



# Investor meeting

May 2021

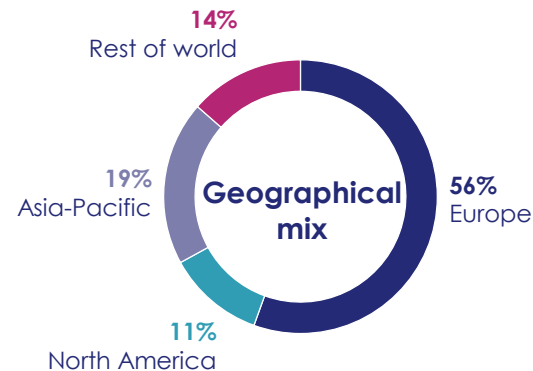
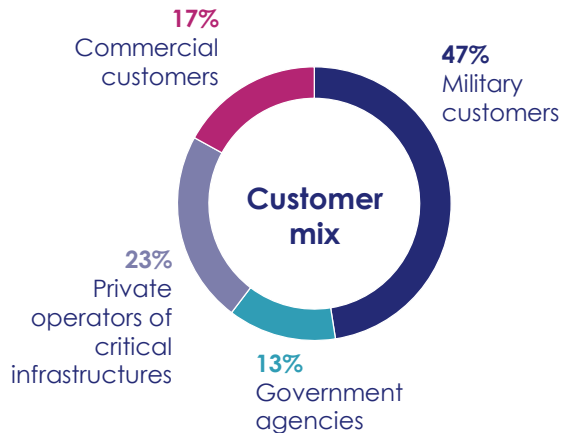
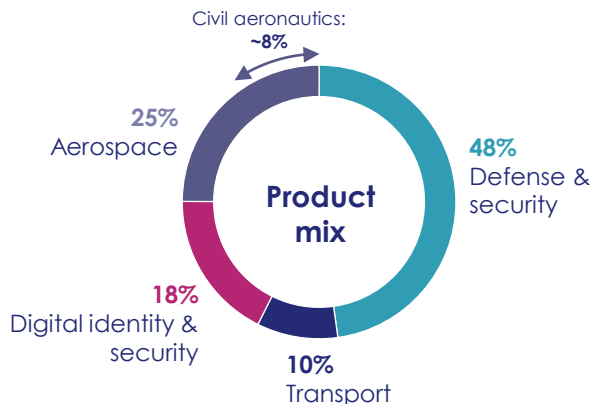


- **Introduction to Thales**
- 2020 Full Year results
- Key priorities for 2019-23
- Outlook



# 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**

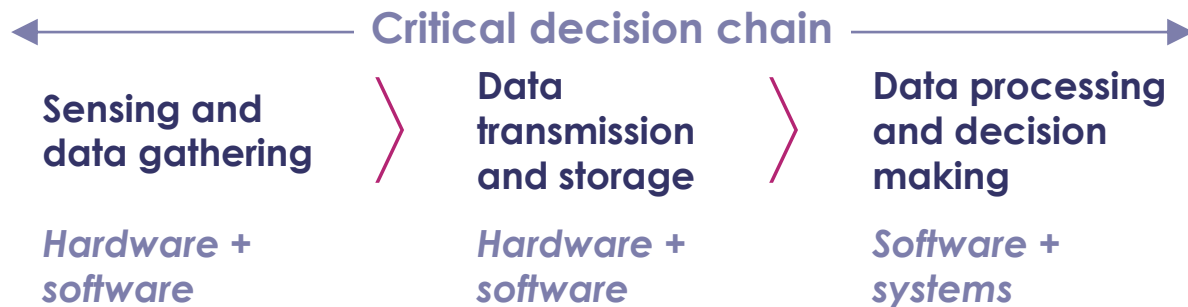
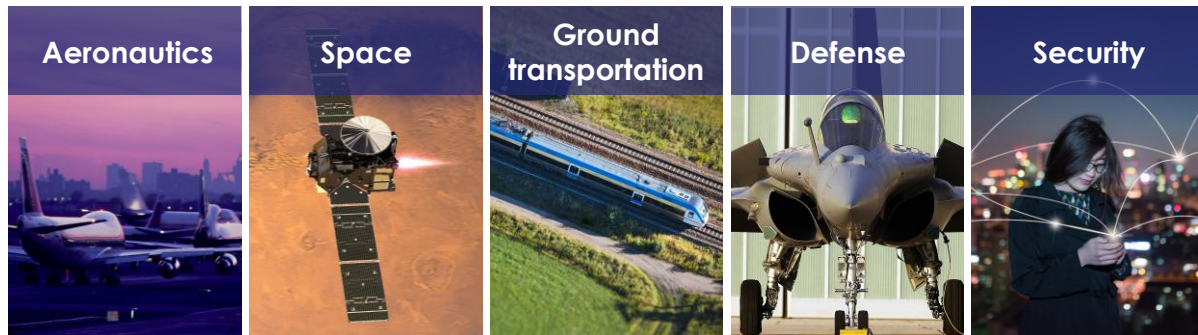
worldwide

# 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 7<sup>th</sup> 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

- Introduction to Thales
- **2020 Full Year results**
- Key priorities for 2019-23
- Outlook





# Full Year 2020 highlights



**Robust order intake in spite of Covid-19**

**Free operating cash flow significantly above expectations**

**Strong delivery on Covid-19 adaptation plan**

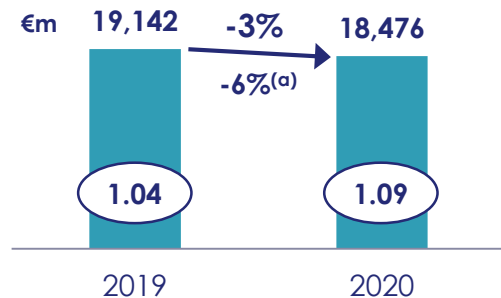
- P&L cost saving actions €100m above target
- Capex cut by 25%

**Solid progress achieved on strategic priorities**

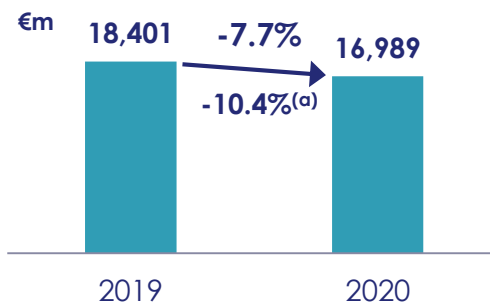
- DIS synergies
- Transport margin improvement
- Repositioning of Space to return to growth

# 2020 key figures

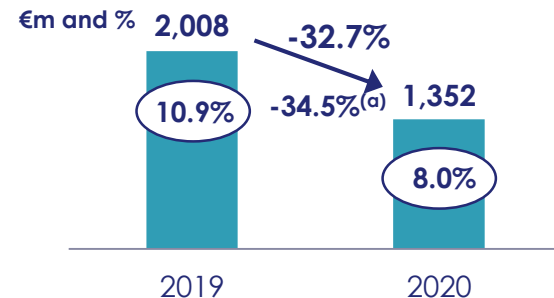
## Order intake and book-to-bill



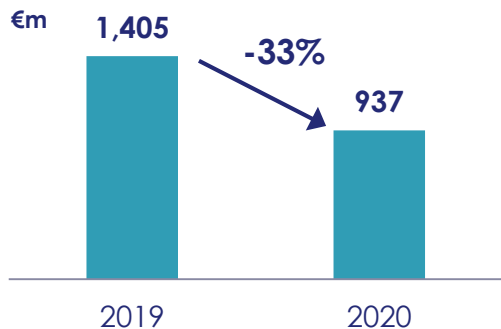
## Sales



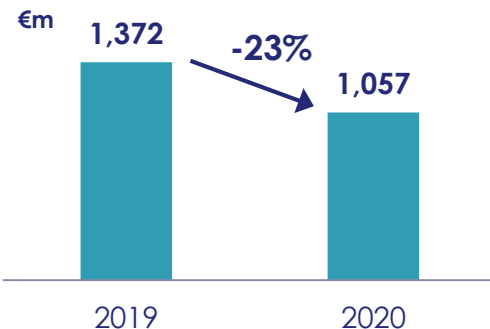
## EBIT and EBIT margin<sup>(b)</sup>



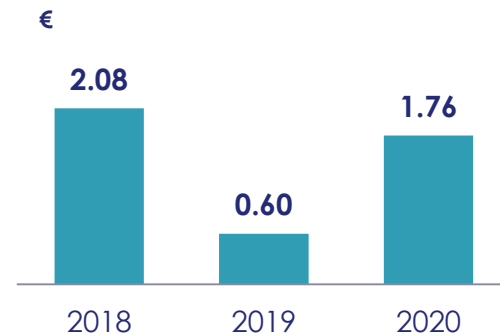
## Adjusted net income<sup>(b)</sup>



## Free operating cash-flow<sup>(b)</sup>



## Dividend



(a) Organic: at constant scope and exchange rates

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



# 2020 order intake

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

- 13 large<sup>(a)</sup> orders booked in Q4 2020
- 19 large<sup>(a)</sup> orders booked in 2020

