn



- Main line in Europe
- Major urban city markets
- Chinese urban rail market through JV
- New growth cycle initiated in 2021



Investing in future products



- Autonomous train (AI)
- Smart infrastructures (rail IoT)
- Digitalization of railways (AI and big data analytics)
- Solutions cyber-secured by design

(a) Organic; at constant scope and exchange rates

Rail control market: integrating vertically

Railway digitalization driving tighter integration between rolling stock and signaling

- Growing on board “intelligence” vs trackside equipment
- Operations control centers to cover all aspects of infrastructure, and not just signaling

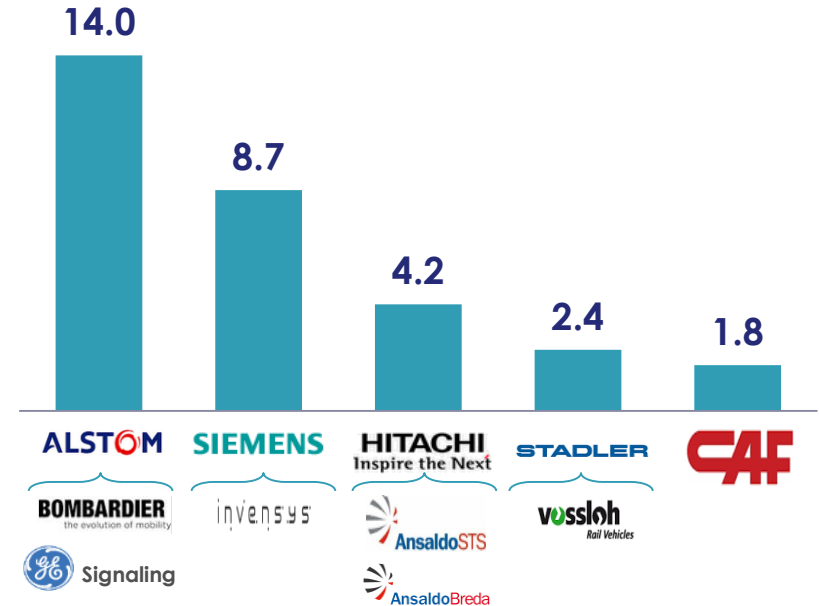
Increased customer preference for “turnkey” suppliers in greenfield projects

- From ~40% of urban rail projects to ~70% today

Emergence of large, vertically-integrated players, thus meeting customer trends

Top 5 rail companies outside China

€bn, 2020



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Transaction details

Scope: entire transport operating segment

- Transport segment treated as “discontinued operations” in Full Year 2021 financial statements

Robust valuation achieved

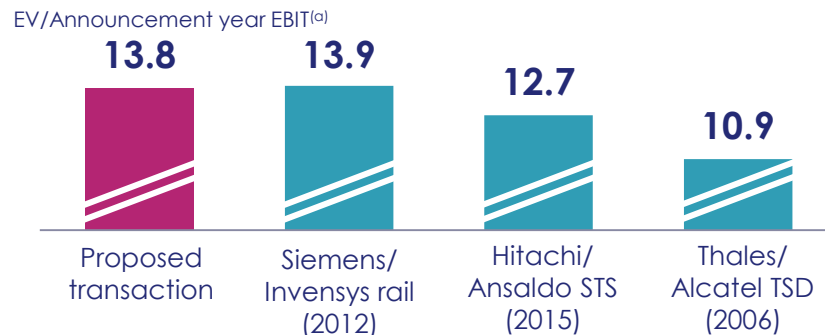
- Enterprise value: €1,660m

Next steps

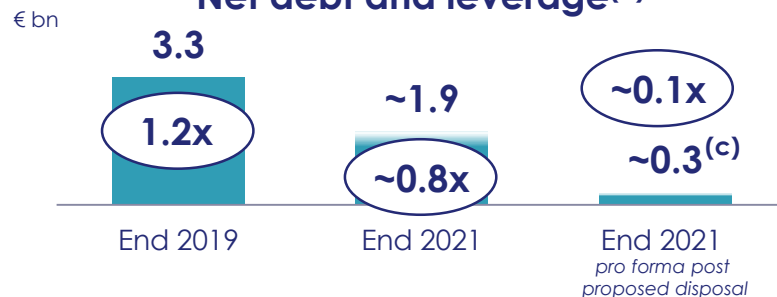
- Consultation of employee representatives
- Carve-out of business
- Usual closing conditions: antitrust, foreign direct investment...

Expected closing: end 2022 / early 2023

Valuation benchmark



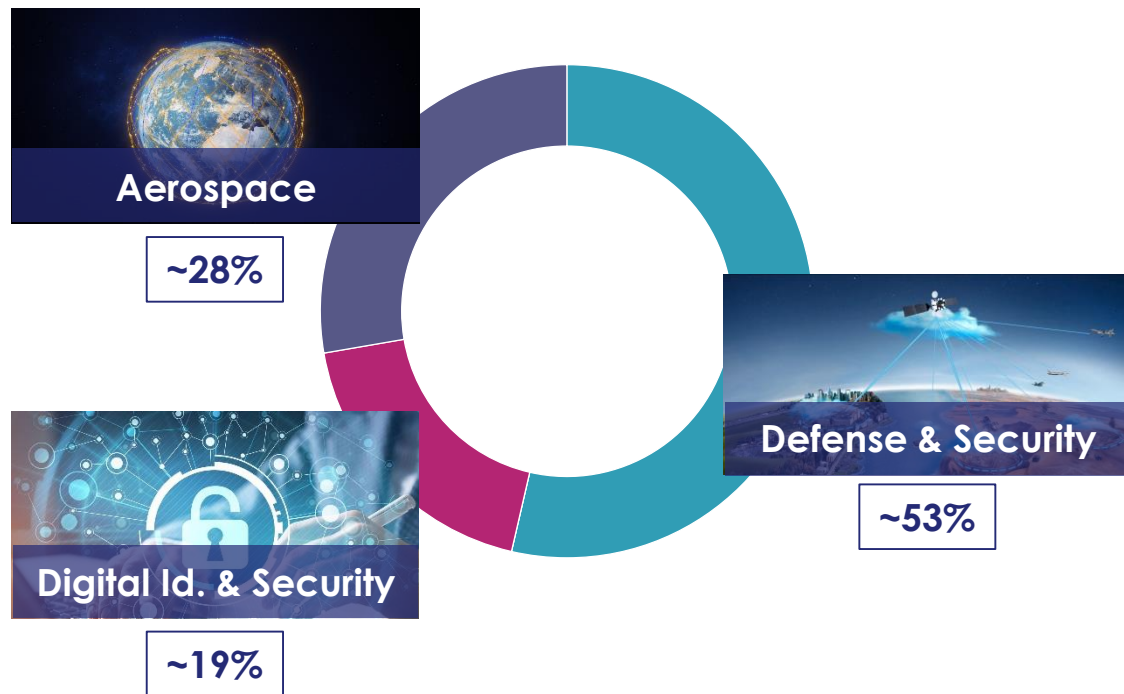
Net debt and leverage^(b)



