



# Investor meeting

September 2022



# THALES

Building a future we can all trust

## Introduction to Thales

Key priorities

Outlook

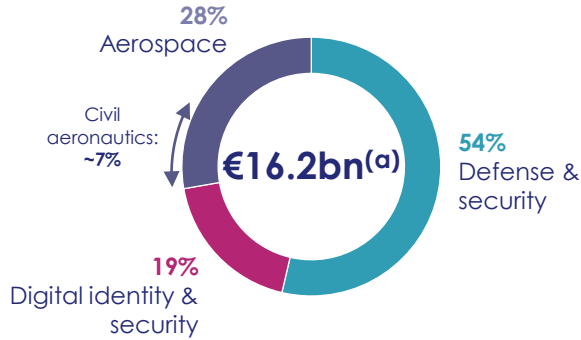
Sustainability: safer, greener,  
more inclusive

H1 2022 results

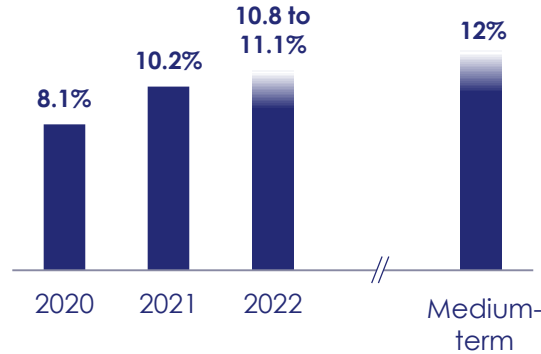


# Thales today: a set of focused, technology-driven businesses

## Sales by segment



## EBIT margin



## R&D total spend



Flight  
avionics

**#3**  
worldwide



Civil  
satellites

**#2**  
worldwide



Defense sensors  
& mission systems

**#1**  
in Europe



Air Traffic  
Management

**#1**  
worldwide



Data  
protection

**#1**  
worldwide



Smart cards  
(EMV, SIM, eSIM)

**#1**  
worldwide

(a) 2021. Excluding transport, treated as discontinued operations (IFRS5)

# 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
- 34,000 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 end markets with many technological similarities

Connectivity  
Mobility



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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# Executing full-speed on value-maximizing strategy

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

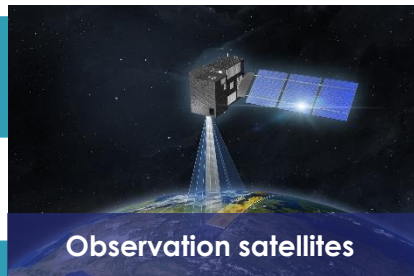
# 1 Portfolio focused on 3 leading and highly synergistic businesses

← Critical decision chain →

Sensing and data gathering

Data transmission and storage

Data processing and decision making



Aerospace



Defense & Security



Digital identity & Security

## Core digital technologies now systematically integrated in products

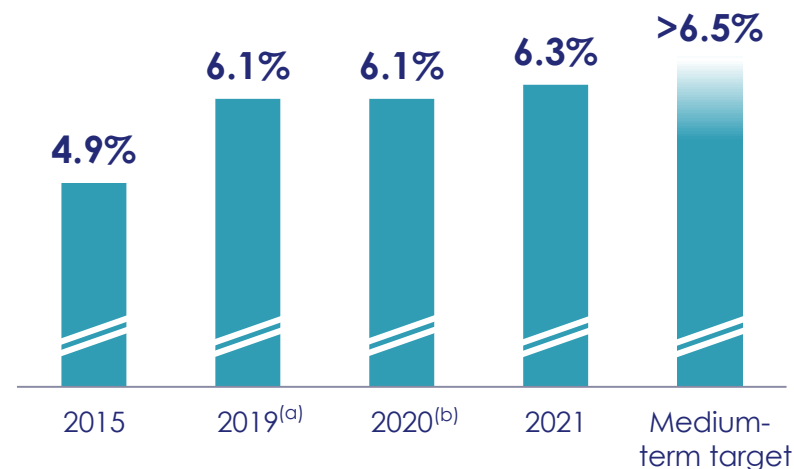
- Cybersecurity
- Big data analytics and artificial intelligence
- Connectivity, IoT
- Digital identity, biometrics

## Accelerating R&D investment areas

- Edge and far edge computing
- Quantum sensors and communication
- Cloud security

## Self-funded R&D

% of sales



(a) 2019 pro forma Gemalto over 12 months

(b) 2020, 2021 and medium-term: continued operations (excl. transport)



## Sustainability drives growth

- Double-digit growth in cybersecurity
- Major satellite projects in navigation, environmental monitoring, and to reduce the digital divide
- Research funding for “green” aircraft/airport operations

## Solid progress on key internal initiatives

- Comprehensive action plan, focused on 4 priority areas
- Emission reduction targets submitted to SBTi
- Step change in governance

## Best-in-class ethics & compliance practices

## Portfolio addresses major societal issues



## Groupwide operational performance initiatives

**Procurement performance**

**Engineering competitiveness**

**Support function efficiency**

**Excellence in delivery**

## Key 2022 priorities

- Engineering transformation
- Manufacturing competitiveness, Industry 4.0
- Deployment of Sales & Operation Planning (S&OP) best practices
- Fixed cost adaptation post transport disposal

## 5 Leverage sustainably high cash generation

### Highly cash generative businesses, with diversified cash cycles

- Large projects with downpayments vs short-cycle flow businesses
- Commercial vs institutional customers

2019-2023 cash generation significantly above cumulative adjusted net result

Cash-in from transport disposal



### Balanced capital allocation to support sustainable value creation

- Continued investment in own business
- M&A
- Dividend
- Share buyback

## 5 Disciplined M&A strategy

### Strategic focus on bolt-on acquisitions, up to €500m enterprise value

- Reinforcing group technology portfolio
- Expanding geographical footprint

### 4 bolt-on acquisitions implemented since January 2022

### No intention to diversify into markets other than those already served

### Key financial criteria

- Contribution to growth
- Potential for synergies
- Valuation

### Examples of recent acquisitions

#### RUAG S&T

- Simulation & training solutions for security organizations and armed forces
- ~€90m sales, ~500 employees
- Strong complement to Thales's simulation and training portfolio
- Creates European leader in niche segment
- Closed in May 2022

#### S21Sec and Excellium

- Cybersecurity consulting, integration and managed services in Europe
- ~€60m sales, ~550 employees
- Complements Thales's cybersecurity offer
- Expands Thales's footprint in 4 European countries
- Expected closing: H2 2022

# THALES

Building a future we can all trust

- Introduction to Thales

- Key priorities

- Outlook**

- Sustainability: safer, greener, more inclusive

- H1 2022 results



# Aerospace: a solid multi-year recovery

## Avionics and IFE benefiting from multi-year air transport rebound

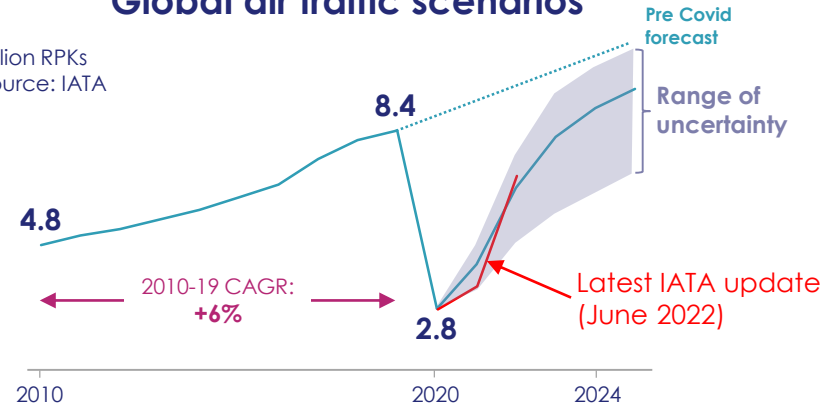
- Structural cost adaptation completed
- Margin leverage on sales recovery and development of a single global services business line

## Space: continued strong order intake underpins sustained 5%+ growth

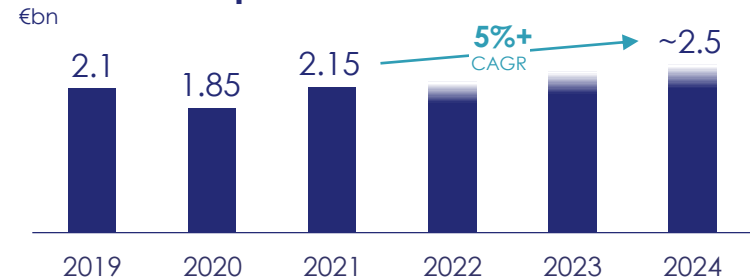
- Major wins across key institutional markets
- Flexible telco satellite product line Space Inspire selected by SES, Intelsat and Arabsat
- R&D investments sustained

## Global air traffic scenarios

Billion RPKs  
Source: IATA



## Space sales trend(a)



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

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

## Invasion of Ukraine driving major changes of political context in Europe

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

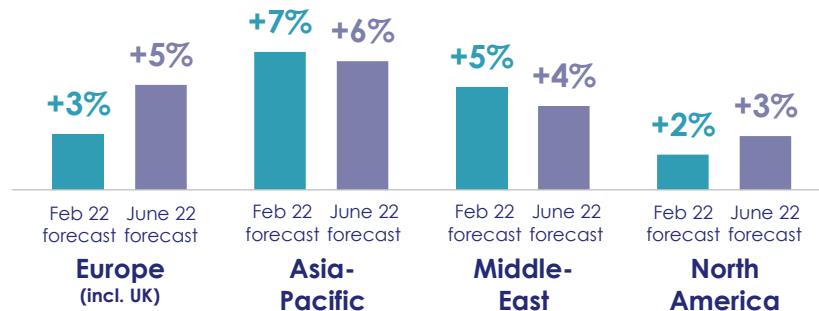
## Actual spending increases to take several years to materialize

