PRESS RELEASE
March 8, 2023
Paris La Défense, France

Thales reports its 2022 full-year results

- **Order intake[1]: €23.6 billion, up 18% (+16% on an organic basis[2])**
- **Sales: €17.6 billion, up 8.5% (+5.5% on an organic basis)**
- **EBIT[3]: €1,935 million, up 17.3% (+15.6% on an organic basis)**
- **Adjusted net income, Group share[3]: €1,556 million, up 14%**
- **Consolidated net income, Group share: €1,121 million, up 3%**
- **Free operating cash flow[3]: €2,527 million, 162% of adjusted net income, Group share**
- **Dividend[4] of €2.94, up 15%**
- **2023 objectives:**
  - **Book-to-bill[5] above 1**
  - **Organic sales growth of between +4% and +7%, corresponding to sales between €18 and €18.5 billion**
  - **EBIT margin between 11.5% and 11.8%**
- **2019-2023 cash flow generation target again revised upwards:**
  - **Conversion ratio of adjusted net income[6] to free operating cash flow greater than 130%**
  - **Around €6.5 billion of free operating cash flow expected for 2021-2023**

Thales's Board of Directors (Euronext Paris: HO) met on March 7, 2023 to review the 2022 financial statements[7].

"Thanks to the commitment of all its employees, Thales has achieved high quality results in 2022. Commercial momentum was strong in all business lines. With 29 contracts with a unit value of over €100 million, the order intake reached a record level of over €23 billion.

Despite a complex operating environment, sales growth was at the upper end of the range announced in July 2022, and the EBIT margin surpassed pre-Covid-19 levels.

Cash generation was once again well above €2 billion and the Group is expected to generate nearly €6.5 billion in free operating cash flow over the 2021-2023 period.

We continued to optimize our business portfolio with four acquisitions and two disposals. We are ahead of schedule on our ESG action plan to build a safer, more environmentally friendly and more inclusive world.

To support our growth we are significantly ramping up our recruitment and capex plans. After hiring 11,500 people in 2022, we will recruit more than 12,000 employees in 2023. Our 2023 capex will be 20% above 2022, and 46% above 2021.

[1] In accordance with standard IFRS5, the financial data for the operating segment "transport" for 2021 and 2022 have been classified under "discontinued operations" following entry into exclusive negotiations with Hitachi Rail with a view to disposing of this business.
[2] In this press release, "organic" means "at constant scope and exchange rates". See note on methodology on page 15 and calculation on page 19.
[3] Non-GAAP financial indicators, see definitions in the appendices, page 15.
[4] Proposed to the Annual General Meeting on May 10, 2023.
[5] Ratio of order intake to sales.
[6] Previous target (March 2022): around 115% on a reported basis.
[7] At the date of this press release, the audit procedures for the financial statements have been completed and the statutory auditors' report was in the process of being issued.

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With its technologies, its capacity for innovation and the commitment of all its teams, Thales demonstrated once again the relevance of its business model, both resilient and consistently creating value for its stakeholders."

Patrice Caine, Chairman and Chief Executive Officer

Key figures

In € millions *except earnings and dividend per share (in €)*	2022	2021	Total change	Organic change
Order intake	**23,551**	**19,909**	+18%	+16%
Order book at end of period	**40,957**	**34,744**	+18%	+17%
Sales	**17,569**	**16,192**	+8.5%	+5.5%
EBIT[8]	**1,935**	**1,649**	+17.3%	+15.6%
as a % of sales	*11.0%*	*10.2%*	*+0.8 pts*	*+0.9 pts*
Adjusted net income, Group share[8]	**1,556**	**1,361**	+14%	
Adjusted net income, Group share, per share[8]	**7.35**	**6.39**	+15%	
Consolidated net income, Group share	**1,121**	**1,089**	+3%	
Free operating cash flow[8]	**2,527**	**2,515**	12	
Net cash (debt) at end of period[8]	**-35**	**-795**	760	
Dividend per share[9]	**2.94**	**2.56**	0.38	

In accordance with standard IFRS5, the financial data for the "transport" operating segment for 2021 and 2022 have been classified under "discontinued operations" following entry into exclusive negotiations with Hitachi Rail with a view to disposing of this business.

Order intake for financial year 2022 reached a new all-time high of **€23,551 million**, up 18% from 2021 (**+16%** on an **"organic"** basis, i.e. at constant scope and exchange rates). The Group enjoyed strong commercial momentum in all its businesses. At December 31, 2022, the consolidated **order book** stood at **€41.0 billion**, a new all-time high, up more than €6.2 billion year-on-year.

Sales reached **€17,569 million**, up 8.5% from 2021 in total change, and up 5.5% in organic change, driven in particular by the dynamism of the Digital Identity and Security (DIS) businesses.

For 2022, the Group posted **EBIT**[8] of **€1,935 million** (11.0% of sales), compared to €1,649 million (10.2% of sales) in 2021, up +17% in total change, and +16% in organic change.

At **€1,556 million**, the **adjusted net income, Group share**[8] was up +14% compared to 2021.

The **consolidated net income, Group share**, stood at **€1,121 million**, up +3% from 2021.

[8]Non-GAAP financial indicators, see definitions in the appendices, page 15.
[9]Proposed to the Annual General Meeting on May 10, 2023.

The **free operating cash flow**[8] stood at **€2,527 million** compared to €2,515 million in 2021. The conversion ratio of adjusted net income, Group share to free operating cash flow was 162% (185% in 2021). This once again exceptional performance continues to reflect both the strong order intake on export markets, the phasing effects on cash inflows related to contract execution, as well as the continued progress of teams on the measures implemented since 2020 under the "CA$H!" initiative.