- (a) Proposed transaction: reported EBIT over last 12 months
(b) End 2021 net debt based on 16 July 2021 consensus. Leverage: EBITDA/net debt.
(c) Excluding the transfer of net pension obligations considered as debt-like items

Thales post proposed transport disposal

Sales mix^(a)



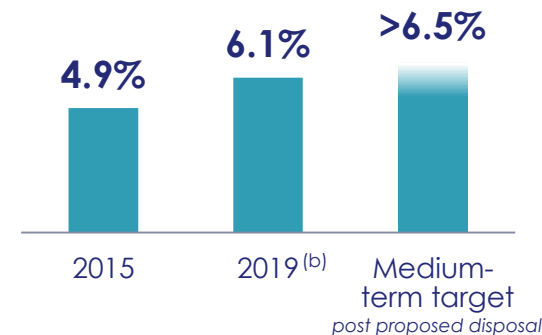
(a) 2022 pro forma post proposed disposal, based on 16 July 2021 consensus.

(b) 2019 pro forma Gemalto over 12 months.

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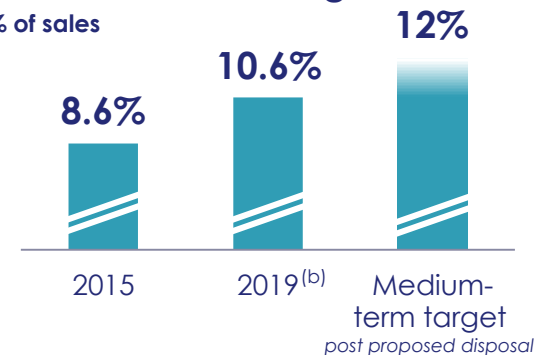
Self-funded R&D

% of sales



EBIT margin

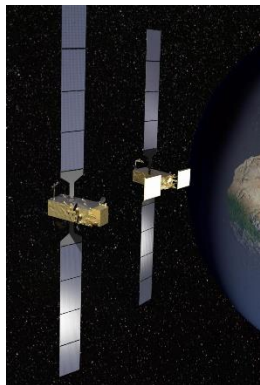
% of sales



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H1 2021 highlights



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

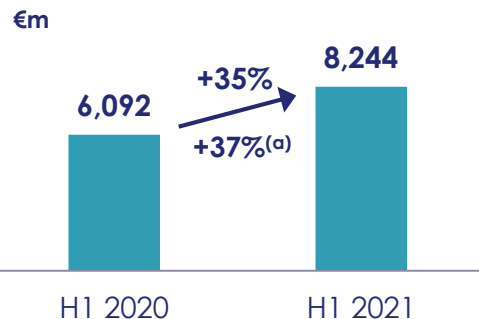
Major rebound in sales and EBIT following heavy Covid-19 disruptions during Q2 2020

Free operating cash flow significantly ahead of plan

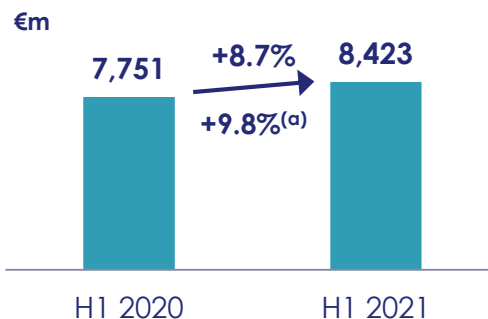
Strong sales performance year-to-date drives guidance upgrade

H1 2021 key figures

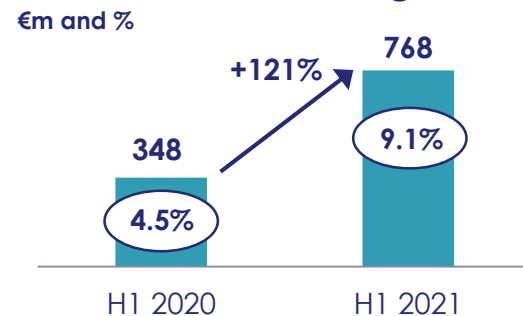
Order intake



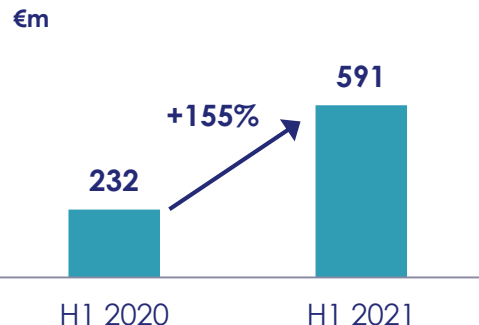
Sales



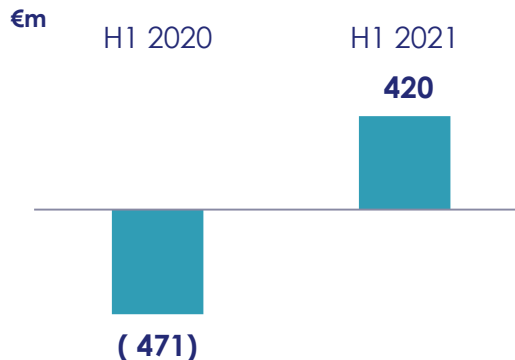
EBIT and EBIT margin^(b)



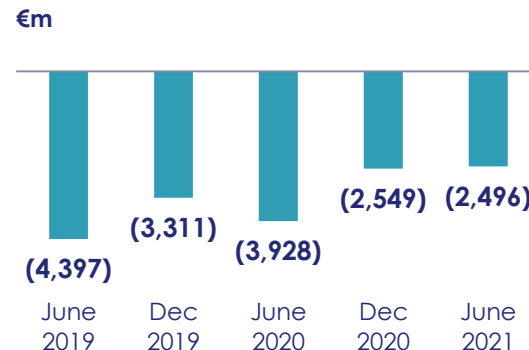
Adjusted net income^(b)