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

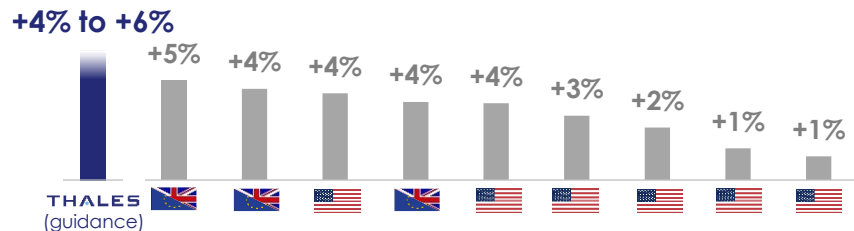
## Thales: extension of mid-single digit sales growth outlook

- Position on faster growing market segments
- Record backlog

### External forecasts for 2021-30 defense budget growth in key markets<sup>(a)</sup>



### Defense business 2021-24 sales growth vs peers<sup>(b)</sup>



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

# DIS: delivering in line with strategic ambition

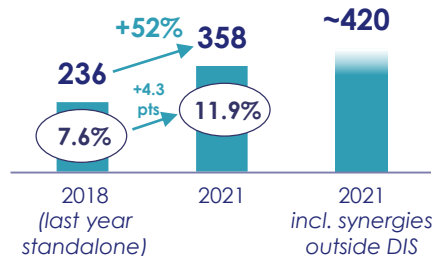
## Compelling delivery on EBIT and free operating cash flow

- Cost synergies above plan
- Disciplined focus on cost and cash
- Rigorous management of chip shortage
- Creation of Telit Cinterion, the leading Western IoT solutions provider

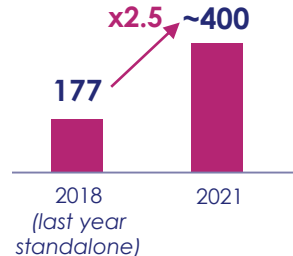
## Adding several growth platforms to Group portfolio

- Data protection and cloud security
- Identity & Access Management
- 5G SIM and eSIM
- Public and commercial biometrics
- Product revenue synergies




### DIS EBIT and EBIT margin



### DIS Free operating cash flow



### Selected DIS fast-growing markets

	2025 market size	2020-25 forecasted market growth
 Data protection	~€9bn	x2
 Identity and Access Management	~€15bn	x2
 5G SIM and eSIM shipments	~1.2bn units	x3

Sources: Gartner, IDC, ABI



# Sustained and sustainable cash conversion, driving major upgrade to 2019-2023 target

## 3 factors driving 2021 outperformance

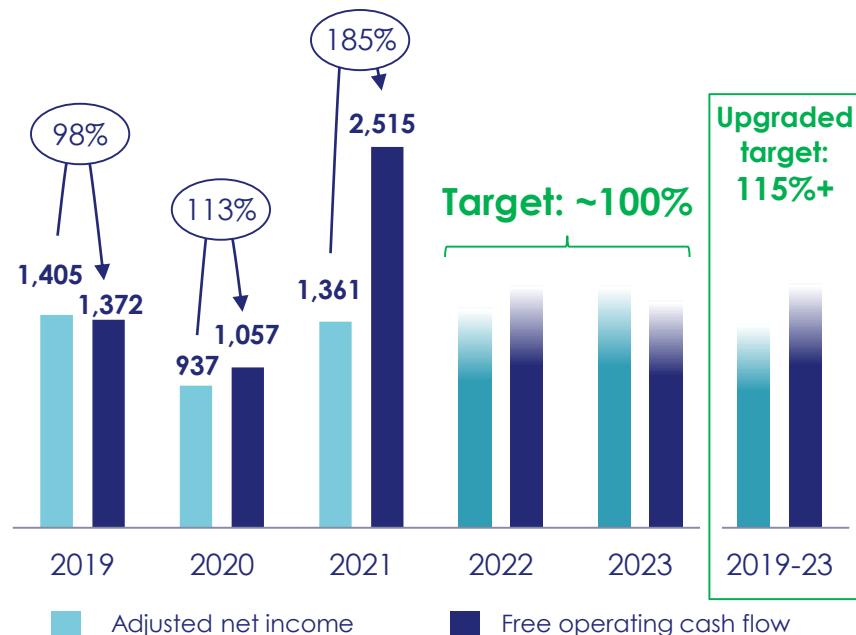
- Very strong order intake, especially in emerging markets
- Internal cash initiatives and positive one-offs
- Cut-off effects

## 20-point upgrade to 2019-2023 cash conversion target

- Now targeting 115%+ on a reported basis<sup>(a)</sup>
- Equivalent to ~€5.5bn free operating cash-flow over 2021-2023
- 2022: unwinding of 2021 cut-off effects fully offset by downpayments

(a) Previous target: "around 95% on average over the 2019-2023 period, on a reported basis"

## Adjusted net income conversion into Free operating cash flow



xx%

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

## Business environment assumptions

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

## Key priorities

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

# Upgraded 2022 financial objectives

**Order intake**

**Book-to-bill significantly above 1**

*Upgraded*

**Sales**

**+3.5 to +5.5% organic growth<sup>(a)</sup>  
corresponding to €17.1 to €17.5 billion**

*Upgraded*

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

**10.8% to 11.1%<sup>(a)</sup>**

*Unchanged*

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

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

# Summary

## Focus on 3 leading high tech ESG-aligned businesses

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

## Continued implementation of key Ambition 10 strategic levers

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

## Leveraging sustainably high cash generation

- Strict M&A discipline
- Cash returns to shareholders

AMBITION

Sustainable  
value creation

# THALES

Building a future we can all trust

Introduction to Thales

Key priorities

Outlook

**Sustainability: safer, greener,  
more inclusive**

H1 2022 results



# Sustainability ambitions anchored in our purpose

## Our purpose

*“Building a future we can all trust”*



## Our ambitions

**Maximize the sustainability impact of our portfolio of solutions**

**Embed ambitious sustainability commitments in all processes**

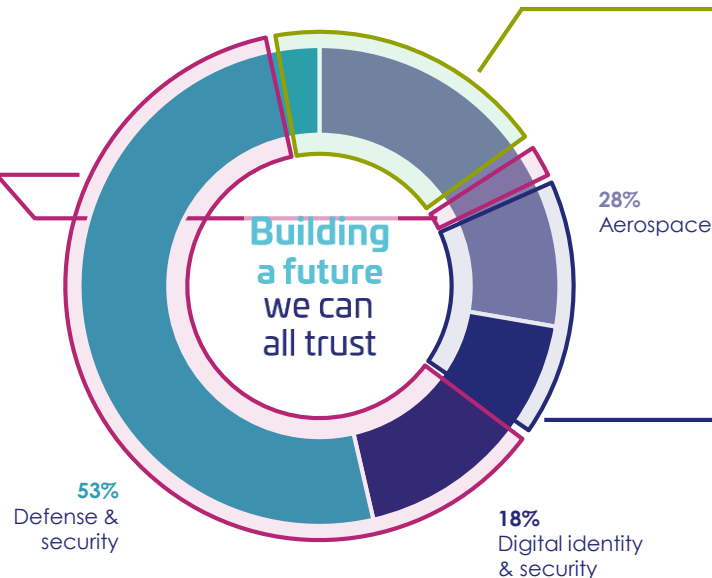
**Working to make the world safer, greener and more inclusive**

# Addressing major societal issues through a unique portfolio of solutions

## Safer: ~60%

Keep citizens safe in both physical and digital worlds

- Defense
- Digital security
- Infrastructure security



## Greener: ~20%

Design solutions to observe and understand climate phenomena and to reduce the environmental impact of our customers

- Environmental monitoring and navigation satellites
- Optimization of aircraft operations
- Air Traffic Management
- Training and simulation

## More inclusive: ~20%

Grant universal access to fundamental rights: legal identity, bridging the digital divide

- Telecom satellites
- Identity documents
- e-Government

Percentage based on 2021 sales (excluding transport, as per IFRS5)

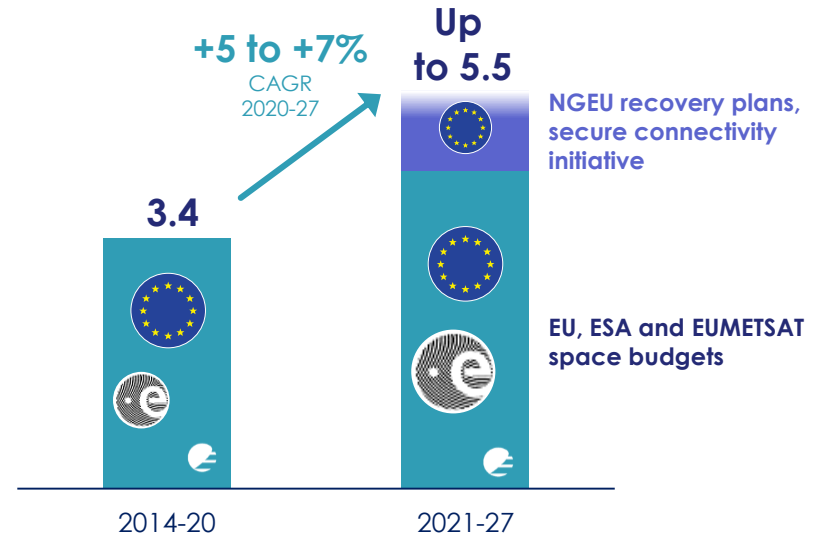
# Sustainability: a strong space market growth driver, notably in Europe