## 2020 book-to-bill of 1.09

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

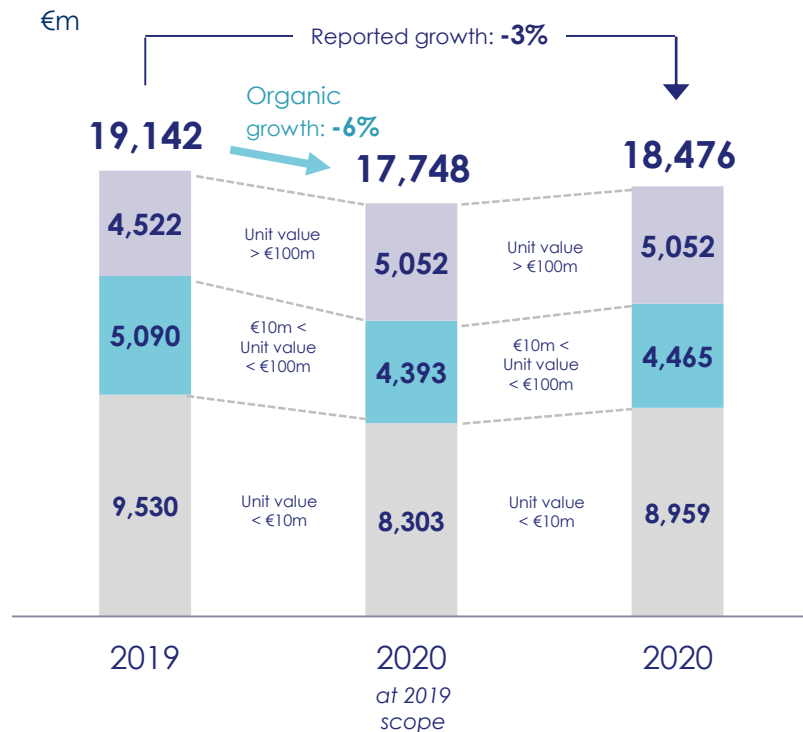
## Third year in a row of record order intake in mature markets

## Small orders<sup>(b)</sup> holding very well outside of civil aero and biometrics

(a) With a unit value over €100m

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

## Order intake by contract unit value



# 2020 organic sales growth

## Negative currency impacts in both Q4 and Full Year 2020

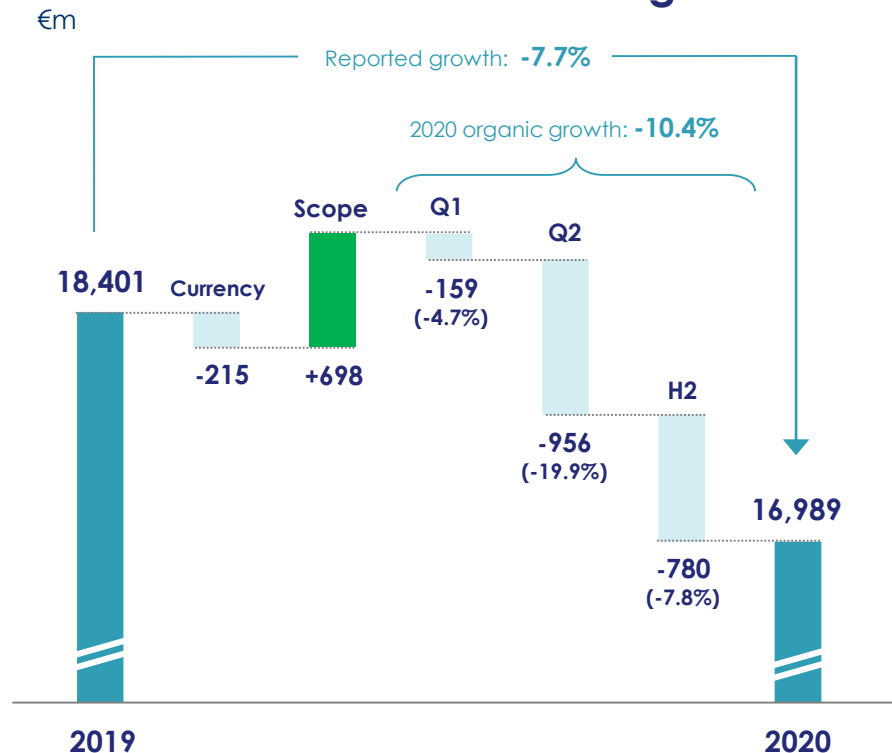
- Q4: -€116m, -2.2% of sales
- 2020: -€215m, -1.3% of sales

## Gemalto scope effect

## Organic sales decline reflecting stages of Covid-19 crisis

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

## Drivers of sales change

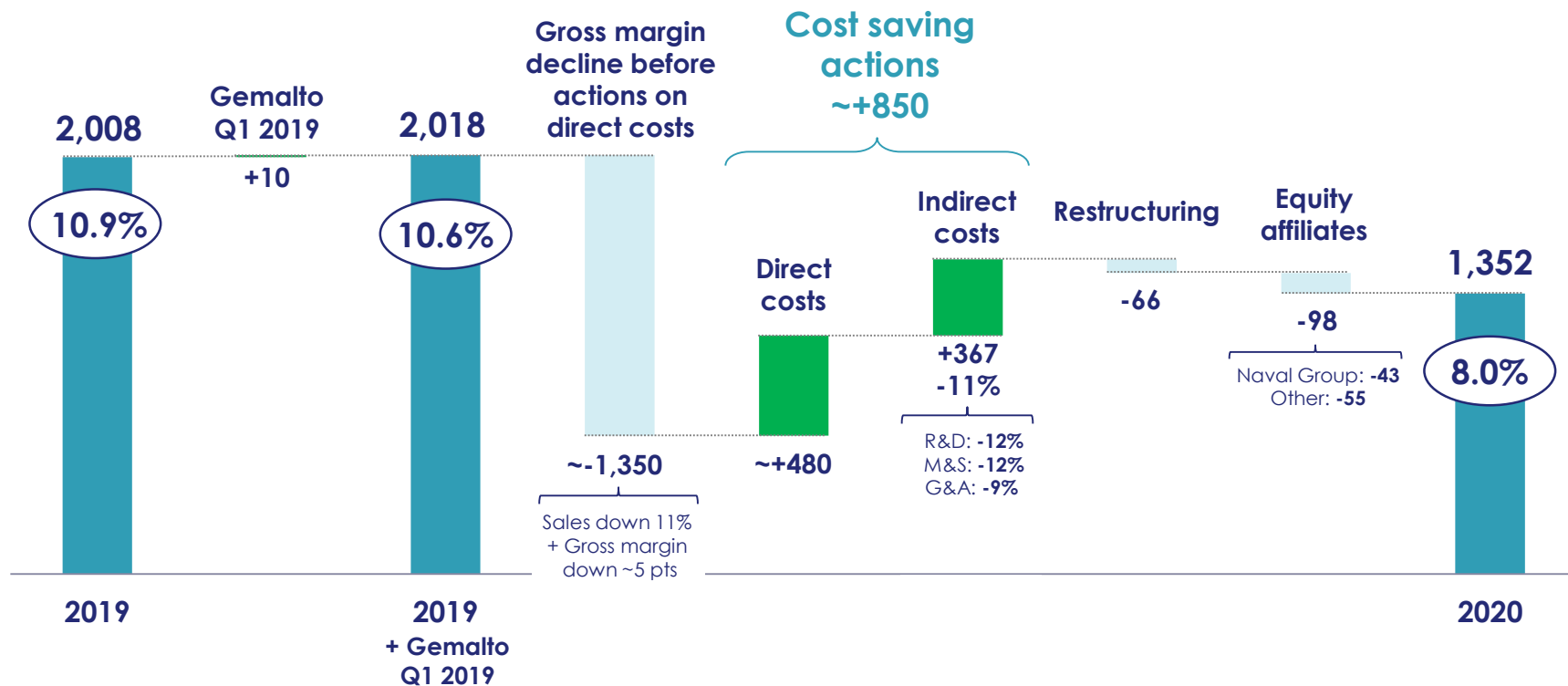


# Summary adjusted P&L: from sales to EBIT

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

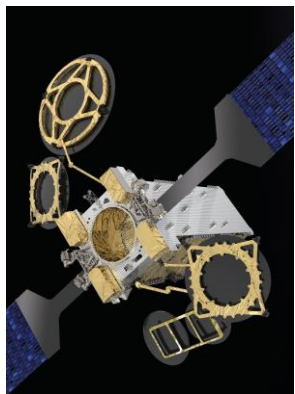
# Cost saving actions €100m above target