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

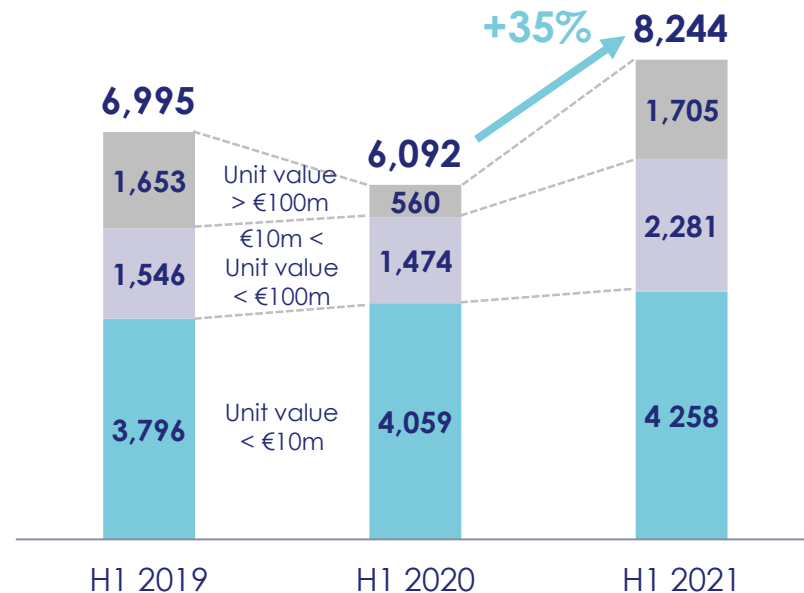
Small orders^(b) up 5% despite continuous impact on civil aero and biometrics

(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

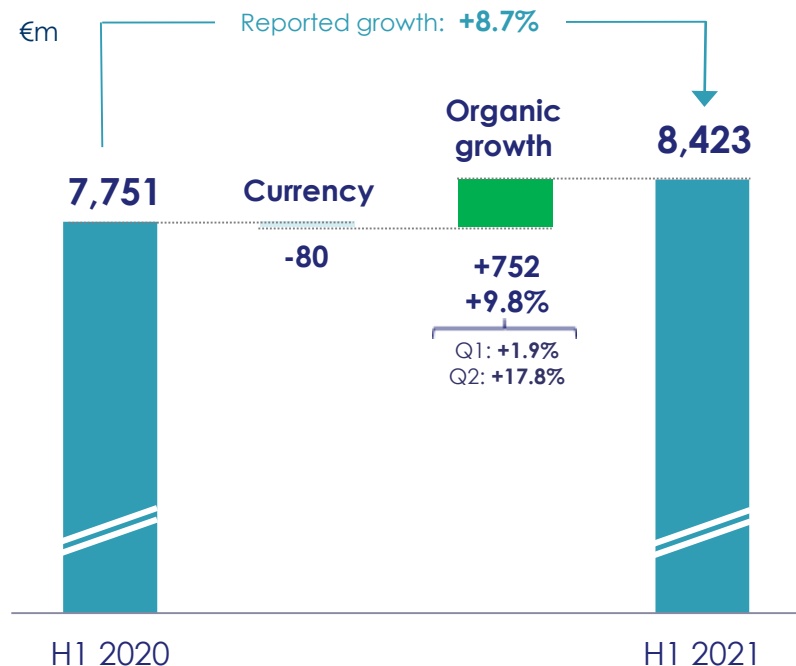
Q2 sales rebounding strongly from Covid-19 crisis trough

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

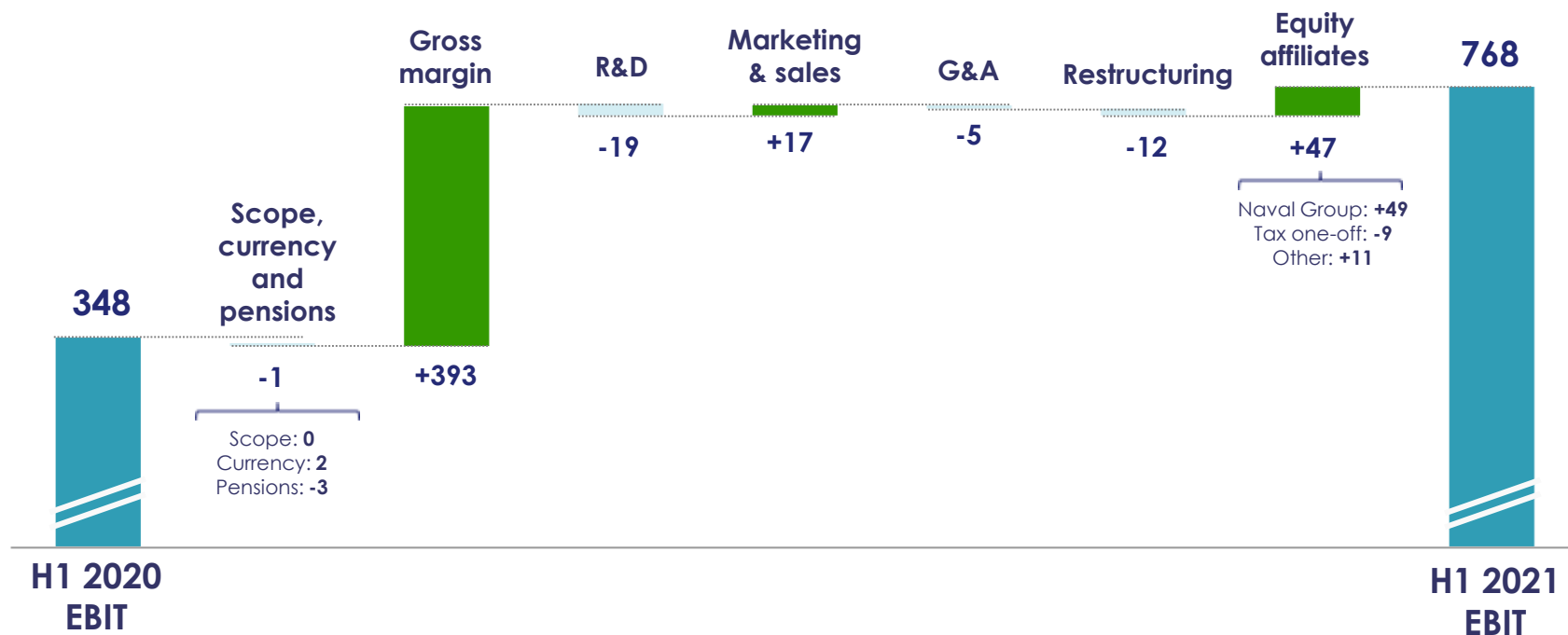
Rebound driven by Europe

- 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	
			total	organic
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

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)

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Defense & Security: a world class defense business

Defense budget growth confirmed across key Thales markets

- Geopolitical tensions and terrorism
- Greater variety of threats

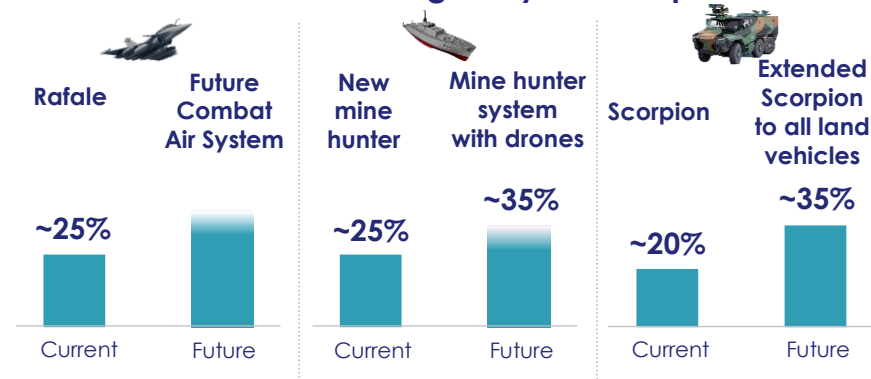
Positioning on intelligent systems and digital solutions driving faster growth and opening new markets