In this context, the Board of Directors decided to propose the payment of a **dividend** of **€2.94** per share, corresponding to a payout ratio of 40% of the adjusted net income, Group share, per share.

Order intake

In € millions	2022	2021	Total change	Organic change
Aerospace	5,892	5,631	+5%	+3%
Defense & Security	13,955	11,185	+25%	+23%
Digital Identity & Security	3,616	2,995	+21%	+15%
Total – operating segments	**23,462**	**19,810**	**+18%**	**+16%**
Other	88	98		
Total	**23,551**	**19,909**	**+18%**	**+16%**
Of which mature markets[10]	16,034	15,527	+3%	+1%
Of which emerging markets[10]	7,516	4,381	+72%	+68%

Order intake for the 2022 financial year totaled **€23,551 million, up 18%** from 2021 in total change, and 16% at constant scope and exchange rates[11]. The ratio of order intake to sales ("book-to-bill") was 1.34 compared to 1.23 in 2021. It even reached as much as 1.43 when excluding the Digital Identity & Security segment, for which the order intake is structurally very close to sales.

Thales booked **29 large orders with a unit value of over €100 million**, representing a total of **€8,198 million**:

- 2 large orders booked in Q1 2022:
  - the order for 2 Space Inspire satellites by Intelsat
  - the order of an additional Space Inspire satellite by SES
- 10 large orders recorded in Q2 2022: the jumbo contract linked to the supply of Rafale to the United Arab Emirates (80 aircraft), as well as 9 orders for a unit value of between €100 million and €500 million:
  - the order of a Space Inspire satellite by Arabsat
  - an amendment to the contract for the development and qualification of the payloads of the first two satellites of the CO2M mission, which aims to measure the quantity of CO_2 produced by human activity (Copernicus European program)
  - a contract related to the supply of 6 additional Rafale aircraft to Greece
  - a contract to supply the Sea Fire digital radar for 3 defense and intervention frigates (FDI) sold to Greece
  - the order for a secure communications system by a military customer

[10] Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 19.
[11] Given a positive currency effect of €364 million and a positive net scope effect of €70 million.

    - an amendment to the contract securing the 10-year supply of ammunition to the Australian Defence Force (SDMM)
    - the order by a Middle Eastern country of 3 radars and associated support
    - a new tranche of the Scorpion program for the French Army
    - an amendment to the contract for the supply and support of CONTACT next-generation tactical radios for the French Army

- 4 large orders booked in Q3 2022:
    - a contract to install next-generation in-flight entertainment systems on Emirates' future Airbus A350 fleet
    - an amendment to the contract for the development of the SICRAL 3 satcom system for the Italian Ministry of Defense, including the associated ground segment
    - the order of the KOREASAT 6A telecommunications satellite by the operator kt sat
    - the order of Sea Fire naval radars by a major military customer

- 13 large orders booked in Q4 2022:
    - a contract to upgrade the French Army's Tigre helicopters to Mark III standard
    - the 3 additional development tranches of the ROSE-L, CIMR and CHIME missions of the ESA Copernicus program
    - a contract signed with the European Commission (EUSPA) to develop a new version of the EGNOS navigation support system
    - the construction of a new generation Space Inspire satellite for Eutelsat
    - a contract related to the supply of Rafale to Indonesia (6 aircraft)
    - a contract related to phase 1B of the Future Air Combat Program (FCAS)
    - a support contract for the SAMP/T medium-range air defense program
    - The renewal of several French Armed Forces radars and the order for a new Aerospace Operations Command and Control System as part of stage 5 of the SCCOA program
    - the order for a secure communications system by a military customer
    - a contract for the production of 81mm ammunition for the French Army
    - a contract to supply Luxembourg with on-board vetronics and communication systems for 80 armored command, liaison and reconnaissance vehicles (CLRV)

At **€15,353 million**, order intake with **a unit value of less than €100 million** was up 14% from 2021, with a significant increase of 36% in orders with a unit value between €50 million and €100 million, particularly in defense businesses.

Geographically[12], order intake in emerging markets amounted to €7,516 million, up 68% at constant scope and exchange rates, driven by commercial successes in defense. At €16,034 million, order intake in mature markets remained high (+1% at constant scope and exchange rates), driven primarily by 16 large military contracts in 7 countries.

[12] See table on page 19.

Order intake in the **Aerospace** segment totaled **€5,892 million** compared to €5,631 million in 2021 (+3% at constant scope and exchange rates). This performance is explained by a strong rebound in aeronautics order intake (avionics and in-flight entertainment (IFE)), which in particular recorded two major contracts with a unit value of more than €100 million, the first since 2019 (see details above). After-sales activities in the civil aviation sector were up 32%. Moreover, Thales Alenia Space maintained a book-to-bill ratio of more than 1 thanks to new commercial successes, both in earth observation (Copernicus), navigation (Egnos) and commercial telecommunications (with five additional orders from the new generation "Space Inspire" digital satellites). At December 31, 2022, the segment's order book stood at **€9.2 billion**, up 17%.