## Space projects at the heart of European Union political priorities, driving significant budget increases

- Unprecedented European Space Agency and EU budgets already secured
- Additional opportunities arising from new plans
  - 30% of Next Generation EU recovery plans to be dedicated to sustainability initiatives
  - "Secure connectivity initiative" under discussion, targeting space-based high-speed connectivity everywhere

## Double-digit market growth forecasts for space-based commercial Internet connectivity market

## Sustainability-focused European space budgets (€bn per year)



Sources: ESA Financial Obligations (ESA Stakeholders), EC MFF; estimates for NGEU recovery plans and EC's secure connectivity initiative; EUMETSAT; national agencies.  
Scope: navigation, observation, telecom, space situational awareness



# Optimization of aircraft operations: a major CO<sub>2</sub> reduction opportunity for aviation

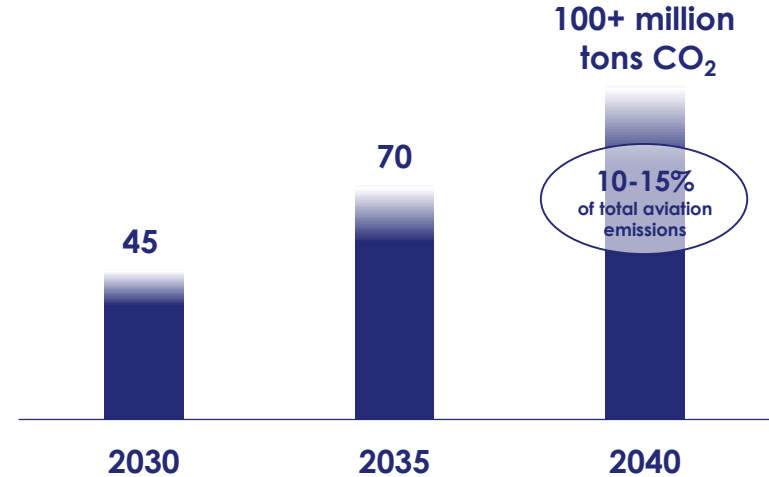
## Major CO<sub>2</sub> emission reduction achievable through operations optimization

- 10 to 15% CO<sub>2</sub> reduction
  - CO<sub>2</sub>-optimized trajectories
  - Weather-related optimization ("windsurfing")
  - Other optimization levers: ground, fuel load
- Non-CO<sub>2</sub>-related benefits: condensation trails

## Lever: combined digital transformation of avionics and Air Traffic Control systems

- Development of breakthrough AI-based tools
- Adoption of new flight and ATC procedures
- Applicable to existing in-service aircrafts
- Cumulative with other initiatives

## Possible CO<sub>2</sub> emission reduction via aircraft operations optimization (avoided emissions, million tons of CO<sub>2</sub>)



**Thales is uniquely positioned to address this massive opportunity**

# Addressing aircraft operations optimization through continuous innovations in both avionics and Air Traffic Control



## Purpose

- Improve flight trajectories (climb, cruise, descent) via end-to-end optimization functionalities/applications from both certified avionics and non-certified sources

## Contributions

- Digitally-connected avionics & cloud-based services delivering up-to-date traffic and weather data
- Climate-based route design
- Certification and first sales expected in 2024

- Deliver civil Air Traffic Control solutions that promote safe, orderly and expeditious air traffic flow while minimizing environmental impacts

- Green airspace optimization solutions
- Collaborative optimization tools
- Secure digital air/ground data exchange
- First capabilities introduced in TopSky ATC One as of 2025

Capitalizing on Thales' capabilities to deliver on this opportunity

# Defense is essential to safe, stable and prosperous societies



We live in a globalised and increasingly unpredictable world, facing emerging threats



Combining military capability, diplomacy and development assistance is necessary to achieve stability, resolve disputes non-violently and prevent conflicts



The protection offered by Defense to wider society provides the foundation for sustainability and protection of the planet

**Thales supports nations around the world to achieve these aims and counter the physical and virtual threats they face**

# Thales: leading in one of the most regulated global industries

## What we stand for

**Operating ethically**; selling our products and services responsibly

**Strict compliance with laws** of the countries and regions in which we operate

Core priority to **be proactive** with developing and sharing best practice; striving for continuous improvement



### Strict export controls

Committed and certified to stringent export control regulations

Processes integrated in day-to-day business through training, audit, and focus on continuous improvement



### Zero-tolerance on corruption

Clearly defined policy, shared with all employees and audited regularly

ISO 37001 certification



### Involvement in nuclear and controversial weapons

White phosphorous fully phased out in June 2022

French nuclear missile program: < 0.1% of group sales



### Making AI trustworthy

Transparent, Understandable, Ethical and Environmentally-friendly AI - putting humans at the center



# Thales' solutions deliver both enhanced performance and reduced environmental footprint

Sales to defense customers by product type, 2020

Increasing mission performance whilst reducing size, weight, power and logistics



Sonoflash sonobuoy

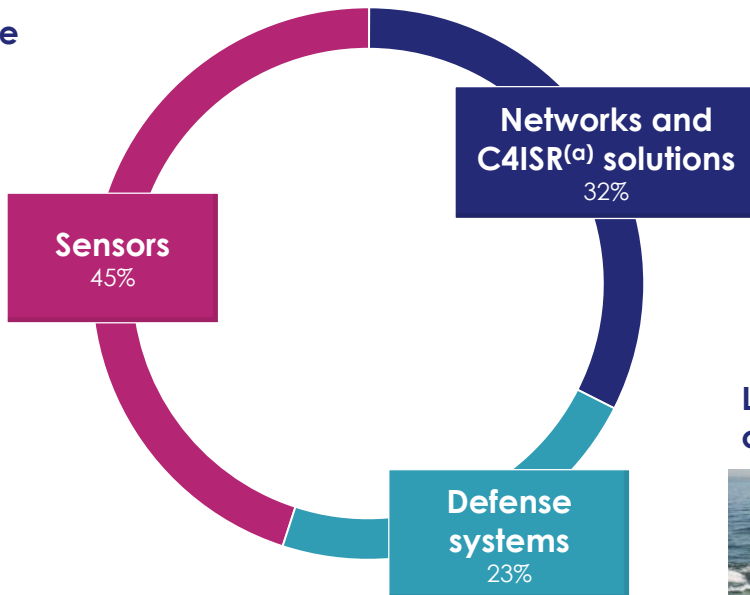


Sophie Ultima thermal imager



Talios multi-function pod

(a) C4ISR: Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance



Increased efficiency through improved asset collaboration across all domains



Collaborative combat



Synaps-H radios

Lower fuel burn and resource consumption



Autonomous mine warfare



Synthetic training & flight simulators

# Cybersecurity: trusted digital identities and data privacy for all

## Cybersecurity is key to sustainability

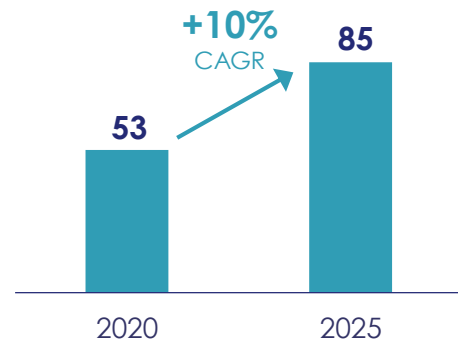
- Increasingly impacting identity thefts, data leaks, ransomware attacks undermine trust in digital transformation
- Privacy and sovereignty build trust

## Thales: recognized global leader in data protection and identity & access management

- Total cybersecurity sales: €1bn+ in 2021
- 2,800+ cybersecurity engineers

**€500m+ high margin incremental growth opportunity by 2025**

## Cybersecurity product market growth (€bn)



Source: Gartner, IDC

## NIST Cybersecurity framework



# Step change in ESG governance and organization

## ESG governance

- Expansion of Strategy and CSR committee on the board of directors
  - Inclusion of 2 additional board members
- ESG matters put under the responsibility of a single Executive Committee member
- New internal strategic ESG committee chaired by CEO

## ESG organization

- Creation of Chief Sustainability Officer position
- “Integrated” ESG department
  - Expertise on each pillar
  - ESG performance and reporting
  - Relationships with stakeholders
  - Project management office
- Network of ESG contact people in global business units, major countries and key corporate functions

# Sustainability: main targets

## Strategy for a low-carbon future

Reduction of operational CO<sub>2</sub> emissions<sup>(a)</sup>



2023



2030



2040

Boosting product innovation  
and eco-design across portfolio

Robust engagement plan with supply chain

Action plan submitted to SBTi certification

## Diversity & inclusion



2023

of management  
committees with at  
least 3 women<sup>(b)</sup>



2023

of women  
in senior  
management<sup>(c)</sup>

(b) 2026 target: 75% with at least 4 women (vs 42% at end 2021)

(c) Top 13% of global workforce. Percentage of women in total workforce: 27%. 2026 target: 22.5%

## Ethics & compliance

Anticorruption



2022

of exposed  
employees trained  
every 2 years

Extension of  
ISO 37001 certification

New digital ethics  
charter

## Health & safety at work

Frequency rate of  
accidents at work  
with subsequent  
lost work time<sup>(d)</sup>