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

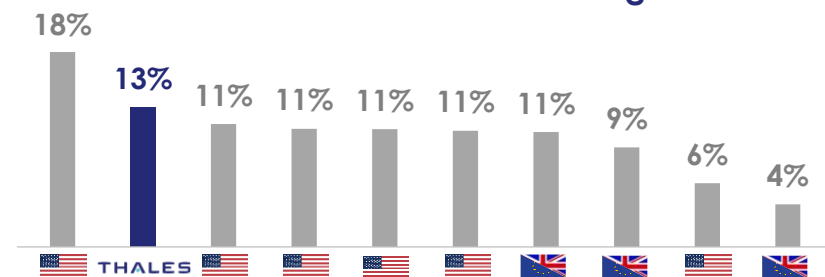
Industry-leading margins

- 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

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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

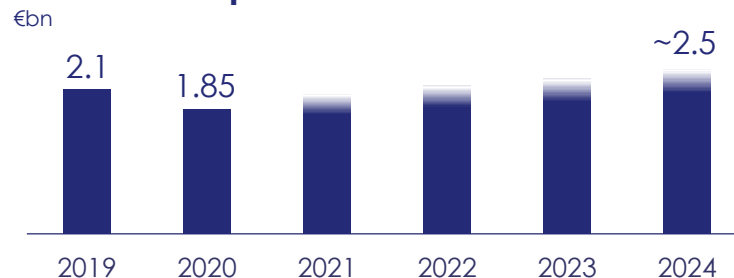
- Flexible GEO satellites: first customer award for *Space Inspire*
- Telesat selection demonstrating global constellation leadership

R&D investments sustained

Key institutional wins since July 2020



Space sales trend^(a)



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

Avionics and IFE: prepared for upcoming rebound

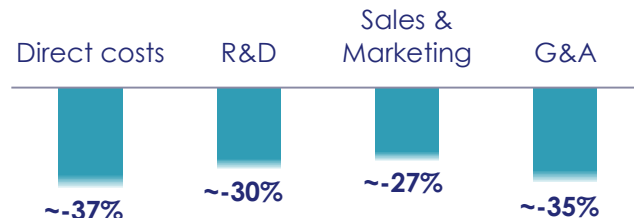
Comprehensive recovery action plan implemented since April 2020

- 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 starting from Q2 2021

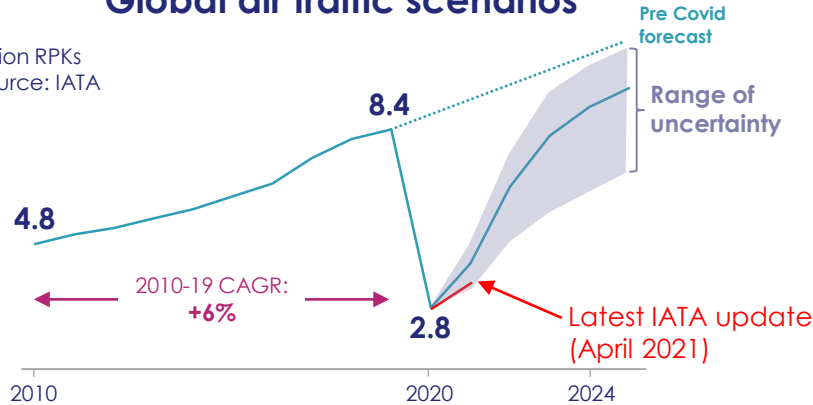
- Full Year avionics & IFE sales expected organically down mid single digit
- Gradual ramp up of commercial aftermarket as air travel restrictions are lifted
- Lower commercial widebody OE production rates

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



Global air traffic scenarios

Billion RPKs
Source: IATA



Relentless focus on operational performance and EBIT margin expansion

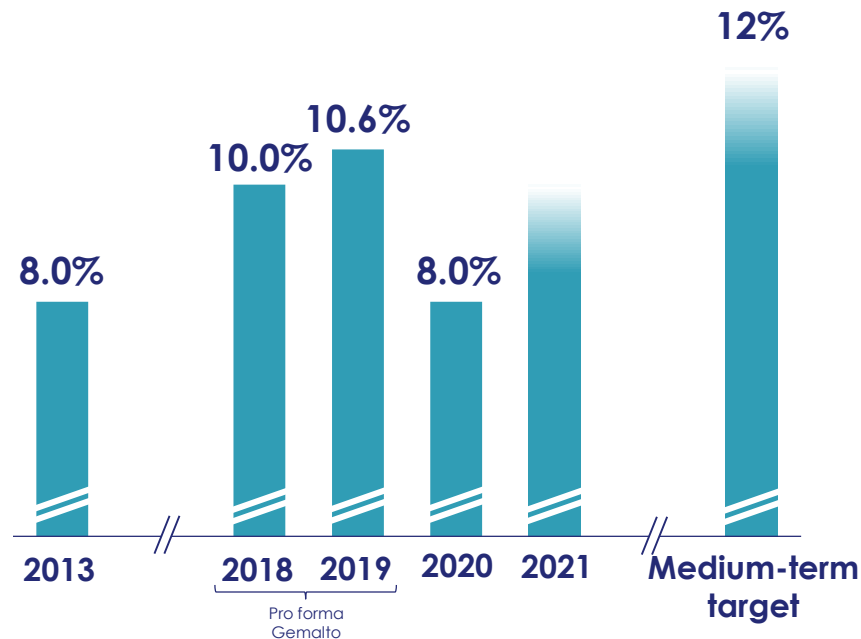
Avionics and IFE: structural cost adaptation