At **€13,955 million** compared to €11,185 million in 2021, order intake in the **Defense & Security** segment set a new record (+23% at constant scope and exchange rates). The book-to-bill ratio consequently exceeded 1.52, compared to 1.30 in 2021 and 1.23 in 2020. This high level is explained by the recording of 16 contracts worth more than €100 million, including the jumbo contract for the supply of Rafale to the United Arab Emirates (80 aircraft). The segment's order book consequently reached a new record at **€31.0 billion**, corresponding to 3.4 years' worth of sales, strengthening visibility for the years ahead.

At **3,616 million**, order intake in the **Digital Identity & Security (DIS)** segment was structurally very close to sales as most business lines in this segment operate on short sales cycles. The order book is therefore not significant.

Sales

In € millions	**2022**	**2021**	**Total change**	**Organic change**
Aerospace	4,705	4,463	+5.4%	+2.4%
Defense & Security	9,154	8,633	+6.0%	+3.8%
Digital Identity & Security	3,618	2,995	+20.8%	+14.9%
Total – operating segments	**17,476**	**16,091**	**+8.6%**	**+5.6%**
Other	93	101	-8.2%	-8.1%
Total	**17,569**	**16,192**	**+8.5%**	**+5.5%**
Of which mature markets [13]	13,320	12,150	+9.6%	+6.3%
Of which emerging markets[13]	4,248	4,042	+5.1%	+2.9%

Sales for the 2022 financial year totaled **€17,569 million**, compared to €16,192 million in 2021, up 8.5% in total change and 5.5% in organic terms (at constant scope and exchange rates[14]), driven particularly by the Digital Identity & Security (DIS) segment. The shutdown of activities in Russia had an impact on sales estimated at €135 million for the Group (€80 million for Aerospace and €55 million for DIS).

[13] Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 19.
[14] The calculation of the organic change in sales is shown on page 20.

Geographically[15], sales growth was stronger in mature markets (+6.3% organic), while emerging markets returned to organic growth (+2.9%), driven by the Middle East and Latin America regions.

Sales in the **Aerospace** segment totaled **€4,705 million**, up 5.4% from 2021 (+2.4% at constant scope and exchange rates). The segment was affected by the shutdown of activities in Russia (total impact estimated at around €80 million in 2022), a slowdown in the growth of space businesses after record momentum in 2021, and by an unfavorable basis of comparison for the microwave tubes business. Civil aero aftermarket sales continued to recover, with growth of +23% over the full year 2022, even though the slow recovery of the wide-body aircraft market continued to weigh on the overall civil aviation business.

Sales in the **Defense & Security** segment totaled **€9,154 million**, up 6.0% from 2021 (+3.8% at constant scope and exchange rates). The good momentum of several business lines (including integrated systems for airspace protection, activities related to the Rafale programs, surface radars, cyber defense solutions, and tactical radios) was, however, impacted by tensions both in supply chains (with an estimated impact of around €100 million on sales for 2022) and in recruitment. These operational constraints are temporary, and the Group can rely on a considerable order book of nearly €31.0 billion at the end of December 2022 to accelerate its growth in the coming years.

At **€3,618 million**, sales in the **Digital Identity & Security** segment were up 14.9% at constant scope and exchange rates, and 20.8% in total. This performance reflects the strong momentum of cybersecurity activities, which grew organically by more than 15%, as well as the price effect on EMV payment cards and SIM cards, reflecting the significant increase in purchase costs. After 2 years of health crisis, the recovery in biometrics continued despite persistent tensions on supply chains, particularly of chips. After 9 months of 2022 disrupted by supply chain tensions, the IoT connectivity module business experienced a very strong recovery in Q4. As part of the creation of Telit Cinterion, a new leader in IoT solutions, the bulk of this business (i.e. €360 million in 2022 sales) has been deconsolidated as of January 1, 2023. As of this date, Thales held a 25% stake in the new company, which is therefore consolidated using the equity method.

[15] See table on page 19.

Results

EBIT *In € millions*	**2022**	**2021**	**Total change**	**Organic change**
Aerospace	**235**	**202**	**+16.1%**	**+ 18.3%**
as a % of sales	*5.0%*	*4.5 %*	*+0.5 pts*	*+0.7 pts*
Defense & Security	**1,179**	**1,111**	**+6.1%**	**+2.7%**
as a % of sales	*12.9%*	*12.9%*	*0.0 pts*	*-0.2 pts*
Digital Identity & Security	**494**	**358**	**+38.2%**	**+37.9%**
as a % of sales	*13.7%*	*11.9%*	*+1.7 pts*	*+2.4 pts*
Total – operating segments	**1,908**	**1,671**	**+14.2%**	**+12.4%**
as a % of sales	*10.9%*	*10.4%*	*+0.5 pts*	*+0.6 pts*
Other – excluding Naval Group	-92	-91		
Total – excluding Naval Group	**1,816**	**1,580**	**+14.9%**	**+13.2%**
as a % of sales	*10.3%*	*9.8%*	*+0.6 pts*	*+0.7 pts*
Naval Group (share at 35%)	119	69		
Total	**1,935**	**1,649**	**+17.3%**	**+15.6%**
as a % of sales	*11.0%*	*10.2%*	*+0.8 pts*	*+0.9 pts*

For 2022, the Group posted **EBIT**[16] of **€1,935 million**, or 11.0% of sales, compared to €1,649 million (10.2% of sales) in 2021. This level included two one-off items that largely offset each other:

- Firstly, the economic and trade sanctions imposed on Russia led to the recognition, in the H1 2022 financial statements, of non-recurring expenses for an amount of €52 million, in the "cost of sales" line, mainly in the Aerospace segment.
- Secondly, the compensation agreement signed between Australia and Naval Group resulted in a non-recurring income of €45 million in 2022.