2023

(d) Compared to 2018  
frequency rate

60% of workforce incentivized on sustainability KPIs



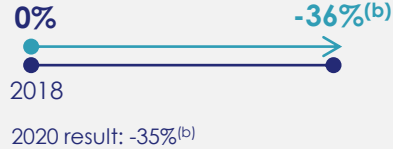
# Sustainability: 2021 key figures

## Targets

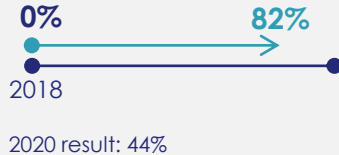


### Strategy for a low-carbon future

**35%** reduction of operational CO<sub>2</sub> emissions<sup>(a)</sup> by 2023

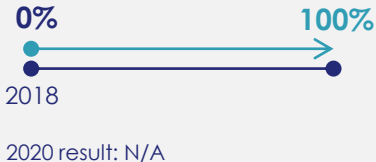


**100%** of new developments incorporating **eco-design** by 2023



### Ethics & compliance

**100%** of exposed employees trained on **anticorruption** every 2 years

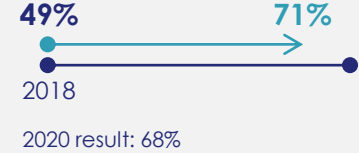


## Targets

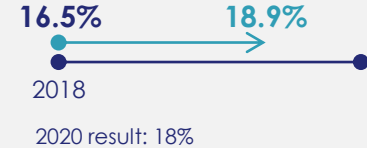


### Diversity & inclusion

**75%** of management committees with at least 3 women by 2023

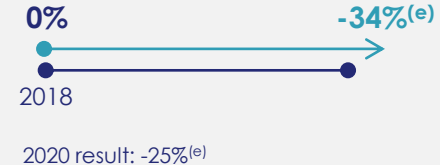


**20%** of women in senior management<sup>(c)</sup> by 2023



### Health & safety at work

**30%** reduction of frequency rate of accidents at work with subsequent lost work time<sup>(d)</sup> by 2023



(a) Scope 1+ Scope 2 + Scope 3 business travel, target in absolute terms vs 2018 reference including Gemalto

(b) 2020 and 2021 boosted by low level of business travel due to Covid-19 crisis

(c) Top 13% of global workforce. Percentage of women in total workforce: 27%

(d) Compared to 2018 frequency rate

(e) 2020 and 2021 boosted by high level of work-from-home due to Covid-19 crisis

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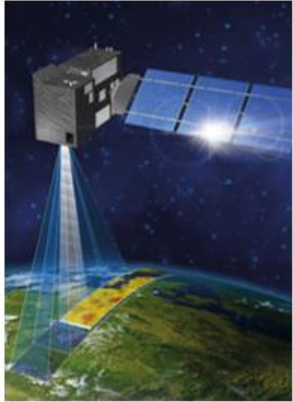
Outlook

Sustainability: safer, greener,  
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**H1 2022 results**



# H1 2022 highlights



**Record H1 order intake, further enhancing long-term visibility**

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

**EBIT margin and free operating cash flow ahead of plan**

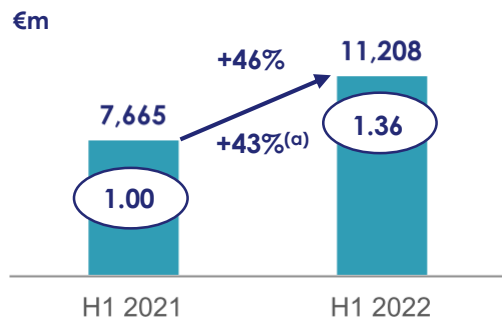
**Full Year order intake and sales growth guidances upgraded**

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

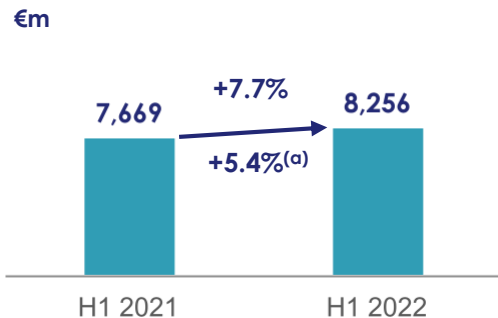


# H1 2022 key figures

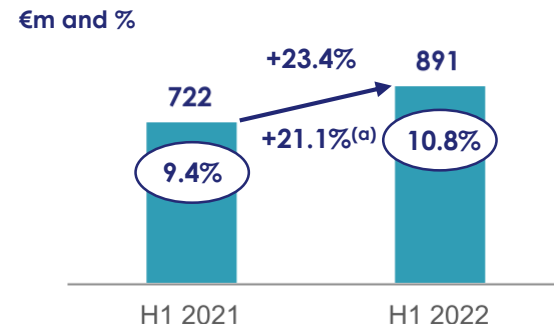
## Order intake and book-to-bill



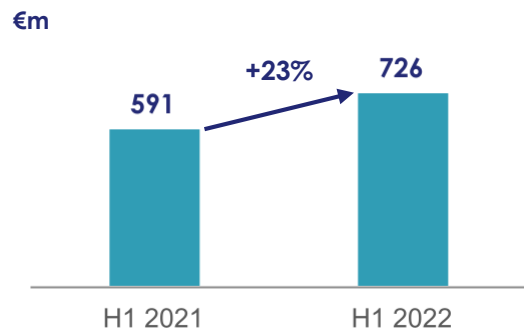
## Sales



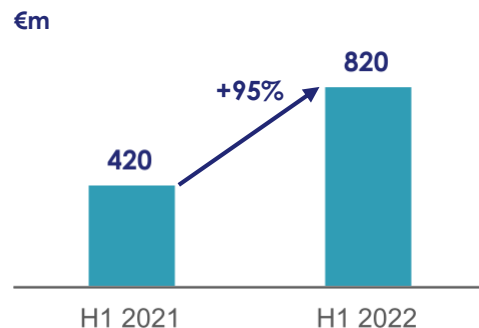
## EBIT and EBIT margin<sup>(b)</sup>



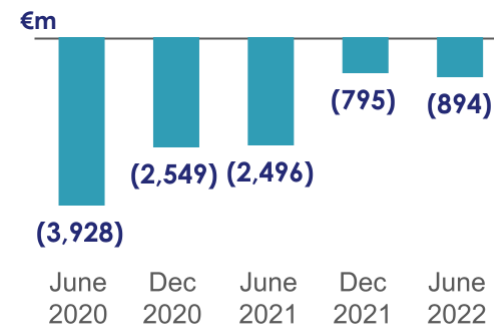
## Adjusted net income<sup>(b)</sup>



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



## Net cash (debt) position<sup>(b)</sup>



(a) Organic: at constant scope and exchange rates

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

# H1 2022 order intake

**Record high order intake, confirming Q1 strong commercial activity**

**10 large<sup>(a)</sup> orders booked in Q2 2022, for a total of 12 in H1 2022**

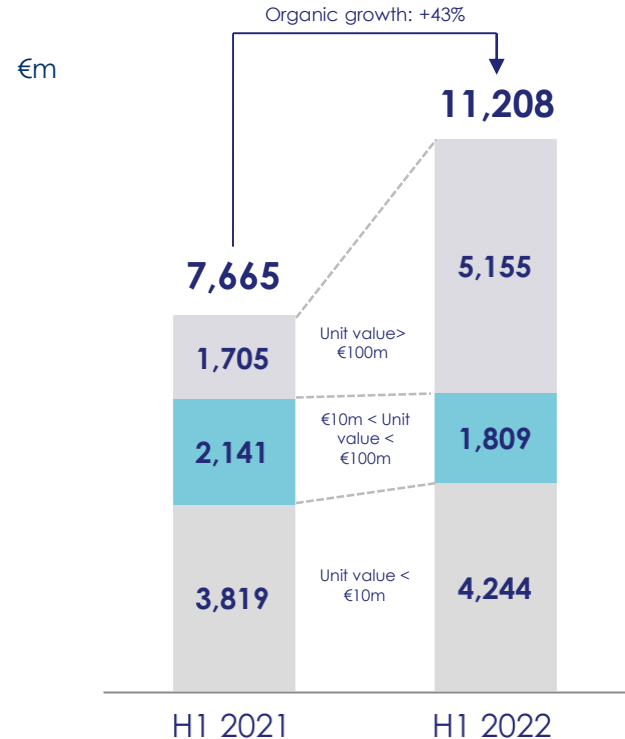
- 8 in Defense & Security, including jumbo Rafale order from the UAE
- 4 in Space: 3 in telecom, 1 in earth observation

**Small orders<sup>(b)</sup> up 11%, driven by recovery in civil aero and biometrics and robust pricing of smart cards**

(a) With a unit value over €100m

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

## Order intake by contract unit value



# H1 2022 organic sales growth

## Significant currency impact over H1

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

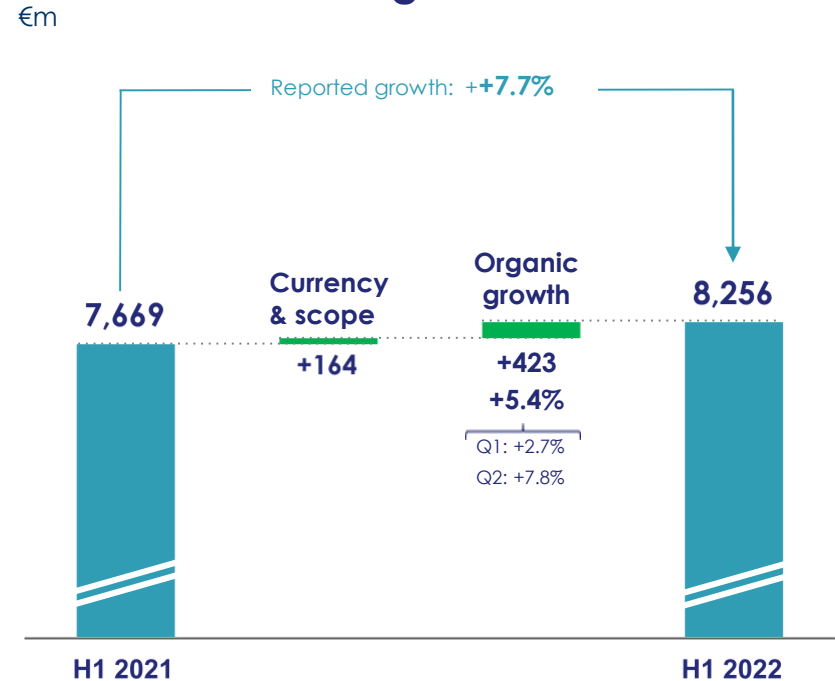
## H1 sales organically up 5.4% thanks to strong Q2