Gemalto cost synergies

4 groupwide operational performance initiatives

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

EBIT margin trend



Solid cash conversion confirmed, driving upgraded 2019-2023 target

Strong focus on cash delivers

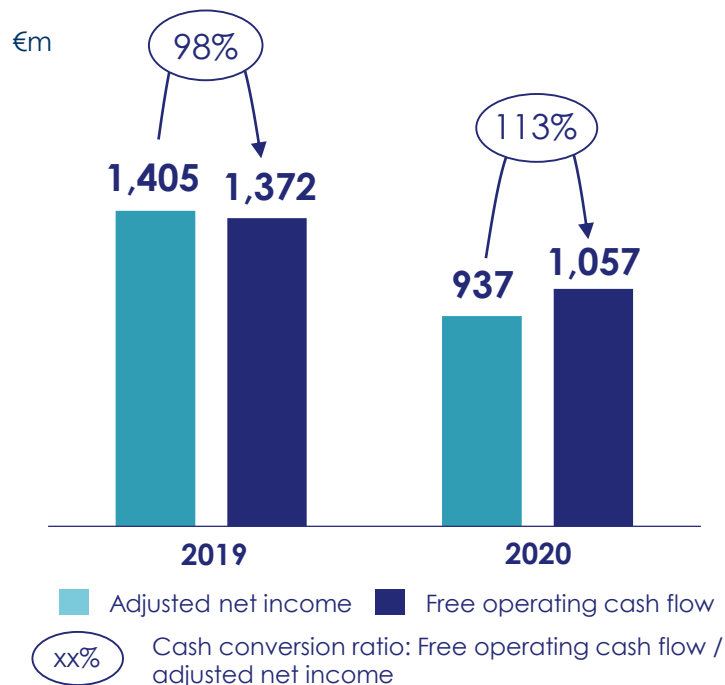
- CA\$H! initiative launched in 2019
- Effect of global crisis adaptation plan: cash focus, 25% capex cut
- Support from institutional and governmental customers
- Lower than planned unwinding of down-payments

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



Sustainability: accelerating growth and competitiveness

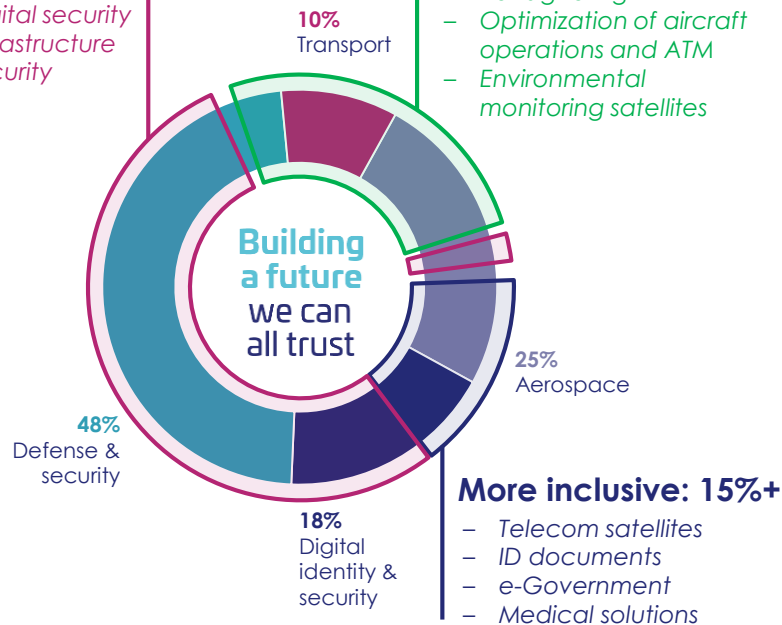
Portfolio addresses key societal needs

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

Dedicated event on 5 October 2021

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
- Sustained high level of R&D investments, while increasing selectiveness

2021 financial objectives

adjusted for proposed transport segment disposal

Order intake

Book-to-bill above 1

Sales

€15.8 to 16.3 billion^(a)

EBIT margin^(b)

9.8% to 10.3%^(a)

Adjustments for the accounting treatment of the transport segment as “discontinued operations”

(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.

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

Summary: enhanced investment thesis, unchanged strategy

Strategic focus on 3 best-in-class high tech BtoB/BtoG businesses

- Simplified exposure to fewer long-term growth markets
- Pure player positioning on intelligent systems and digital solutions, able to sustainably deliver double-digit margins
- Significant sustainability-related growth opportunities

Strengthened balance sheet with substantial cash optionality

Continued implementation of key Ambition 10 strategic levers

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



**Sustainable
value creation,
with enhanced
resilience**

Appendix

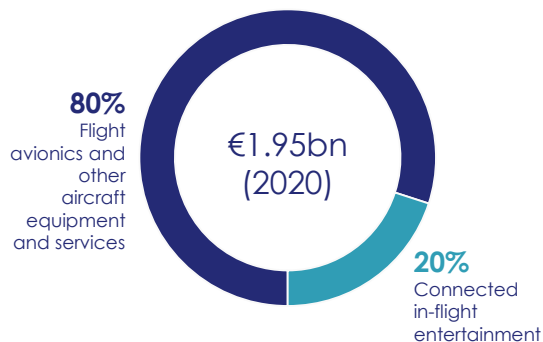


A strong set of focused businesses

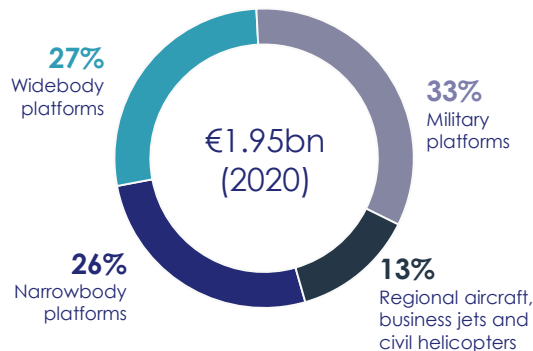
Segment	Sub-segment		Civil	Military	2020 sales ^(a) (€m)	Market position
Aerospace 25% of 2020 sales	Flight avionics including cockpit avionics, communications, electrical systems, training and simulation (of which civil: ~€900m, military: ~€650m)				~1,550	#3 worldwide (flight avionics)
	Connected in-flight entertainment (IFE)				~400	#2 worldwide
	Microwave tubes for satellite, medical, scientific and military applications				~400	#1 worldwide
	Space solutions for telecom, observation, navigation and exploration				~1,850	#2 worldwide (civil satellites)
Transport 10% of 2020 sales	Rail signaling and supervision including passenger payment collection systems				~1,600	#2 worldwide
Defense & security 48% of 2020 sales	Sensors and mission systems including radars, sonars, optronics, mission systems for aircraft, ships and submarines, missiles and armored military vehicles				~4,200	#1 in Europe
	Communications, command and control systems including military communications and networks, military command and control systems (C4I), cybersecurity, Air Traffic Management, and homeland security solutions				~3,900	#2 worldwide (military tactical communications)
Digital identity & security 18% of 2020 sales	Digital identity and security solutions including identity management & data protection, biometrics, analytics & Internet of Things, mobile connectivity solutions (removable SIM and eSIM), EMV payment cards				~3,000	#1 worldwide