The **Aerospace** segment recorded an EBIT of **€235 million** (5.0% of sales), compared with an EBIT of €202 million (4.5% of sales) in 2021. Segment EBIT margin growth slowed due to supply chain tensions, cost inflation and the one-off negative impact from the shutdown of operations in Russia. Adjusted for these non-recurring expenses, the EBIT margin would have increased by an additional 1 point.

In the **Defense & Security** segment, EBIT stood at **€1,179 million**, compared to €1,111 million in 2021 (**+2.7%** at constant scope and exchange rates). As in 2021, the margin in this segment was **12.9%**. This robust EBIT margin, at the top of the medium-term guidance range (12%-13%), confirms the resilience of this segment despite the supply chain tensions and the associated cost inflation that affected 2022.

At **€494 million** (13.7% of sales), EBIT in the **Digital Identity & Security** segment continued to benefit from the improvement in the commercial margin of all its activities and from the leverage on the strong sales growth. The segment thus exceeds its medium-term EBIT margin target (12.5% to 13.5% in 2023) one year in advance.

[16] Non-GAAP financial indicator, see definition in the appendices, page 15 and calculation, pages 17 and 18.

Excluding Naval Group, **unallocated EBIT** was stable at **-€92 million** compared with -€91 million in 2021, including the reallocation of certain costs following the classification of Transport as a discontinued operation.

At **€119 million** in 2022 versus €69 million in 2021, **Naval Group**'s contribution to Group EBIT increased mainly thanks to the non-recurring income mentioned above.

At **-€50 million** versus -€57 million in 2021, **net financial interest** mainly benefited from a higher average level of cash than in 2021. The decrease in **other adjusted financial income**[17] **(-€34 million** in 2022 versus -€21 million in 2021) is explained by less favorable foreign exchange income. The change in the **adjusted financial expense on pensions and other long-term employee benefits**[17] (**-€35 million** versus -€30 million in 2021) reflects the decrease in net liabilities combined with the increase in discount rates.

As a result, **adjusted net income, Group share**[17] was **€1,556 million**, compared to €1,361 million in 2021, after an adjusted income tax charge[17] of -€331 million compared to -€244 million in 2021. At 20.6% in 2022 compared to 17.3% in 2021, the effective tax rate returned to a normalized level. The 2021 rate had benefited from one-off tax items of €46 million related to changes to tax rules in Italy and the United Kingdom.

The **adjusted net income, Group share, per share**[17] amounted to €7.35, up **15%** from 2021 (€6.39).

The **consolidated net income, Group share**, stood at **€1,121 million**, up **3%** from 2021. This improvement, which is lower than that of adjusted net income, Group share, is explained by a set of one-off items that were more negative in 2022 than in 2021: capital losses on disposal, pension plan modifications, change in the fair value of derivative instruments, and costs related to the disposal of the Transport business.

[17] Non-GAAP financial indicator, see definition in the appendices, page 15 and calculation, pages 17 and 18.

Financial position at December 31, 2022

In € millions	2022	2021	Change
Operating cash flow before interest and tax	2,490	2,344	+146
+ Change in working capital and provisions for contingencies	966	776	+190
+ Payment of pension contributions, excluding contributions related to the reduction of the UK pension deficit	(137)	(112)	(25)
+ Net financial interest received (paid)	(42)	(58)	+16
+ Income tax paid	(156)	(145)	(12)
+ Net operating investments	(525)	(446)	(80)
= Free operating cash flow, continuing operations	2,595	2,359	+236
+ Free operating cash flow, discontinued operations	(68)	156	(224)
= Free operating cash flow	2,527	2,515	+12
+ Net balance of disposals (acquisitions) of subsidiaries and affiliates	(453)	(53)	(400)
+ Contributions related to the reduction of the UK pension deficit	(95)	(99)	+4
+ Dividends paid	(563)	(417)	(146)
+ Share buyback (program approved in March 2022)	(329)	0	
+ New lease liabilities (IFRS 16)	(199)	(137)	(62)
+ Other	(128)	(55)	(73)
= Change in net cash (debt)	760	1,754	(994)
Net cash (debt) at start of period	(795)	(2,549)	+1,754
+ Change in net cash (debt)	760	1,754	(994)
= Net cash (debt) at end of period	(35)	(795)	+760

Free operating cash flow[18] amounted to **€2,527 million** compared to €2,515 million in 2021. It included a contribution of €2,595 million from continuing operations and -€68 million from discontinued operations. The conversion ratio of adjusted net income, Group share to free operating cash flow was 162% (185% in 2021). This new exceptional performance was, like in 2021, due simultaneously to strong export order intake, the positive phasing effects on cash inflows related to contract execution, as well as continued progress of teams on the actions implemented since 2020 under the "CA$H!" initiative.

The **net balance of acquisitions and disposals of subsidiaries and affiliates** amounted to **-€453 million**. As part of its bolt-on acquisition strategy, the Group finalized four significant acquisitions in 2022: two companies operating in cybersecurity, OneWelcome and Maxive (which includes S21 Sec and Excellium), RUAG's simulation & training business, and the 51% it did not hold in Advanced Acoustics Concept. The creation of Telit Cinterion did not result in an entry in the cash flow statement, as the disposal took place in exchange for a 25% stake in the new entity. In 2023, the Group anticipates the closing of two disposals: the sale of the Transport business to Hitachi Rail and the sale of the aeronautical electrical systems business to Safran.