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

## Robust growth across Europe

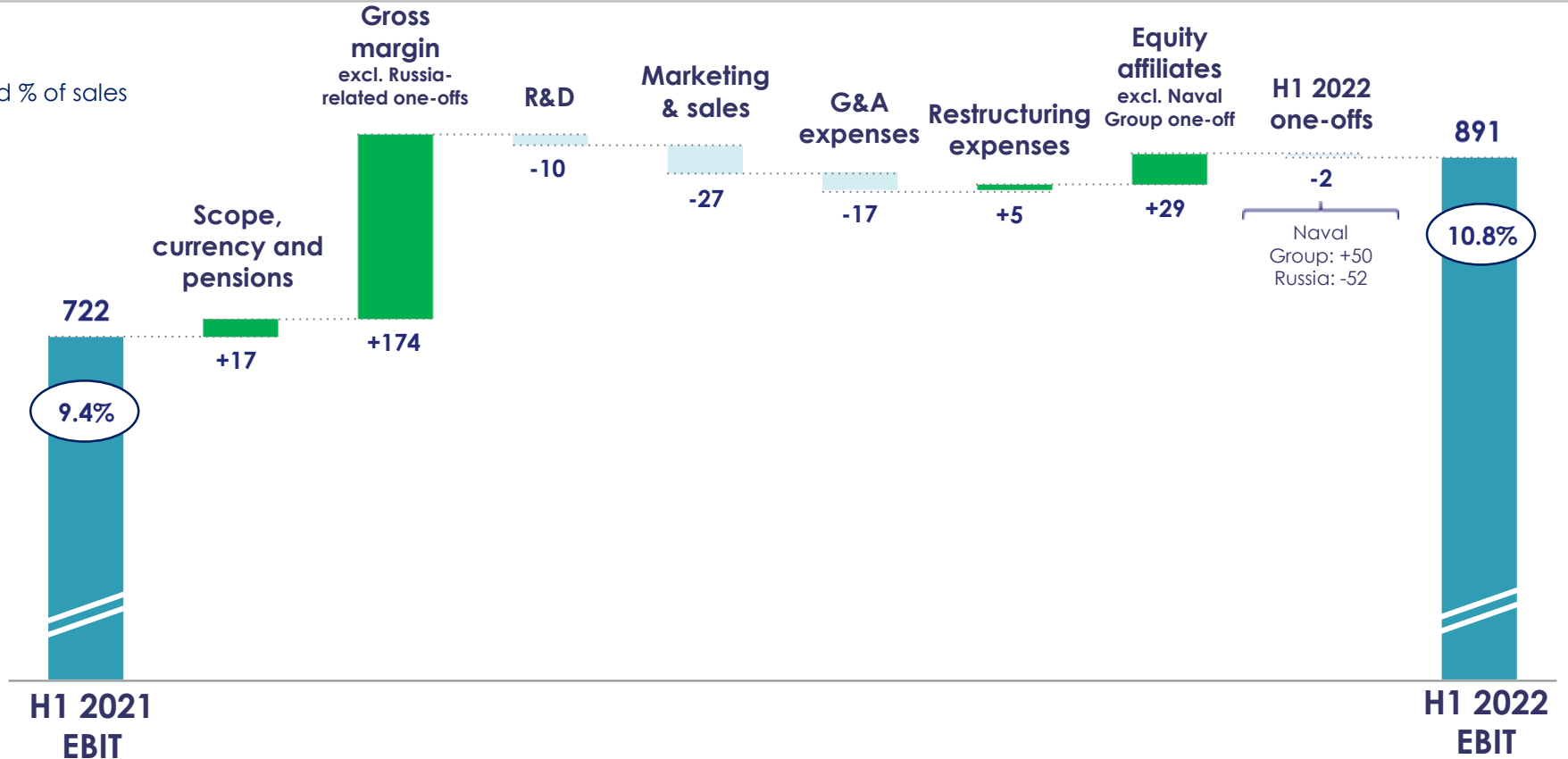
- France: +8%
- United Kingdom: +6%
- Rest of Europe: +10%

## H1 sales growth drivers



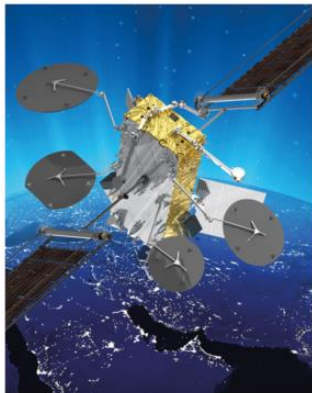
# H1 2021 to H1 2022 EBIT bridge

€m  
and % of sales





# Aerospace: H1 2022 key figures



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

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

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

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

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

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





# Defense & Security: H1 2022 key figures



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

## Record high order intake driven by booking of 8 large orders

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

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

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

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



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



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

## Order intake structurally aligned with sales

## Robust sales growth in spite of supply chain challenges

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

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

# H1 2022 Free operating cash-flow

## Robust free operating cash-flow performance in H1

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

## Cash management remains a key focus across the Group

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

# Focus on strategy execution: solid progress in H1

1

## Portfolio refocus

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

2

## Technology leadership

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

3

## Sustainability

- Full exit from White Phosphorous achieved in line with plan
- CO<sub>2</sub> emission reduction targets submitted to SBTi

4

## Operational efficiency

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

5

## Capital deployment

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

# Appendix



# A strong set of focused businesses

Segment	Sub-segment		Civil	Military	2021 sales <sup>(a)</sup> (€m)	Market position
<b>Aerospace</b> 28% of 2021 sales <sup>(a)</sup>	<b>Flight avionics</b> including cockpit avionics, communications, electrical systems, training and simulation (of which civil: ~€900m, military: ~€600m)				~1,500	#3 worldwide (flight avionics)
	<b>Connected in-flight entertainment (IFE)</b>				~300	#2 worldwide
	<b>Microwave tubes</b> for satellite, medical, scientific and military applications				~500	#1 worldwide
	<b>Space solutions</b> for telecom, observation, navigation and exploration				~2,150	#2 worldwide (civil satellites)
<b>Defense &amp; security</b> 53% of 2021 sales <sup>(a)</sup>	<b>Sensors and mission systems</b> including radars, sonars, optronics, mission systems for aircraft, ships and submarines, missiles and armored military vehicles				~4,500	#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				~4,100	#2 worldwide (military tactical communications)
<b>Digital identity &amp; security</b> 18% of 2021 sales <sup>(a)</sup>	<b>Digital identity and security solutions</b> including identity management & data protection, biometrics, Internet of Things connectivity modules, mobile connectivity solutions (removable SIM and eSIM) and EMV payment cards				~3,000	#1 worldwide

(a) Transport now treated as discontinued operations (IFRS5)

# Aerospace segment: identity card

## 2 Global Business Units

Avionics  
Space

**17,100** employees  
in 31 countries

### Main industrial footprint

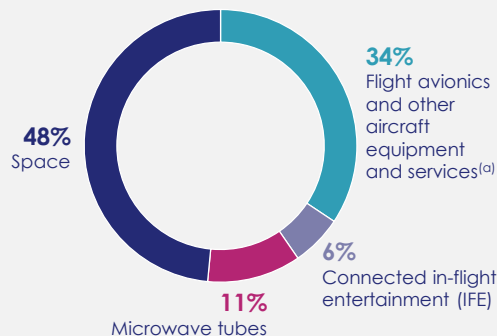
France, Italy, Spain, UK, USA,  
Singapore

**€4.4bn** 2021 sales

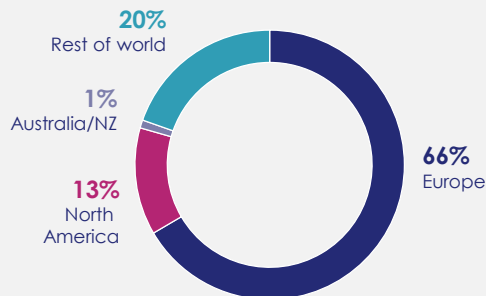
**4.5%** 2021 EBIT margin

**1.8 years** Dec 21 backlog

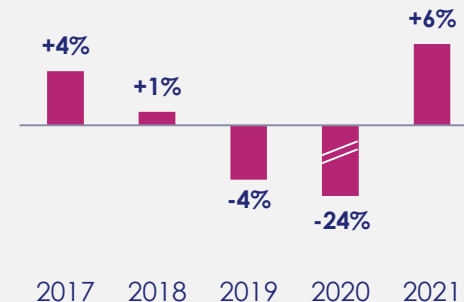
### Sales by solutions



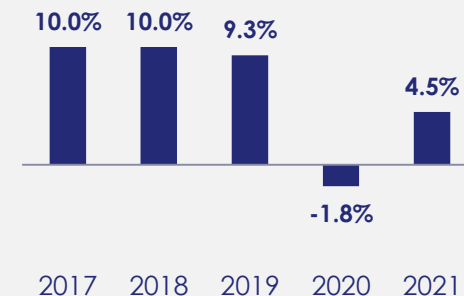
### Sales by region



### Organic sales growth



### EBIT margin



(a) Includes electrical systems business (€124m sales in 2021), under exclusive negotiations to be sold to Safran.