Global leader in flight avionics and connected in-flight entertainment

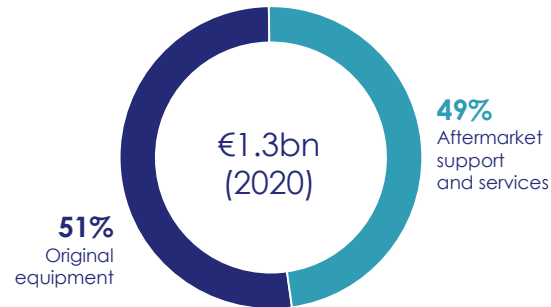
Sales by solutions



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)



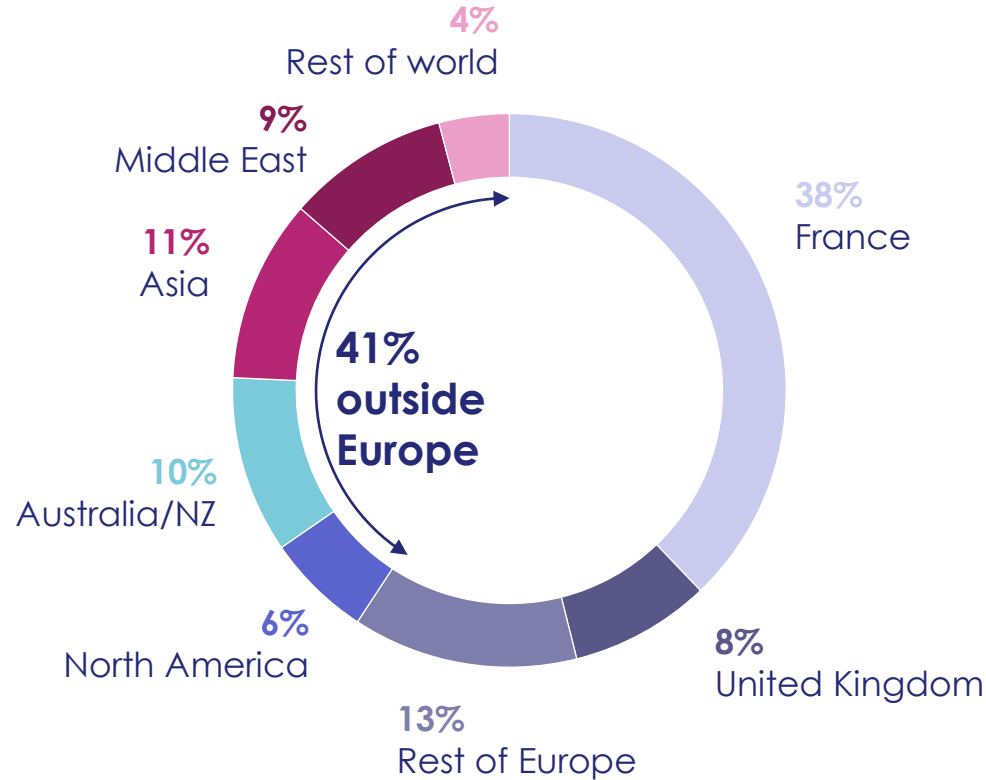
Main platforms

A330/A340
A350
B787
B777

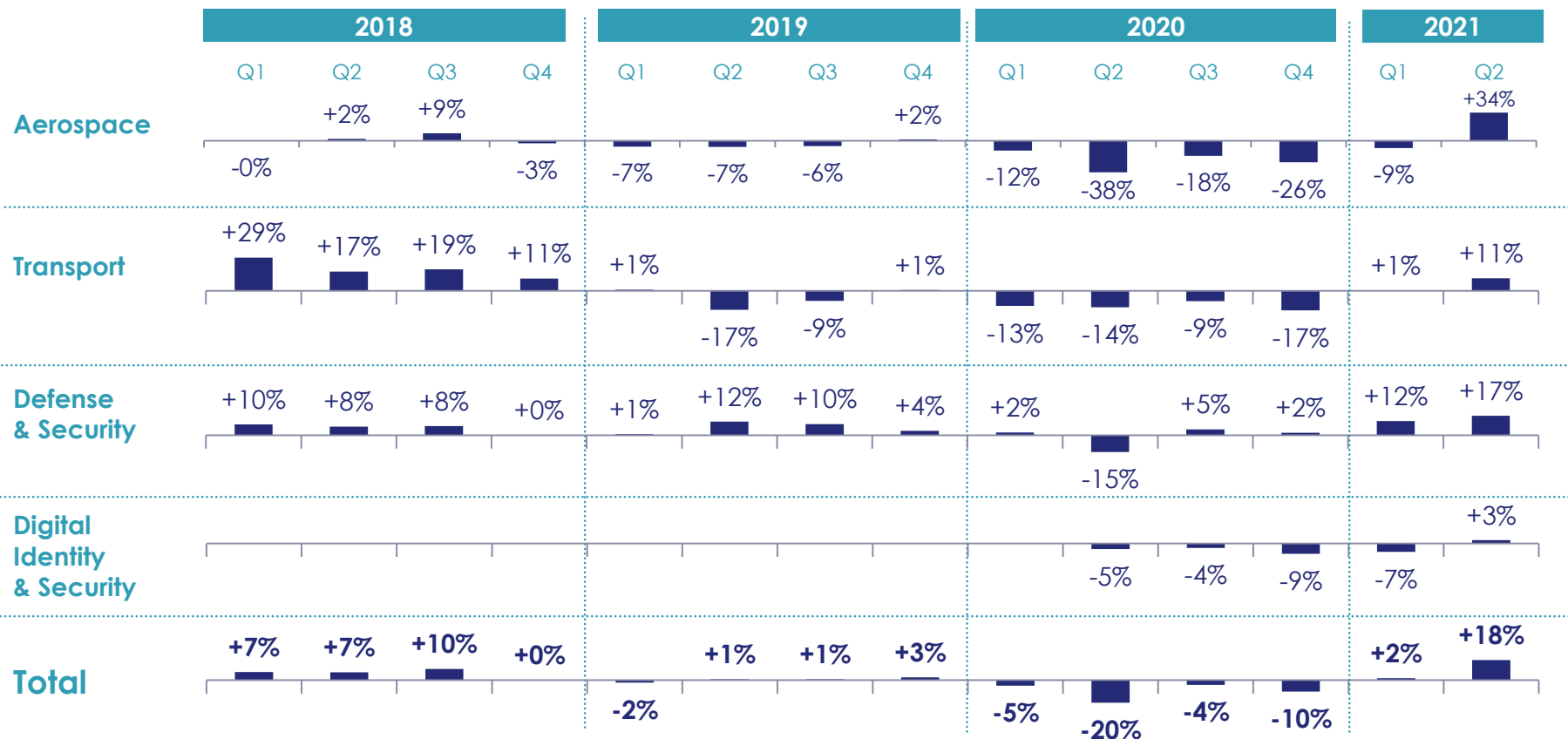
A320
B737

Highly diversified Defense & Security customer base

Defense & Security sales by region, 2020



Organic sales growth per quarter



Pre Covid-19 crisis organic sales growth targets

Pre Covid-19 crisis targets

Group organic sales growth target

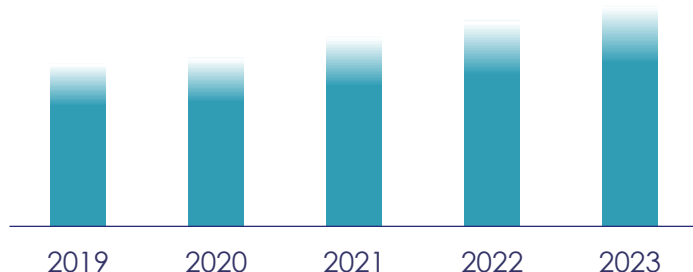
3% to 5% growth
on average over 2019-23

Lower growth in first part of period

- Impact of space market slowdown
- High comps in transport

Progressively accelerating thereafter

- Recovery of space market
- DIS revenue synergies
- New digital services and breakthrough innovations