[18] Non-GAAP financial indicator, see definition in the appendices, page 15.

As part of the **share buyback program** covering a maximum of 3.5% of the capital announced in March 2022, 2,765,104 shares were repurchased during 2022, i.e. 1.3% of the share capital, for an amount of **€329 million**. As of February 28, 2023, the Group had purchased 3.3 million shares, representing 1.5% of the share capital. This program will end by March 31, 2024 at the latest. On March 7, 2023, the Board of Directors approved the cancellation of 3,201,169 shares. The share capital will therefore comprise 210,210,140 shares once these shares have been canceled.

At December 31, 2022, **net debt** stood at **€35 million**, compared with €795 million at December 31, 2021, after taking into account new lease liabilities totaling €199 million (€137 million in 2021) and after the payment of €563 million in dividends (€417 million in 2021).

Shareholders' equity, Group share, totaled **€7,174 million**, compared to €6,474 million at December 31, 2021, with the reduction in net pension obligations from continuing operations (+€457 million) being combined with consolidated net income, Group share (€1,121 million).

Non-financial performance

	Target	2022	2021
Reduction of operational CO_2 emissions	2023: -35% compared to 2018	-40%	-36%
New developments incorporating eco-design	2023: 100%	84%	84%
Management committees with at least 3 women	2023: 75%	76%	71%
Percentage of women at the highest levels of responsibility	2023: 20%	19.4%	18.9%
Percentage of exposed employees trained every 2 years on anti-corruption	2023: 100%	100%	100%
Reduction in frequency of accidents at work with consecutive days off	2023: -30% compared to 2018	-34%	-34%

Based on its corporate purpose of "building a future we can all trust", Thales has set itself an ambition for its non-financial impact on the planet and society based on two pillars. Firstly, the Group seeks to maximize the contribution of its portfolio of solutions to a more sustainable world - safer, more environmentally friendly and more inclusive. Secondly, Thales has set itself ambitious targets on four main priorities:

- The fight against global warming
- Strengthening diversity
- The permanent implementation of the best standards in terms of ethics and compliance
- Strengthening the health and safety at work of all employees

Quantitative targets have been set for each of these priorities, and progress on these metrics has been integrated into the compensation structure of all employees eligible for variable compensation (i.e., over 60% of the workforce).

With regard to the fight against global warming, **operational CO_2 emissions**[19] for 2022 were down 9% compared to 2021 despite the resumption of business travel linked to the end of the Covid-19 crisis. This performance reflects, firstly, the 11% decrease in energy consumption relative to sales, obtained thanks to the renewal of industrial equipment and energy reduction actions, and the sharp increase in renewable electricity purchases, which represented 74% of electricity purchases in 2022 compared with 32% in 2021. As a result, the drop was -40% compared to 2018, well ahead of the 2023 target (-35%).

The Group continued to deploy the best practices in eco-design. At **84%** in 2022, the **percentage of new developments incorporating eco-design** remained high, in line with the target of 100% by 2023.

At the same time, the teams have strengthened their **engagement** with the most emissive **suppliers**. CO_2 emission reduction targets were formally submitted for **SBTi certification** in July 2022 and are expected to be validated in 2023.

With regard to strengthening diversity, at the end of 2022, 76% of the Group's **management committees** included **at least 3 women**, compared with 71% at the end of 2021 and 49% at the end of 2018. The **highest levels of responsibility**[20] had 19.4% women at this date, compared to 18.9% at the end of 2021 and 16.5% at the end of 2018. The target for women on management committees (75% in 2023) was therefore achieved one year ahead of schedule, while the level of women in management was in line with the 2023 target (20%). Initiatives to further promote women at all levels of the organization and promote their access to positions of responsibility are therefore bearing fruit. Thales actively supports an ecosystem of associations to transform its culture in terms of diversity, and invests in raising awareness among young girls on the Group's scientific jobs, in particular by supporting the "Elles Bougent" association. On the occasion of today's International Women's Day, the French daily newspaper Les Echos is publishing an Op-Ed article by Patrice Caine on this important topic.

In the area of ethics and compliance, the Group is focusing on team training and certification. As a result, in 2022, **100% of potentially exposed employees** who were to be trained during the year, i.e. more than 6,100 people, were trained in the fight against corruption. In March 2021, Thales received ISO 37001 "anti-bribery management systems" certification for its main French subsidiaries. In 2022, this approach was extended to two major countries in its international footprint, the United Kingdom and the Netherlands. In 2023, this certification will be further extended to other major countries where the Group operates.

Finally, despite the sharp drop in remote working following the end of the Covid-19 crisis, the **frequency of workplace accidents**[21] (-34% compared to 2018) remained below the 2023 target (-30%), as in 2021. It reflects the development of a culture of safety at work that relies on increased team training and the monitoring of proactive prevention KPIs.

Details of all action plans and associated metrics can be found in the non-financial performance statement that will be included in the 2022 Universal Registration Document scheduled for publication at the end of March 2023.

In 2023, the Group will define its new ESG roadmap for the coming years. It will aim to strengthen the integration of societal issues into its growth strategy and set new medium-term non-financial targets.

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[19] Scope 1, scope 2 and scope 3 business travel.

[20] Grades NR10 to 12, representing around 13% of the Group's total workforce. Percentage of women in the total workforce: 27%.

[21] Frequency rate of accidents at work with consecutive days off (tf1)

Proposed dividend

The Board of Directors decided to propose to the shareholders, who will convene at the Annual General Meeting on May 10, 2023, payment of a **dividend** of **€2.94** per share. This level corresponds to a payout ratio of 40% of the adjusted net income, Group share, per share.