# Defense & Security segment: identity card

## 3 Global Business Units

Land & Air Systems  
 Defense Mission Systems  
 Secure Communications &  
 Information Systems

**32,000** employees  
 in **36** countries

### Main industrial footprint

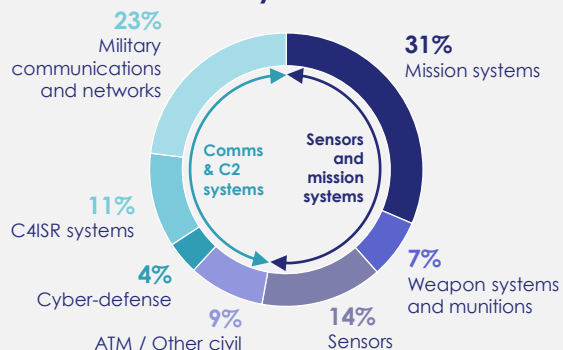
Australia, Canada, France,  
 Netherlands, UK

**€8.6bn** 2021 sales

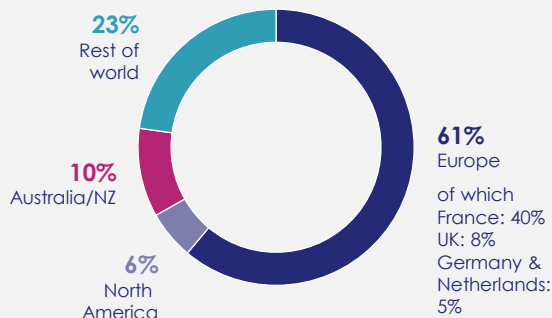
**12.9%** 2021 EBIT margin

**3.0 years** Dec 21 backlog

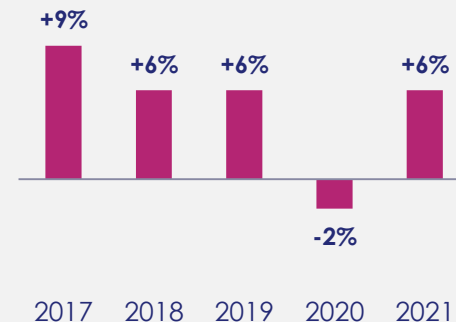
### Sales by solutions



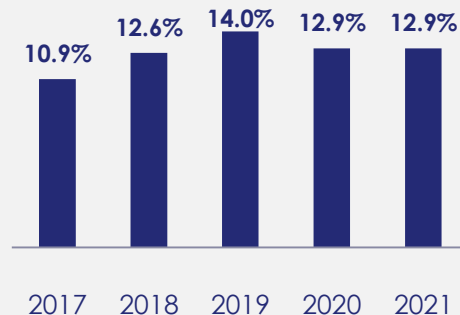
### Sales by region



### Organic sales growth



### EBIT margin





# Digital Identity & Security (DIS) segment: identity card

## 1 Global Business Unit

Digital Identity and Security

**14,700** employees in 53 countries

### Main industrial footprint

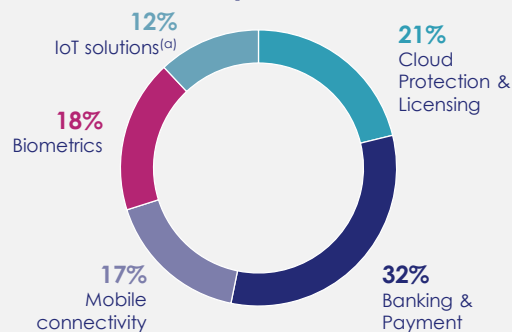
France, USA, Singapore, Mexico

**€3.0bn** 2021 sales

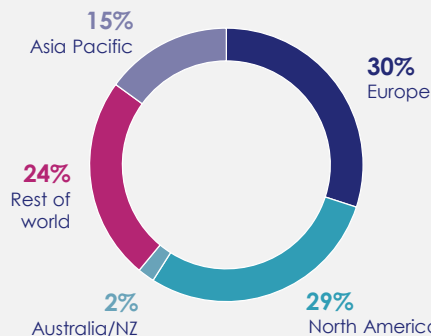
**11.9%** 2021 EBIT margin

**NM** Dec 21 backlog

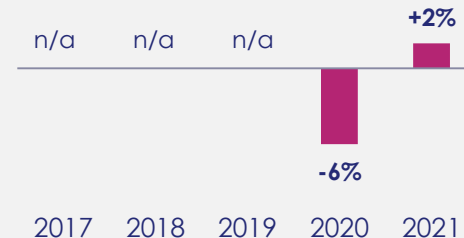
### Sales by solutions



### Sales by region



### Organic sales growth



### EBIT margin



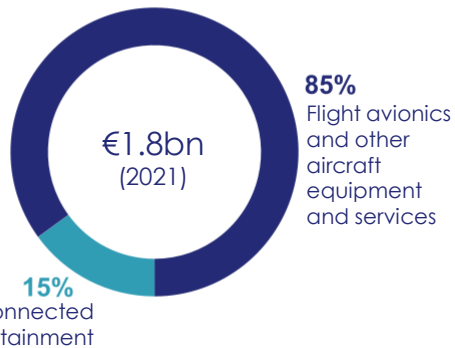
(a) The majority of this business (€300m+ in 2021) is expected to be deconsolidated in the framework of the creation of Telit Cinterion, in which Thales would retain a 25% stake.

(b) Underlying  
(c) Pro forma 12 months

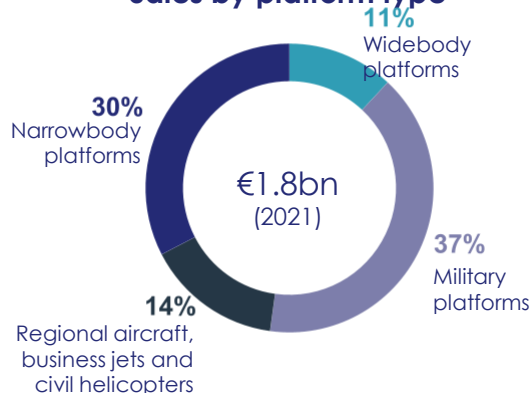
**THALES**  
Building a future we can all trust

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

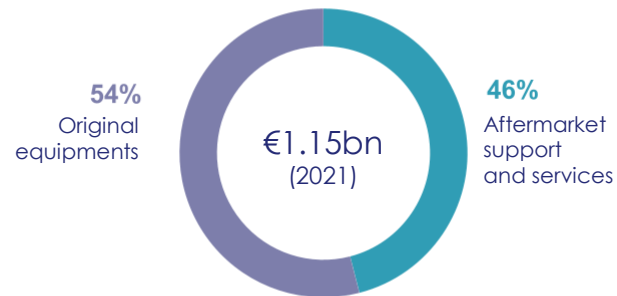
## Sales by solutions



## Sales by platform type



## Commercial sales by activity type



## Main avionics platforms



### Air transport

A320 ATR  
A330/340 Dash 8  
A350 CRJ  
B787 SSJ 100  
B747



### Business jets

Bombardier  
Cessna  
Dassault  
Gulfstream



### Helicopters

Airbus helicopters  
Airbus Tiger  
NHI NH90  
Bell Cobra/Huey  
Sikorsky



### Military aircraft

Airbus 400M Dassault Rafale  
Airbus MRTT Dassault Mirage 2000  
Boeing F/A-18 LM F-16