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





# Aerospace: 2020 key figures



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

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

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

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

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



# Transport: 2020 key figures



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

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

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

## Sales affected by phasing effects and Covid-19 disruptions

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

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

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





# Defense & Security: 2020 key figures



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

## Continued strong order intake momentum despite Covid-19 crisis

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

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

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

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



# Digital Identity & Security (DIS): 2020 key figures



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

## Order intake structurally aligned with sales for most businesses

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

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

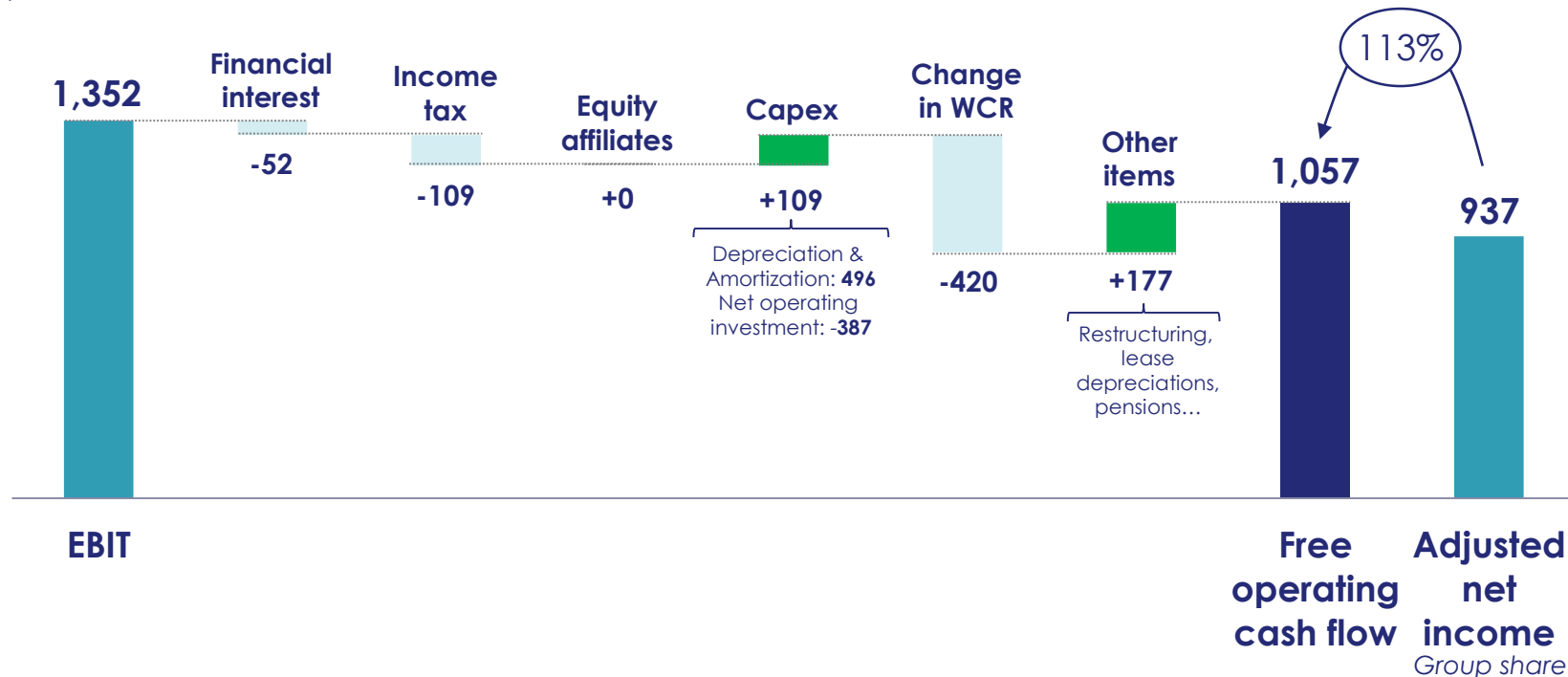
### EBIT margin progression in line with plan, despite Covid-19 crisis