If approved, the ex-dividend date will be May 23, 2023, and the payment date will be May 25, 2023. This dividend will be paid fully in cash and will amount to €2.24 per share, after deducting the interim dividend of €0.70 per share paid in December 2022.

Outlook

The medium-term outlook for all of the Group's major markets is very robust. In aeronautics, Thales can rely on the continued recovery in air traffic and commercial aircraft production rates, combined with the increase in military aeronautics requirements. In the space sector, Thales Alenia Space will benefit from higher space agency budgets, the quality of its commercial telecommunications satellite positioning, and the size of its order book. This solid trend should enable the Aerospace segment to register high single-digit organic sales growth in 2023 and 2024, and to achieve an EBIT margin of 8.5% to 9% in 2024, close to 2019 levels.

Over the coming years, the geopolitical situation requires significant growth in the military budgets of the Group's major customers. As a leading player in sensors, mission systems and military communication networks and systems, the Defense & Security segment benefits from an order book that is unprecedented in the Group's history. For this segment, the Group expects mid-single digit organic sales growth in 2023, picking up in 2024 ("mid-single digit+"), while maintaining industry-leading EBIT margins (around 13%).

Lastly, the DIS global business unit has an exceptional positioning in digital identity and security, at the heart of the trust challenges facing the world of tomorrow. After recording organic sales growth of nearly 15% in 2022, this segment is expected to see its performance consolidate over 2023 and 2024. Its EBIT margin should remain between 13.5% and 14.5%, more than 6 percentage points higher than its pro forma pre-acquisition level[22].

In response to this very buoyant environment, the Group has begun to ramp up its production capacities since the beginning of 2022. Having increased its recruitments by nearly 50% in 2022, Thales plans to hire more than 12,000 employees in 2023. Net operating investments, which exceeded their 2019 level as of 2022, are expected to reach €650 million in 2023 and €700 million in 2024, more than 45% above 2021. All the departments concerned are mobilized to secure the ramp-up of supply chains, often significantly disrupted by the Covid-19 crisis.

In the short term, however, the global environment remains uncertain, particularly with regard to the speed of air traffic recovery, the risks of component shortages, such as chips, the level of inflationary pressures on purchases and, more generally, the major parameters of the global economy.

[22] 7.6% on a pro forma basis in 2018.

Assuming there are no new major disruptions in the global economy, the public health context, or global supply chains, Thales has set the following targets for 2023:

- As in 2022, a **book-to-bill ratio above 1**;
- Organic **sales** growth of between **+4% and +7%**, corresponding to sales in the range of €18.0 billion to €18.5 billion[23];
- An **EBIT margin** between **11.5%** and **11.8%**, up 50 to 80 basis points from 2022.

Finally, the high level of cash generation in 2022 and the outlook for 2023 has led the Group to increase its cash flow generation target for 2019-2023: **the cash conversion ratio**[24] should reach around 130% on a reported basis[25]. This target corresponds to free operating cash flow generation of around €6.5 billion for the three-year period 2021-2023.

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This press release contains 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).

[23] Based on the scope and exchange rates of February 2023.
[24] Free operating cash flow divided by adjusted net income, Group share.
[25] Previous target, set in March 2022: cash conversion ratio of around 115% on a reported basis over the 2019-2023 period.

About Thales

Thales (Euronext Paris: HO) is a global leader in advanced technologies, investing in digital and "deep tech" innovations – connectivity, big data, artificial intelligence, cybersecurity and quantum technologies – to build a confident future crucial for the development of our societies. The Group provides its customers – businesses, organizations and governments – in the defense, aeronautics, space, transport, and digital identity and security domains with solutions, services and products that help them fulfill their critical role, consideration for the individual being the driving force behind all decisions.

Thales has 77,000[1] employees in 68 countries. In 2022, the Group generated sales of €17.6 billion.

[1] Excluding Transport business, which is being divested

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Building a future we can all trust

Appendices

Note on methodology

In this press release, the amounts expressed in millions of euros are rounded off to the nearest million. As a result, sums of **rounded-off figures** may show minor differences from reported totals. All ratios and changes are calculated using the underlying figures.

Organic change measures the movement in monetary indicators excluding the effects of changes in exchange rates and scope of the Group. It is obtained by calculating the difference between the indicator for the previous year discounted at the exchange rates applicable for the current year for entities whose reporting currency is not the euro, less the contribution of entities divested during the current year, and the value of the indicator for the current year, less the contribution of entities acquired during the current year. The calculation of organic change in sales is detailed on page 18.

Definitions of non-GAAP financial indicators

In order to facilitate monitoring and comparison of its financial and operating performance, the Group presents three key non-GAAP indicators that exclude non-operating and/or non-recurring items. They are determined as follows:

- **EBIT**, an adjusted operating indicator, corresponds to current operating income, plus the share in net income of equity affiliates, before the impact of entries recorded as part of business combinations (amortization of assets valued when determining the purchase price allocation, other expenses directly related to acquisitions). In application of IFRS5, it does not include the contribution to EBIT from discontinued operations.
- **Adjusted net income** corresponds to net income, excluding the following items and net of the corresponding tax effects:
    - amortization of assets valued when determining the purchase price allocation (business combinations);
    - expenses recognized in income from operations or in finance costs that are directly related to business combinations;
    - gains and losses on disposals of assets, changes in scope of consolidation and other;
    - impairment losses on non-current assets;
    - changes in the fair value of foreign exchange derivatives (recognized under "Other financial income and expenses" in the consolidated financial statements);
    - actuarial gains (losses) on long-term benefits (recognized under "Finance costs on pensions and other long-term employee benefits" in the consolidated financial statements).