## Connected in-flight entertainment (IFE)

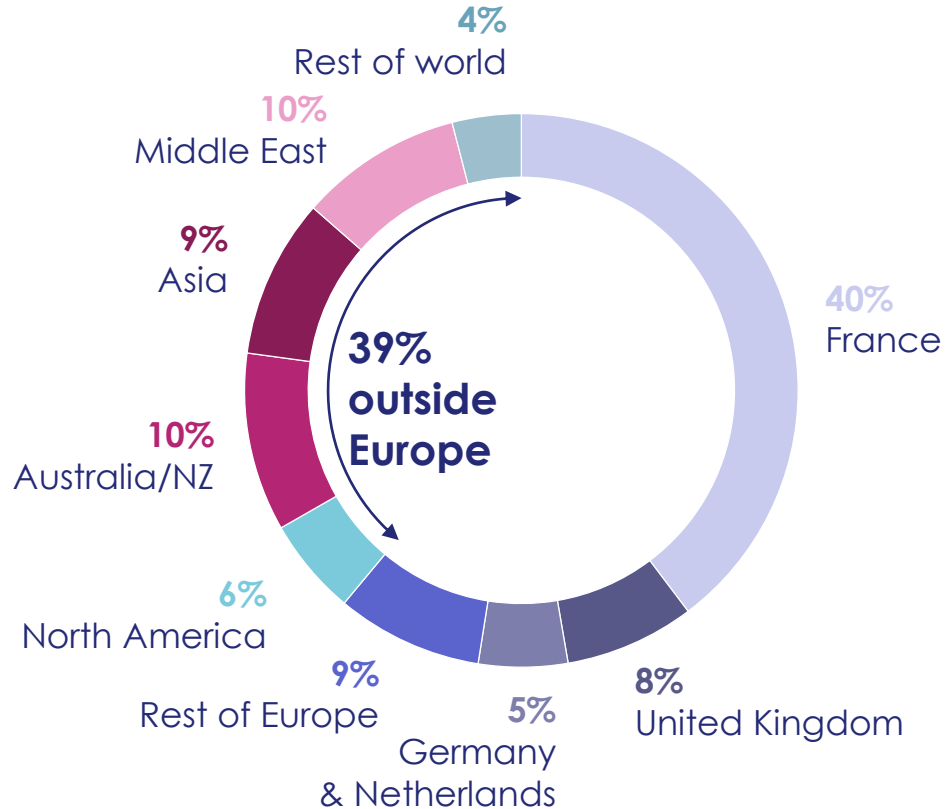


### Main platforms

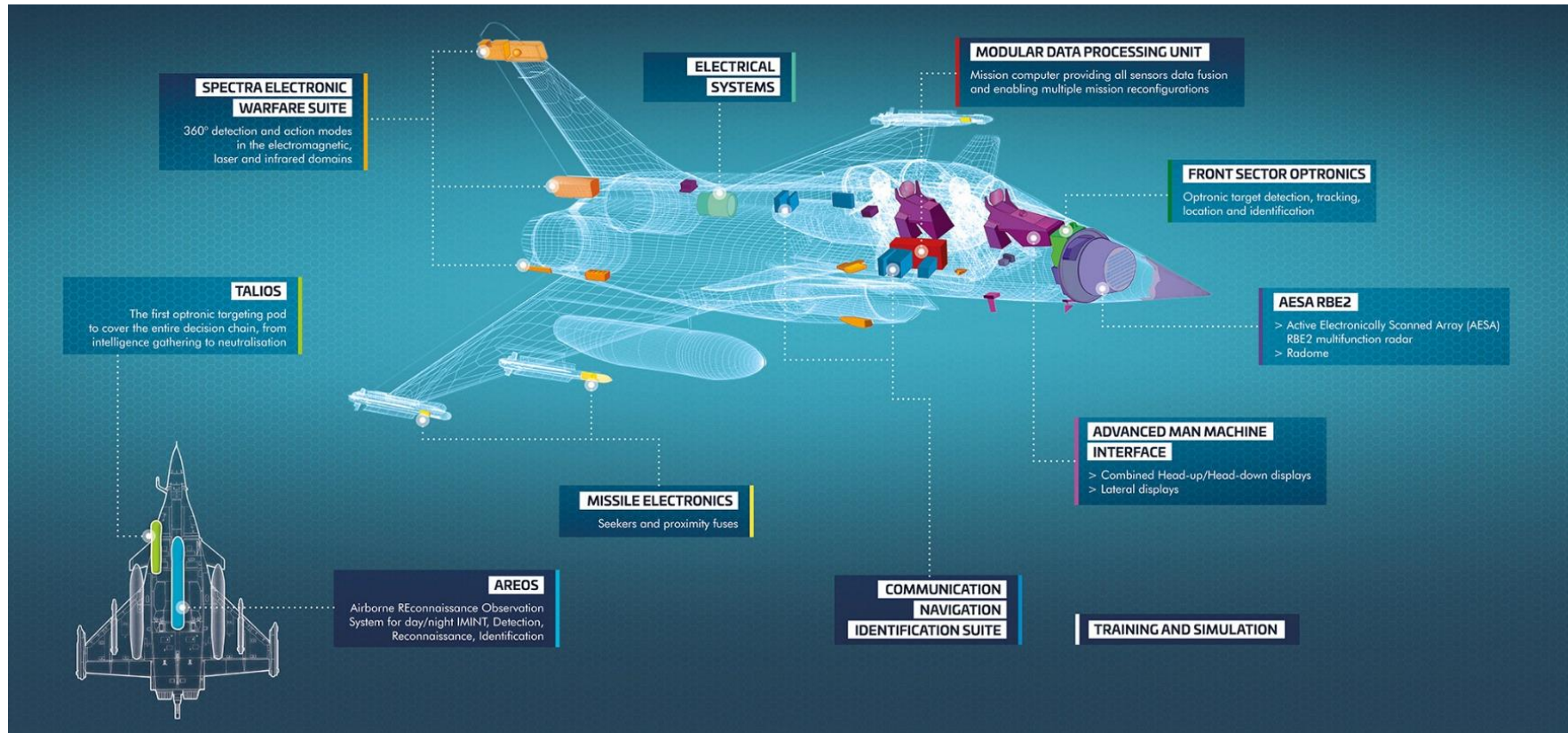
A330/A340 A320  
A350 B737  
B787  
B777

# Highly diversified Defense & Security customer base

Defense & Security sales by region, 2021



# Thales on board the Rafale



# Summary adjusted P&L: from sales to EBIT

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

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

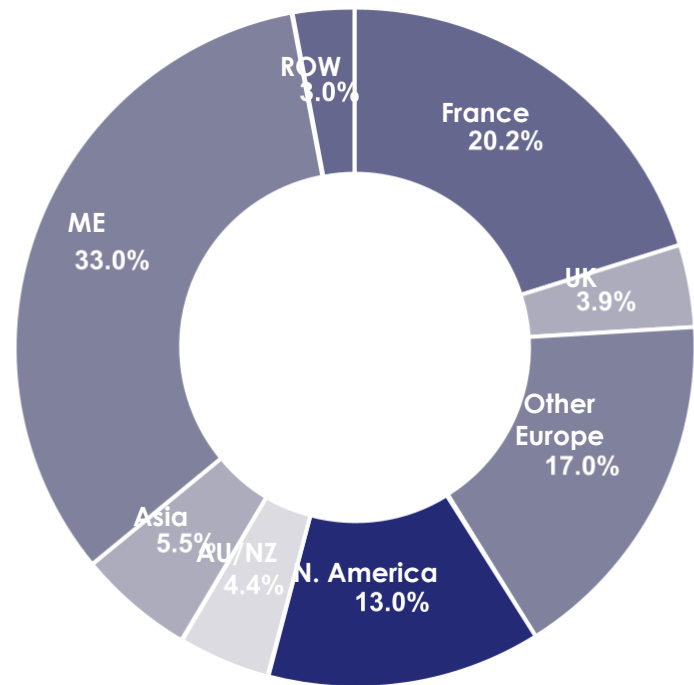
€m	H1 2022	H1 2021
<b>EBIT</b>	891	722
Cost of net financial debt and other financial results	(42)	(36)
Finance costs on pensions and other employee benefits	(15)	(15)
Income tax	(141)	(88) <sup>(a)</sup>
<i>Effective tax rate</i>	19.7%	14.0%
<b>Adjusted net income - discontinued operations</b>	31	32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