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

# Cash conversion: from EBIT to Free Operating Cash Flow

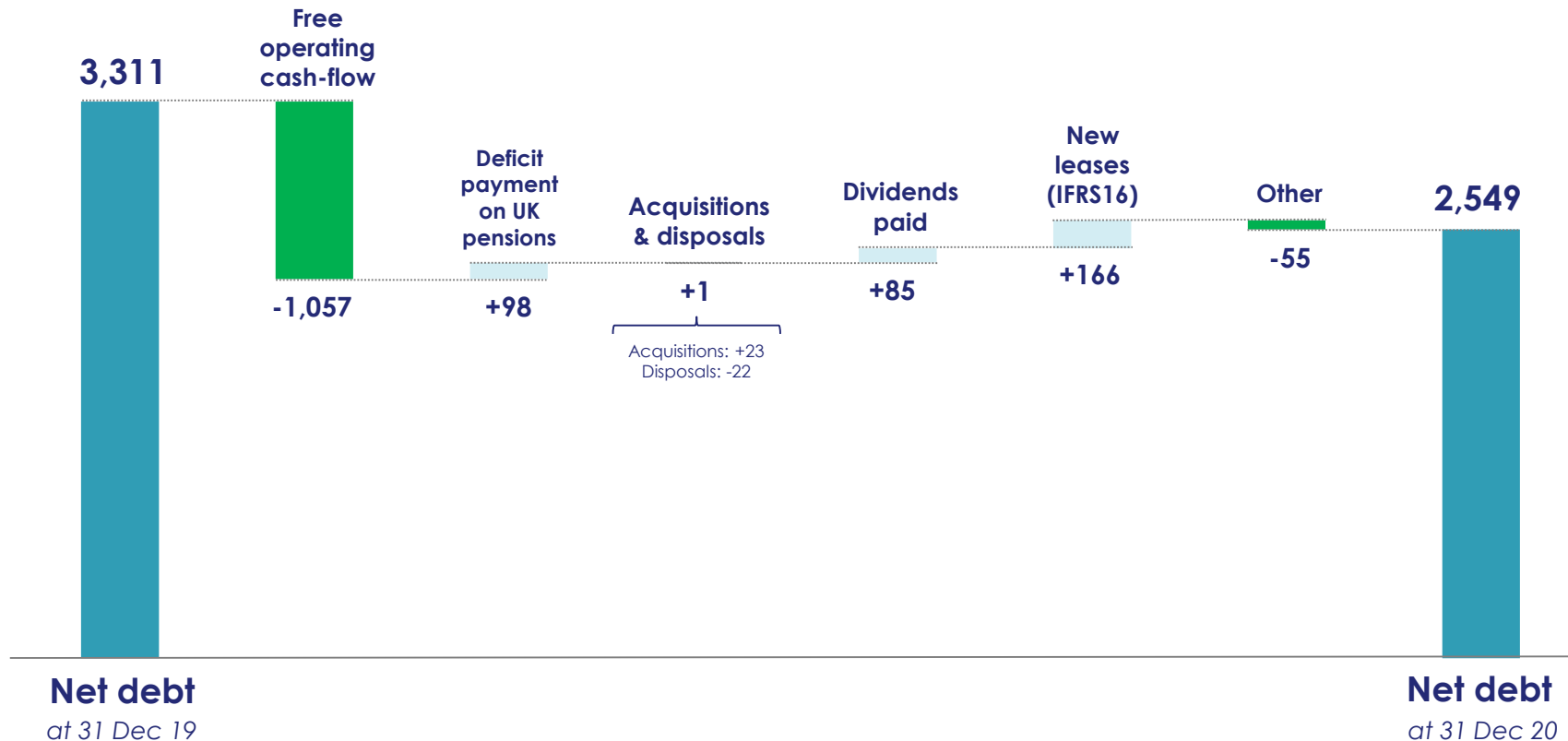
2020, €m

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



# Movement in net debt over 2020

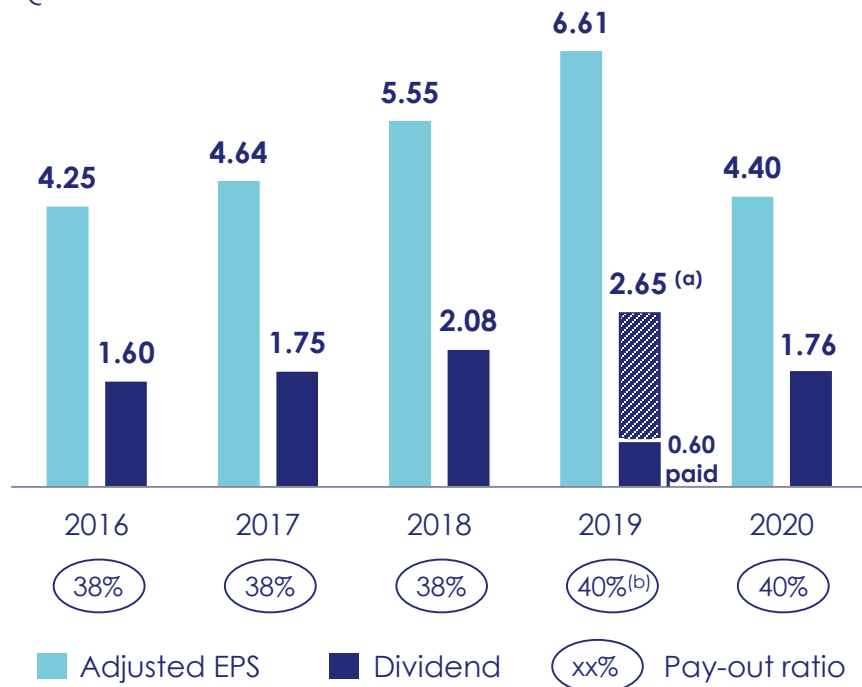
€m



# 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%

- Introduction to Thales
- 2020 Full Year results
- **Key priorities for 2019-23**
- Outlook





# 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

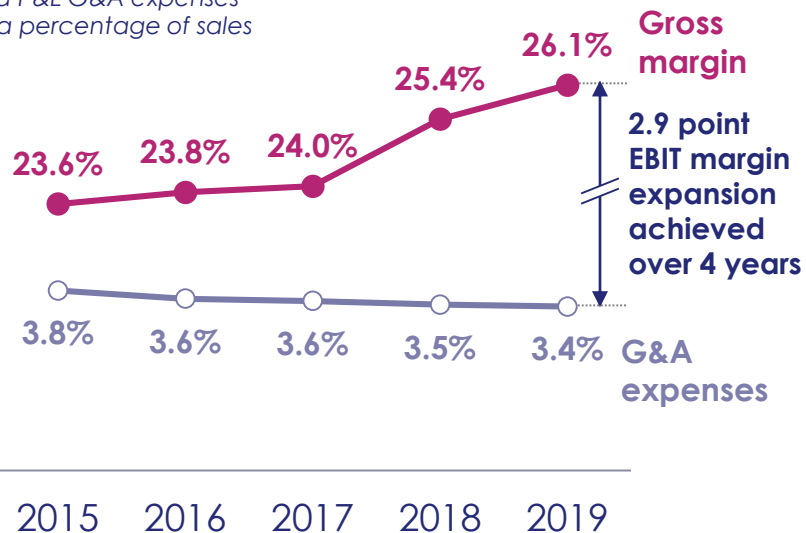


2

## Sustainably deliver on operational performance initiatives

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

Adjusted gross margin<sup>(a)</sup>  
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

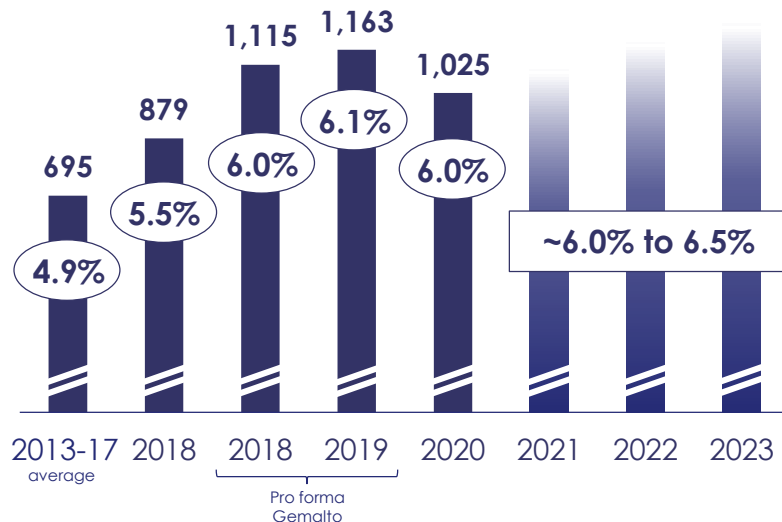
Excellence in delivery

**3**

## Further R&D step-up to drive technological excellence

### Self-funded R&D

€m and  
as % of sales



### 2013-18: significant step-up

- 70 bps increase in R&D as a percentage of sale, combined with sales growth
- Gemalto consolidation

### 2019-23: continued reinvestment

- Significant adjustment of 2020 R&D budget to mitigate crisis impact
- 2021: sustaining high level of R&D investments, while increasing selectiveness

**Unchanged focus: dream products, digital**



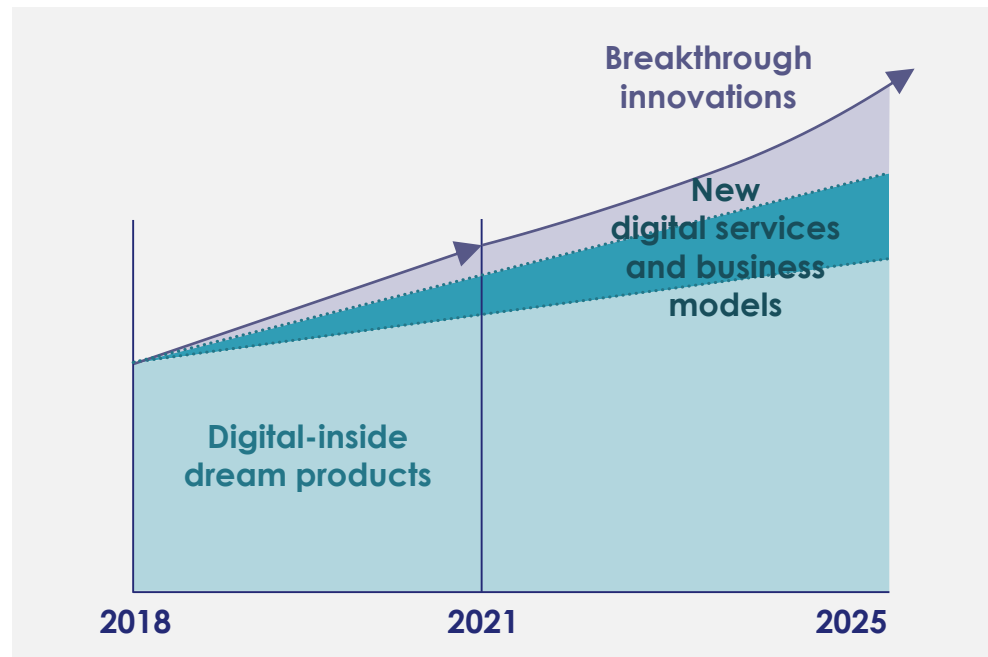
4

## 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

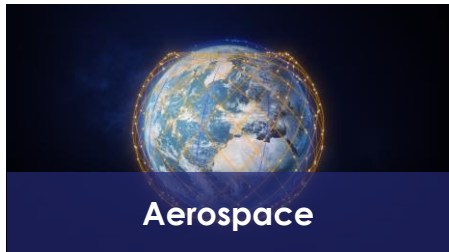
Breakthrough innovations boosting longer-term growth



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

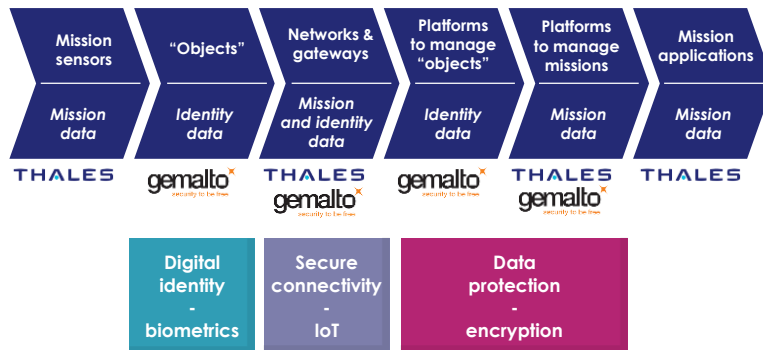
Opportunities already materializing in 80% of existing business lines