  In accordance with IFRS5, this indicator includes net income from discontinued operations, after deduction of the corresponding adjustment items.
- **Free operating cash flow** corresponds to the net cash flow from operations before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments.

To facilitate comparison with adjusted net income, free cash flow from operations is obtained by summing free cash flow from continuing operations and free cash flow from discontinued operations.

Defining EBIT and adjusted net income involves defining other indicators in the **adjusted income statement**: adjusted cost of sales, adjusted gross margin (corresponding to the difference between sales and the adjusted cost of sales), adjusted indirect costs, other adjusted financial income, adjusted financial income on pensions and long-term employee benefits, adjusted income tax, adjusted net income, Group share, per share, calculated as described on pages 17 and 18.

Net cash (debt) corresponds to the difference between the sum of the "cash and cash equivalents" and "current financial assets" items and short- and long-term borrowings, after deduction of interest rate derivatives. From January 1, 2019, it has included lease liabilities recorded on the balance sheet pursuant to standard IFRS 16. Its calculation appears in Note 6.2 to the consolidated financial statements.

Please note that only the consolidated financial statements as of December 31, 2022 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 "Segment information", net cash (debt), the definition and calculation of which appear in Note 6.2 "Net cash (borrowings)", free operating cash flow from continuing operations, the definition and calculation of which are specified in Note 6.3 "Changes in net debt", and free operating cash flow from discontinued operations, the calculation of which is set out in Note 1.3 "Classification of the Transport business as discontinued operations". Adjusted financial information other than that provided in these notes is subject to the verification procedures applicable to all information included in this press release.

The impact of these adjustment entries on the profit and loss accounts at December 31, 2022, and at December 31, 2021, is detailed in the tables on pages 17 and 18. The calculation of free operating cash flow is detailed on page 9.

Adjusted income statement, EBIT and adjusted net income – 2022

In € millions *except earnings per share (in €)*	Consolidated income statement 2022	Adjustments (1)	(2)	(3)	(4)	Adjusted income statement 2022
Sales	**17,569**	**—**	**—**	**—**	**—**	**17,569**
Cost of sales	(13,113)	381	—	—	—	(12,732)
Research and development expenses	(1,064)	—	—	—	—	(1,064)
Marketing and selling expenses	(1,350)	—	—	—	—	(1,350)
General and administrative expenses	(599)	—	—	—	—	(599)
Restructuring costs	(99)	—	—	—	—	(99)
Income from operations	**1,344**	**381**	—	—	—	**1,726**
Share in net income of equity affiliates	180	29	—	—	—	209
Income from operations, including net income of equity affiliates	1,524	—	—	—	—	N/A
EBIT	**N/A**	**410**	**—**	**—**	**—**	**1,935**
Gains and losses on disposals of assets, changes in scope and other	(24)	—	24	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	(50)	—	—	—	—	(50)
Other financial income and expenses	(99)	—	—	65	—	(34)
Finance costs on pensions and other long-term employee benefits	(5)	—	—	—	(30)	(35)
Income tax	(225)	(97)	(3)	(14)	8	(331)
*Effective income tax rate**	*19.3%*	—	—	—	—	*20.6%*
Net income from continuing operations	1,122	313	21	50	(22)	1,485
Net income from discontinued operations	9	80	1	—	—	90
Net income	**1,131**	**393**	**22**	**50**	**(22)**	**1,574**
Non-controlling interests	(10)	(8)	—	—	—	(18)
Net income, Group share	**1,121**	**385**	**22**	**50**	**(22)**	**1,556**
Average number of shares (thousands)	211,833	—	—	—	—	211,833
Net income, Group share, per share (in €)	**5.29**	**—**	**—**	**—**	**—**	**7.35**

(*) Income tax divided by net income before income tax and before share in net income of equity affiliates

Adjustments (see definitions on pages 15 and 16):
(1) Impact of business combinations: amortization of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions and disposals
(2) Income from disposals of assets, changes in scope and other, and impairment losses on non-current assets
(3) Change in fair value of foreign exchange derivatives
(4) Actuarial differences on long-term employee benefits

Adjusted income statement, EBIT and adjusted net income – 2021

In € millions *except earnings per share (in €)*	Consolidated income statement 2021	Adjustments (1)	(2)	(3)	(4)	Adjusted income statement 2021
Sales	**16,192**	**—**	**—**	**—**	**—**	**16,192**
Cost of sales	(12,159)	372	—	—	—	(11,787)
Research and development expenses	(1,027)	—	—	—	—	(1,027)
Marketing and selling expenses	(1,226)	—	—	—	—	(1,226)
General and administrative expenses	(545)	—	—	—	—	(545)
Restructuring costs	(92)	1	—	—	—	(91)
Income from operations	**1,144**	**373**	**—**	**—**	**—**	**1,517**
Share in net income of equity affiliates	104	28	—	—	—	132
Income from operations, including net income of equity affiliates	1,247	—	—	—	—	N/A
EBIT	**N/A**	**402**	**—**	**—**	**—**	**1,649**
Gains and losses on disposals of assets, changes in scope and other	49	—	(49)	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	(57)	—	—	—	—	(57)
Other financial income and expenses	(53)	—	—	32	—	(21)
Finance costs on pensions and other long-term employee benefits	(22)	—	—	—	(8)	(30)
Income tax	(148)	(102)	12	(8)	2	(244)
*Effective income tax rate**	13.9%	—	—	—	—	17.3%
Net income from continuing operations	1,017	300	(37)	23	(6)	1,297
Net income from discontinued operations	118	8	(1)	(7)	—	117
Net income	**1,134**	**308**	**(38)**	**16**	**(6)**	**1,414**
Non-controlling interests	(46)	(8)	—	—	—	(53)
Net income, Group share	**1,089**	**300**	**(38)**	**16**	**(6)**	**1,361**
Average number of shares (thousands)	212,852	—	—	—	—	212,852
Net income, Group share, per share (in €)	**5.12**	**—**	**—**	**—**	**—**	**6.39**