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

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

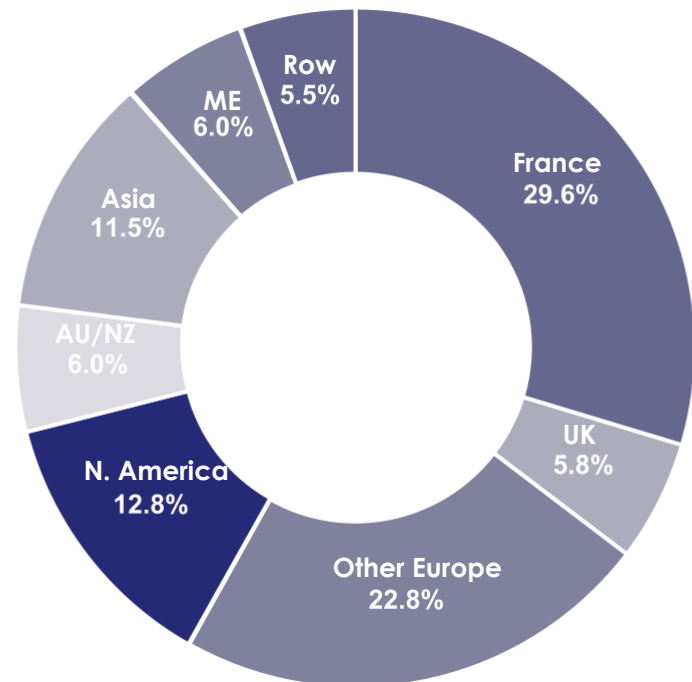
# H1 2022 order intake by destination

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



# H1 2022 sales by destination

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

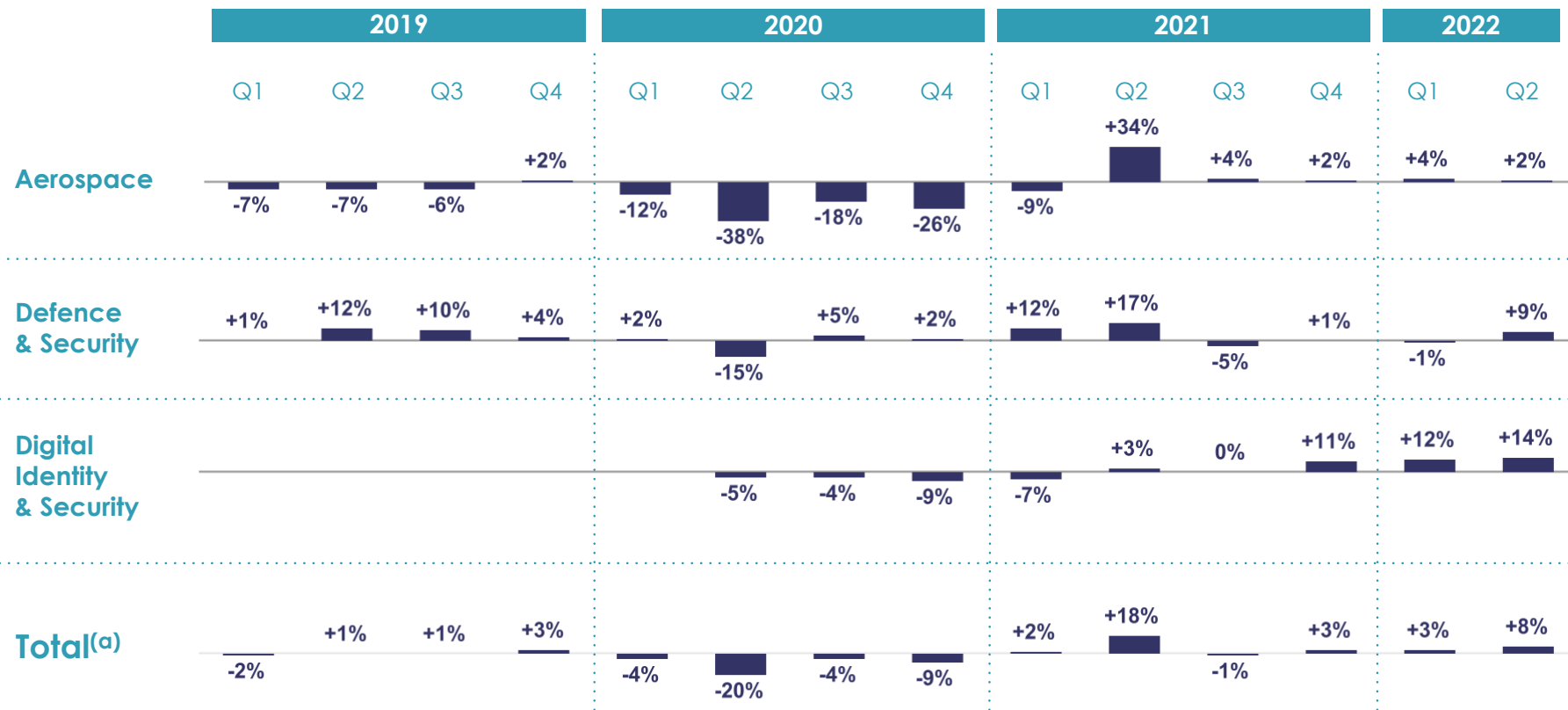




# H1 2022 EBIT by operating segment

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

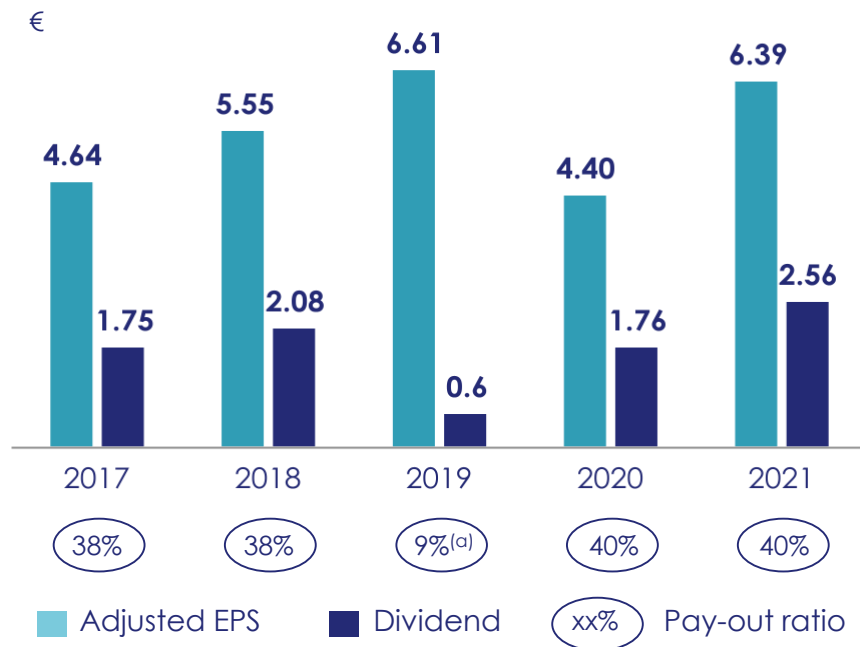
# Organic sales growth per quarter



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

# Adjusted EPS and cash returns

## Adjusted EPS and dividend per share



(a) Pay-out adjusted in April 2020 in the context of the Covid-19 crisis. Initial ratio: 38%

(b) Approximately 7.47 million shares

## Adjusted EPS only 3% below 2019

- Up 8% per year since 2017

## 2021 dividend: €2.56 per share

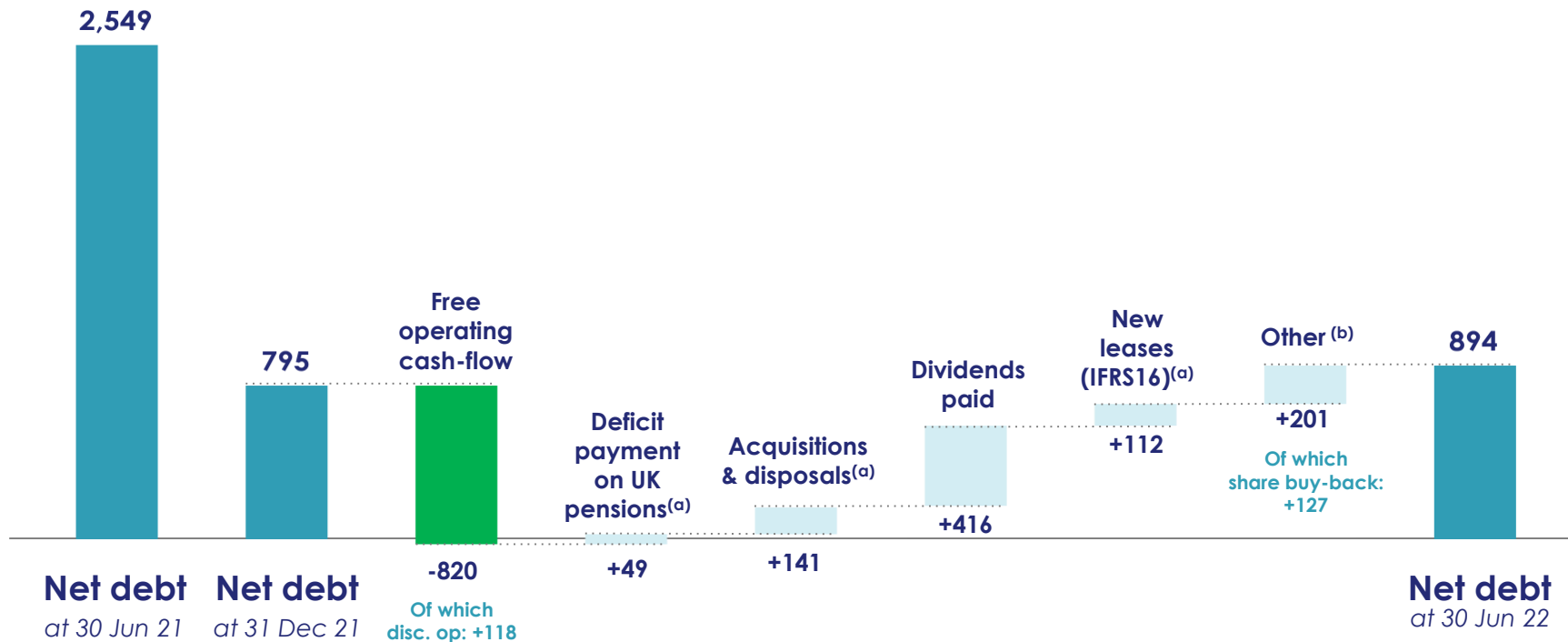
- Pay-out ratio confirmed at 40%
- Up 10% per year since 2017

## Share buy back program on 3.5% of the share capital<sup>(b)</sup>

- 1.1m shares already repurchased at end of June 2022

# Movement in net debt over H1 2022

€m



(a) Continued operations

(b) Continued and discontinued operations

# Definition of non-GAAP measures and other remarks

## Rounding of amounts in euros

In the context of this presentation, the amounts expressed in millions of euros are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and variances are calculated based on underlying amounts, which feature in the consolidated financial statements.

## Definitions

- **Organic:** at constant scope and exchange rates;
- **Book-to-bill ratio:** ratio of orders received to sales;
- **Mature markets:** All countries in Europe excluding Russia and Turkey, North America, Australia and New Zealand;
- **Emerging markets:** All other countries, i.e. Middle East, Asia, Latin America and Africa.

## Non-GAAP measures

This presentation contains non-Generally Accepted Accounting Principles (GAAP) financial measures. Thales regards such non-GAAP financial measures as relevant operating and financial performance indicators for the Group, as they allow non-operating and non-recurring items to be excluded. Thales definitions for such measures may differ from similarly titled measures used by other companies or analysts.

- **EBIT:** income from operations; *plus* the share of net income or loss of equity affiliates *less:* amortization of acquired assets (PPA), expenses recorded in the income from operations that are directly related to business combinations. See also notes 13-a and 2 of the consolidated financial statements at 31 December 2021.
- **Adjusted net income:** net income, *less* the following elements, net of the corresponding tax effects: (i) amortization of acquired assets (PPA), (ii) expenses recorded in the income from operations or in "financial results" which are directly related to business combinations, which by their nature are unusual, (iii) disposal of assets, change in scope of consolidation and other, (iv) impairment of non-current assets, (v) changes in the fair value of derivative foreign exchange instruments (recognized under "other financial income and expenses" in the consolidated financial statements), (vi) actuarial gains or losses on long-term benefits (recognized under "finance costs on pensions and employee benefits" in the consolidated financial statements). See note 13-a of the consolidated financial statements at 31 December 2021. This definition implies the definition of several other adjusted financial measures, such as adjusted gross margin, adjusted tax, adjusted EPS .... See page 16 and 17 of the 2021 results press release for detailed calculation of these other indicators.
- **Free operating cash flow:** net cash flow from operating activities, *less:* capital expenditures, *less:* deficit payments on pensions in the United Kingdom. See notes 13-a, 6.3 (continued operations) and 1.4 of the consolidated financial statements at 31 December 2021.
- **Net cash (debt):** difference between the sum of "cash and cash equivalents" and "current financial assets" items and short and long-term borrowings, after deduction of interest rate derivatives. See note 6.2 of the consolidated financial statements at 31 December 2021.

# THALES

Building a future we can all trust

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