Aerospace

Market trend

~+1.5%^(a)

Organic sales
growth target
2019-23

+2-3%



Transport

~+3%

Flat^(b)

(2018-23: ~+2%)



Defense & Security

~+3.5%

+4-6%



Digital identity & security

Smart cards

Flat

Digital services
and solutions

~+13%

+4-6%^(c)

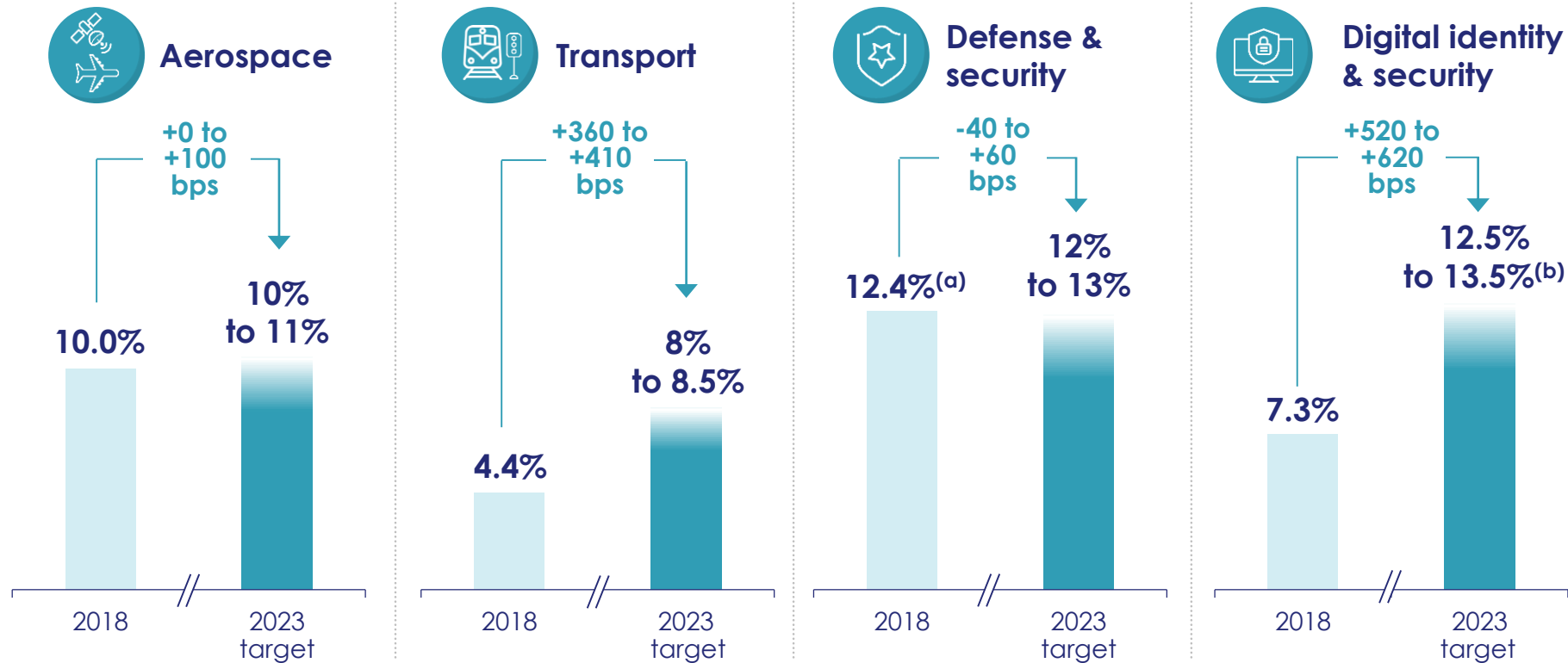
(a) Composite market trend adjusted to take into account lower growth in commercial space market

(b) 2018-23 transport growth above 2% taking into account exceptional outperformance in 2018 (+18%)

(c) 2020-23 growth target

Pre Covid-19 crisis medium-term margin targets by segment

Pre Covid-19 crisis targets

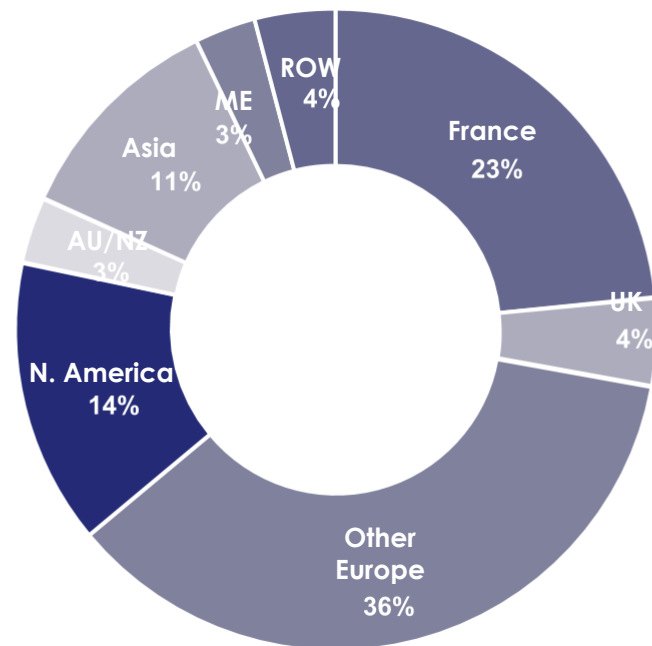


(a) Excluding €20m one-off

(b) Only 2/3 of cost synergies and 1/3 of revenue synergies are expected to be recorded within DIS