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 <sup>(a)</sup>
	Data protection	~€9bn	x2
	IoT connectivity & security <sup>(b)</sup>	€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



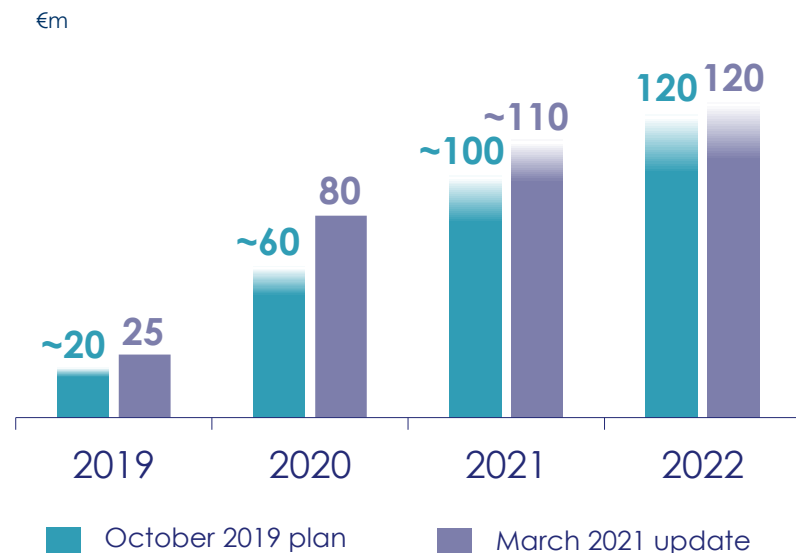
5

## Solid progress on Gemalto synergies

### Revenue synergies in line with plan

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

### Cost synergies ahead of plan



- Introduction to Thales
- 2020 Full Year results
- Key priorities for 2019-23
- **Outlook**



# Defense & Security: a world class defense business

## Defense budget growth confirmed across key Thales markets

- Geopolitical tensions and terrorism
- Greater variety of threats

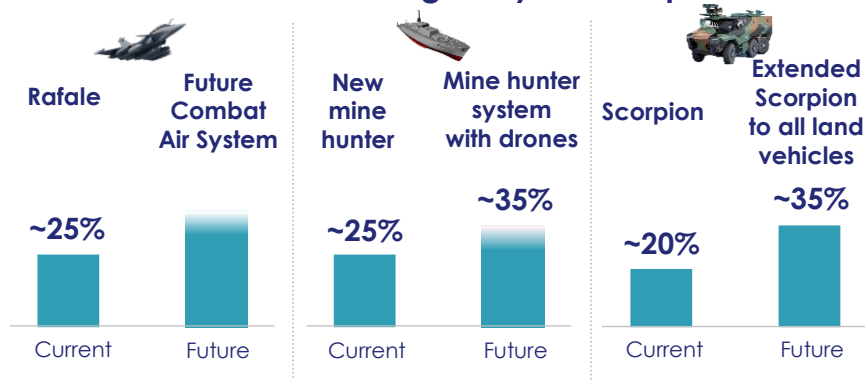
## Positioning on intelligent systems and digital solutions driving faster growth and opening new markets

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

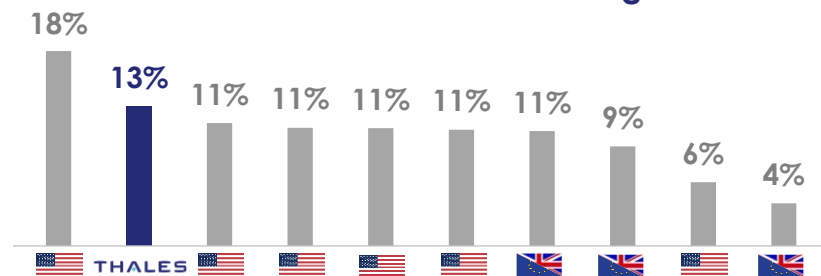
## Industry-leading margins

- Differentiated technologies
- Strict focus on cost and execution

### Illustrative value of intelligent systems in platforms



### Peer defense business EBIT margin<sup>(a)</sup>



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

**THALES**  
Building a future we can all trust

# Space: major commercial wins underpin return to sustained growth

## Technology leadership enables major wins across key institutional markets

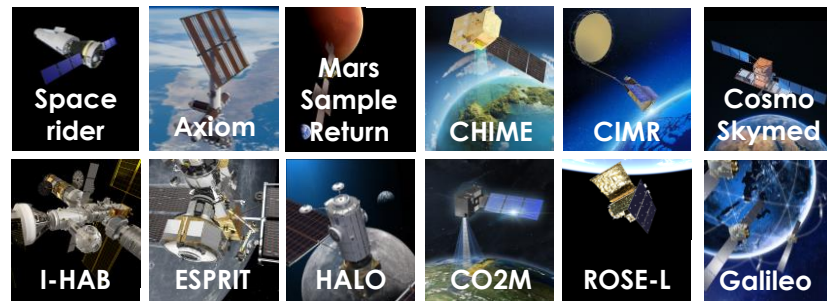
- Copernicus
- Moon and Mars missions
- New generation Galileo satellites

## Capitalizing on best-in-class telecom product range

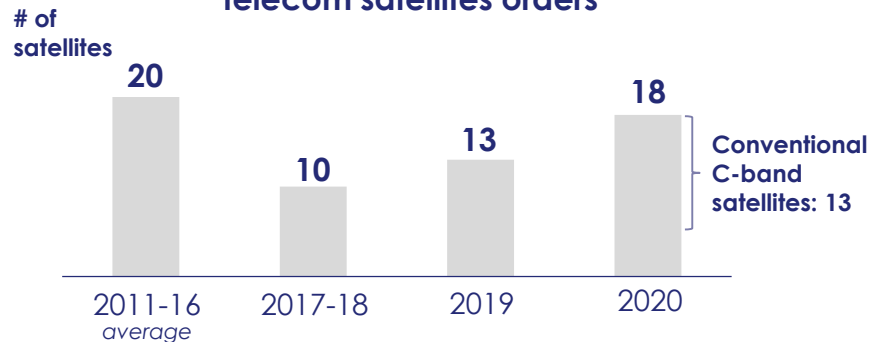
- Flexible GEO satellites: first customer award for *Space Inspire*
- Telesat selection demonstrating global constellation leadership

## R&D investments sustained

### Key institutional wins since July 2020



### Worldwide geostationary commercial telecom satellites orders



# Avionics and IFE: prepared for upcoming rebound

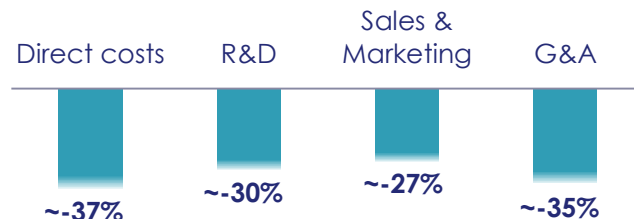
## Comprehensive recovery action plan implemented since April 2020

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

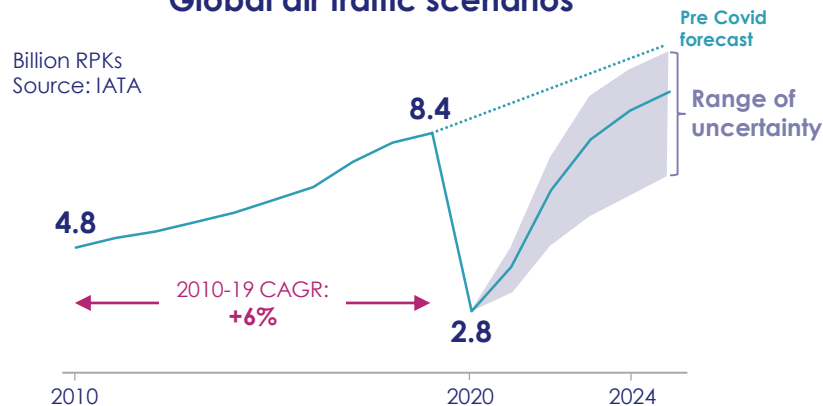
## Progressive sales improvement expected from Q2 2021