(*) Income tax divided by net income before income tax and before share in net income of equity affiliates

Adjustments (see definitions on pages 15 and 16):
(1) Impact of business combinations: amortization of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions and disposals
(2) Income from disposal of assets, changes in scope and other, and impairment losses on non-current assets
(3) Change in fair value of foreign exchange derivatives
(4) Actuarial differences on long-term employee benefits

Order intake by destination – 2022

In € millions	2022	2021	Total change	Organic change	2022 weighting
France	6,504	6,455	+1%	+1%	28%
United Kingdom	1,100	955	+15%	+14%	5%
Rest of Europe	4,708	5,300	-11%	-12%	20%
Subtotal Europe	**12,312**	**12,711**	**-3%**	**-4%**	**52%**
United States and Canada	2,794	2,230	+25%	+12%	12%
Australia and New Zealand	927	586	+58%	+52%	4%
Total mature markets	**16,034**	**15,527**	**+3%**	**+1%**	**68%**
Asia	2,263	1,829	+24%	+24%	10%
Near and Middle East	4,378	856	+411%	+389%	19%
Rest of the world	875	1,696	-48%	-50%	4%
Total emerging markets	**7,516**	**4,381**	**+72%**	**+68%**	**32%**
Total all markets	**23,551**	**19,909**	**+18%**	**+16%**	**100%**

Sales by destination – 2022

In € millions	2022	2021	Total change	Organic change	2022 weighting
France	4,827	4,545	+6.2%	+6.1%	27%
United Kingdom	1,019	940	+8.4%	+7.8%	6%
Rest of Europe	4,101	3,719	+10.3%	+8.3%	23%
Subtotal Europe	**9,947**	**9,204**	**+8.1%**	**+7.2%**	**57%**
United States and Canada	2,415	1,952	+23.7%	+9.4%	14%
Australia and New Zealand	958	994	-3.6%	-7.3%	5%
Total mature markets	**13,320**	**12,150**	**+9.6%**	**+6.3%**	**76%**
Asia	2,068	2,057	+0.5%	+0.4%	12%
Near and Middle East	1,189	1,084	+9.7%	+6.3%	7%
Rest of the world	991	901	+10.0%	+4.3%	6%
Total emerging markets	**4,248**	**4,042**	**+5.1%**	**+2.9%**	**24%**
Total all markets	**17,569**	**16,192**	**+8.5%**	**+5.5%**	**100%**

Order intake and sales – Q4 2022

Order intake *In € millions*	Q4 2022	Q4 2021	Total change	Organic change
Aerospace	2,247	1,954	+15%	+13%
Defense & Security	4,780	6,359	-25%	-26%
Digital Identity & Security	1,032	889	+16%	+12%
Total – operating segments	**8,059**	**9,203**	**-12%**	**-14%**
Other	43	49		
Total	**8,102**	**9,252**	**-12%**	**-14%**

Sales *In € millions*	Q4 2022	Q4 2021	Total change	Organic change
Aerospace	1,435	1,355	+5.9 %	+3.1 %
Defense & Security	2,768	2,685	+3.1 %	+0.8 %
Digital Identity & Security	1,034	889	+16.3 %	+11.9 %
Total – operating segments	**5,237**	**4,929**	**+6.2 %**	**+3.5 %**
Other	33	40		
Total	**5,271**	**4,970**	**+6.1 %**	**+3.3 %**

Organic change in sales by quarter

In € millions	Sales 2021	Exchange rate effect	Impact of disposals	Sales 2022	Impact of acquisitions	Total change	Organic change
1st quarter	3,573	54	0	3,730	6	+4.4%	+2.7%
2nd quarter	4,096	103	0	4,526	2	+10.5%	+7.8%
1st half	**7,669**	**157**	**0**	**8,256**	**7**	**+7.7%**	**+5.4%**
3rd quarter	3,553	126	13	4,042	62	+13.7%	+8.5%
4th quarter	4,970	82	19	5,271	70	+6.1%	+3.3%
Full year	**16,192**	**364**	**32**	**17,569**	**140**	**+8.5%**	**+5.5%**

Main scope effects:

- Disposals: Digital Identity & Security activities in Russia
- Acquisitions: RUAG's simulation & training business (Aerospace segment), takeover of Advanced Acoustics Concepts (Defense & Security segment)

Performance of Transport

In € millions	**2022**	**2021**	**Total change**	**Organic change**
Order intake	2,191	1,947	+13%	+9%
Sales	1,772	1,665	+6.4%	+4.3%
EBIT (*)	132	161	-17.8%	-18.7%
as a % of sales	*7.4%*	*9.6%*	*-2.2 pts*	*-2.1 pts*