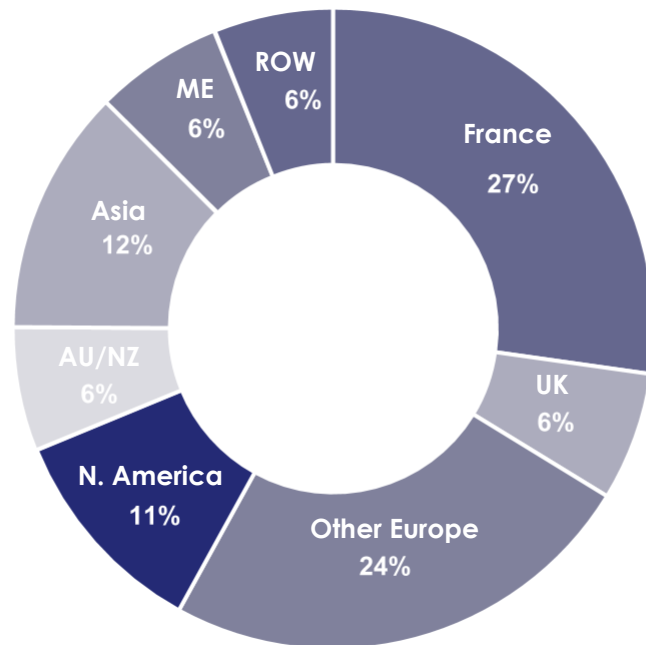
H1 2021 order intake by destination

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 EBIT by operating segment

€m / % of sales	H1 2021		H1 2020		Change	
					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%

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%

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

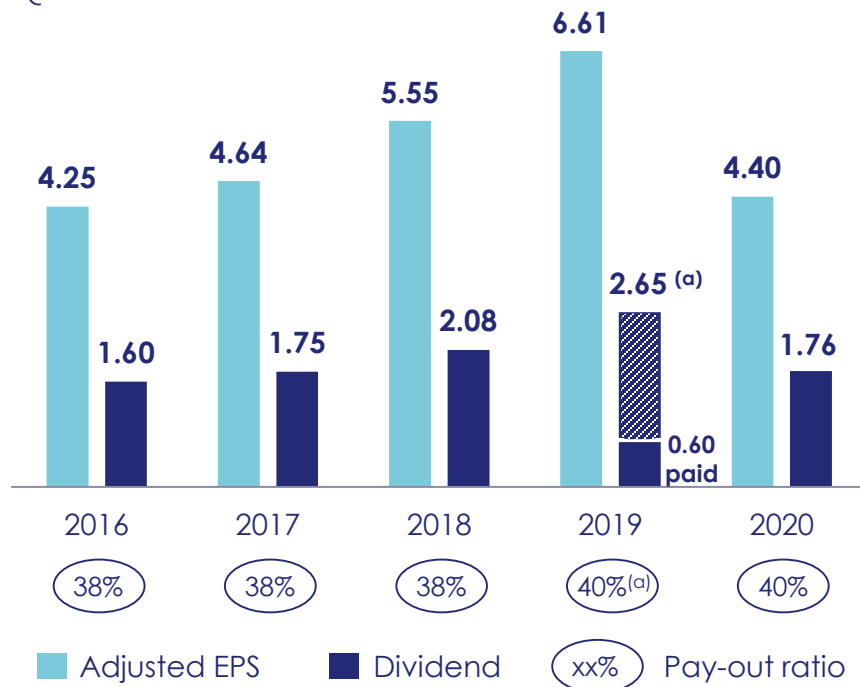
(a) Includes €51m non cash one-off items related to tax law changes in Italy and the UK. Tax rate excluding one-offs: 22.4%

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

Adjusted EPS and dividend

Adjusted EPS and dividend per share

€



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

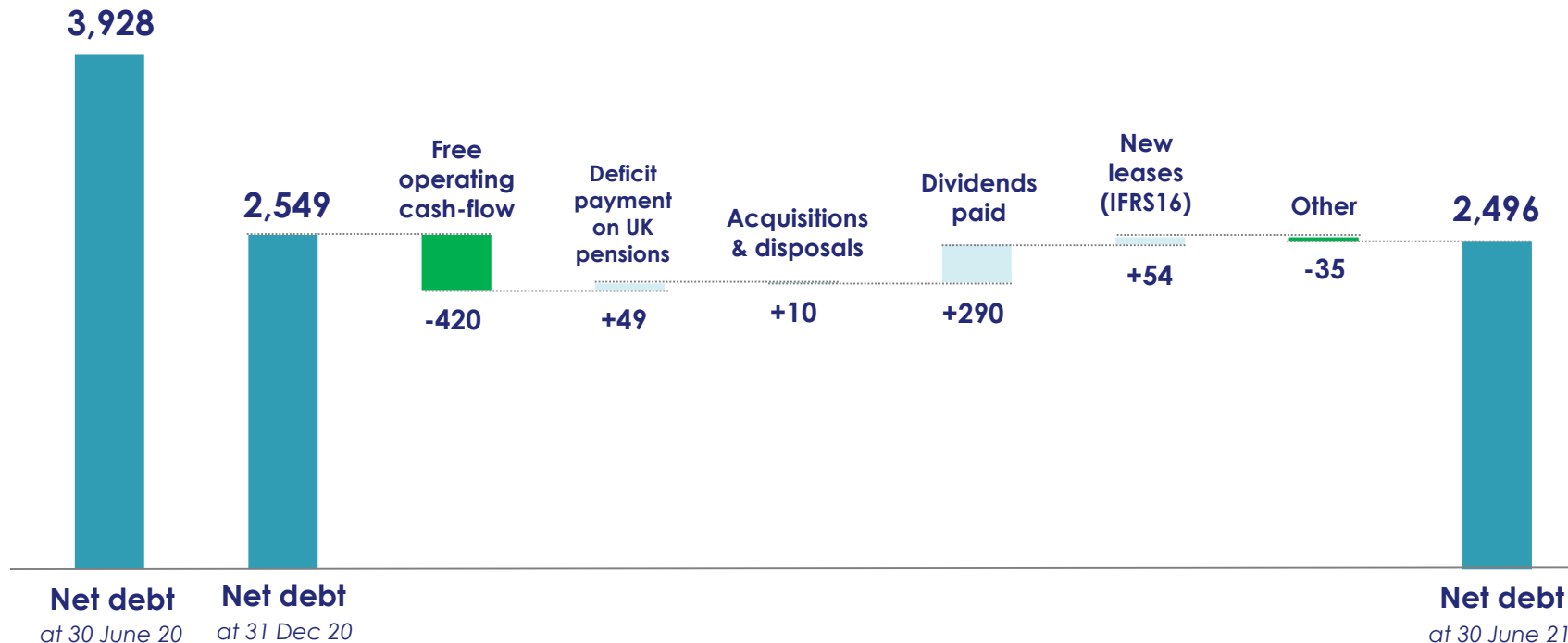
Adjusted EPS affected by Covid-19 crisis

Return to pre-Covid-19 distribution policy

- 2020 dividend: €1.76 per share
- Pay-out ratio confirmed at 40%

Movement in net debt over H1 2021

€m



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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