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

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



### Global air traffic scenarios





# Relentless focus on operational performance and EBIT margin expansion

Avionics and IFE: structural cost adaptation

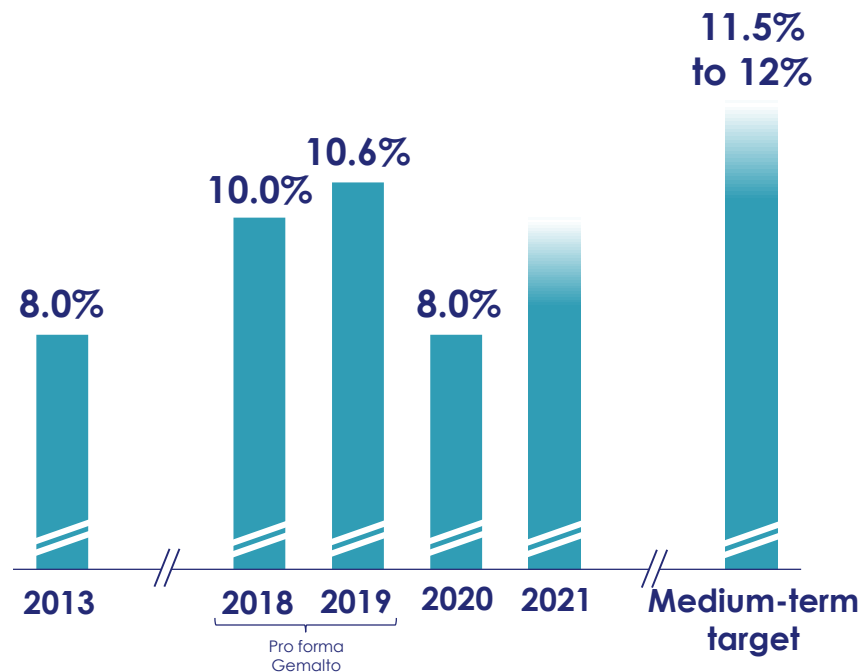
Gemalto cost synergies

Continuation of transport transformation

4 groupwide operational performance initiatives

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

EBIT margin trend



# Solid cash conversion confirmed, driving upgraded 2019-2023 target

## Strong focus on cash delivers

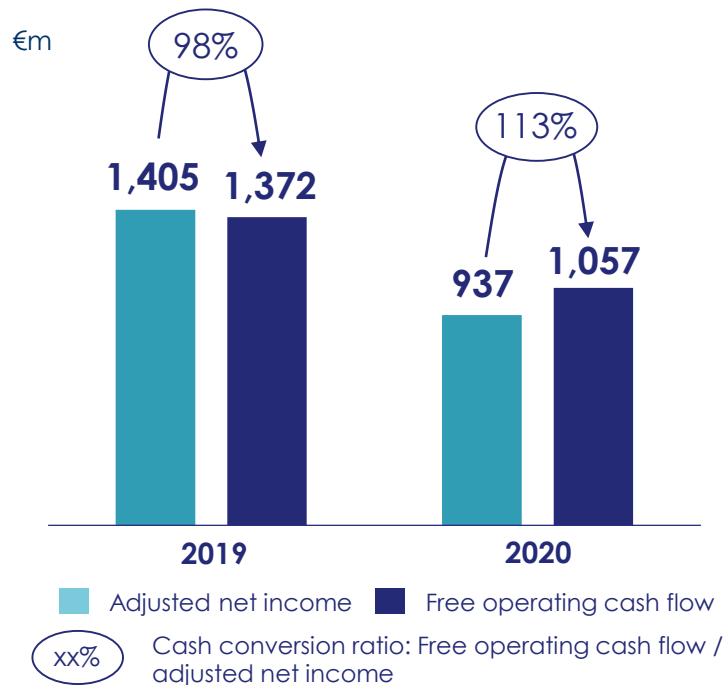
- CA\$H! initiative launched in 2019
- Effect of global crisis adaptation plan: cash focus, 25% capex cut
- Support from institutional and governmental customers
- Lower than planned unwinding of down-payments

## 2019-2023 cash conversion target upgraded: now targeting 95% on a reported basis<sup>(a)</sup>

- 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

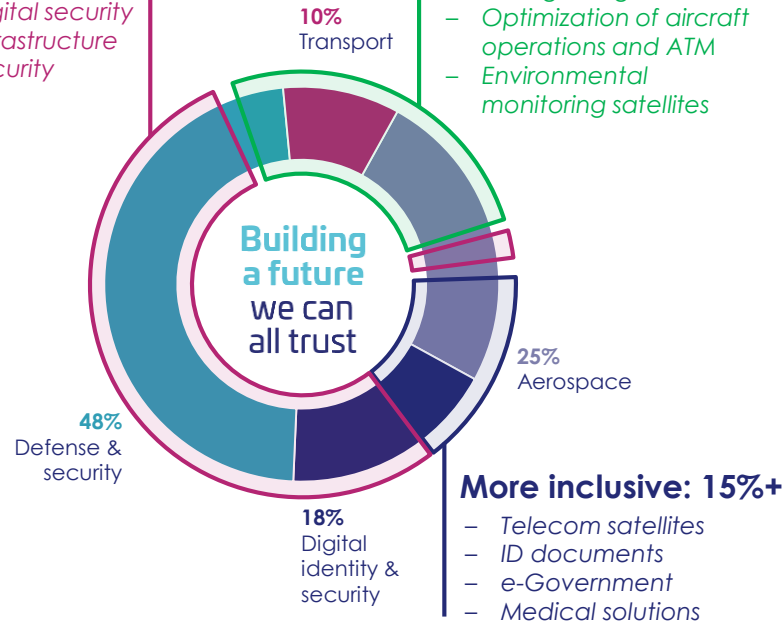
## Portfolio addresses key societal needs

### 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

## Business environment assumptions

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

## Strategic priorities

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

# 2021 financial objectives

**Order intake**

**Book-to-bill above 1**

**Sales**

**€17.1 to 17.9 billion<sup>(a)</sup>, depending notably  
on pace of recovery in air travel**

**EBIT margin<sup>(b)</sup>**

**9.5% to 10%<sup>(a)</sup>**

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

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

# Summary

## Unique portfolio positioning

- “Intelligent systems” pure player positioning
- Markets benefiting from solid long-term underlying growth
- Significant sustainability-related growth opportunities
- Portfolio expanded into highly synergistic growth market through Gemalto acquisition

## Strong development levers

- Further acceleration of R&D investments
- Gemalto accelerating digital strategy

## Continued focus on operational performance

- New competitiveness initiatives gaining momentum in coming years
- Upgraded 2019-2023 cash conversion target



**Sustainable  
value creation,  
with enhanced  
resilience**

# Appendix



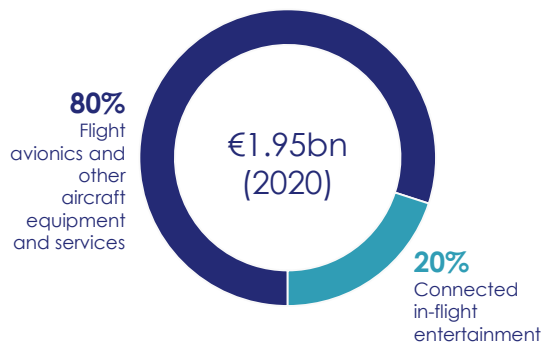
# A strong set of focused businesses

Segment	Sub-segment		Civil	Military	2020 sales <sup>(a)</sup> (€m)	Market position
<b>Aerospace</b> 25% of 2020 sales	<b>Flight avionics</b> including cockpit avionics, communications, electrical systems, training and simulation (of which civil: ~€1,350m, military: ~€800m)	 			~1,550	#3 worldwide (flight avionics)
	<b>Connected in-flight entertainment (IFE)</b>				~400	#2 worldwide
	<b>Microwave tubes</b> for satellite, medical, scientific and military applications				~400	#1 worldwide
	<b>Space solutions</b> for telecom, observation, navigation and exploration	 			~1,850	#2 worldwide (civil satellites)
<b>Transport</b> 10% of 2020 sales	<b>Rail signaling and supervision</b> including passenger payment collection systems	 			~1,600	#2 worldwide
<b>Defense &amp; security</b> 48% of 2020 sales	<b>Sensors and mission systems</b> including radars, sonars, optronics, mission systems for aircraft, ships and submarines, missiles and armored military vehicles	 			~4,200	#1 in Europe
	<b>Communications, command and control systems</b> 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)
<b>Digital identity &amp; security</b> 18% of 2020 sales	<b>Digital identity and security solutions</b> including identity management & data protection, biometrics, analytics & Internet of Things, mobile connectivity solutions (removable SIM and eSIM), EMV payment cards	 			~3,000	#1 worldwide

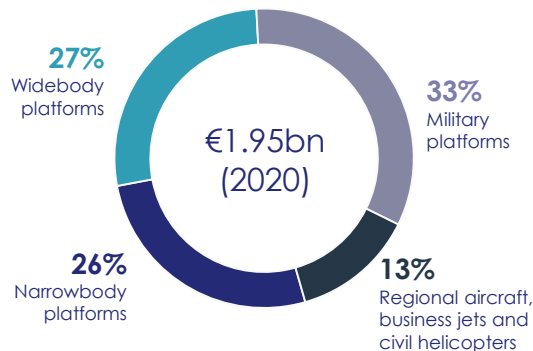


# Global leader in flight avionics and connected in-flight entertainment

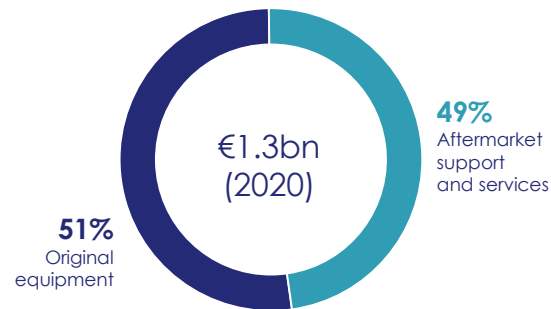
Sales by solutions



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)



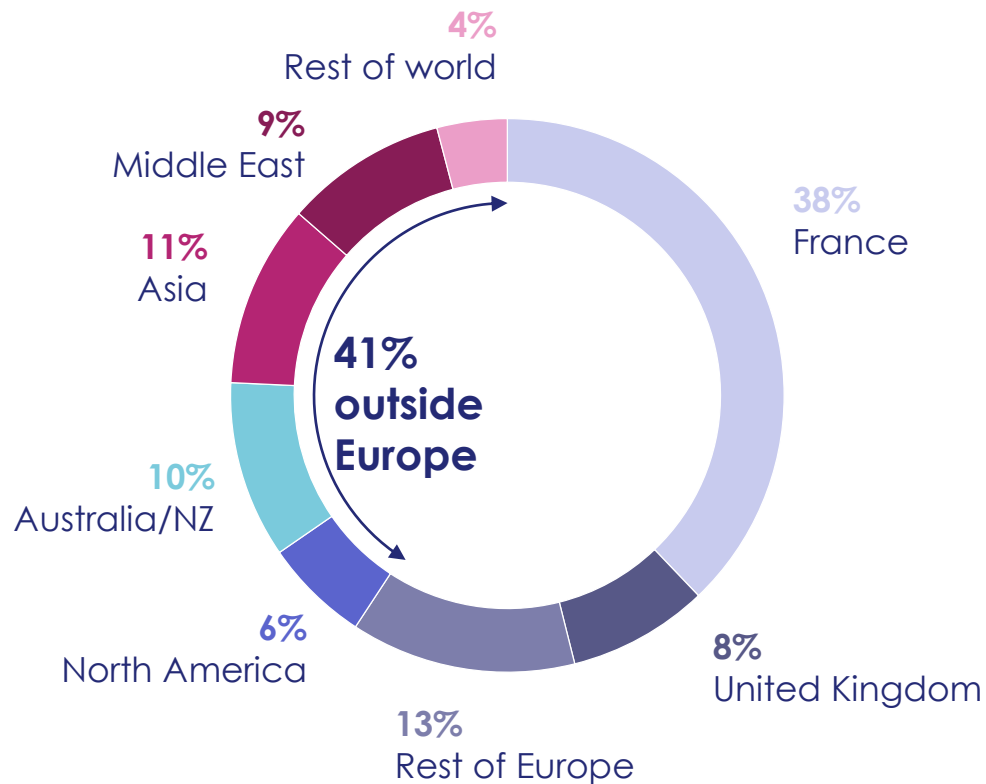
### Main platforms

A330/A340  
A350  
B787  
B777

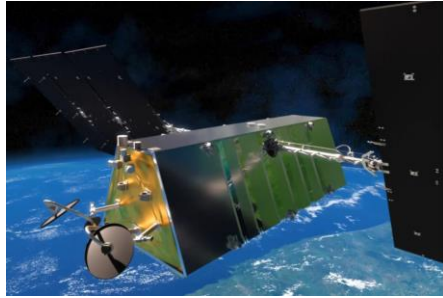
A320  
B737

# Highly diversified Defense & Security customer base

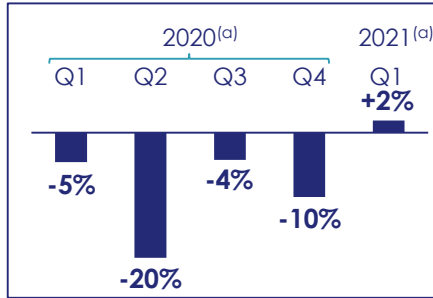
Defense & Security sales by region, 2020



# Q1 2021 highlights



**Recovery of  
Space business  
confirmed**



**Sales back to  
growth in Q1  
despite on-going  
Covid-19 impact**



**CSR strategy  
embedded in  
remuneration of  
2/3 of employees**

(a) Organic growth

## Q1 2021 key figures

€m	Q1 2021	Q1 2020	change	
			total	organic
Order intake	3,416	2,663	+28%	+31%
Sales	3,917	3,899	+0.5%	+1.9%

**Strong commercial performance, driven by Defense and Space**  
**Robust sales level despite on-going Covid-19 impact on civil aero and biometrics**

# Pre Covid-19 crisis organic sales growth targets

## Pre Covid-19 crisis targets

### Group organic sales growth target

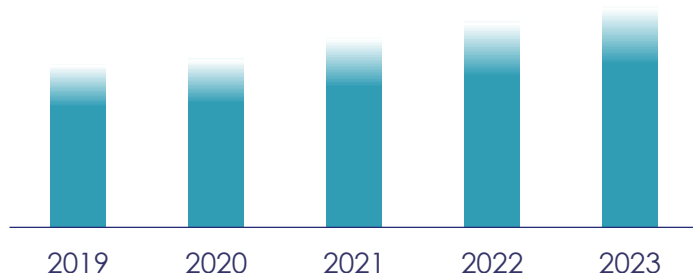
**3% to 5% growth**  
on average over 2019-23

#### 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%<sup>(a)</sup>

#### Organic sales growth target 2019-23

**+2-3%**



#### Transport

~+3%

**Flat<sup>(b)</sup>**

(2018-23: ~+2%)



#### Defense & Security

~+3.5%

**+4-6%**



#### Digital identity & security

Smart cards

Flat

Digital services and solutions

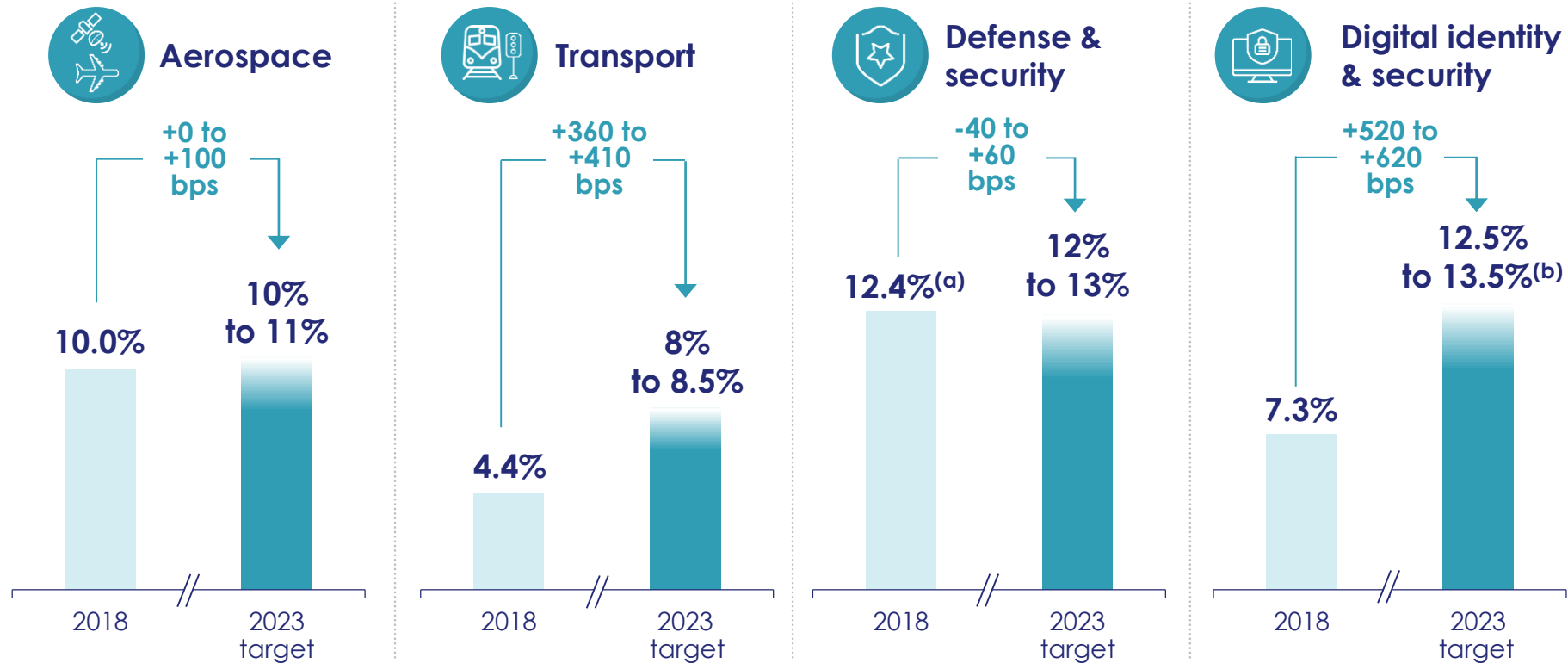
~+13%

**+4-6%<sup>(c)</sup>**

(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

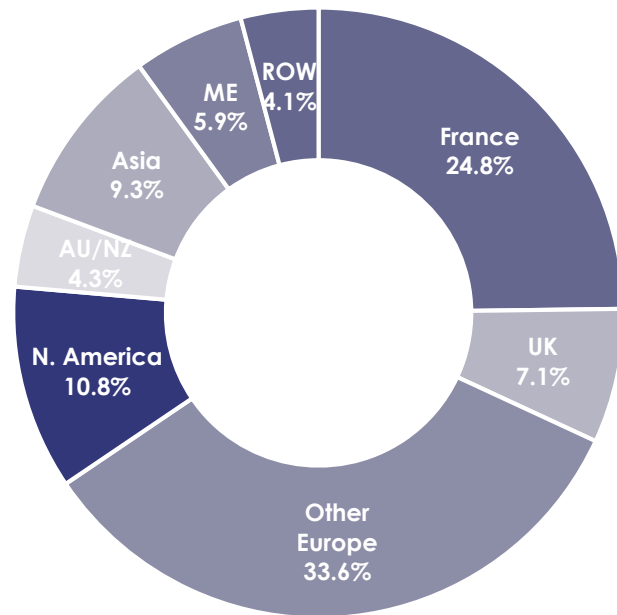


(a) Excluding €20m one-off

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

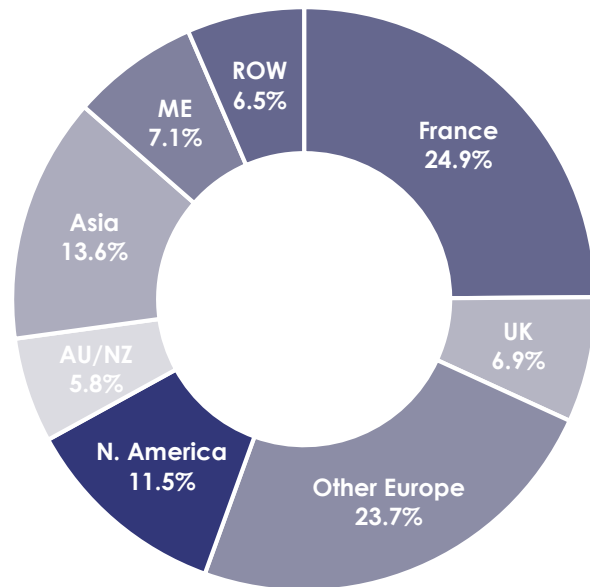
# 2020 order intake by destination

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



# 2020 sales by destination

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





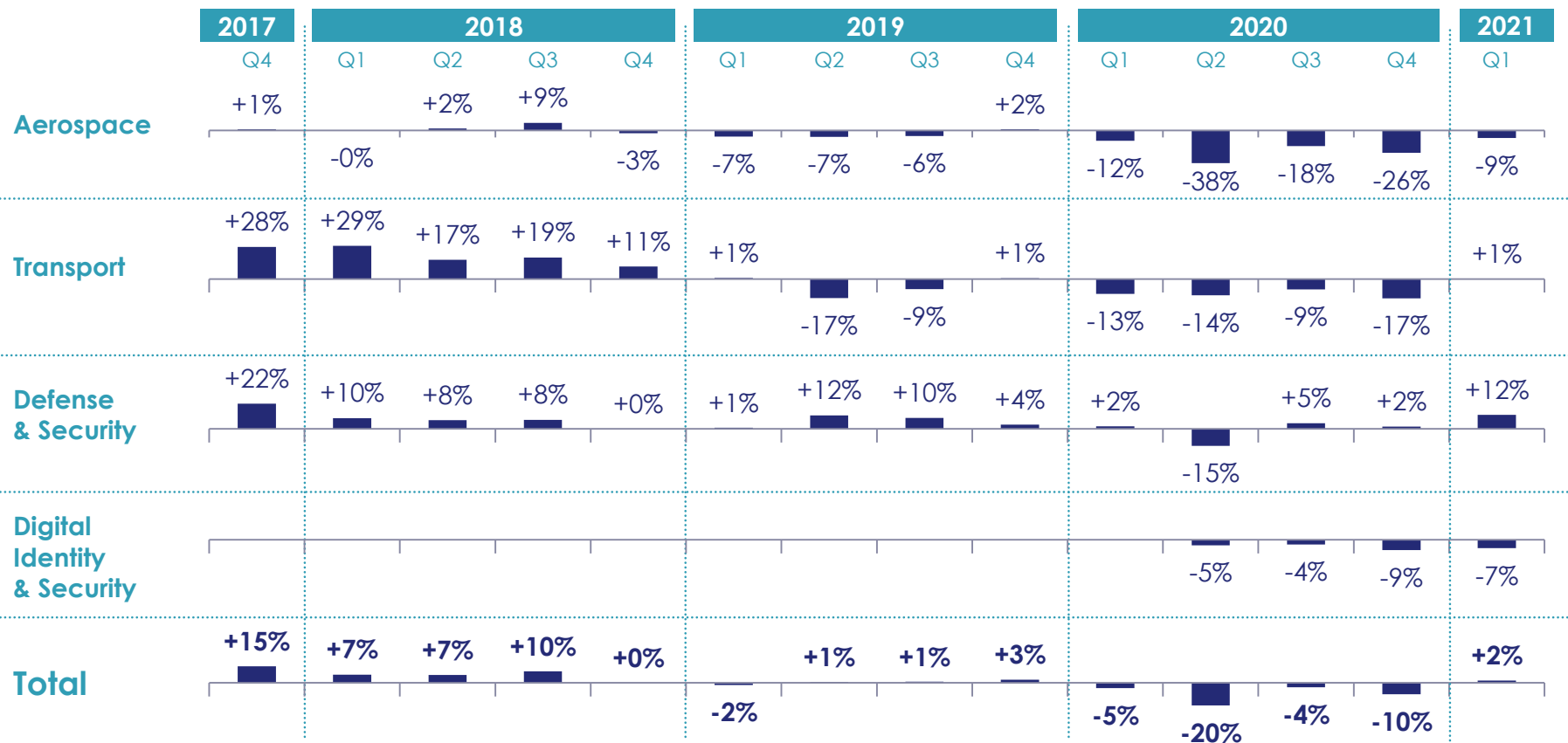
## Summary adjusted P&L: from EBIT to adjusted net income

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

# EBIT by operating segment

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

# Organic sales growth per quarter



# 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

31 Place des Corolles  
92098 Paris La Défense  
France

[ir@thalesgroup.com](mailto:ir@thalesgroup.com)

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).

This document may not be reproduced, modified, adapted, published, translated, in any way, in whole or in part without the prior written consent of Thales - © Thales 2021 All rights reserved.

